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AGENDA ITEM #3

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MEMORANDUM

TO Legislative Committee

FROM Ballard Spahr LLP

DATE August 5, 2026

RE Federal Legislative Update

This memo provides a Federal Legislative Update for items appearing on the agenda for the August 10, 2026, Legislative Committee Meeting.

Federal Report

2.

I. Congressional Overview

i. Congressional Overview

Since the last Legislative Committee meeting, Congress moved through an unusually active stretch. It finished the second reconciliation package funding immigration enforcement, passed the first war powers resolution to clear both chambers, advanced the FY2027 budget and defense bills, and closed the pre-recess period with a rapid series of major House votes. Much of this now sits with the Senate, where several measures face an uncertain path.

The period opened with the completion of "Reconciliation 2.0," the party-line package funding ICE and Customs and Border Protection for the remainder of the President's term. The Senate passed the measure on June 5, after stripping politically contentious items including $1 billion for White House security tied to the ballroom project and a $1.8 billion "anti-weaponization" fund. The House then cleared the bill, styled the Secure America Act, on June 9 on a near party-line vote, and the President signed it into law the following day. The roughly $70 billion measure funds the two agencies through fiscal year 2029 and also completed the FY2026 appropriations process.

In its final week before the August district work period, the House moved a cluster of priorities in quick succession, passing four major bills and sending them to the Senate: a continuing resolution, the budget resolution launching Reconciliation 3.0, the FY2027 defense authorization, and a congressional stock-trading ban carrying voter ID requirements.

On government funding, the House passed H.R. 9770, the Continuing Appropriations Act, 2027, on July 21, with six Democrats joining Republicans. The measure is a clean stopgap that extends government funding at current levels through December 4, 2026, heading off a shutdown when the new fiscal year begins on October 1. It continues programs in their current form for the duration, including SNAP, WIC, TANF, the National Flood Insurance Program, wildfire suppression, and the Disaster Relief Fund. Because not a single full-year FY2027 appropriations bill has yet cleared both chambers, the CR is meant to buy time to finish that work. It now goes to the Senate, where Majority Leader John Thune has signaled that chamber leadership has its own plans, so the final shape of the stopgap is not yet settled.

On August 2, Senate appropriators unveiled a bipartisan CR, negotiated by Appropriations Chairwoman Susan Collins and Vice Chair Patty Murray, that would fund the government at current levels through December 11, 2026, a week later than the House's December 4 date. On August 3, the Senate cleared the first procedural hurdle on an 89-4 vote to advance the measure, with leadership aiming for final passage within days, before the chamber leaves for its August recess. The bipartisan Senate version includes targeted provisions to benefit WIC, national security and shipbuilding programs, and the Disaster Relief Fund. Additionally, the bill would temporarily bar the administration from finalizing its plan to place political appointees in charge of approving federal grants, freezing that effort for the life of the patch while requiring OMB to keep reviewing the roughly half-million public comments already submitted. It also closes a loophole in the House CR that would have allowed funds to be shifted to Border Patrol and adds language ensuring that neither ICE nor Border Patrol receives new money under the stopgap. The measure also extends expiring surface transportation programs for the duration of the patch, though it provides no new advance appropriations for transportation as advance funding from the 2021 infrastructure law runs out. Because the two chambers' bills differ, the stopgap sets up a likely standoff when the House returns from recess on August 31, with Speaker Johnson caught between accepting the bipartisan Senate measure and holding firm on the House-passed version.

Separately, Senate Agriculture Chairman John Boozman unveiled a farm bill compromise that would give states an additional year before they must cover a larger share of SNAP benefit costs, while imposing steeper penalties on states with the highest payment error rates. Boozman will need Democratic support to move the measure out of committee this week.

The House also adopted the budget resolution that formally launches "Reconciliation 3.0," on July 22 by a narrow margin, mainly along party lines. It sets a framework of roughly $95 billion across four House committees, breaking down into about $60 billion for defense, $13 billion for intelligence operations, $12 billion in farm relief, and $10 billion to help states administer voter ID measures drawn from the SAVE America Act However, both chambers must adopt the resolution before committees can draft the bill, and its path in the Senate is uncertain.

