



TO: TOPSAIL ISLAND SHORELINE PROTECTION COMMISSION

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SUBJECT: JUNE JOINT MONTHLY REPORT AND LEGISLATIVE UPDATE

DATE: JUNE 25, 2026

The June Monthly Report and Legislative Update provides information on the following:

- **Advocacy Update**
 - o Surf City CSRM Renourishment Project
 - o North Topsail Beach CBRA Mapping Issue
 - o OMB Proposes Major Overhaul of Federal Grant Rules
- **Washington News**
 - o Congress Faces a Packed Agenda and a Shrinking Calendar
 - o Experts Warn of Growing Cyber Threats to Water Infrastructure
 - o EPA OIG Report Points to Slow Spending on EPA Infrastructure Funds
 - o FEMA Gears Up for Hurricane Season

Advocacy Update

Surf City CSRM Beach Renourishment Project

Meaningful headway continues to be made on the Surf City coastal project, with recent high-level conversations at the federal level yielding positive signals. The approval process is moving through its final stages, and the relevant federal agencies are actively engaged in their review. We have remained in close communication with Surf City and the Commission as developments have arisen and will continue to provide updates and support as the matter progresses.

North Topsail Beach CBRA Mapping Issue

We continue to make progress on the North Topsail Beach CBRA matter, working closely with our federal partners and North Topsail Beach to move things forward. Ongoing discussions and information-sharing have helped clarify outstanding issues, and we are encouraged by the engagement we have received. We will keep the Commission informed as developments unfold.

OMB Proposes Major Overhaul of Federal Grant Rules

On May 29, 2026, OMB published a proposed rule ([91 FR 32198](#)) that would significantly revise the regulations governing federal grants and cooperative agreements ([2 CFR Part 200](#)). These rules touch virtually all federal financial assistance—transportation, water, housing, energy, and public safety grants among them.

The proposed changes could affect grant administration, compliance obligations, and funding strategy for local governments, special districts, and utilities. TFG's memo linked [here](#) walks through the most relevant provisions and their possible implications.

We encourage clients to submit public comments by **July 13, 2026**, at www.regulations.gov (docket OMB-2026-0034). Input from public agencies, with concrete data and examples, may help shape the final rule that is targeted to take effect on October 1, 2026.

Washington News

Congress Faces a Packed Agenda and a Shrinking Calendar

Washington is in the thick of one of the most legislatively ambitious stretches of the 119th Congress, with Republicans pushing to advance multiple major priorities on a timeline that is growing tighter by the week. Before the August recess begins on August 10, congressional leadership is attempting to move the Senate's \$72 billion border security reconciliation bill to the President's desk, advance the BUILD America 250 Act (the Surface Transportation Reauthorization) through the House floor, and make meaningful progress on FY 2027 appropriations. Layered on top of that, the Water Resources Development Act (WRDA) 2026 is under active development, with both chambers having solicited project and policy submissions from members and stakeholders and the Senate Environment and Public Works (EPW) Committee having held a hearing on the bill in February. WRDA is enacted on a bipartisan basis roughly every two years, and the 119th Congress will be under pressure to keep that streak alive. A potential third reconciliation package, informally dubbed "Reconciliation 3.0," is also being discussed among House Republicans, with House Budget Committee Chair Jodey Arrington (R-Texas) floating a goal of having a budget blueprint in place by the end of June and passage before the August recess. That bill is expected to include additional Department of Defense spending, new or extended tax cuts, and potentially housing supply provisions. Whether leadership can thread that needle alongside everything else on the docket remains an open question. All of this must be resolved before the 119th Congress adjourns in December.

Surface Transportation Reauthorization

Following passage of the BUILD America 250 Act (H.R. 8870) by the House Transportation and Infrastructure (T&I) Committee on May 22, action has moved to the House floor. The bill authorizes \$580 billion in funding to U.S. Department of Transportation (DOT) programs over Fiscal Years (FYs) 2027 through 2031. T&I Committee Chair Sam Graves (R-Mo.) has indicated his intent to advance the bill as quickly as possible, and House GOP leadership has carved out floor time for consideration, with a vote before the full House possible by the end of June.

Progress in the Senate, however, has been slower. None of the four committees with jurisdiction over reauthorization, specifically the Environment and Public Works, Commerce, Banking, and Finance Committees, have produced bill text. With the current surface transportation authorization, the Infrastructure Investment and Jobs Act (IIJA), set to expire on September 30, 2026, Congress will likely need to pass a short-term extension in late September to allow additional time to finalize the legislation before the end of the 119th Congress.

