OCTA

August 20, 2026

To: Legislative Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Federal Legislative Status Report

Overview

The Orange County Transportation Authority regularly updates the Legislative Committee on policy and regulatory issues directly impacting the agency's programs, projects, and operations. This report provides an overview of the Water Resources Development Act of 2026 and provisions supporting the Los Angeles – San Diego – San Luis Obispo Rail Corridor, an update on the Office of Management and Budget's proposed revisions to the Uniform Guidance governing federal financial assistance, and recent developments related to surface transportation reauthorization, including the Administration's policy priorities and the Orange County Transportation Authority's advocacy to preserve local project selection authority for federal transportation funding.

Recommendation

Receive and file as an information item.

Discussion

Water Resources Development Act of 2026

On July 14, 2026, the House Transportation and Infrastructure Committee unanimously approved the Water Resources Development Act (WRDA) of 2026, which is the biennial legislation that authorizes the U.S. Army Corps of Engineers (USACE) water resources projects and provides policy direction for the Corps' Civil Works Program. The legislation authorizes new feasibility studies, construction projects, and environmental infrastructure assistance nationwide and now awaits consideration by the full House. The Senate Environment and Public Works Committee approved its version of WRDA on July 15, 2026, and the two chambers will work to reconcile differences before final passage.

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Representative Mike Levin (D-CA) successfully secured two provisions in the House bill that support ongoing efforts to improve the long-term resiliency of the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor work in City of San Clemente (City). The first authorizes a USACE feasibility study for the City shoreline to evaluate coastal storm risk management and shoreline erosion protection measures. The study is an important step toward identifying and advancing long-term shoreline protection solutions that could help safeguard the LOSSAN Rail Corridor from coastal erosion and storm impacts while positioning the project for future federal funding opportunities.

The second provision authorizes $20 million in environmental infrastructure assistance for water and wastewater infrastructure projects in the cities of Mission Viejo, Rancho Santa Margarita, and San Clemente, including water supply, water recycling, and stormwater management improvements. In addition, Representative Levin's office worked with committee staff to amend the existing 2007 Orange County environmental infrastructure authorization by adding environmental restoration as an eligible activity and increasing the authorization from $10 million to $18 million. Because the City is already encompassed within the existing Orange County authorization, these changes could support future coastal resiliency efforts related to the City shoreline. Work will need to be done to secure appropriations consistent with this authorization.

OCTA staff continues to monitor the advancement of the final WRDA package and will continue to monitor opportunities to leverage these authorizations to support long-term coastal rail resiliency efforts for the LOSSAN Rail Corridor.

Office of Management and Budget Proposed Federal Financial Assistance Rule

On May 29, 2026, the Office of Management and Budget (OMB) published a proposed rule to revise the Uniform Guidance governing federal financial assistance. According to the OMB, the proposal is intended to improve transparency, accountability, and oversight of federal grants, cooperative agreements, and other forms of federal financial assistance by establishing government-wide requirements for grant administration. The proposed rule would expand agency authority to terminate discretionary grants, require additional pre-award review of grant awards by senior political appointees, establish new compliance requirements for grant recipients, and make other revisions to the federal grantmaking process.

The proposal has generated significant concern among state and local governments, transportation agencies, and industry organizations regarding its potential impacts on federally funded infrastructure projects. The Capital Investment Grants (CIG) Working Group and the American Public Transportation Association, both of which OCTA is a member, submitted comments urging the OMB to withdraw or substantially revise the proposal. Copies of these comments are included as Attachments A and B. The comments argue that the proposed rule would create uncertainty for discretionary grant programs by allowing awards to be terminated based on changing agency priorities rather than project performance, increase administrative burdens, delay project delivery, and increase financing and construction costs for major infrastructure projects, including those funded through the Federal Transit Administration's CIG Program.

The proposed rule has also been subject to some questions by Congress. Senate Appropriations Committee Chair Susan Collins (R-ME) requested that the OMB extend the public comment period and withdraw portions of the proposal that would expand agencies' authority to terminate grants, increase political review of grant awards, and impose additional administrative requirements on recipients. House Appropriations Committee democrats similarly urged the OMB to withdraw the proposal, arguing it would politicize federal grantmaking and create uncertainty for grant recipients.

Separately, a federal district court recently ruled that existing OMB regulations do not permit federal agencies to terminate grants solely because an administration's policy priorities have changed. While the decision applies to the current guidelines rather than OMB's proposed revisions, it represents potential legal opinions on the matter as the Administration continues to pursue changes to federal grant management. OCTA staff continues to monitor the rulemaking process and any potential impacts on federal transportation funding opportunities.

Surface Transportation Reauthorization and Federal Funding Update

With current federal surface transportation authorization set to expire on September 30, 2026, Congress continues laying the groundwork for the next multi-year surface transportation reauthorization bill. The legislation, which reauthorizes federal highway, transit, rail, and safety programs, establishes national transportation policy and funding levels for programs administered by the U.S. Department of Transportation (DOT). If Congress is unable to complete a long-term bill before the authorization expires, lawmakers are expected to consider a short-term extension to avoid disruptions to federal transportation programs.

