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MEMORANDUM

TO Legislative Committee
FROM Ballard Spahr LLP
DATE May 6, 2026
RE Federal Legislative Update

This memo provides a Federal Legislative Update for items appearing on the agenda for the May 11, 2026, Legislative Committee Meeting.

a. Federal Government Update

i. Congressional Overview

President Trump signed a bill on April 30th ending a record 76-day shutdown of the Department of Homeland Security, the longest shutdown of any Federal Department in U.S. History. The house passed the Senate bill just hours before the emergency funding was sent to run out. The bill funds most of DHS through September but excludes ICE and part of Customs and Boarder Protection. Republicans plan to fund ICE and Border Patrol separately through budget reconciliation, which lets them pass it without Democratic votes. Both chambers have adopted a budget plan instructing committees to write that legislation, with the goal of funding those agencies for three years. Of note, the bill also delivers meaningful boost to FEMA, providing \$5.7 billion in base funding alongside \$26.4 billion for Disaster Relief Fund and additional support for key grant programs.

The SAVE America Act continues to remain stalled in the Senate.

Congress is in the early stages of a fact-tracked budget reconciliation process (Reconciliation 2.0) aimed at funding ICE and Border Patrol through the rest of President Trump's term. The House adopted the Senate-passed budget resolution on April 29 by a 219-211 vote, after speaker Johnson held the vote to open for over five hours to negotiate with some Midwestern Republicans upset about ethanol provisions being decoupled from the upcoming farm bill. The resolution allows up to \$70 billion in deficit increases over the 2026-2035 window and

instructs the House and Senate Judiciary and Homeland Security committees to submit their legislation by May 15. Trump wants the final bill on his desk by June 1.

On May 4th, two Senate committees released the actual legislative text. The combined package totals \$71.7 billion in new spending, with ICE getting about \$38.2 billion. Homeland Security Secretary Markwayne Mullin's office gets a separate, flexible \$5 billion to use for any purpose consistent with the bill or last year's "big, beautiful" reconciliation package. The legislation also includes nearly \$1.5 billion for the Justice Department (terrorism prosecution, DEA, Marshals Service, FBI), and \$1 billion for the Secret Service for security upgrades to the new White House ballroom project.

Within the GOP, fiscal hawks are uneasy about the topline and the loose Mullin allocation, while moderates worry about ICE oversight provisions absent from the text. With the May 15 committee deadline and President Trump's June 1 target quickly approaching, leadership has little room for defections in either chamber. And looming behind it all: House Republicans are already floating a third reconciliation bill (Reconciliation 3.0) this fall to tackle expiring TCJA provisions, Trump priorities like no tax on tips and overtime, Medicaid reforms, and further spending cuts — though whether leadership has the appetite for another fight will depend largely on the outcome of the current fight over funding for ICE/Border Protection .

Outside of reconciliation 2.0, current negotiations focus on FY2027 and several key issues: The National Defense Authorization Act ("NDAA"), the future of ACA enhanced premium tax credits, the farm bill and discretionary spending caps. President Trump's FY2027 budget request, released in April 2026, proposed 1.81 trillion in base discretionary budget authority, a 10.9% increase over FY2026, split between 1.15 trillion for defense and \$660 billion for nondefense programs.

The Trump administration's legal justification for ongoing military operations against Iran, rooted in Article II self-defense authority has faced mounting scrutiny by members of congress. On Monday, May 4th, U.S. forces significantly complicated the Administration's legal argument by engaging in direct military action against Iran. Specifically, American forces destroyed seven small Iranian boats in the Strait of Hormuz after Iran launched multiple cruise missiles, drones, and small boats targeting U.S. Navy ships as well as commercial vessels under U.S. protection. This event is particularly consequential because it took place just after the 60-day threshold set by the War Powers Resolution had been reached on Friday, May 1. The administration's entire justification for not seeking congressional authorization was based on its assertion that hostilities had ended between the United States and Iran. President Trump reinforced this position in letters sent to Congress on Friday, arguing that authorization was unnecessary due to a ceasefire he ordered back on April 7—which he said had since been extended—writing: "There has been no exchange of fire between the United States Forces and Iran since April 7, 2026. The hostilities that began on February 28, 2026 have terminated."

