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NATIONAL SPECIAL DISTRICTS ASSOCIATION (NSDA)

Federal Updates: JULY 2026

This report provides a detailed overview of federal updates and activities relevant for the National Special Districts Association (NSDA) in July of 2026.

Special Districts Fairness and Accessibility Act (SDFAA)

SDFAA Advocacy Status Update

- The Special District Fairness and Accessibility Act (H.R.2766/S.2014) currently has 24 bipartisan cosponsors (16 Democrats, 8 Republicans) in the House, and 4 bipartisan cosponsors (2 Democrats, 2 Republicans) in the Senate. The House bill is still pending a full floor vote. Manatt provided NSDA with a new "whip tracker" to align, track, and focus congressional outreach.

- Manatt's outreach will prioritize members who shifted their vote on the legislation, vulnerable Republicans representing districts where NSDA has strong relationships, and high-priority offices with significant stakeholder engagement opportunities. The Congressional Budget Office's (CBO) determination that the legislation "would not affect the overall amount of assistance provided" supports future outreach.

- On March 25, 2026, the House Oversight and Government Reform Committee approved SDFAA. However, 8 members of the Committee voted no on the legislation:

    - Rep. Andy Biggs (R-AZ-05)
    - Rep. Lauren Boebert (R-CO-04)
    - Rep. Eli Crane (R-AZ-02)
    - Rep. Brandon Gill (R-TX-26)
    - Rep. Paul Gosar (R-AZ-09)
    - Rep. Glenn Grothman (R-WI-06)
    - Rep. Scott Perry (R-PA-10)

- Rep. William Timmons (R-SC-04)

- Of those 8, three lawmakers switched from a no vote on the House floor during the 118th Congress to a yes vote in the House Oversight and Government Reform Committee markup. Manatt wants to facilitate NSDA meetings with those three lawmakers: Reps. Burchett (R-TN-02), Donalds (R-FL-19), and Cloud (R-TX-27).
- In addition, Manatt intends to target Republican members in toss-up districts who represent districts where NSDA has strong membership engagement:
    - Rep. Juan Ciscomani (R-AZ-06)
    - Rep. David Valadao (R-CA-22)
    - Rep. Gabe Evans (R-CO-08)
    - Rep. Monic De La Cruz (R-TX-15)
- Manatt will also follow-up with staff in high-priority offices where NSDA has strong constituent connections:
    - Rep. Kevin Kiley (I-CA-03)
    - Rep. Doris Matsui (D-CA-07)
    - Rep. Kathy Castor (D-FL-14)
    - Rep. Rick Larsen (D-WA-02)
    - Rep. Marilyn Strickland (D-WA-10)
- Manatt plans to meet with Democrats on the House Oversight and Government Reform Committee to increase the number of cosponsors on the Committee, as only one member is currently a cosponsor.

Federal Appropriations + Grants Update

FY 2027 Appropriations Update

- The annual appropriations process funds grants, earmarks, and federal funding policies that support special districts. For example, the appropriations bills determine funding for programs of interest to special districts, including the Drinking Water State Revolving Fund, Clean Water State Revolving Fund, Assistance to Firefighters Grants, SAFER Grants, and public housing and community development programs for housing authorities.

- The House Appropriations Committee has advanced all twelve FY27 appropriations bills and has passed National Security-State Department, Agriculture, and Military Construction-Veterans Affairs bills on the floor. With August recess and midterm elections approaching, the House passed, on July 21, the House passed a stopgap continuing resolution (CR) measure in a 220-205 vote to fund the government through December 4, 2026. The bill would temporarily extend current FY 2026 funding levels while lawmakers continue negotiating FY 2027 appropriations bills.