On defense, the House passed H.R. 8800, the FY2027 National Defense Authorization Act, on July 22, with six Democrats in favor and seven Republicans opposed. The bill authorizes a record $1.15 trillion for national security programs and includes a proposed military pay raise of 5 to 7 percent, a bar on the Navy using foreign shipyards to build battle force vessels, funding for missile defense and low-cost munitions, right-to-repair provisions, $500 million for a second destroyer, and a repeal of the Department of Defense policy that reimburses travel for service members seeking reproductive care. The bill now goes to the Senate, where the Armed Services Committee approved its own roughly $1.14 trillion version in June, but Senate Democrats have blocked it from reaching the floor over the Iran war and concerns about defense spending growth. Non-defense riders are likely to be stripped as the two chambers negotiate a final version.

The House also passed H.R. 7008, the Stop Insider Trading Act, on July 22, with 13 Democrats joining all Republicans. Championed by Rep. Bryan Steil, the bill would prohibit members of Congress, their spouses, and dependent children from buying new individual stocks, while allowing them to keep stocks they already own and sell them after filing public notice seven to 14 days in advance. Republicans also included provisions of the Voter ID Act in this legislation, which mirrors the voter ID provisions of the SAVE America Act, requiring photo identification to vote in federal elections. Critics, including some Democrats who back a trading ban, called the bill weak because it stops short of requiring divestment and does not address the President or Vice President, and labeled the voter ID addition a poison pill. The bill now heads to the Senate, where its voter ID provisions appear to have no clear path.

II. Executive Branch Updates

a. Administration Updates

i. GSA's response to Board letter regarding the proposed ICE detention facility in Gilroy

On July 9th, the GSA responded to the Board's letter regarding the proposed ICE detention facility in Gilroy. It stated that the facility's placement and development is the subject of ongoing federal litigation involving the agency (County of Santa Clara, et al. v. U.S. Immigration and Customs Enforcement, et al.), and shared that the U.S. Department of Justice, should be the primary point of contact for any future communication on this matter.

b. Executive Order Updates

On July 9, President Trump signed Proclamation 11041, "Regulatory Relief for Certain Stationary Sources to Promote American Chemical Manufacturing Security," published in the Federal Register on July 16. The action grants a two-year exemption from compliance with the EPA's 2024 HON Rule for 25 specified chemical manufacturing facilities, extending the new hazardous air pollutant standards under Section 112 of the Clean Air Act and allowing those facilities to continue operating under the emissions rules that applied before the 2024 standard took effect. The administration justifies the exemption on national security and supply-chain grounds, asserting that the compliance technology is not commercially available and that the rule's deadlines would otherwise force shutdowns or major capital investment at facilities serving the semiconductor, medical device, defense, and agricultural supply chains. The action does not repeal the rule; it delays each affected facility's compliance deadlines by two years. It has drawn criticism from environmental and community groups, who note that a legal challenge to earlier HON delays was filed in October 2025 and that the EPA had estimated the 2024 rule would cut toxic air emissions by more than 6,200 tons a year and lower cancer risk for nearby communities.

On June 25, President Trump signed an executive order titled "Advancing Regenerative Agriculture and Strengthening American Farm Resilience." The order directs the Secretary of Agriculture to expand the reach of USDA's Regenerative Agriculture Pilot Program, share its results with stakeholders, and build public-private partnerships to help farmers adopt regenerative practices aimed at improving soil health and lowering input costs. It also directs the EPA to prioritize the registration of alternative crop protection products and to review data on pre-harvest desiccation uses for consistency with safety and labeling standards, and it tasks USDA, HHS, and EPA with developing research methodologies on cumulative chemical exposures in the food supply. The administration frames the order as part of its broader "Make America Healthy Again" agenda and as a step to strengthen the domestic food supply, while emphasizing that precision agriculture decisions should remain local and free of burdensome mandates. The order was announced alongside related USDA action, including a final Regenerative Feedstock Rule, and followed a separate administration request for roughly $11.1 billion in emergency aid for farmers. Because it directs agencies to work within existing authority and subject to available appropriations, its practical effect will depend on how agencies implement it.