On July 22, 2026, DOT Secretary Sean Duffy transmitted the Administration's surface transportation reauthorization priorities to congressional leadership, which is included as Attachment C. The proposal calls for a comprehensive multi-year authorization while outlining policy priorities that the Administration has requested Congress include in either a long-term bill or any short-term extension. Among the Administration's recommendations are strengthening transit safety and security by providing the FTA with additional authority to condition federal transit funding on improvements in safety and crime reduction, advancing automated vehicle deployment through a new federal pilot program, incorporating railway safety reforms, expanding highway and freight infrastructure investments, and restoring Highway Trust Fund solvency through structural funding changes. As part of that effort, the Administration proposes eliminating the Mass Transit Account of the Highway Trust Fund and consolidating all federal fuel tax revenues into the Highway Account. The proposal has generated significant concern among transit stakeholders and members of Congress, who argue that eliminating the Mass Transit Account could jeopardize the long-standing federal funding structure that supports public transportation programs. However, key congressional leadership has already discounted the idea gaining traction. The proposal also recommends consolidating numerous competitive grant programs, modifying or eliminating several Infrastructure Investment and Jobs Act (IIJA) programs, and streamlining federal transportation funding opportunities.

While Congress continues to develop a long-term reauthorization bill, lawmakers are also working to prevent a lapse in federal transportation funding through a Continuing Resolution (CR) of the annual appropriations bills. The House has passed a CR that would fund the federal government through December 4, 2026, at fiscal year 2026 funding levels but does not include an extension of surface transportation authorization. The Senate's draft CR would go through December 11, 2026, while also providing a clean extension of current Highway Trust Fund authorizations, maintaining base fiscal year 2026 funding levels. However, the Senate CR would not extend advance appropriations under the IIJA, meaning transportation programs would continue to operate at base authorization levels. Without an extension of surface transportation authorization, certain federal transportation programs could face disruptions even if Congress enacts a CR to fund the federal government, underscoring the need for Congress to address both appropriations and program authorizations. The proposal also includes language prohibiting OMB from finalizing its proposed rule revising the Uniform Guidance for federal financial assistance.

As discussions on reauthorization continue, OCTA is working with regional transportation partners to advance legislative priorities that preserve local flexibility and improve the delivery of federal transportation funding. In July, OCTA joined the five other Southern California county transportation commissions in signing a joint letter, included as Attachment D, supporting Representative Julia Brownley's (D-CA) proposed amendment to the BUILD America 250 Act that would authorize county transportation agencies in the Southern California Association of Governments' (SCAG) region to directly receive Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality Improvement (CMAQ) program funds and select projects within their respective regions.

For nearly three decades, the SCAG region operated under a framework in which the California Department of Transportation suballocated STBG and CMAQ funding to county transportation commissions, allowing local agencies to prioritize and deliver projects based on regional transportation needs. However, a 2021 federal corrective action prohibited the State from suballocating these funds and prevented metropolitan planning organizations from delegating project selection authority to county transportation commissions, centralizing project selection at the regional level. According to the joint letter, this change has reduced local flexibility, delayed project delivery, and increased administrative complexity throughout the SCAG region. The proposed amendment would restore local project selection authority while maintaining metropolitan planning organization oversight of the regional Transportation Improvement Program, improving project delivery and ensuring federal funds are more efficiently obligated.

OCTA staff will continue working with the Orange County congressional delegation, regional transportation partners, and national stakeholder organizations throughout the surface transportation reauthorization process to advance policies that support Orange County's transportation priorities, preserve local decision-making authority, and maintain reliable federal transportation funding.

Summary

Information is provided on several recent federal legislative and regulatory actions. Included is an update on the Water Resources Development Act of 2026, the Office of Management and Budget’s proposed revisions to the Uniform Guidance for federal financial assistance, the ongoing surface transportation reauthorization process, including federal policy proposals and OCTA’s efforts to preserve local flexibility in the administration of federal transportation funding.

Attachments

A. Letter from Jeffrey F. Boothe, Chair, Capital Investment Grants Working Group, to The Honorable Russell T. Vought, Director, Office of Management and Budget, and Mr. Joel Savary and Mr. Andrew Reisig, Office of Management and Budget, Office of Financial Management, re: Comment on Proposed Revisions to 2 CFR § 200 and Section 200.340, dated July 13, 2026
B. Letter from Paul P. Skoutelas, President and CEO, American Public Transportation Association, to The Honorable Russell T. Vought, Director, Office of Management and Budget, and The Honorable Sean P. Duffy, Secretary, Department of Transportation, re: Comment to Federal Register Notice, OMB-2026-0034, Regulation of Federal Financial Assistance, dated July 13, 2026
C. Letter from Sean P. Duffy, The Secretary of Transportation, Washington, DC, to Shelley Capito, Chairman, Committee on Environment and Public Works, and others, re: Urgent Action Needed on Surface Transportation Reauthorization, dated July 22, 2026
D. Letter from Stephanie Wiggins, Chief Executive Officer, Los Angeles County Metropolitan Transportation Authority, and others, to The Honorable Sam Graves, Chairman, House Transportation and Infrastructure Committee, and The Honorable Rick Larsen, Ranking Member, House Transportation and Infrastructure Committee, re: Support for Amendment to Authorize Local Funding Distribution and Selection of Projects from the Surface Transportation Block Grant and Congestion Mitigation and Air Quality Improvement Programs, dated July 10, 2026
E. Potomac Partners DC, Monthly Legislative Report – June 2026
F. Potomac Partners DC, Monthly Legislative Report – July 2026

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