ArentFox Schiff



2026 Election Analysis



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"President Trump framed the midterm elections as a referendum on his Administration. The result was a complete rout, handing over control of Congress to a large, polyglot Democratic majority. American history provides few parallels of crushing national defeats in the face of sustained midterm congressional campaigning: Woodrow Wilson in 1918 over the League of Nations. No congressional party has suffered so stinging a loss since the Watergate aftermath in 1974.

The defeat was a personal one for Trump, representing voter backlash against rising costs, economic uncertainty, an unpopular conflict in the Middle East, inconsistent messaging, and unrealized goals with a backdrop of deep national polarization. The Trump coalition of the last presidential campaign largely unraveled, with results mirroring the recent setbacks of other democratic regimes globally.

As the consequence, Trump enters his last two years in office with diminished authority and flexibility.

The victory went to a Democratic Party whose candidates were able to offer clear messages on economic issues and tap into deep voter discontents. Democrats were free to offer generalized prescriptions to complicated problems without being linked to a divisive platform or fiscal consequences. They now face the challenge of shaping a legislative program that can pass both Houses of Congress and address key voter priorities, while splitting off populist Republicans and inviting White House vetoes. At least part of this agenda may be able to become law even in a polarized environment.

For a Democratic party recently fractured by ideological divisions, internal discontents, and poor polling numbers, the new robust congressional majorities provide an opportunity to refresh their political brand through messaging and legislative progress. In a party that has drifted left, this will require discipline to avoid infighting and ideological diversions. Democrats will have an opportunity to achieve compromise reforms and restore public confidence while retaining the activist energies that drove their local victories. They can do this anticipating that visceral opposition to a lame-duck Trump Administration will continue to unify them, with generous voting margins.

The new Congress will still suffer from polarization and gridlock, with the Executive and Legislative Branches at odds in the next two years. Moving beyond the recent melee, both parties have an opportunity for a reset with Democrats having the power of legislative initiative. Whether this will allow them to meet voter expectations and inevitable crises will shape the next election."



REP. PHILIP S. ENGLISH
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"Self-government is something very special. The miracle in the US Constitution describes that every second year the American people can grab the steering wheel and demand a new direction for our country. And they sure did that last night!

Clearly the American people were angry about the direction of our government, and they did a lot more than just sending a message. They voted to throw out the Republican majorities in both the House and the Senate.

Yes, President Trump is still in the White House, but he will now face a newly united Congress determined to make changes in many areas of public policy, including trade, tax, health care, energy, war powers, and so much more. While the President will have a veto pen, he will find it challenging to work through demands on major issues from the new majorities in Congress.

I served in the US Senate when we went from the minority to a majority status, as has happened this week. The new Democratic majority in both the House and Senate will need to develop new, creative, and effective public policies that address the major issues that caused the American people to send a strong message to President Trump and his supporters in Congress.

There are big issues and little time for the new majority to begin to change things. Social Security and Medicare will both be short of full funding in just seven years and that needs to be dealt with rather than ignored. Our country has found itself in a difficult box with the war in Iran and Middle East and it needs to get solved. More Americans are losing their health care policies and that needs to be fixed. There is still much we can do to achieve tax fairness in this country. Finally, we have a $40 trillion dollar debt that is growing dangerously. And our economic engine runs on energy, but it also requires new energy approaches to respond to the climate change threat facing our planet.

Democracy requires both political parties to make things work. My hope and expectation is that the President, having suffered such a major loss in the election, will become a partner to Congress in finding solutions to those things that have always made America a leader in the things that matter most across the world!"



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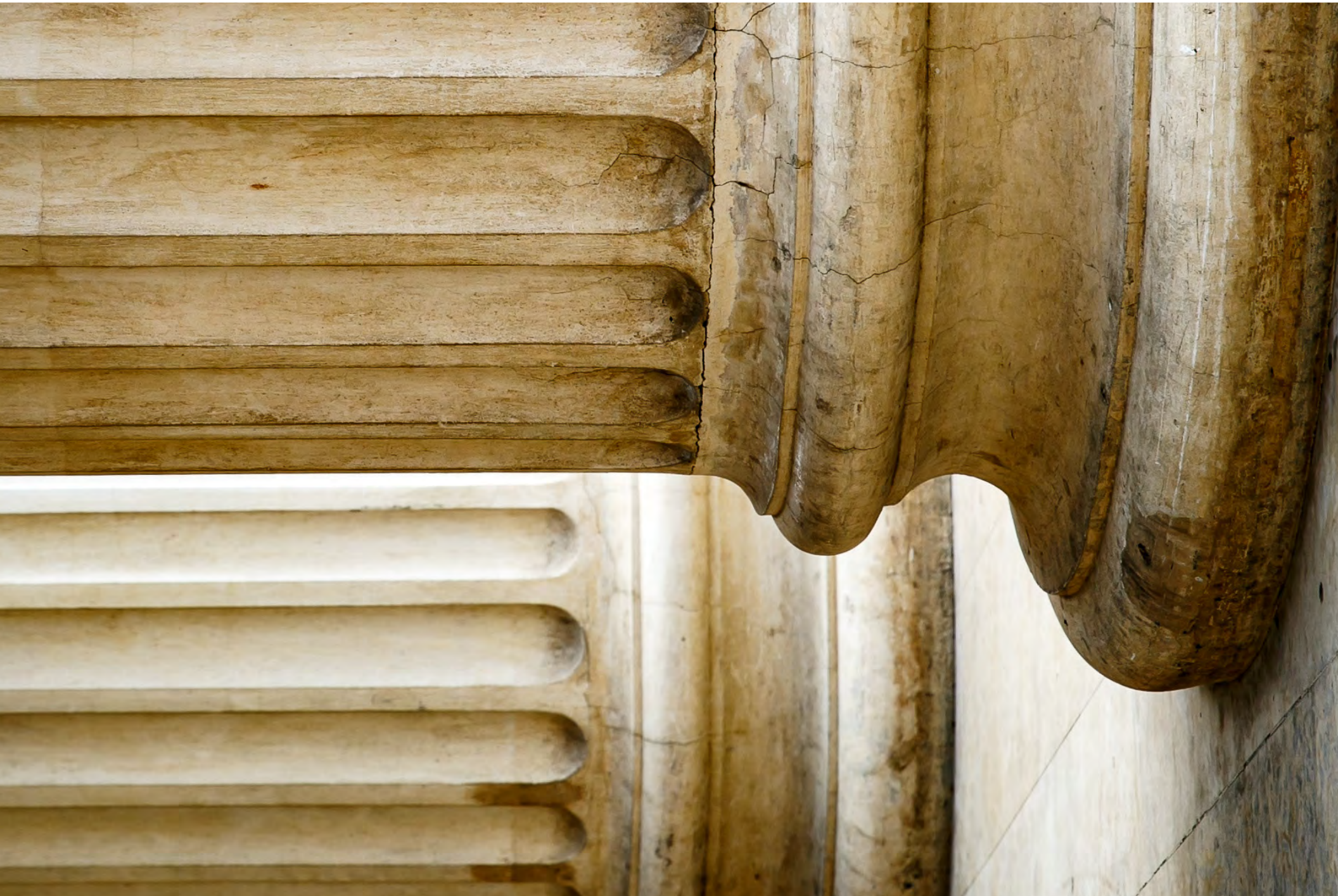
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Introduction