- On Sunday, August 2, the Senate Appropriations Committee released continuing resolution (CR) text that would fund federal agencies through December 11, 2026. The measure would maintain current funding levels while making some adjustments to ensure national security, Supplemental Nutrition Program for Women, Infants, and Children (WIC), Disaster Relief programs can continue without disruptions. The Senate's 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 Monday, August 3, Senators voted 89-4 on a procedural vote to advance the legislative vehicle. Senate Majority Leader John Thune (R-SD) reportedly plans to bring the measure up for a vote the week of August 3rd ahead of the August recess. If the Senate passes the package before recess, the House will need to consider it when it returns after the August recess.

Reconciliation 3.0

- House Republicans adopted the budget resolution in a 216-214 vote on Wednesday, July 22, unlocking the budget reconciliation process for passing the $95 billion bill dubbed "Reconciliation 3.0". Unlike H.R. 1, the One Big Beautiful Bill Act, which was the 118th Congress's first budget reconciliation bill, this proposal will have significantly less impact on Special Districts nationwide.

- The House's resolution includes instructions for four House committees:

- Armed Services: $60 billion in new spending;
- Intelligence: $13 billion in new spending;
- Agriculture: $12 billion for farm assistance; and
- Administration: $10 billion to incorporate parts of the SAVE America Act, including election grants to states and other efforts aimed at promoting stricter voter-ID laws.

- However, both Senate Majority Leader John Thune (R-SD) and Senate Budget Committee Chair Ron Johnson (R-WI) have indicated that the House's resolution currently lacks the votes to win approval in the Senate.

Federal Grants Outlook

A summary of upcoming federal grant opportunities special districts are eligible for is included below:

Program	Description
Department of Housing and Urban Affairs: FY26 Pathways to Removing Obstacles to Housing (PRO Housing)	The PRO Housing program rewards communities that have taken steps to remove regulatory barriers to building and preserving homes by providing funding to further expand affordable housing, particularly homeownership opportunities and housing located in Opportunity Zones and rural communities.. **Award maximum:** $10,000,000 **Program funding**: $50,000,000 **Eligible applicants**: State, county, city, special district governments; Metropolitan Planning Organizations (MPOs). **Expected awards**: N/A **Deadline**: August 3, 2026
Department of Housing and Urban	The CoC program aims to quickly rehouse individuals and families experiencing homelessness, persons experiencing

Development: FY 2026 Continuum of Care Competition and Youth Homelessness Demonstration Program Grants NOFO	trauma or a lack of safety related to, or fleeing or attempting to flee domestic violence, dating violence, sexual assault, and stalking, and youth experiencing homelessness **Award maximum:** $25,000,000 **Program funding**: $4,040,000,000 **Eligible applicants**: State, county, city, special district governments; Native American tribal governments; Public and Indian housing authorities; Public and state institutions of higher education; Nonprofits non-higher education with 501(c)(3). **Expected awards**: 7,000 **Deadline**: August 26, 2026

NSDA Priority Issues

White House OMB Proposed Rule Comment Period Closes; Lawmakers Issue Comments

- Comments on the OMB's proposed revisions to 2 CFR Part 200, were due July 13, 2026. The OMB's proposed revisions are aimed at reworking the federal funding award process for local governments (including special districts), organizations, and institutions. The proposal would give agencies broad authority to halt grant awards if they determine a grant no longer serves program goals, agency priorities, or the national interest.

- In the time since the comment period closed, the Senate has released proposed Continuing Resolution text that would delay the implementation of the Office of Management and Budget's (OMB) proposed rule through December 11, 2026.

- More than 495,000 comments were submitted, including filings from the U.S. Conference of Mayors (USCM), National League of Cities (NLC), National Association of Counties (NACo),, National Special Districts Association (NSDA), National Association of Regional Councils (NARC), Association of Metropolitan Planning Organizations (AMPO), American Public Transportation Association (APTA), and the National Association of Development Organizations (NADO).

Furthermore, Senate Appropriations Chair Susan Collins (R-ME), 151 House Democrats, and 47 Senate Democrats commented.