However, Monday's military engagement directly undermined this claim. Defense Secretary Hegseth had testified before the Senate Armed Services Committee last week that "the 60-day

clock pauses or stops in a ceasefire”—but also acknowledged that any resumption of hostilities could potentially reset the clock entirely. Following these developments and amid questions about whether hostilities truly ended with Project Freedom or continued elsewhere across Iranian territory, Secretary of War Peter Hegseth clarified during his Pentagon briefing on May 5th that he did not consider the ceasefire over—a distinction made specifically between Project Freedom operations and broader conflict within Iran itself.

ii. Executive Branch Updates

1. Administration Updates

a. Reclassification of Marijuana

In December on 2025, President Trump signed an executive order (EO) directing the DOJ and DEA to begin the process of rescheduling marijuana under the controlled Substances Act. On April 23rd, the directive took its first concrete step with Department of Justice and the Drug Enforcement Administration officially moving certain marijuana products from Schedule I to Schedule III. This action came in response to President Trump’s December 2025 Executive Order. Only FDA-approved marijuana drugs and products covered by a state medical marijuana license are affected by this change; state-licensed recreational cannabis, unlicensed activity, and synthetic THC all remain classified as Schedule I substances. For those hoping for broader reform, a more comprehensive DEA hearing on full rescheduling is scheduled for June 29, 2026.

While the rescheduling is narrow in scope, its downstream effects are substantial. The most significant practical impacts relate to taxation and research. Until now, Section 280E of the tax code prevented cannabis businesses from deducting ordinary business expenses because they were trafficking in a Schedule I drug. With this change, state-licensed medical operators are exempt from that restriction—a shift that dramatically improves their economic outlook. Additionally, research becomes much less restrictive under Schedule III status, allowing standard clinical trials on uses such as pain management, PTSD treatment, and neurological conditions; this also paves the way for more FDA-approved medicines derived from cannabis.

However, these changes do not amount to federal legalization of marijuana—nor do they free anyone currently incarcerated on marijuana charges or resolve major issues like cannabis banking or the persistent federal-state conflict regarding recreational use. Workplace policy remains unclear as well: for example, Department of Transportation bans on safety-sensitive employees using cannabis aren’t automatically lifted with this rescheduling decision; further guidance is still pending.

As a result of this rescheduling, local growers operating under medical licenses stand to benefit from Section 280E tax relief, gaining better margins and reinvestment capital. Medical consumers may see expanded product availability as FDA-approved cannabis medicines clear trials more quickly. However, the much larger recreational cultivation and retail footprint remains Schedule I, meaning most growers and consumers in the county will likely see little direct change.

2. Executive Order Updates

i. Accelerating Medical Treatments for Serious Mental Illness:

On April 18, 2026, President Trump signed an Executive Order titled “Accelerating Medical Treatments for Serious Mental Illness” which aims to facilitate the use of psychedelic drugs as treatments for serious mental illness, with particular emphasis on therapies for veterans. The substances covered by the order include ibogaine, psilocybin, MDMA, and LSD.

The EO has several key provisions. First, it directs the FDA Commissioner to expedite review of psychedelic drugs that have already received Breakthrough Therapy designation by granting them “National Priority Vouchers.” This move is intended to fast-track their New Drug Applications. Second, it expands federal “Right to Try” programs by ordering both the FDA and DEA to create a pathway for eligible patients—such as those with life-threatening conditions—to access investigational psychedelic drugs. This includes working out Schedule I handling authorizations that physicians will need in order to participate.