Introduction

As election officials continue tabulating the results across the nation, it is clear that Congressional Democrats will have robust majorities in the US House of Representatives and US Senate during the 120th Congress. In a midterm election that featured a Democratic takeover of historic proportions, we saw a combination of expected and unexpected results that led some observers to doubt it was real. One Democratic television commentator exclaimed, "Don't wake me up," since the wins that were piling up were more than he could have dreamed of.

As of this writing, there are 237 House Democratic candidates declared the winners by the Associated Press and 147 Republicans, with more than 50 races still not called. Some are speculating that the Democrats might win as many as 240 to 250 seats, for a large enough margin that anticipated Speaker Hakeem Jeffries (D-NY) could afford to lose some members of his caucus on key votes but still get priority bills approved. Meanwhile, as of this writing, the Senate has a 54-44 split, with Alaska and Mississippi not yet declared. Anticipated Senate Majority Leader Chuck Schumer (D-NY) will have some flexibility on key votes also, compared to a 51-49 margin, but Senate rules still make 60 the more relevant number.

As the red, white, and blue decorations are boxed and saved for Election Night 2028, it is important for all to realize that a change in majority status in the Congress does not mean that all Democratic initiatives will be fully realized. Democrats have successfully pulled off a midterm election strategy that will be the subject of countless dissertations and podcasts, winning Senate seats in Kansas (first Democrat in 94 years) and Maine (deposing the moderate Appropriations Committee Chair) and House seats in every pocket of the country (including some in districts specially engineered to be Republican wins during an unprecedented mid-decade redistricting push).

However, there is still a Republican President who will not be eager to participate in the undoing of some of his legislative achievements, such as the One Big Beautiful Bill Act (OBBBA). The President's ability and desire to veto or threaten to veto Democratic-led initiatives will likely be a regular feature of policymaking the next two years, notwithstanding the President's comment on election night that he can find ways to work with the Democrats. And, while the Senate may have a margin as large as 55-45, the prospect of a filibuster means that for most types of legislation, including annual appropriations bills, 60 votes are required and bipartisan support is a mathematical necessity. Senate Republican Leader John Thune (R-SD) has already signaled that he and his caucus will remain vigilant in the face of anticipated Democratic efforts to increase spending, eliminate tax cuts, and offer broader health care coverage.

When the new Congress is sworn in during the first week of January, there will be many new faces. In the House, 60 Members did not run for re-election and a large number of incumbents who did run did not win. Many moderate or centrist House Republicans lost their seats, meaning that the Republican Conference will be that much less balanced politically. For example, Rep. Brian Fitzpatrick (R-PA) co-chaired the bipartisan Problem Solvers Caucus and was known for bipartisan legislative efforts.

Similarly, Reps. Mike Lawler (R-NY) and Tom Kean (R-NJ) lost their seats despite a tendency to work across party lines. The incoming Democratic freshmen will include a growing number of Members who identify themselves as part of the Democratic Socialists of America and who believe that progressive policies were the key to victory for themselves and the party overall. We expect to see the current House Democratic leadership team (Reps. Jeffries, Clark, and Aguilar) continue in their roles, with Rep. Jeffries becoming the nation's first African American Speaker of the House and Rep. Katherine Clark (D-MA) becoming Majority Leader. They have been preparing for this moment for months and, as noted later in this report, the House Democrats have developed a written playbook for the first 100 hours, first 100 days, and first year of the new Congress. Much attention will be paid to undoing elements of the OBBBA and to tackling "affordability" in its many shapes.

House Republicans will have a decision to make in their upcoming leadership elections. As of this writing, the media are reporting that Speaker Mike Johnson (R-LA) will not seek the Minority Leader slot, making way for Members like Reps. Steve Scalise (R-LA), Jim Jordan (R-OH), Tom Emmer (R-MN), or someone else to seek the highest position among members of the new minority. So far, Rep. Emmer has professed a desire to remain as Whip, which would possibly help him retain a spot in leadership more easily than if he were to compete for the top job. Rep. August Pfluger (R-TX) has similar designs on the Whip spot and has served as a leader of a key Republican House caucus. In the face of a substantial battering at the polls, however, it remains to be seen whether rank-and-file Republicans in the House will want to hit "reset" or preserve some linkage to the current leadership structure.

In the Senate, while there have been some Democratic Senate candidates who said they would not support Sen. Schumer for Leader, it would be highly unorthodox to remove a Senator from the Leader's role after retaking the majority by a substantial margin, especially given the prodigious fundraising Leader Schumer did for his candidates. We expect Sen. Brian Schatz (D-HI) to win the Whip's position being vacated by Sen. Dick Durbin (D-IL), so that injection of youth in the number-two position may help Leader Schumer's case. Additionally, Leader Schumer may find ways to bring some of the more left-leaning members of his caucus into leadership roles so they have the proverbial seat at the table. At this time, we do not expect significant opposition to Republican Leader Thune for the top spot when Senate Republicans convene. To put it simply, there is not a prevailing sense that it is Leader Thune's fault that Senate Republican candidates faltered. He raised enormous sums for his candidates and managed the Senate floor to maximize advantages of majority status without putting his team into precarious political positions.

