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2026 Transportation Policy Outlook: How Infrastructure Funding, FAA Modernization, and Autonomous Vehicle Policy Will Shape the Sector

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VIEWPOINT TOPICS

- Transportation

After historic investment in transportation and infrastructure during the Biden administration, stakeholders are pushing for sustainment. As we enter the compact but active midterm election year legislative calendar, the transportation sector is watching the White House for signals regarding how big the Trump administration is willing to go on infrastructure spending.

About This Series

The ML Strategies 2026 Policy Outlook Series explores the policy, political, and regulatory dynamics shaping key sectors in the year ahead. Across six installments, our team analyzes how federal action, election-year pressures, and agency decision-making are converging to influence business strategy, investment decisions, and risk management in an uncertain environment.

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Surface Transportation Policy: Reauthorization, Highway Trust Fund, and IIJA Programs

The surface transportation bill before Congress authorizes funding levels and policies for programs at agencies including the Federal Transit Administration, Federal Railroad Administration, and Federal Highway Administration. Underpinning this legislative effort is reauthorization of the Highway Trust Fund, which will expire on September 30, 2026, making it a “must pass” bill. The various committees of jurisdiction across Congress are now deliberating on reauthorizing key programs and enacting new transportation policies. In so doing, they have sought comment and input from stakeholders, and industry groups have been engaging their champions and committee leadership since last fall; legislative action will ramp up soon. Those pushing for new programs, or to extend those created in the bipartisan Infrastructure Investment and Jobs Act (IIJA), are watching congressional Republicans and administration officials closely. Overcoming budget hawks in Congress will likely require the personal investment of the president and his political capital. While the top-line funding levels are unlikely to match those provided by the IIJA, certain programs could see increases.

Aviation Infrastructure and FAA Modernization Policy

The most significant infrastructure spending in last year's One Big Beautiful Bill Act was the $12.5 billion included in the Republican reconciliation bill for Federal Aviation Administration (FAA) modernization. Long a priority for the agency and aviation sector, investment in air traffic control infrastructure was brought to the fore following the January 29, 2025 accident at DCA.

In December, the FAA selected a prime integrator to manage the project. Transportation Secretary Sean Duffy and FAA Administrator Bryan Bedford are projecting confidence in an ambitious timeline and have indicated that Congress will need to appropriate an additional $20 billion to complete the Brand New Air Traffic Control System. So far, Congress has not moved to take up an aviation-related bill this year. The current FAA Reauthorization Act expires in FY 2028.

Autonomous Vehicle Regulation: SELF DRIVE Act and NHTSA Authority

Among the hottest policy areas in the transportation space currently is autonomous vehicle (AV) regulation. Expect to see significant congressional activity surrounding driverless cars and trucks this year, beginning with the SELF DRIVE Act. The House Energy & Commerce Committee and its Subcommittee on Commerce, Manufacturing and Trade recently held a legislative hearing on January 13 featuring this bill, and the Senate Commerce, Science and Transportation Committee will held a hearing on AV policy on February 4.

The aim of both committees could be to include AV legislation in their titles to a surface transportation bill. The SELF DRIVE Act is currently a discussion draft but passed the House by unanimous consent in the 115th Congress. It was authored by Reps. Bob Latta (R-OH) and Debbie Dingell (D-MI) and seeks to update federal motor vehicle safety laws to account for automated vehicles. The bill would expand the statutory authority of the National Highway Traffic Safety Administration (NHTSA) and direct the agency to establish safety requirements specifically for AVs. It would require vehicle manufacturers to develop a safety case demonstrating that an automated driving system meets all safety requirements. The bill also addresses cybersecurity by requiring manufacturers to submit risk mitigation plans.

If the bill becomes law, the legislation would represent a significant development for the AV sector and would lead to a clear regulatory framework for automakers and technology firms.

Bottom Line

With key authorizations expiring in 2026 and midterm politics compressing and complicating the legislative calendar, transportation investment will depend on White House engagement and Republican willingness to spend.

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