III. Appropriations Update, including Community Project Funding Requests

The Ballard Team will continue to monitor the Appropriations process 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 Sen. Schiff 3/6 Rep. Lofgren 3/15	$4,000,000 $4,000,000 $4,000,000	$4,000,000 $4,000,000 ~~$4,000,000~~	 $746,868	

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 Sen. Schiff 3/6 Rep Panetta 3/4 ; 3/11 Rep Lofgren 3/15	~~$6,000,000~~ ~~$6,000,000~~ ~~$6,000,000~~ ~~$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 Sen. Schiff 3/6 Rep Panetta 3/4 ; 3/11 Rep Lofgren 3/15	~~$2,100,000~~ ~~$2,100,000~~ ~~$2,100,000~~ ~~$2,100,000~~			
Reclamation Ditch Restoration (MCWRA)	Funding request to rehabilitate 6.8 acres 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. Padilla 3/13 Sen. Schiff 3/6 Rep. Lofgren 3/15	~~$500,000~~ ~~$500,000~~ ~~$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 Sen. Schiff 3/6 Rep. Lofgren 3/15	~~$4,719,200~~ ~~$4,719,200~~ ~~$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 Sen. Schiff 3/6 Rep. Lofgren 3/15	~~$3,000,000~~ ~~$3,000,000~~ ~~$3,000,000~~			

IV. Advocacy

a. Engagement with Rep. Panetta on FEMA

The Carmel River Floodplain Restoration and Environmental Enhancement (CRFREE) Project is a multi-benefit "green infrastructure" project undertaken in partnership between the Big Sur Land Trust and the County of Monterey. The project was conceived after the devastating floods of the 1990s that impacted the Highway 1 corridor connecting Carmel to Big Sur. It is designed to provide significant flood protection to Highway 1, the many businesses and utilities at the mouth of Carmel Valley, and homes on the north side of the Carmel River in Mission Fields and along Rio Road.

The project has two interrelated components: a causeway (new opening) under Highway 1 with notched levees, and floodplain restoration and trails on the east and west sides of the highway. It is intended to reduce repetitive, high-loss flooding by directing high river flows onto the restored floodplain and then to the river mouth under the new causeway on State Route 1. The causeway will significantly reduce ponding and upstream backwater flooding, protecting an economic corridor that supports hospitality and other commerce across the region. An agricultural preserve will be built on the project site to maintain the agricultural history of the area.

The CRFREE project is shovel-ready. More than half of the needed $56 million, some $33.7 million, has been raised from state and local funders, with the remaining $27 million expected from the FEMA Hazard Mitigation Grant Program (HMGP), applied for in 2018.

The project is now at a critical juncture, and the $27 million in FEMA funding is in question. The delay in disbursing the FEMA funds also raises the risk that the state grant funds will expire. If the $27 million does not become available in the very near term, millions of dollars will be lost, thousands of hours of effort to get this project on the ground will have been wasted, and, most importantly, property and the area's economic vitality will be left at risk in the event of future flooding. The project can begin aspects of construction as soon as the FEMA award is made, but to date FEMA has not allowed construction to begin until the grant is awarded.

The Ballard team is actively engaging with Rep. Panetta directly on the FEMA-obligated disaster relief funds tied to the Palo Colorado work to get these funds released. While there is not a significant update to share at this time, we are continuing to advocate on this issue in Washington on behalf of the county.

b. Engagement with Rep. Panetta on NSFLTP project

In September 2024, PWFP determined that it was prudent for the County to move forward with applying for a federal grant under the Nationally Significant Federal Lands and Tribal Projects (NSFLTP) Program for the Palo Colorado Road Storm Damage Repair Project. Rep. Panetta's staff had encouraged the County to pursue this competitive grant opportunity. According to PWFP, the project is essential for the rehabilitation and improvement of Palo Colorado Road, a crucial access route to the Los Padres National Forest containing several key recreational facilities. At the time of the grant request, Ballard helped facilitate support letters for the grant from then Sen. Padilla, Sen. Butler, and Rep. Panetta.