Looming over these midterm elections is the shadow of a now lame-duck President who has been used to getting most of what he desires from a Congressional Republican majority. It will be harder for the Administration to get its legislative agenda items through Congress, and it will need to (1) spend more energy protecting the wins it obtained and (2) identify ways to accomplish some objectives through administrative action. We note, however, that the new Democratic majority will have tools to try to stop agency actions that Congressional Democrats find abhorrent, and that the checks and balances provided by the Judicial Branch shall continue to play an important role in weeding out some of the most controversial Administration initiatives.

Our Government Relations group has attempted to provide a quick assessment of how the federal elections will impact key policy areas of greatest interest to ArentFox Schiff clients and friends. We encourage you to reach out to your ArentFox Schiff points of contact to discuss these issues further.

Budget & Appropriations



BUDGET & APPROPRIATIONS

Federal Funding Policy: Challenges and Opportunities

A shift in majority status for Congressional Democrats ushers in a two-year period of divided government, which further complicates efforts to enact annual appropriations bills and to act on fiscal policy in the face of a $2 trillion annual budget deficit in FY 2026. Conflicting priorities within each party will mean that congressional leadership will have to grapple with the usual challenges in developing appropriations bills and the question will be whether a critical mass of Members decide that it is worth trying to force a government shutdown to achieve a policy or political objective.

Starting with the re-opening of Congress next week, there are several budget issues that will keep Members and stakeholders busy for months: (1) FY 2027 appropriations; (2) FY 2027 budget reconciliation; (3) FY 2028 appropriations; and (4) FY 2028 budget reconciliation.

FY 2027 Appropriations

For the past eight months, Congress has, in fits and starts, tried to address the 12 appropriations bills covering the current fiscal year. Reminiscent of a Polaroid photo midway through the development process, we can see some outlines of what final FY 2027 bills could look like, but we have to be patient and see if pragmatism can overcome polarization during the lame-duck session. With the upcoming December 11 expiration of the pending FY 2027 continuing resolution requiring fairly prompt attention in the lame duck session, a change in party control and pent-up frustrations from the long campaign season lead many observers to anticipate a punt of a couple of months into the new Congress and enactment of another continuing resolution. However, in the House, where more progress in reporting out and considering appropriations bills occurred, current Appropriations Committee Ranking Member Rep. Rosa DeLauro (D-CT) has indicated an interest in having Congress wrap up the FY 2027 appropriations process before the new Congress starts in January, a sentiment shared by Chairman Tom Cole (R-OK). Our colleague, former Sen. Byron Dorgan (D-ND), notes that when control of Congress changes, the party that is taking control will always have an appetite for stopping things from happening during the interim and those who have lost control will want to finalize as many decisions as possible while they are in charge. Ranking Member DeLauro's approach may end up being a bit different from that, reflecting a desire to begin her chairmanship next year without the massive unmade decisions from 2026. She cannot make a decision in a vacuum, of course, so we expect consultations post-election among Congressional Democratic leaders and key committee leaders where her arguments will be heard.

While the Senate did not take much formal action on its versions of the FY 2027 appropriations bills, there are drafts that reflect Republican priorities and some Democratic priorities that will serve as the basis for negotiations over the "topline" funding level and the individual bills. We believe that Chair Susan Collins (R-ME) and Ranking Member Patty Murray (D-WA) both want to be involved in

finalizing the FY 2027 bills, and given the electoral results, Sen. Murray will want to have more of an imprint on the bills in return for helping achieve final passage during the lame duck session.

Even if the appropriators want to negotiate final legislation for FY 2027, there will still be the usual Members who criticize relying on a several-thousand-page omnibus bill in the waning days of the Congress and threaten to withhold their votes. There may be some Democrats who do not want to approve a bill designed primarily by the Republican majority. We expect Democrats to resist adding the Administration's requested $350 billion for defense via the budget reconciliation process, which has impacted the willingness of Sen. Murray to agree to a topline funding level across the 12 individual appropriations bills. Democrats would typically seek parity with non-defense appropriations for any robust defense spending increase, so that issue remains open.

To get this through, congressional leadership will have to thread a needle and find enough votes in the middle to pass an omnibus with votes from both sides. To the extent that any final omnibus appropriations bill retains the earmarks included in committee reports earlier in the process, that could help smooth the pathway. On the other hand, a potential sticking point in finalizing the FY 2027 appropriations bills is the fate of the controversial proposed rule from the Office of Management and Budget known as the "Regulation for Federal Financial Assistance." That proposed rule would substantially change the processes used by federal agencies to award grants, including adding a pre-award review by agency political appointees. The continuing resolution currently funding government operations included in Section 157 a provision precluding finalization of the proposed rule before December 11, when the funding legislation expires. In the lame duck session, if the White House and majority Republicans insist on the proposed rule's going forward and they reject any effort to delay or suspend the regulation, that will complicate a final deal on an omnibus appropriations bill and could complicate an extension to the continuing resolution.

FY 2027 Budget Reconciliation

Another unfinished piece of legislative business is the effort earlier this year by majority Republicans to use the expedited parliamentary procedure known as "budget reconciliation" to enact legislation on a party-line basis that could accomplish several remaining priorities sought by the Administration: (1) a massive $350 billion defense spending increase outside of the traditional annual appropriations bill or at least an increase in the $70 billion range; (2) an increase in the nation's debt ceiling to avoid having to deal with the issue during the remaining two years of President Trump's term; extra agricultural spending; and some lesser issues. While the House and Senate Republican majorities took steps before the August recess to set in motion the procedures for consideration of such a bill, it remains very unclear whether there are enough Republican votes to pass it and whether there is sufficient time remaining for the robust debate that is permitted under parliamentary rules. With so few legislative days remaining in this session, Senate Republicans in particular will have to contemplate using many of them for a budget process versus moving other priority legislation and confirming nominees to the judiciary and various Cabinet agencies. It remains to be seen how hard President Trump continues to push for these priorities in the wake of the elections and, even if he does push Senate Republican Leader John Thune (R-SD) and Speaker Mike Johnson (R-LA), whether they can get their troops in line.

Ordinarily, budget reconciliation bills in recent years have been exclusively partisan exercises, and we do not expect Congressional Democrats to offer votes to pass such a bill.

FY 2028 Appropriations

Once the FY 2027 appropriations process concludes, either with a full-year continuing resolution or the enactment of some or all of the 12 individual appropriations bills, it will be time to turn to the President's FY 2028 Budget Request and the subsequent FY 2028 appropriations process. There will be a need to maintain some fiscal restraint in this process, even if Democrats control the House and Senate, because appropriations bills require 60 votes to pass (given the continuation of the filibuster rule and the ability of the majority to invoke cloture with a supermajority).

