

Appropriations Process Stalled; Congress Pivots to Continuing Resolution. With House and Senate work on Fiscal Year (FY) 2027 Appropriations bills stalled, both Houses have pivoted to passing Continuing Resolutions (CR) to ensure federal government funding continues beyond September 30. Before adjourning for the August break, the House passed a clean CR that would simply extend federal funding through December 4. On August 2, Senate Appropriations Chair Susan Collins (R-ME) released a CR that would extend federal funding through December 11. The Senate will remain in session the week of August 2 with the goal of passing its version of the CR. Given that seven Senate Democrats are needed to pass the CR to overcome any filibuster attempt and then a Unanimous Consent agreement will be required to pass it in time to adjourn for the August recess, the Senate CR included provisions championed by Senate Democrats. Most notably, the Senate CR includes language stating that the proposed Office of Management and Budget (OMB) rule overhauling the federal grant system to allow grants to be canceled "shall not be issued or finalized"; the rule is scheduled to go into effect October 1. The Senate CR text omits annual funding for ICE and CBP enforcement because those programs received an infusion of long-term funding from this Congress' second reconciliation bill, and it also prevents OMB from conducting further targeted funding rescissions from federal programs. Additionally, the Senate CR includes provisions to allow housing programs to continue, to ensure the Commodity Supplemental Food Program has sufficient funds to continue serving low-income seniors, and it extends authorizations of important health, veterans, infrastructure, and other programs through December 11. Finally, the Senate CR extends the surface transportation program, which is set to expire September 30. If the Senate is able to pass its version of the CR, the House will have to consider it when it returns to session after Labor Day. House Republicans are less likely to support the Senate provisions added to appease Democrats, potentially setting the stage for contentious negotiations leading up to the September 30 funding deadline.

Surface Transportation Reauthorization Stalls as Short-Term Extension Emerges. The surface transportation reauthorization has lost momentum with the current program authorized in 2021 as part of the bipartisan infrastructure bill expiring September 30. In May, House Transportation and Infrastructure Committee Chairman Sam Graves (R-MO) and Ranking Member Rick Larsen (D-WA) unveiled the BUILD America 250 Act (H.R. 8870), a five-year, $580 billion reauthorization for FY2027-2031. Of that total, $474 billion is guaranteed as Highway Trust Fund contract authority, with the remaining $106 billion subject to future appropriations. The bill carries what sponsors call the largest bridge investment in U.S. history, establishes the first federal framework for autonomous commercial motor vehicles, and creates a new Trust Fund revenue stream through annual registration fees of $130 on EVs and $35 on plug-in hybrids. The committee advanced it 62-2 on May 22 after a 14-hour markup that also attached a contested,

White House-backed rail safety measure. House Ways and Means, which must write the revenue title and direct the new fee revenue into the Trust Fund, has not acted, and CBO found in July that the bill would still widen the Trust Fund's deficit despite the new fees. No floor vote is scheduled, and Chair Graves has acknowledged that an extension is now probably necessary.

The Senate is further behind, with its four committees of jurisdiction, Environment and Public Works, Commerce, Banking, and Finance, still negotiating topline funding and the same rail safety dispute, and no bill text released. With few legislative days left before the August recess and the fiscal deadline, both chambers have conceded that no five-year bill will pass by September 30. Senate Appropriations confirmed as much in CR text released August 2 that extends surface transportation program authority through December 11 and Highway Trust Fund expenditure authority through December 12, with no new policy riders. A separate CR provision extends the availability of certain unobligated highway funds through September 30, 2027. Whether Congress uses this window to break the House revenue-title impasse and produce Senate text, or whether reauthorization slips into 2027, remains open. Successive patches look more likely, given the compressed midterm calendar and the unresolved fight over Trust Fund solvency.

