

D.C.I.M.B.Y. POLICY NEWSLETTER

What happens in D.C. doesn't stay in D.C.

May 2026 brought consequential federal action across every sector DCIMBY tracks. From a sweeping OMB overhaul of federal grant rules to the EPA's PFAS drinking water proposals, a landmark surface transportation bill, and new workforce education policy, Washington moved on multiple fronts with direct implications for local communities.

The curated briefing, presented by [Mortar Strategies](#):

CROSS-INDUSTRY UPDATES

OMB Proposes Sweeping Federal Grant Rule Overhaul

Source: Office of Management and Budget (OMB), Federal Register, May 2026

Update: OMB proposed a sweeping overhaul of the Uniform Guidance (2 CFR Part 200), the rules governing federal financial assistance. The proposed rule revises cost principles, audit requirements, and administrative standards affecting municipalities, utilities, universities, nonprofits, and trade associations. Public comments are due July 13, 2026.

Industry Impact: This is the broadest cross-cutting federal action of the month. Any organization that receives or passes through federal grants, from CDBG to Pell to State Revolving Funds, should review the proposed changes and consider submitting comments before the deadline.

FY2027 Budget Signals Deep Cuts to Domestic Discretionary Programs

Source: White House Office of Management and Budget, FY2027 Presidential Budget Request

Update: The White House FY2027 budget proposes significant reductions to domestic discretionary spending across agencies including Education, HUD, EPA, and transportation. Formula grant programs and competitive grants that flow to municipalities, utilities, and universities face tighter allocations as appropriators move through the FY27 cycle.

Industry Impact: Federal grant recipients should begin scenario planning for reduced allocations and identify congressional champions for priority programs. The FY27 appropriations process remains active through fall 2026, leaving a window for meaningful engagement.

FY2027 Appropriations Markups Underway: Multiple Bills Advancing With Direct Local Impact

Source: House Committee on Appropriations, FY27 Markup Schedule and Bill Summaries, May 2026

Source: House Committee on Appropriations, FY27 Markup Schedule and Bill Summaries, May 2026

Update: The House Appropriations Committee advanced multiple FY2027 spending bills in May, including the Energy and Water Development bill (subcommittee May 15, full committee May 20) and the THUD bill (subcommittee May 21, full committee June 4). These bills fund Army Corps of Engineers projects, EPA water programs, HUD formula grants, and surface transportation funding that flows directly to municipalities, utilities, and universities.

Industry Impact: With the FY27 process accelerating, local organizations should track bill language and funding levels in their relevant subcommittees. The window to influence Senate-side appropriations and conference outcomes remains open, this is the moment to engage Senate offices and appropriations staff on priority programs before floor votes.

MUNICIPALITY POLICY

BUILD America 250 Act Advances: Five-Year Surface Transportation Bill Approved

Source: House Committee on Transportation and Infrastructure, May 17 and 22, 2026

Update: The House T&I Committee released and approved the BUILD America 250 Act, a bipartisan five-year surface transportation reauthorization bill, on May 17 and May 22. The legislation funds roads, bridges, transit, and active transportation programs that flow directly to cities and counties through formula and competitive grants.

MAY 2026

Industry Impact: Surface transportation reauthorization is one of the most consequential federal funding vehicles for municipalities. Local leaders should track the bill's progress to the Senate, engage their delegations, and ensure priority projects are positioned for formula and discretionary funding.

HUD Releases \$2.4B in Continuum of Care Renewal Funding

Source: U.S. Department of Housing and Urban Development (HUD), May 21, 2026

Update: HUD announced \$2.402 billion in FY2025 Continuum of Care (CoC) renewal funding for 4,241 projects nationwide expiring in late 2026. The awards support housing stability programs operated by municipalities, housing authorities, and local nonprofits serving people experiencing homelessness.

Industry Impact: Cities and counties with active CoC programs should confirm renewal award status and align local match commitments. New entrants should track the next CoC Notice of Funding Opportunity as HUD continues rolling out FY25 and FY26 awards.

FY27 THUD Bill Proposes 10% Cut to HUD Programs Including CDBG

Source: House Appropriations Subcommittee on Transportation, Housing and Urban Development, Bill Summary, May 20–21, 2026

Update: House appropriators advanced the FY27 THUD bill proposing \$92.2 billion in discretionary funding, approximately 10% below FY26 levels, with HUD programs cut by over \$5.9 billion. Formula grants including Community Development Block Grants (CDBG) that pass through to cities and counties face direct reductions.

Industry Impact: Municipalities dependent on HUD formula grants should quantify potential exposure and prepare for advocacy as the Senate takes up appropriations. Local budget officers should model scenarios reflecting an 8–10% reduction in federal pass-through revenue.