We will see turnover on the two Appropriations Committees given the election results and voluntary retirements. To the extent that Chair Cole and Ranking Member DeLauro flip roles, their history of cooperation and mutual respect should help get the House process off to a good start. Sen. Murray has ample experience chairing Senate Appropriations from 2023-2025 and we expect her to combine a revision of funding priorities to be more in line with Democratic positions with a use of the appropriations process to combat initiatives and actions by the Administration that the new majority opposes vigorously. With the loss of GOP Appropriations leader Sen. Susan Collins (R-ME), there is much speculation that Alaska Republican Sen. Lisa Murkowski will vie successfully for the Ranking Member position on Appropriations. Sen. Murkowski is known for trying to work in a bipartisan manner across multiple issues, so that could be helpful for Chair Murray going forward. One area of concern has been the efforts by agencies to delay or withhold grant funding notwithstanding Congressional direction. We can anticipate that the tone of annual budget hearings before the two Appropriations Committees will be far more combative than in the past two years, as agency officials must come up and defend their actions (or inaction). We expect Democrats to permit congressionally directed projects (earmarks) so it would be wise for stakeholders to use November and December to prepare for the opportunity in February or March to submit applications for project funding.

FY 2028 Budget Reconciliation

The One Big Beautiful Bill Act (OBBBA) showed how a majority party can use the budget reconciliation process to enact comprehensive legislation covering mandatory programs like Medicaid and Medicare as well as tax policy. The incoming Democratic majority will likely want to use this process to pass legislation undoing key elements of OBBBA, such as the reductions in Medicaid spending, reductions in Supplemental Nutrition Assistance Program (SNAP) spending, and the elimination of some of the clean energy and environment tax provisions that majority Republicans scuttled. A Democratic budget reconciliation bill may try to restore health care premium subsidies that lapsed under the Republican majority. And, there could be provisions amending the tax code to increase taxes (either by instituting new ones or removing deductibility or credit status for some activities), which would be used to offset increases in mandatory spending for child care or other Democratic priorities.

The real question is whether a budget reconciliation bill that passes the House and Senate as a purely partisan exercise is worth the effort if there is 100% certainty that President Trump would veto it and that there would not be a two thirds vote in both houses to override the veto. Certainly, there would be messaging opportunities for Democrats to signal what their party stands for and, by extension, what Republicans stand for if they vote against it and their President ultimately vetoes the bill.

It is worth noting that 12 of the first 14 budget reconciliation bills that became law did so during periods where no one party controlled the House, Senate, and White House. It is in more recent times that one-party control of Congress and the White House meant a purely partisan budget reconciliation process as a means of legislating while evading the Senate filibuster.

While it is possible that the President who prides himself on being a dealmaker could identify some mutually beneficial funding proposals for inclusion in a budget reconciliation bill, since it is really the only vehicle for a Congressional Democratic majority to use to try to repeal elements of the OBBBA, bipartisan compromise on the first budget reconciliation bill is highly unlikely to occur. That is certainly a shame for taxpayers, in that our current fiscal policy is unsustainable, and with the trustees reporting that both Social Security and Medicare are on track to start falling short of full funding in seven or eight years, there is an urgency to begin a process that would make fiscal policy decisions that include Social Security and Medicare funding.

Health Care & Life Sciences



HEALTH CARE & LIFE SCIENCES

Health Policy in the 120th Congress: Pressing Need, Challenging Path

We expect the Democratic majority to make health care costs, the centerpiece of the party's "affordability" message, a top priority on the congressional agenda. Rep. Hakeem Jeffries (D-NY), who is expected to become Speaker, has said his caucus will be united "right out of the gate" on reinstating the Affordable Care Act (ACA) enhanced tax credits and reversing the Medicaid cuts enacted in H.R. 1, the One Big Beautiful Bill Act (OBBBA). Sen. Chuck Schumer (D-NY), who will likely become the Senate Majority Leader, has made similar promises.

The September 1 memorandum from the House Democrats' Cost-of-Living Healthcare Working Group — produced after 93 meetings with 139 Members and 145 stakeholder groups — sets out a detailed agenda for the first 100 hours, first 100 days, and first year of the 120th Congress, serving as the new majority's blueprint. Committee chairs, notably Rep. Frank Pallone (D-NJ) of the House Energy and Commerce Committee (E&C), Rep. Richard Neal (D-MA) of the House Ways and Means Committee, Sen. Bernie Sanders (I-VT) of the Senate Committee on Health, Education, Labor and Pensions (HELP) Committee, and Sen. Ron Wyden (D-OR) of the Senate Finance Committee, will be tasked with carrying out the key components of Democrats' health care agenda.

Congressional Democrats do not, however, have the ability to rewrite existing law on their own. President Trump's signature is still required to enact legislation, which will continue to be reality until January 20, 2029. In addition, Senate Republicans could block legislation using the filibuster for most legislation. Additionally, the Trump Administration can and will continue to set policies through regulation, rulemaking, and demonstrations. As a result, the most noticeable near-term outcomes of a shift to Democratic House and Senate majorities are likely to be: (1) agenda control and messaging votes in preparation for the 2028 presidential election; (2) leverage over must-pass vehicles such as appropriations and any debt-limit agreement; and (3) aggressive oversight of the US Department of Health and Human Services (HHS) and the White House, especially as it relates to Most Favored Nation drug pricing deals.

Undoing the OBBBA Is "the Floor, Not the Ceiling"

Background

The Democratic House Working Group frames OBBBA as cutting $1 trillion from the health care system and attributes to its Affordable Care Act (ACA) marketplace premium increases of nearly 60% and a significant drop in enrollment. Those claims, which are also largely supported by the Congressional Budget Office (CBO), are the political foundation of the agenda. The memo organizes priorities into eight pillars, from reversing OBBBA and strengthening traditional Medicare to "taking on monopolies," workforce investment, and access to innovation. The caucus agrees on universal coverage as a goal but

not on how to accomplish that: Medicare for All, a public option, lowering the Medicare eligibility age, and expanding ACA subsidies are all policies proposed by various Democrats, but none have the full public backing of the party's leadership.