House Moves on Third Reconciliation Bill; Senate Path Unclear. Over one year after President Trump signed the One Big Beautiful Bill Act (OBBBA), Congress is moving again to use a third budget reconciliation process to enact party-line priorities without the seven Senate Democrats needed to overcome a filibuster. In the second reconciliation package, the process was used to secure funding for immigration functions, a move protested by Democrats during FY2026 government funding negotiations. In its third iteration, Republican leaders are focused on three areas: military replenishment for the Iran War, farm assistance, and election security via the SAVE America Act. On July 22, the House approved a budget resolution, the first step, in a party-line 216-214 vote. The resolution directs the relevant Committees to draft bill text for a $95 billion spending package from FY2027 to FY2036 with $60 billion for the Committee on Armed Services, $13 billion for the Committee on Intelligence, $12 billion for the Committee on Agriculture, and $10 billion for the Committee on Administration. The farm assistance section is expected to take the form of farm subsidies in response to inflation and trade disruptions, and to align with previous assistance allocated by President Trump and the Commodity Credit Corporation (CCC). Simultaneously, Senate Republicans released plans to markup Farm Bill text, the Agricultural Act of 2026, on August 6 with similar language to the House version, Farm, Food, and National Security Act of 2026, which passed mostly along bipartisan lines, 224-200, on April 30. Since expiring in 2023 and operating under temporary extensions, Farm Bill priorities related to conservation, nutrition, rural development, public lands, energy, and the farm safety net like the CCC, must contend with the opportunity cost of passing farm assistance through reconciliation instead of the bipartisan Farm Bill. Within the budget resolution's election title, Republican leaders are hoping to answer public calls from President Trump and rank-and-file members to pass the SAVE America Act, a bill varying in scope but always containing provisions implementing voter-ID requirements and banning non-citizens from voting. Due to Senate objections to the SAVE Act and other funding priorities, the Senate is unlikely to take up the House-passed resolution. Notably, the House reconciliation bill does not contain offsets, an important component

for fiscal conservatives in both chambers. To preempt those concerns, House leaders are promising an ambitious fourth reconciliation package only targeting spending cuts emulating those done in the OBBBA. However, with Senate delays, a third reconciliation package may not materialize until the fall, leaving timing four a fourth bill doubtful.

House Adult Education Bills Pass House Committee. On July 15, the House Committee on Education and Workforce passed ten bills codifying the Trump Administration's efforts to dismantle the Department of Education in a package titled "Less Bureaucracy, Better Education". The package is separated into ten bills, reflecting ten interagency agreements shifting responsibilities to other Departments. Most notably, the Department of Labor would manage programs within the Offices of Career, Technical, and Adult Education; Elementary and Secondary Education; and Higher Education. Under these agreements, many day-to-day administrative responsibilities—including grant management, application review, and recipient selection—are being performed by other federal agencies, while the Department of Education retains the statutory authority and legal responsibility for administering the programs. In contrast, the Senate Committee on Health, Education, Labor, and Pensions (HELP) approved a bipartisan bill that would block the Department of Education from relinquishing the Offices of Special Education and Rehabilitation Services, Postsecondary Education, Elementary and Secondary Education, and Indian Education. In that markup, the Republicans who supported the bill notably blocked efforts to add the Offices of Career, Technical and Adult Education, signifying more overwhelming GOP support for that particular interagency agreement. As those bills move to the House floor, the attention of the Education and Workforce and HELP Committees may be distracted from the stalled effort to reauthorize the Workforce Innovation and Opportunity Act (WIOA) programs.

Housing Bill Becomes Law. On July 11, the 21st Century ROAD (Renewing Opportunity in the American Dream) to Housing Act became law after President Donald Trump allowed the measure to be enacted without his signature, following the 10-day constitutional period after Congress had approved the bipartisan legislation with overwhelming support in both the House and Senate. The new law is considered the most significant federal housing legislation since the 2008 housing crisis. The objectives of the ROAD are to increase housing supply, reduce development costs, and improve housing affordability by streamlining federal environmental and permitting requirements for new housing, modernizing federal housing and community development programs, expanding opportunities for manufactured housing, strengthening disaster recovery and housing rehabilitation programs, improving Housing Choice Voucher administration to encourage greater landlord participation, enhancing homeownership counseling and financial literacy, and placing new restrictions on large institutional investors acquiring single-family homes in an effort to preserve homeownership opportunities for families. The legislation also includes numerous reforms aimed at improving the efficiency of HUD and other federal housing programs while expanding tools available to state and local governments to support housing production and neighborhood revitalization. The law is expected to create new opportunities to leverage federal resources, reduce regulatory barriers to residential development, and accelerate local efforts to address housing shortages across communities throughout the region.