UTILITY POLICY

EPA Proposes PFAS Compliance Extension, Announces Nearly \$1B in Grant Funding

Source: U.S. Environmental Protection Agency (EPA), May 18–20, 2026

Update: EPA proposed two rules on PFAS in drinking water, maintaining maximum contaminant levels (MCLs) for PFOA and PFOS while offering eligible systems a potential two-year compliance extension to 2031. The agency also announced nearly \$1 billion in new grant funding for PFAS and emerging contaminants, prioritizing small and disadvantaged communities.

Industry Impact: Water utilities gain compliance flexibility but must begin capital planning now for treatment infrastructure. The \$1 billion grant pool represents a significant opportunity, utilities should assess eligibility and engage state drinking water programs to access SRF and emerging contaminant funds.

EPA Opens \$7.2B in State Revolving Fund Allotments for Water Infrastructure

Source: U.S. Environmental Protection Agency (EPA), FY2026 State Revolving Fund Allotments

Update: EPA announced \$7.2 billion available to states, Tribes, and territories through the Clean Water and Drinking Water State Revolving Funds (SRF) for FY2026. These funds support wastewater and drinking water infrastructure at the local level through state-administered loan and grant programs.

Industry Impact: Water and wastewater utilities should confirm their state's SRF priority list status and explore principal forgiveness and grant components available for disadvantaged communities. SRF remains the most reliable federal capitalization mechanism for utility infrastructure investment.

FERC and NERC Flag Data Center Load Growth as Top Summer Reliability Risk

Source: Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC), Summer Reliability Assessments, May 21, 2026

Update: FERC released its 2026 Summer Energy Market and Electric Reliability Assessment, while NERC's 2026 Summer Reliability Assessment found generally stronger readiness but flagged elevated risk in certain regional transmission organizations. The assessments cite demand growth from data centers and extreme weather as key reliability stressors.

MAY 2026

Industry Impact: Electric utilities and local governments managing municipal power systems should review regional reliability findings and ensure demand-side and resilience plans are current. AI-driven load growth intersecting with constrained grid capacity is becoming a near-term planning reality.

HIGHER EDUCATION POLICY

Workforce Pell Grants Finalized: Short-Term Programs Eligible Starting July 1

Source: U.S. Department of Education, May 18, 2026

Update: The Department of Education finalized a rule implementing Workforce Pell Grants for eligible short-term programs, effective July 1, 2026. The rule extends federal Pell Grant eligibility to programs as short as eight weeks, expanding access to workforce-aligned credentials at community colleges and technical institutions.

Industry Impact: Community colleges and institutions with short-term workforce programs should confirm program eligibility and prepare for an influx of newly eligible students. This is a direct federal investment in workforce development pipelines that benefit institutions and regional employers alike.

ED Reaches Consensus on Accreditation Reform Framework

Source: U.S. Department of Education, May 21, 2026

Update: The Department reached consensus through negotiated rulemaking on a proposed framework for reforming higher education accreditation, aimed at modernizing quality assurance standards, strengthening accountability, and aligning with administration priorities for institutional performance. This now shifts to a formal proposed rulemaking.

Industry Impact: Colleges and universities should monitor the forthcoming Notice of Proposed Rulemaking closely, as accreditation reform directly affects Title IV eligibility, federal program participation, and institutional oversight requirements. Institutions should engage their accrediting bodies for guidance on anticipated changes.

NSF Commits \$1.5B for X-Labs Interdisciplinary Research Initiative

Source: National Science Foundation (NSF), X-Labs Initiative Announcement, May 2026

Update: NSF announced the X-Labs initiative, committing \$1.5 billion over the next decade to support interdisciplinary research partnerships between universities, national laboratories, and industry. The program prioritizes applied research in AI, clean energy, advanced manufacturing, and biotechnology.

Industry Impact: Research universities and institutions with federal R&D portfolios should track X-Labs funding opportunity announcements and identify faculty-led projects aligned with NSF's interdisciplinary priorities. Multi-institutional partnerships will likely be favored in competitive award processes.

ABOUT MORTAR STRATEGIES

Most communities watch their state capital while D.C. makes the decisions.

D.C. In My Backyard (D.C.I.M.B.Y.) is a resource to shine a light on federal policy affecting your community.

Mortar Strategies is a bipartisan government relations firm for organizations that want to build their way, not D.C.'s.

We represent municipalities, utilities, universities, chambers of commerce, and the nonprofits and trade associations that anchor American communities.

We are monitoring legislation before it moves, building Capitol Hill relationships that count, and turning federal complexity into local strategy.

Something in this edition hit close to home? Reply and tell us what you're watching. We read every response.

Mortar Strategies | mortarstrategies.com | derek@mortarstrategies.com