ACA Credits

Restoring the enhanced premium tax credits, which expired at the end of 2025, will likely be among the first House floor votes in the 120th Congress. Because Democrats may follow a different parliamentary process than Republicans have, the legislative pathway is still yet to be determined, but this policy would likely go through the House Ways and Means Committee and E&C. While pursuing this effort, Democrats would likely endure harsh criticism from Republicans for not doing enough to protect program integrity and reduce fraud. Additional ACA priorities could include restoring ACA Navigator funding, cracking down on short-term and "junk" plans, and a longer-term proposal to cap total household health spending at 8% of income across all coverage.

Medicaid

OBBBA work requirements take effect January 1, 2027, or earlier in 44 states (including the District of Columbia), and CBO estimated that the policy will leave more than five million people uninsured by 2034. House Democrats will seek to repeal the requirements and related eligibility and financing restrictions, and overhaul the $50 billion Rural Health Transformation Fund, which the Working Group says offsets only about 37% of projected rural Medicaid losses. Because the work requirements will take effect before any repeal can clear the Senate and the President, oversight of the Centers for Medicare & Medicaid Services' (CMS) June interim final rule on community engagement will be an early focus of the new majority as it builds out its oversight agenda.

While a Democratic majority might not succeed in using budget reconciliation legislation to restore Medicaid spending reduced by the OBBBA, CMS is working on a rulemaking to implement a key provision related to "State Directed Payments." There may be ways for Democrats to legislate, including via the appropriations process, to influence implementation short of trying to repeal the significant caps on such payments enacted in the OBBBA.

Medicare

First 100-hours proposals include a $5,000 out-of-pocket cap for traditional Medicare and adding dental, vision, and hearing benefits. House Democrats will likely also move to block the WISeR prior authorization model and preserve the Part D Premium Stabilization Demonstration, which CMS plans to end after 2026. The expected effort to reform Medicare Advantage is a likely area of bipartisan overlap, and we note that both the No UPCODE Act and the Medicare Advantage Improvement Act target overpayments and prior authorization. The No UPCODE Act is sponsored by Senators Bill Cassidy (R-LA) and Jeff Merkley (D-OR) but the bill concept is widely bipartisan. Traditional Medicare plans reimburse providers for the cost of treatments rendered, which is known as fee-for-service, while Medicare Advantage is paid at a standard rate based off the health of an individual patient. Some lawmakers believe that because of this arrangement, Medicare Advantage plans have a financial incentive to make beneficiaries appear sicker than they may be to receive a higher Medicare

reimbursement. Their thinking is supported by the Congressional Budget Office which has estimated that addressing "overcoding" could save over $120 billion over a ten-year window. Because it is generally difficult to find such significant savings in healthcare legislation, this bill could be an attractive budgetary offset for other healthcare policies.

The Medicare Advantage Improvement Act is similarly a bipartisan bill, sponsored by Reps. Joyce, Schrier, Bera, Miller-Meeks, Murphy, Panetta, and Van Duyne. Senators Roger Marshall (R-KS) and Sheldon Whitehouse (D-RI) lead it in the Senate. The bill primarily addresses prior authorization. Medicare Advantage plans often get accused of employing utilization management methods, such as prior authorization and step therapy, too often at the patient's expense. Critics argue that these tactics delay critical care and worsen patient outcomes, while supporters maintain that they are necessary to control costs to the Medicare Program. This legislation would create standards within the MA prior authorization process and reduce the time and levers plans have to impose utilization management methods on patients, while creating network standards. These policies have bipartisan support from members on the House Committees on Energy and Commerce and Ways and Means, and the Senate Finance Committee.

Other 2027 agenda items could also include permanent telehealth, physician payment reform, and possibly a federally administered Part D plan.

Prescription Drug Pricing and PBMs

One of the Democrats' flagship drug pricing bills is the Lowering Drug Costs for American Families Act, which is sponsored by Ranking Members Pallone, Neal, and Bobby Scott of the House Education and Workforce Committee. An option for 2027, this legislation would extend Medicare prescription drug pricing negotiation to private coverage, raise the number of negotiated drugs from 20 to 50, and apply a $35 insulin cap and $2,000 annual out-of-pocket cap to private insurance. On pharmacy benefit managers (PBMs), the Working Group acknowledges that Congress passed PBM reform in 2026 but calls for more, including the Pharmacists Fight Back Act and the bipartisan Patients Before Monopolies Act, which would force divestiture of insurer and PBM-owned pharmacies.

340B Drug Discount Program

340B sits squarely within the Democratic "protect the safety net" message. The immediate target will be the Health Resources and Services Administration (HRSA)'s rebate model pilot, which lets approved manufacturers provide the ceiling price through post-purchase rebates for selected Medicare-negotiated drugs beginning January 1, 2027. Democrats have been supportive of a Rep. Doris Matsui (D-CA) bill, the PROTECT 340B Act, which would bar PBM and insurer discrimination against covered entities. With Ranking Member Pallone now positioned to chair E&C, House legislation will likely center on preserving upfront discounts, codifying contract pharmacy access, and targeted patient-benefit reporting, paired with oversight hearings on the HRSA pilot. A complicating bill is Rep. Scott Peters' (D-CA) bipartisan SECURE 340B Act, which he introduced with Rep. John Joyce (R-PA), without the support of Democratic leadership. In the Senate, the bipartisan Working Group's SUSTAIN 340B Act — which would affirm point-of-purchase discounts, codify contract pharmacies, end any rebate

program within one year, and impose reporting and audit requirements — is the likeliest basis for a bicameral deal regardless of which party controls that chamber.

Bipartisan Overlap Between Democrats and Republicans?

While most of the 119th Congress and virtually all political messaging has been Democrats and Republicans attacking each other over either cutting health care benefits or not doing enough to crack down on fraud and spending, there are still policies that enjoy bipartisan support in the health care arena: site neutral Medicare payments, reforming 340B, reforming Medicare Advantage, modifying how physicians are reimbursed under Medicare, and "food is medicine." In the 119th Congress, Members introduced bipartisan health care policy bills and committees held bipartisan hearings and markups, leading us to expect comparable efforts under a Democratic majority.