Third, the EO allocates \$50 million in research funding through ARPA-H (the Advanced Research Projects Agency for Health) specifically to support partnerships with state governments running clinical trials or other research programs related to psychedelics. Fourth, it requires greater collaboration among HHS (Department of Health and Human Services), FDA, and VA (Department of Veterans Affairs) agencies; these bodies must share data more freely and work together on increasing clinical trial participation among veterans—a population highlighted because of its elevated suicide rate.

Finally, the EO takes steps toward faster rescheduling of these substances if they prove effective: it instructs the Attorney General to begin DEA scheduling review immediately after any Schedule I psychedelic completes successful Phase 3 clinical trials. That way—should such a drug receive FDA approval—it can be moved promptly out of Schedule I classification rather than being stuck in regulatory limbo for years.

ii. Promoting Efficiency, Accountability, And Performance in Federal Contracting

On April 30, 2026, President Trump signed an Executive Order directing executive agencies to use fixed-price contracts as the default for federal procurement, replacing the cost-reimbursement model that critics say enables overspending. Contracting officers must now justify any non-fixed-price contracts in writing and obtain high-level approval for those exceeding monetary thresholds (\$100 million for War, \$35 million for NASA, \$25 million for DHS, and \$10 million for other agencies). Agencies are required to review their ten largest non-fixed-price contracts within 90 days and attempt to renegotiate them into fixed-price or performance-based agreements. Approved exceptions—such as emergencies or R&D projects—are allowed. OMB has 45 days to issue implementation guidance and the Office of Federal Procurement Policy must propose regulation changes and training within 120 days.

This shift aims to boost accountability by making contractors bear more risk but acknowledges that fixed prices aren't practical when project requirements are not well defined.

b. Appropriations Update, including Community Project Funding Requests

In April members of Congress submitted their recommended projects to committee. As we reported last month, Rep. Lofgren has submitted a request to the House Appropriations to favorably advance the San Lucas Clean Drinking Water project at the \$4,000,000 level. Sen. Padilla and Sen. Schiff have not yet posted their recommendations on their websites, but the Ballard Team is actively monitoring for updates.

FY27 Projects to be submitted	Description	Submissions	Funding Requested	Submitted to House/ Senate Committee	Draft Funding Level	FY 2027 Awarded Funding
San Lucas Clean Drinking Water (PWFP)	Partial funding request for a project to permanently address water quality problems in San Lucas, which have occurred since 2006 and caused its residents to live under bottled water orders.	Sen. Padilla 3/13	\$4,000,000			
		Sen. Schiff 3/6	\$4,000,000			
		Rep. Lofgren 3/15	\$4,000,000	\$4,000,000		
Nacimiento and San Antonio Dams and Reservoirs Safety Project (MCWRA)	Partial funding request for the Nacimiento and San Antonio Dams Reservoirs Safety Projects (sometimes referred to as the Low-Level Outlet Works Rehabilitation Project) to ensure the safe operation of the dams during the state mandated replacement of the San Antonio Dam spillway.	Sen. Padilla 3/13	\$6,000,000			
		Sen. Schiff 3/6	\$6,000,000			
		Rep Panetta 3/4 ; 3/11	\$6,000,000			
		Rep Lofgren 3/15	\$6,000,000			
Nacimiento Lake Drive Repaving Project (MCWRA)	Funding request to repave a degraded two-mile segment of Nacimiento Lake Drive, directly over the Nacimiento Dam crest. The road serves emergency responders, residents, and recreational visitors.	Sen. Padilla 3/13	\$2,100,000			
		Sen. Schiff 3/6	\$2,100,000			
		Rep Panetta 3/4 ; 3/11	\$2,100,000			
		Rep Lofgren 3/15	\$2,100,000			
Reclamation Ditch Restoration	Funding request to rehabilitate 6.8 acres	Sen. Padilla 3/13	\$500,000			