FY 2027 Transportation-HUD Appropriations

The full House Appropriations Committee approved the Fiscal Year 2027 Transportation, Housing and Urban Development (T-HUD) spending bill on June 3. The bill provides \$28.29 billion in discretionary funding to the DOT, which is \$1.177 billion above the FY 2026 enacted level and \$1.464 billion above the President's FY 2027 budget request. The \$28.29 billion includes \$7.86 billion in funding repurposed from the IIJA. Key highlights by agency include:

- **Office of the Secretary of Transportation (OST):** \$550 million is provided for BUILD grants, funded by unobligated National Culvert Removal, Replacement, and Restoration Grant Program IIJA advance funding. Of that amount, \$350 million (63.6%) is reserved for grants to areas of high growth.
- **Federal Transit Administration (FTA):** Total budgetary resources would decrease by \$1.7 billion to \$14.8 billion, though accounting for transfers narrows the effective reduction to \$200 million relative to FY 2026. Capital Investment Grants (CIG) would receive no new appropriations, instead being funded at \$737.2 million from unobligated FSP advance IIJA funds, a significant reduction from the \$1.7 billion in new spending provided in FY 2026.
- **Federal Highway Administration (FHWA):** Total budgetary resources would decrease by \$1.3 billion to \$64.5 billion. New General Fund spending for highway infrastructure programs would be eliminated, though some programs would continue receiving funding through IIJA transfers.
- **Maritime Administration (MARAD):** \$500 million is proposed for the Port Infrastructure Development Program (PIDP), entirely from unobligated FSP advance IIJA funding.

Senate Reconciliation

The Senate passed its \$69.5 billion budget reconciliation package, the Secure America Act (S. 2), after a contentious debate complicated by the White House's announcement of a \$1.776 billion "anti-weaponization" fund that would issue payouts to individuals who allege they were wronged by the government. The bill — Republicans' second budget reconciliation measure of the 119th Congress, primarily funding Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP) through FY 2029 — was passed by the House by a vote of 214 to 212. The President signed the bill on Wednesday, June 24th.

Experts Warn of Growing Cyber Threats to Water Infrastructure

Artificial intelligence (AI) is lowering the barrier for cyberattacks on water systems, yet the sector remains underprepared, experts told a House Science subcommittee. The Government Accountability Office's (GAO) top cybersecurity expert warned that federal leadership has become unclear as the Trump Administration shifts responsibility to state and local governments without providing guidance on what that means in practice.

Witnesses called for more funding and research, while noting some solutions are low-tech, with an Idaho National Laboratory researcher highlighting a small, unhackable "time-delay relay" device that can prevent cyberattacks from destroying water pumps and triggering months-long outages

Both the Republican subcommittee chair and Democratic ranking member signaled openness to increased funding and potentially expanded EPA authority. The agency recently created a dedicated cybersecurity division and identified nearly 300 vulnerabilities at water systems nationwide.

EPA OIG Report Points to Slow Spending on EPA Infrastructure Funds

Only 41 percent of EPA's \$60.9 billion allocation under the 2021 Infrastructure Investment and Jobs Act (IIJA) had been spent as of January 2026, according to a new report from the agency's Office of Inspector General (OIG). While EPA had obligated \$39.8 billion of those funds, just \$16.3 billion had actually gone out the door, even as the final appropriations tied to the law are set to expire at the end of September.

Much of the unspent funding was earmarked for water and sewer projects and drinking water improvements administered through State Revolving Funds (SRF). EPA's Assistant Administrator for Water Jessica Kramer acknowledged states have been slow to move the money to local projects, a dynamic the Trump Administration cited to justify proposing cuts in their budget to the revolving fund programs next year.

The OIG also flagged inconsistent EPA guidance as a contributing problem, noting that some states have not submitted required financial audits due to unclear instructions. By contrast, the agency has fared better with Superfund cleanup dollars, obligating 99 percent of its \$3.5 billion allocation under the law.

The watchdog called on EPA to accelerate spending, improve data collection, and issue clearer guidance to minimize the risk of fraud and waste before remaining funds expire

FEMA Gears Up for Hurricane Season

As the Atlantic hurricane season officially began June 1, FEMA leadership met with Dr. Michael Brennan, Director of NOAA's National Hurricane Center, to discuss preparedness efforts and community safety. The meeting included FEMA Senior Official Robert J. Fenton Jr. and Senior Counselor to the Department of Homeland Security Cameron Hamilton.

FEMA emphasized that readiness for hurricane season is a year-round effort, noting that the agency conducts regular exercises with governors, local officials, and tribal leaders to test hurricane scenarios and identify capability gaps. Over the past year, FEMA trained more than one million state, local, tribal, and

territorial first responders, emergency managers, and local leaders. Agency officials stressed that while FEMA plays a central coordinating role, state and local governments and the public are critical partners in effective disaster preparedness and response.

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