- The letter submitted by 151 House Democrats expressed concern regarding the proposed rule's provisions that would give senior political appointees discretion over the approval and termination of grants, expand the administration's power to terminate grants that they determine are "not longer in the Federal Government's interest," ban grants related to DEI, impose new requirements on the Offices of Inspectors General (OIG) to share certain disclosures with the U.S. Attorney's Office for the District of Columbia, and create an undue administrative burden by requiring all recipients and subrecipients participate in the E-Verify program.

- The filing submitted by 47 Senate Democrats argues, among other things, that the proposed rule undermines federal agencies' and grant recipients' ability to faithfully carry out the programs enacted by Congress, as well as expresses concern that agencies could terminate or suspend any grant at any time without notice and that political appointees are directed not to defer to expert peer summary.

- NSDA also submitted comments to the Office of Management and Budget (OMB) and the American Society of Association Executives. NSDA's comments raised the following concerns:

  - The expanded grant termination authority could complicate long-term capital planning, delay project implementation, and expose local taxpayers to substantial financial liabilities;

  - Allowing political appointees to review and cancel grants decreases the role of technical merit evaluations and peer review;

  - Provisions that restrict federal funds for professional memberships, subscriptions, conferences, and related educational activities could increase compliance risks and prevent special districts from sharing valuable technical expertise; and

Additional verification and procurement requirements could significantly increase administrative burden.

<u>21st Century ROAD to Housing Act Becomes Law</u>

- The 21st Century ROAD to Housing Act automatically became law on July 10. After the Senate passed the bill on June 22 and the House passed it on June 23, House

Speaker Mike Johnson (R-LA) transmitted the bill to President Trump's desk on June 29, triggering a 10-day review period. Because the President neither signed nor vetoed the bill during that period, the measure became law automatically. The legislation, which represents most of the significant housing packages Congress has considered in decades, is designed to address housing affordability by increasing housing supply, expanding homeownership opportunities, and reducing barriers to housing development.

- Key provisions that will require congressional appropriations and affect special district governments that address housing – such as public housing authorities – include, but are not limited to:
  - **Section 106 – Temperature Sensor Pilot Program:** This section establishes a HUD pilot program to award grants to public housing agencies and owners of federally assisted rental housing to install temperature sensors in dwelling units, with the written permission of tenants, to ensure compliance with temperature-related housing quality standards.
  - **Sec. 208 – Innovation Fund:** This section authorizes a seven-year program to offer highly-flexible funding for communities that are building more housing supply, which can be used to improve community infrastructure and build housing.
- A section-by-section summary of the amended version of the 21st Century ROAD to Housing Act can be found here.

2026 Farm Bill Update

- On Friday, July 31, the Senate Agriculture Committee released updated text for the Senate-version of the Farm Bill, the Agricultural Act of 2026. The updated text includes a one-year delay in requiring states to pay for some Supplemental Nutrition Assistance Program (SNAP) benefits and language to permanently allow year-round sales of E15 fuel.
- The updated text adds Section 4101 entitled State Cost Share Delay, which requires states to contribute of the cost of SNAP benefits beginning in fiscal year 2029 if their payment error rate is 6 percent or greater. It also requires states with a payment error rate equal to or greater than 10 percent to pay 20 percent of the cost of SNAP benefits starting in fiscal year 2031.

- Under H.R.1, states are currently scheduled to bear increased SNAP administrative costs beginning October 1, 2026. States are also set to bear an increased share of SNAP costs depending on their FY 2025 or FY 2026 error rates on October 1, 2027.

- The proposed legislation moves the general start back one year to October 1, 2028, and extends the delayed start for the highest-error states to FY 2030 at the earliest. Even with this extension, however, states' eventual share of the benefit cost shift is still tied to its FY 2025 or FY 2026 payment error rate.

- The updated text also adds Section 12501 entitled Year-Round E15 and RFS Reform, which permanently authorizes nationwide year-round sales of E15, aiming to expand consumer fuel choice, strengthen domestic biofuels, and provide long-term regulatory certainty. The E15 provision could garner some Midwestern Democrat support, as corn growers have argued the provision will give them more certainty and bolster domestic demand.