In the food is medicine space, for example, Reps. Jim McGovern (D-MA) and Nicole Malliotakis (R-NY) have led a medically tailored meals bill (H.R.5439) together for multiple congresses, and the Ways and Means Committee approved this bill unanimously in September. Senate measures that expand access to health care without increasing expenditures, improve patient health outcomes using existing program authorities, and address workforce shortages are all areas in which Members of Congress generally agree. While an emboldened new Democratic majority will be eager to prove to voters that they are there to work hard and hold the Trump Administration accountable, it will be important for Democrats to show the country that they are able to legislate meaningfully and work across the aisle to do what is best for the country. Food is Medicine bills could be a good example of this in both the House and Senate.

Site-neutral Medicare payment policies could see bipartisan attention because lawmakers have expressed concerns that hospital acquisitions of physician practices increase Medicare and commercial health care costs. Hospitals are likely to argue that broad payment reductions could undermine financially vulnerable facilities, which are already feeling extra strain as a result of OBBBA.

Expectations for the Democratic Senate Majority

We expect the new Democratic majority to put health care affordability on the top of its 2027 agenda, with the Senate Finance Committee, led by Sen. Ron Wyden, being the main committee with jurisdiction over the enhanced ACA premium tax credits and reversing the Medicaid eligibility and financing changes enacted in OBBBA. Senate Democrats will frame those efforts around coverage stability, rural provider viability, and household costs. The caucus will still have to manage differences between progressives who favor broader coverage expansions, including Medicare for All proposals, and members who prefer an incremental approach centered on the ACA, Medicaid, and Medicare.

In 2025, Sen. Wyden led the Restoring Patient Protections and Affordability Act to renew the enhanced premium tax credits, restore Navigator funding, and reinstate the low-income special enrollment period. This year, he launched a series of policy-development efforts: a March "Dear Colleague" joint letter with 11 Senate Democrats organized around reversing Republican cost increases, making health care simpler, and taking on corporate greed; a June request for information on more than two dozen

drug pricing proposals focused on lowering manufacturer prices and patient out-of-pocket costs; and a July request for information, "Health Coverage That Works For Everyone," which floats permanent enhanced premium tax credits, capping cost-sharing based on affordability, and offering all Americans a Medicare-type choice through a federally administered public option. Those requests for information effectively serve as the Finance Committee's legislative blueprint for the 120th Congress.

Beyond general health care coverage, Senate Democrats are likely to pursue a broader affordability package focused on prescription drugs, PBMs, Medicare Advantage, prior authorization, and surprise billing. Finance Committee Democrats will likely seek to build on Medicare drug-price negotiation and may push to expand the number of negotiated drugs or extend selected protections to the commercial market, although this would involve the HELP Committee. The HELP Committee under Sen. Bernie Sanders' leadership is likely to emphasize manufacturer pricing practices, PBM transparency, pharmacy access, and the health care workforce, which is consistent with policies that Sen. Sanders prioritized during his previous chairmanship. Even though he and President Trump both support lowering drug costs through government price setting, Sen. Sanders and his Democratic colleagues have been very critical of the President's most favored nation deals and have vowed to investigate what is actually in the agreements.

Bipartisan policies and packages that involve both HELP and Finance are still likely, especially if the topics relate to Medicare Advantage upcoding, physician reimbursement reform, permanent telehealth authorities, site-neutral payment policies, and fixes to the No Surprises Act, although other hospital, insurer, physician, and employer disagreements will make the details difficult to fully work out. Workforce programs, including HRSA Title VII reauthorizations and public health funding, have also traditionally been bipartisan, but Senators will need to compromise in order to get the President's signature.

With Chairman Cassidy leaving the Senate, the Republican top spot on HELP is up for grabs. Sen. Rand Paul (R-KY) is next in line but may prefer to serve as Ranking Member on the Homeland Security and Governmental Affairs Committee. The next most senior Republican, Sen. Lisa Murkowski (R-AK), a moderate member of the HELP Committee, may well seek the top spot on the Appropriations Committee and the Senator below her, Sen. Tim Scott, may prefer preserving his role as top Republican on the Banking Committee. That means the next senior Republican is Sen. Josh Hawley (R-MO), who has been active on some healthcare policy, often with a rural or conservative bent. Sen. Hawley has embraced many populist healthcare policies, including giving patients money directly from the government to instead of having dollars go through insurance companies. He has proposed making healthcare expenses tax-free by allowing out-of-pocket costs and premium expenses to be deducted from one's taxes. During debate of OBBBA, Sen. Hawley was very critical of cutting Medicare and has been outwardly supportive of protecting rural American's access to healthcare services due to Missouri's broad access challenges. One week after OBBBA was enacted, Sen. Hawley introduced the Protect Medicaid and Rural Hospitals Act, which would repeal specific Medicaid state provider tax cuts and directed payment reductions, while also doubling the Rural Health Transformation Program from $50 billion to $100 billion. Democrats under the new Senate majority could utilize his positions to

achieve OBBBA reforms, but it is unlikely that many, if any, other Republicans would support undoing part of their signature bill. Sen. Hawley is also staunchly pro-life and has advocated for defunding entities that provide abortion services, which could complicate bipartisan policymaking on the HELP Committee.

Long-term care and federal health research are also expected to receive greater attention. Senate Finance Democrats have already begun developing proposals for an affordable home care benefit, stronger nursing home quality and transparency standards, and workforce support for paid and family caregivers. At the same time, Democratic appropriators and authorizing committees are expected to use hearings, funding bills, and confirmation proceedings to scrutinize the Administration's handling of congressionally appropriated research dollars, vaccine policies, agency staffing levels, and implementation of other HHS initiatives. Sen. Wyden was also adamantly opposed to Medicare cuts in OBBBA and will likely prioritize a full repeal of the Republican-led cuts to the public program. The Senate's oversight authority will also give the upper chamber a meaningful role even when legislation cannot overcome a filibuster or a presidential veto.

On 340B, the Senate's starting point will likely be the bipartisan SUSTAIN 340B Act developed by Sens. Tammy Baldwin (D-WI), Tim Kaine (D-VA), John Hickenlooper (D-CO), Jerry Moran (R-KS), Shelley Moore Capito (R-WV), and John Boozman (R-AR). Under Democratic control, negotiations are likely to place greater weight on preserving point-of-purchase discounts, codifying broad contract pharmacy access, protecting rural and safety net providers, and ending the HRSA rebate model, while retaining a universal patient definition and the reporting, audit, and program integrity provisions needed to maintain Republican support. A Democratic Senate could move the bill through the HELP Committee and pair legislative work with oversight of HRSA and manufacturers, but the details will be key for attracting Republican support. Because major portions of 340B policy are non-budgetary, however, a meaningful agreement would still require regular order and a bipartisan coalition rather than reconciliation alone.