As you know, Palo Colorado Road is approximately 8 miles in length serving as the only access road from the scenic Big Sur Coastline along Highway 1 to the pristine Los Padres National Forest in the Santa Lucia Mountains of Monterey County, California. Unfortunately, Palo Colorado Road has been battered by the impacts of climate change beginning in 2016 when the Soberanes Fire burned over 132,000 acres in Monterey County resulting in a Federal Disaster declaration. The fire left damage to Palo Colorado Road and burn scars in the surrounding hillsides. Winter storms in 2016 and 2017 exacerbated the roadway damage as large amounts of water inundated the burn scarred hillsides and canyons causing mudslides, slip outs, fallen trees and debris flows created a safety risk for the traveling public and resulted in road closures, emergency repairs and a second declaration of Federal Disaster. While Monterey County PWFP worked diligently with the Federal Emergency Management Agency (FEMA) to repair and rehabilitate much of the roadway, approximately 3.8 miles (from milepost 4.0 to 7.8) remain severely damaged and closed. The road is unusable to the public due to landslides, large road slip outs (1/4 lane-11/2 lane in width), and damaged and washed out culverts; local residents and visitors remain without access to vital recreational facilities and homes. Current roadway conditions also hinder emergency response.

The Palo Colorado Road Storm Damage Repair Project will rehabilitate and significantly improve safety and resilience of this key regional roadway providing access to Los Padres National Forest and regional recreation facilities. The Project will improve drainage systems, and stabilize the surrounding hillsides in effort to bolster the roadway against the escalating threats of climate change and prevent future closures. The Project will include the installation of soldier-pile walls and soil nail walls, slope stabilization, construction of drainage improvements and addition of guardrails for safety.

The closure of this portion of the road has eliminated access to important recreational areas, including the Bottchers Gap Trailhead and Campground, Skinner Ridge Trail, Little Sur Trail, Camp Pico Blanco, and Mill Creek Redwood Preserve. Investing in the repair and restoration of Palo Colorado Road will bring numerous benefits to our community. Restoring access to key recreational facilities and unimpeded access for emergency response is crucial for both local residents and visitors.

The Ballard team continues to work with Rep. Panetta's staff on the NSFLTP grant. While the outcome of the FY24 NSFLTP grant application submitted by the County was never resolved with the government, in June 2026, a new Notice of Funding Opportunity was issued. The Ballard team is coordinating with Rep. Panetta's office on the County's new application. To strengthen the application, Ballard secured letters of support from the federal delegation, and the Nossaman team assisted in obtaining the corresponding letters from state elected officials. Ballard will continue working with Rep. Panetta's office, PWFP and the Federal Highway Administration to support the County as the application moves forward.

c. Letter to OMB regarding proposed changes to the Federal Grant Rules

On July 10, Ballard Spahr worked with county staff to draft and subsequently submitted the County's comment letter to OMB and circulated it to the Congressional delegation.

As you know, the County's Supervisors and the County Administrative Officer, Sonia De La Rosa, are all very concerned by this proposed regulatory change. The County's public comment responded to OMB's proposed rewrite of 2 CFR Part 200, known as the Uniform Guidance, published May 29, 2026 under Docket OMB-2026-0034. The Uniform Guidance is the government-wide framework of cost principles, administrative requirements, and audit standards that govern how state and local governments and other recipients spend and account for federal grant funds, and the proposed rule is the most significant revision to it since 2013. On behalf of the County of Monterey, the letter expressed support for OMB's stated goals of transparency, accountability, and oversight, noted the County's strong internal controls and audit record, and urged targeted changes so the final rule reflects how county government actually operates and preserves the County's ability to deliver federally funded services.

The letter raised four concerns with the proposed rule, each paired with a specific request for revision.

On discretionary termination, the proposed rule would let a federal agency or pass-through entity cancel almost any award once it decides the award no longer serves program goals, federal priorities, or the national interest. The County warned this would allow grants to be ended mid-performance after local match has been committed, staff hired, and services begun, adding unpredictability rather than accountability since existing law already permits termination for noncompliance, fraud, and waste. It asked OMB to limit termination to the bases already established in law and to require published criteria, a notice-and-cure process, and adequate wind-down periods.