- The Senate Agriculture Committee will hold a markup on the updated farm bill legislation on Thursday, August 6.

Surface Transportation Reauthorization Update

- On Sunday, August 2, the Senate Appropriations Committee released a continuing resolution (CR) that included a short-term extension for highway and transit authorities that are set to expire on September 30, 2026. The "clean" extension would extend expiring surface transportation programs through December 11, 2026 without adding new policy provisions.

- The clean extension would extend authorized surface transportation funding, but it would not extend the Infrastructure Investment and Jobs Act's (IIJA) lapsing advanced appropriations, which totaled approximately $36.8 billion per year.

- Also, on July 22, Transportation Secretary Sean Duffy sent a letter to the Senate Committees on Environment and Public Works; Commerce, Science, and Transportation; and Banking, Housing and Urban Affairs detailing the Department of Transportation's (DOT) priorities for Surface Transportation Reauthorization.
    - Secretary Duffy urged Congress to continue to work to pass a comprehensive long-term surface transportation bill but noted "*if a short-term extension of current authorities becomes necessary, we strongly urge Congress to adopt a set of critical policy priorities. We view these surface*

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transportation reauthorization (STR) proposals not merely as stopgaps, but as essential markers and anchors for the longer-term surface transportation reauthorization bill."

  - This is particularly noteworthy as it indicates that DOT is not asking for a clean extension of current authorities but rather one with some changes. Congress could ultimately opt for two extensions for Surface Transportation Reauthorization, a short-term measure through the election, followed by a year-long extension.

  - In the letter, Secretary Duffy urges the Senate panels to, among other things:

    - Eliminate the Mass Transit Account within the Highway Trust Fund and consolidate all Federal fuel tax revenues into the Highway Account to re-establish a direct user-pays model and reduce the Highway Trust Fund's structural deficit.

    - Consolidate several Infrastructure Investment and Jobs Act (IIJA) programs, including by merging the Grants for Buses and Bus Facilities and Low or No Emission Bus Programs into a streamlined competitive grant program without dedicated low- and zero-emission set-asides and combining five Office of the Secretary of Transportation (OST) competitive grant programs into a single multimodal infrastructure program, known as the Building Beautiful Infrastructure is Great (BBIG) program.

    - Allow several IIJA programs to expire, including the National Culvert Removal, Replacement, and Restoration Grant Program; Strengthening Mobility and Revolutionizing Transportation Grant (SMART) Program; Prioritization Process Pilot Program; Grants for Charging and Fueling Infrastructure; Carbon Reduction Program; and Active Transportation Infrastructure Investment Program.

    - Convert the Safe Streets and Roads for All grant program from a competitive grant program to a formula grant program.

- Senate Environment and Public Works (EPW) Chair Shelley Moore Capito (R-WV) said she would not eliminate the Highway Trust Fund's mass transit account. Chair Capito said, "It is always a question as to why are you taking the gas tax and putting it towards mass transit, taking a large segment of that out? I mean, that's a logical question. But it's been that way for a while and I don't see us changing it."

- The House Ways & Means Committee, which has jurisdiction over revenue provisions like the Highway Trust Fund and electric vehicle user fees, has yet to release its portion of the bill. House Ways & Means Chair Jason Smith (R-MO) has stated his panel is discussing it "pretty much daily" and indicated the Committee plans to hold a markup.

<u>Water Infrastructure Update: WRDA and Water Infrastructure Reauthorization</u>

- On July 14 and July 15, the House Transportation and Infrastructure (T&I) and Senate Environment and Public Works (EPW) Committees, respectively, unanimously approved their versions of the Water Resources Development Act (WRDA) of 2026. On July 14 and July 15, the House Transportation and Infrastructure (T&I) and Senate Environment and Public Works (EPW) Committees, respectively, unanimously approved their versions of the Water Resources Development Act (WRDA) of 2026.