Key Players

Committee	Democratic Leader	Health Jurisdiction / Outlook
E&C	Rep. Frank Pallone, expected Chairman	ACA, Medicaid, 340B, FDA/NIH oversight; would drive drug pricing and 340B bills and HRSA oversight.
House Ways and Means	Rep. Richard Neal, expected Chairman	Medicare, health taxes and premium tax credits; co-lead on H.R. 4849 and H.R. 6166.
Senate HELP	Sen. Bernie Sanders, expected Chairman	340B, drug prices, workforce; Chairman Cassidy is not returning, leaving the Republican lead uncertain. (Sen. Hawley is a possibility.)
Senate Finance	Sen. Ron Wyden, expected Chairman	Medicare, Medicaid, ACA credits; any reconciliation health title runs through Finance.

Committee	Democratic Leader	Health Jurisdiction / Outlook
Senate 340B Working Group	Sens. Baldwin, Kaine, Hickenlooper, Moran, Capito, and Boozman	Authors of SUSTAIN 340B Act; the bipartisan center of gravity on 340B.

Political and Procedural Factors Shaping the Agenda

Filibuster and Reconciliation

Most bills that Democrats have listed as priority bills will need 60 votes to pass the Senate due to the expected opposition from some Republicans and the continuation of the ability for Senators to filibuster. With Democrats now holding the Senate, they are expected to consider bundling ACA subsidy restoration and Medicaid reversals into a budget reconciliation bill that needs only a simple Senate majority; however, the President would still be able to veto it. Reconciliation is also constrained by Byrd Rule limits on including in a reconciliation bill provisions that fail to directly impact federal spending. This limitation would push items such as 340B contract pharmacy rules and PBM structural reforms into a legislative context whereby a majority could pass the bill(s) but a potential filibuster would necessitate lining up a total of 60 votes in favor.

The Veto and Must-Pass Leverage

Because of the veto, realistic paths to enactment run through negotiated vehicles: FY 2027 appropriations, health extenders, and any debt-limit agreement, which is a route to a partial restoration of ACA subsidies and Medicaid funding. With Democrats holding the Senate, House-passed health bills will have a path to committee and floor consideration, but enactment will still depend on Republican support or negotiations with the Trump Administration. Democrats can also block any further Republican-only reconciliation package.

Committee Jurisdiction

Overlapping jurisdiction — E&C and Ways and Means for most items, with Education and Workforce (private plans), Judiciary (PBM ownership, patents), and Oversight (FEHB) also involved — adds sequencing friction. Proposals to move 340B from HRSA to CMS would shift Senate jurisdiction from HELP to Finance.

Coalition-Building

Intra-caucus fault lines for Democrats (Medicare for All versus incremental expansion; moderate vs. progressive members on 340B) will need to be managed within what is expected to be a narrow House majority. Meanwhile, Republicans are expected to keep framing their health message around fraud prevention and program integrity, which aligns with Democratic interest in Medicare Advantage upcoding and creates openings for bipartisan program-integrity deals.

Technology, Privacy & Artificial Intelligence



TECHNOLOGY, PRIVACY & ARTIFICIAL INTELLIGENCE

This Title Was Written By AI: "A New Majority, a New Agenda — Technology Policy Outlook for the 120th Congress"

The Trump Administration's close ties to the nation's largest technology and artificial intelligence (AI) companies, and the looming transfer of power to Democrats in the House and Senate, provides an opportunity for Congressional Democrats to turn an investigative lens on the impact of data centers, social media, surveillance, and AI safety. While the Trump Administration and Congressional Republicans have emphasized the outsized economic impact of the tech industry's AI buildout over the past few years and set minimal guardrails on the use of AI-assisted decision-making in employment, health care, housing, and banking, House Democrats will look to implement AI safety standards and set ground rules for how the nation's largest tech and AI companies operate.

Jobs and the economy are always a hot topic in Washington, and the combination of AI-related layoffs at publicly traded companies and stagnant entry-level job options for college grads has raised concerns on both sides of the aisle in Congress. As policymakers in Washington continue to wrestle with this challenge and work to solve the economic unease that Americans continue to face, the nation's tech titans will receive a barrage of questions from the House and Senate about (1) what qualifies as an AI-related layoff, (2) whether and how excise taxes on AI could be levied, and (3) how to financially assist and retrain workers who lose their jobs due to AI.

Economic competition with China, national security, and the pace of America's advancement in AI development continue to be the driving factors motivating Congress. This is especially true as the use of open-source and open-weight AI models proliferate around the globe, which has created agreement among security-minded policymakers who believe the United States needs to limit sales of high-powered microchips from American manufacturers, like Nvidia, to China. These attitudes among policymakers are likely to persist, despite the shift in control of legislative chambers in Congress. Several proposals, including the Match Act, AI Overwatch Act, and Chip Security Act, that have been offered as amendments to the National Defense Authorization Act, seek to impose export restrictions, location verification, and tighter controls on domestically produced microchips. Without legislation blocking their ability to sell in China, the nation's major microchip manufacturers and tech companies stand to benefit financially. However, policymakers in Washington continue to express great concern about the need to win the AI arms race against China —both for economic and national security reasons. As they move forward, legislators in DC will struggle to strike a balance between supporting domestic microchip manufacturers and tech companies with business interests in China that are powering US economic growth and stopping the diversion of high-powered domestic semiconductors.

Finally, leaders in Washington will continue to wrestle with many of the same unaddressed tech policy concerns from past legislative sessions about censorship and online speech, privacy, anticompetitive

practices, and surveillance in the forthcoming session of Congress. A growing chorus of policymakers in Washington are likely to echo some of the critiques laid out by the current Congress (i.e., online platforms are a danger to young people), and the new Democratic majority in the House and Senate could also pursue additional efforts to block access to AI chatbots, impose age limits on social media use, and rescind the tech industry's liability shield, known as "Section 230."