(MCWRA)	within the existing Salinas Reclamation Channel (Reclamation Ditch No. 1665) system and maintain lands to support public use and enjoyment and improve the riparian zone and waterway.	Sen. Schiff 3/6	\$500,000			
Salinas Regional Soccer Complex (PWFP)	Partial funding request for the next phase expansion of the Salinas Regional Soccer Complex, envisioned to become the most significant sports complex between Los Angeles and San Francisco, with the potential to serve 18,000 children/ youth weekly (plus their families). This project is in partnership with the Salinas Regional Soccer Authority.	Sen. Padilla 3/13	\$4,719,200			
Skate Park and BMX Pump Track (PWFP)	Partial funding request for development of a bike and skate park in Salinas. The site, and its connection to multi-use trails, offers unique regional recreation options for the tri-county area. This project is in partnership with the Salinas Regional Soccer Authority.	Sen. Padilla 3/13	\$3,000,000			
		Sen. Schiff 3/6	\$3,000,000			
		Rep. Lofgren 3/15	\$3,000,000			

c. Legislation

i. H.R. 7567, the Farm, Food, and National Security Act of 2026 – OPPOSE unless AMENDED

Denise Vienne, one of the County’s Policy, Research, and Planning analysts, flagged H.R. 7567, the Farm, Food, and National Security Act of 2026 (Farm Bill of 2026) as a bill which she recommended that the County should oppose due to the fact that it would lock in the budget cuts of the One Big Beautiful Bill Act (OBBBA). The combined effects of the Farm Bill of 2026, as written, and the previously adopted OBBBA funding cuts would undermine the agricultural and food systems that the legislation seeks to protect. Where OBBBA significantly reduced funding for programs such as SNAP (CalFresh), including the expansion of the 3-month time limit and administrative cost shifts to local jurisdictions

beginning in October, the Farm Bill of 2026 would lock them in place. OBBBA put counties like Monterey in a difficult position having to increase workload to implement the new requirements while cutting federal funding for program administration in half. The Farm Bill of 2026 does not sufficiently mitigate these harms and, in some cases, introduces additional uncertainties that could disrupt supply chains, increase food costs, and exacerbate economic disparities in rural areas.

Based on direction and policies detailed in the legislative platform, and the concerns of County staff, the Ballard team drafted an “oppose unless amended” position letter for the Board of Supervisors’ consideration. As a part of this process, the Ballard team sought consultation and input from the County of Monterey Agricultural Commissioner prior to presenting the draft letter to Chair Askew.

Rep. Glenn Thompson (PA-15) introduced the legislation in the House. The House passed the bill on April 27, 2026, and it is now headed to the Seante. The House version passed with some floor amendments which removed a controversial liability shielding provision and added a provision which would allow rotisserie chicken purchases via SNAP. The Senate may alter some of the provisions and send the bill back to the House. The Ballard team will provide updates as the legislation progresses.

***ii. H.R. 8210 A Stronger Workforce for America Act of 2026 –
Recommend to Watch***

Sup. Alejo asked us to track H.R. 8210, A Stronger Workforce for America Act of 2026, a bill to reauthorize the Workforce Innovation and Opportunity Act (WIOA). The bill was referred to the Committee on Education and Workforce, in addition to the Committee on Ways and Means. The Committee on Education and Workforce voted to advance the bill on April 21, 2026. This bill proposes to transfer the functions of the Adult Education and Family Literacy Act from the Department of Education to the Department of Labor, which would result in a significant structural change. The bill also proposes to incorporate the federal AI literacy framework and incorporate AI literacy into adult education, which differs from the 2024 version of the bill and also would require that 12.5% of funds spent to meet the work experience spending floor be spent on apprenticeships and pre-apprenticeships serving youth. These proposals represent the key changes between the 2026 bill and the bipartisan bill which was introduced in 2024. Other aspects of this 2026 bill remain identical to the 2024 bill.

Based on direction and policies detailed in the legislative platform and concerns expressed by Sup. Alejo, the Ballard team is recommending a watch position at this time.

Rep. Tim Walberg introduced the legislation in the House, and there is not yet a companion bill in the Senate. There are however, related bills in both the House and the Senate.

Attachment(s):

- d. Federal Bill/Issues Track