- The Senate WRDA bill reauthorizes the Environment Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF), Drinking Water State Revolving Fund (DWSRF), and water workforce programs, while the House WRDA bill is just focused on reauthorizing Army Corps of Engineers (Corps) projects.

- The Senate WRDA bill includes the FIRE SMART Act, which amends EPA's Drinking Water State Revolving Fund (DWSRF) program to expand eligibility for water infrastructure projects with both drinking water *and* wildfire suppression benefits, and are in communities at high risk for wildfires with fewer than 50,000 residents. This legislation is intended to ensure that rural SRF applicants, including special districts serving rural areas, can optimize water infrastructure to ensure that emergency responders can utilize it to quickly save lives and property during an active wildfire. FIRE SMART Act provisions are not included in the House WRDA bill.

- The Senate WRDA bill also reauthorizes the CWSRF at $3.5 billion for each of the fiscal years 2027 through 2030. It also designates PFAS and lead service line replacement projects as eligible activities under the CWSRF. The bill reauthorizes the following levels of funding for the DWSRF program between Fiscal Years 2027 – 2031:

    - FY 2027: $3.75 billion (*+50M from current base authorization levels*)
    - FY 2028: $4 billion (*+75M from current base authorization levels*)
    - FY 2029: $4.25 billion (*+1B from current base authorization levels*)

- FY 2030: $4.5 billion (*+1.25B from current base authorization levels*)

- While these funding levels authorized are significantly lower than the amount of funding authorized for CWSRF/DWSRF under the Bipartisan Infrastructure Law (BIL), they are also slightly higher than the current levels authorized for both programs

- The Senate WRDA bill also includes the following key provisions:

  - EPA Innovative Water Infrastructure Workforce Development Program: Reauthorized at $15 million annually from Fiscal Years 2027 – 2030. The bill also makes training related to cybersecurity in the water sector an eligible use of funds for the program, and directs EPA to add focus on assisting small and rural communities within the program.

  - EPA Reducing Lead in Drinking Water Program: Reauthorized at $100 million annually from Fiscal Years 2027-2030.

  - EPA Midsize and Large Drinking Water System Infrastructure Resilience and Sustainability Program: Reauthorized at $40 million annually from Fiscal Years 2027-2030.

  - Digital Infrastructure Technology Grant Program: Establishes a new EPA grant program to assist publicly owned water systems and treatment works in a rural area or an area of a state that is experiencing critical water supply need to design, construct, or maintain digital infrastructure technology. The program is authorized at $15 million annually from Fiscal Years 2027-2030.

  - Point of use filtration system distribution pilot program: Establishes a pilot program to award grants to purchase and distribute point-of-use filtration systems to lower potential contaminants in drinking water. The program is authorized at $10 million annually for Fiscal Years 2027 – 2030.

  - Water intelligence, security, and cyber threat protection: Directs EPA to establish a program to encourage support and maintain the participation of community water systems and treatment works in the Water Information Sharing and Analysis Center. The program is authorized at $10 million annually for Fiscal Years 2027-2030.

<u>Secure Rural Schools (SRS) Reauthorization Update</u>

- Congress reauthorized SRS through FY 2026 in the Secure Rural Schools Reauthorization Act of 2025, but the program is set to expire again on September 30, 2026 absent congressional action. The SRS program aids rural counties and school districts affected by the decline in revenue receipts from timber harvests on federal lands. In FY 2025, the SRS program provided $256.7 million in funding to more than 700 counties in 41 states.

- The SRS program was reauthorized on December 18, 2025, through the Secure Rural Schools Reauthorization Act of 2025 but is set to expire again at the end of FY 2026. Barring congressional action, counties will receive their last SRS payment in the spring of 2027, once again creating significant budgetary shortfalls and major challenges for timber-dependent communities.