On the new viewpoint-neutrality requirement in proposed § 200.219, the rule would extend federal event-services conditions to county-controlled property even when the event receives no federal funds, drawing routine local decisions about scheduling, fees, and security under federal oversight. The County asked OMB to limit the requirement to federally funded events, remove pass-through liability for subrecipient activity on non-federally-funded property, and provide clear safe-harbor guidance.

On the revised cost-allowability standard in § 200.403(g), the rule would tie allowability to new § 200.300(b) conditions barring awards from funding practices it characterizes as unlawful DEI, "gender ideology," or the "transition" of minors. Because those terms are undefined, the County could not know at the time of spending whether a cost complies, yet a cost later deemed noncompliant can be disallowed after the fact and an inaccurate certification can trigger False Claims Act exposure. The County asked OMB to define every operative term before the conditions take effect, establish a good-faith safe harbor, apply disallowance only after an individualized finding of noncompliance rather than retroactively, and limit pass-through liability to the scope of the federally funded award.

On internal-control standards, the rule would delete the Green Book and COSO from §§ 200.303(a) and 200.514(c)(1) as binding or recommended benchmarks, removing the shared definition of "effective" internal control that makes the single-audit system work across thousands of jurisdictions and inviting inconsistent findings and added cost. The County asked OMB to retain both as recognized reference frameworks or, at minimum, confirm that adherence to either satisfies the requirement.

The letter closed by urging OMB to adopt these targeted revisions, which the County argues preserve oversight while protecting counties' ability to plan, perform, and deliver federally funded services.

d. Letter to FCC regarding current E-Rate considerations

On June 29, Ballard Spahr worked with county staff to draft and subsequently submitted the County's comment letter to the FCC. The County’s Library Director, Hillary Theyer, is particularly troubled by the downstream implications of this proposal, and we will continue to coordinate closely with her on this issue.

The County’s letter to the FCC responded to the FCC's proceedings on E-Rate, the Universal Service Fund program that helps schools and libraries afford broadband and telecommunications service, filed across several dockets including Ensuring Children's Safe Use of Screens and E-Rate-Funded Services (WC Docket No. 26-133), Modernizing the E-Rate Program for Schools and Libraries (WC Docket No. 13-184), Establishing the Emergency Connectivity Fund to Close the Homework Gap (WC Docket No. 21-93), and Promoting Fair and Open Competitive Bidding in the E-Rate Program (WC Docket No. 21-455). Together these proceedings are considering changes to the program, including proposals that could scale back or eliminate E-Rate support. On behalf of the County of Monterey, the letter registered strong opposition to any proposal that would eliminate, sunset, or substantially curtail the E-Rate program for libraries.

The letter made several points in support of preserving E-Rate for libraries.

It emphasized the distinct role of libraries. For nearly three decades, E-Rate has helped libraries provide reliable public broadband, and while much of the E-Rate discussion centers on schools, libraries serve job seekers, seniors, veterans, immigrants, entrepreneurs, and others who lack reliable home internet. For many Americans, the local library is the most accessible entry point to the digital world.

It argued that wider broadband availability has not made E-Rate obsolete. Connectivity depends not just on whether infrastructure exists but on affordability, digital literacy, device access, and network reliability, and libraries help bridge those gaps daily. Eliminating support would shift costs onto local governments and taxpayers, forcing libraries to cut services, delay technology upgrades, or divert resources from core programs.

It rejected the idea that reducing E-Rate support would address student screen time. Screen time is a complex educational, parental, and public health issue, and library broadband is not a driver of excessive screen use; instead it enables research, learning, civic participation, job applications, and access to government services. Restricting library funding would create new barriers to information access without solving screen-time concerns.

It offered an alternative to elimination. If the Commission believes reforms are needed, it should focus on accountability, fraud prevention, and efficient use of funds rather than ending a program that continues to deliver public benefits, treating E-Rate's success as a reason to strengthen it rather than end it.

The letter closed by urging the Commission to reject any proposal that would sunset or eliminate E-Rate support for libraries and to reaffirm the federal commitment to ensuring all Americans can access modern communications services through their local libraries.

Attachment(s):

V. Federal Bill/Issues Track