Key Issues to Watch

<u>NACo Resolution Impacting Special Districts</u>

- A resolution impacting special districts, entitled Proposed Resolution Opposing Federal Government Nonpayment of Special District Fees, passed at the NACo Annual Conference. The resolution holds:
    - Issue: The federal government refuses to pay its fair share, arguing it is a tax rather than a fee.
    - Proposed Policy: The National Association of Counties (NACo) supports federal regulatory and legislative efforts to ensure the federal government pays its fair share of special district fees.
    - Background: Under law, many states allow counties and other local governments to create special purpose districts to fund specific services such as drainage, drinking water, sewer, road construction, police, fire and other services as defined under state law. Through these special districts, real estate parcels, which are owned by individuals, businesses and other entities, are assessed costs for projects that benefit the landowners within that district.
    - Fiscal/Urban/Rural Impact: If the federal government or its agencies want to be landowners, they must pay their share rather than shifting this burden onto others within the district to pay the government's share.
    - Sponsors(s): Dean Kluss, Supervisor, Wright County, Iowa

FAA Extends Public Comment Period on Drone Flight Restriction Rule

- The Federal Aviation Administration (FAA) extended its comment period for a proposed rule that would allow owners and operators of certain critical infrastructure facilities, including certain chemical manufacturing facilities, amusement parks, dams, water/wastewater facilities, correctional facilities, emergency services facilities, and electrical facilities, to apply for Unmanned Aircraft Flight Restriction (UAFRs) designations.

- The proposed rule would allow eligible facility operators and proprietors to request drone flight restrictions when needed for aviation safety, protection of people and property on the ground, national security, or homeland security. The FAA is seeking comments on the economic, environmental, energy, or federalism impacts that might result from adopting the proposed rule.

Comments are now due August 5, 2026.

House T&I Committee Considers FEMA Reforms

- On Wednesday, July 15, the House Transportation and Infrastructure (T&I) Committee held a hearing to discuss FEMA reforms and the FEMA Act (H.R.4669), legislation to create a unified disaster application system and make FEMA an independent, cabinet-level agency. The legislation also makes several changes to FEMA's assistance programs with the goal of expediting payments and streamlining requests.

- Rep. Greg Stanton (D-AZ-04), one of the bill's original cosponsors, asserted that FEMA's current location under the Department of Homeland Security (DHS) creates unnecessary layers of leadership. Rep. Stanton also said: "This needs to be an independent agency with a direct line to the president of the United States...It will save time on emergency management proclamations. It will save time in emergency response, and make the whole process much quicker."

- T&I Chair Sam Graves (R-MO) argued that bill, which the panel advanced in a 57-3 vote last year, aligns with some of the recommendations developed by the administration's FEMA Review Council. Panel Democrats, meanwhile, raised concerns about staff cuts at FEMA and a report that suggested the administration has approved a higher share of disaster assistance requests from states led by Republican governors than from states with Democratic governors.

Lawmakers Introduce Resolutions Directing FTC to Investigate Fire Truck Industry

- On July 21, Sens. Elizabeth Warren (D-MA) and Jim Banks (R-IN), along with Reps. Becca Balint (D-VT) and Ben Cline (R-VA), filed resolutions (H.J.Res.203/S.J.Res) directing the Federal Trade Commission (FTC) to investigate serial acquisitions of firetruck manufacturers. The resolutions would direct FTC to investigate and report the facts relating to any alleged violations of antitrust law, specifically on:
    - The extent of anticompetitive practices and violations of antitrust law in the fire truck manufacturing industry, including price fixing, price gouging, serial acquisitions, and monopolization;
    - The monetary and other harms of anticompetitive practices and violations of antitrust law in the fire truck manufacturing industry on fire fighters, fire departments, states, municipalities, and small businesses; and
    - Recommendations for legislation or other remedial actions.
- The International Association of Fire Fighters and the American Economic Liberties Project have endorsed the resolution, arguing that fire departments across North American have experienced soaring apparatus prices, years-long delivery delays, and aging fleets that are increasingly costly to maintain and unreliable in an emergency.

- The resolutions follow an investigation by Sens. Warren and Banks into the harms of private equity roll-ups of fire truck manufacturers that they launched in April 2025.