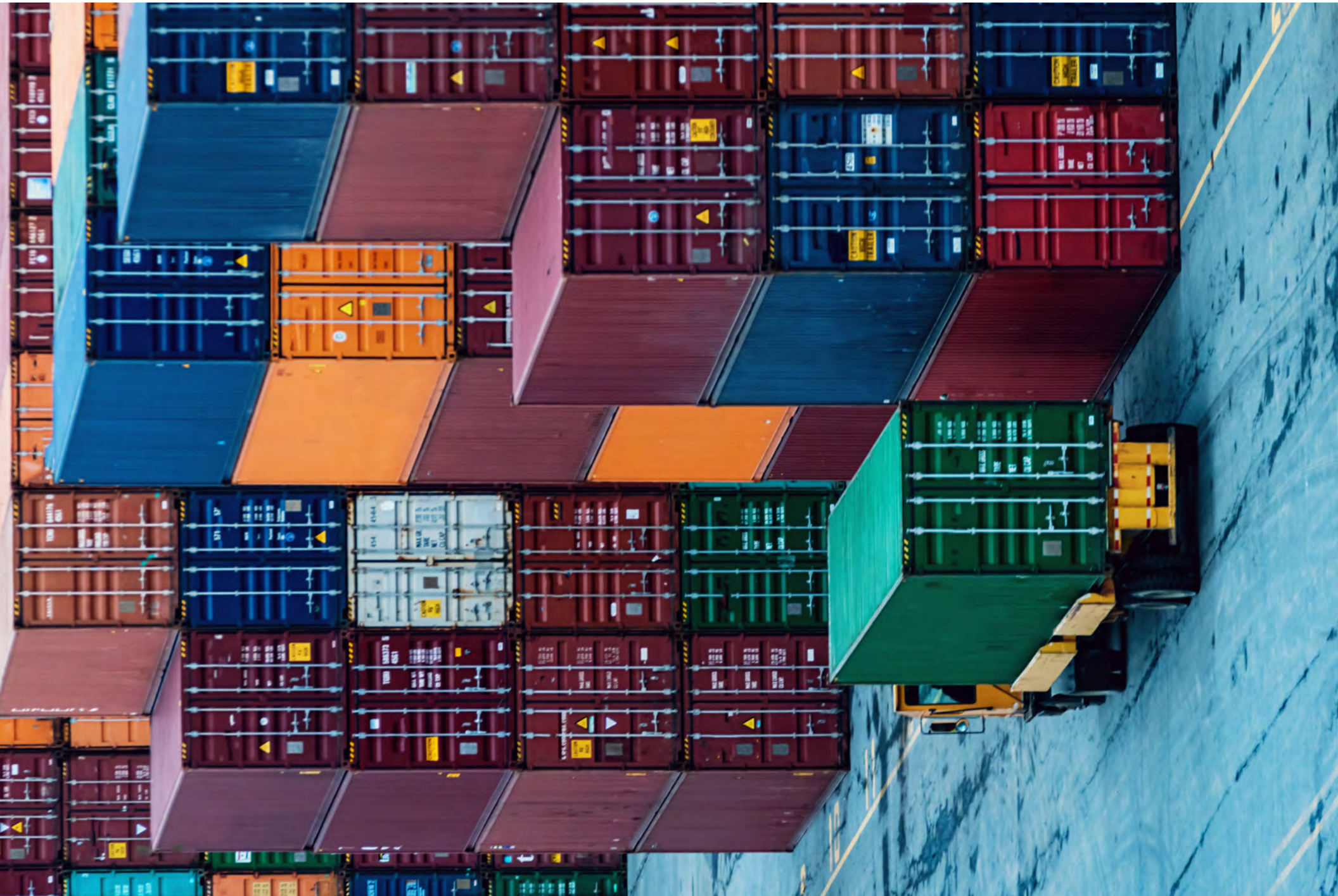
Data Privacy and Civil Rights

During the 118th Congress, bipartisan policymakers in the House Energy and Commerce Committee failed to advance a comprehensive data privacy bill due to conflicts over justice and civil rights protections, disagreements about the need for a national standard, and fights about pre-empting existing state privacy laws. While a new Democratic majority in the House and Senate provides an opportunity to pass a comprehensive data privacy bill, legislators in Washington are more likely to work on individual issues impacting privacy, civil rights, and surveillance. Over the past two years, policymakers on the left and right have publicly rejected the explosion of automated license plate readers in states around the country. While bills in the House and Senate have failed to advance during the current session of Congress, the energized Democratic majority could see imposing a ban on AI-assisted license plate readers as an easy legislative win that could attract support from populist-minded Republicans like Sen. Josh Hawley (R-MO), who has previously expressed concerns about the impact of "Flock cameras" on Americans' privacy and individual liberty.

Data Centers

No issue has animated policymakers, and the public, going into the November election more than data centers. Opponents of Big Tech point to data centers as the physical manifestation of AI and have politically linked Americans' unease with the technology to the environmental impacts, rising energy costs, noise complaints, and minimal community input that accompanied their arrival in communities around the nation. The issue has brought together strange bedfellows in support and opposition to the industry's growth, with labor groups, tech enthusiasts, and realtors supporting further expansion, and environmentalists, civil rights, and faith groups calling for moratoriums or blocking planned projects. Congress has been fairly limited in its efforts to regulate data centers so far, with the exception of House passage of the Ratepayer Protection Act, legislation to shield consumers from current and future energy costs associated with the arrival of data centers. There is also great interest in stopping Members of Congress from signing NDAs about data center developments, and several progressive Members of Congress have called for a national moratorium on the development for data centers until a national law is passed that allows the government to assess the impact of AI technologies. Given how saturated the political narrative is against data centers, the issue could serve as a way to galvanize Republicans and Democrats on tech policy as the 120th Congress arrives, many of whom campaigned against data centers while running for election and re-election.

International Trade



INTERNATIONAL TRADE

International Trade — Will Tariff Policy Be in Play Again in the 120th Congress?

In the past two years, just as he did in his first term in office, President Trump has utilized the many tools at his disposal to initiate trade actions in order to achieve a specific outcome on trade or foreign policy matters. President Trump has continued to demonstrate a transactional approach to trade issues, typically used as leverage for diplomatic issues to obtain his preferred outcomes. Based on his use of never-before-used statutory tariff authorities, some of which have been challenged in court and one of which was overturned, the President has tested the legal extent of his authority on trade policy — given piecemeal by Congress to the President over the past century. Of course, this approach has been easier to accomplish with Republican majorities in Congress that have chosen to conduct oversight primarily through closed-door meetings and phone calls with Cabinet officials.

With a new Democratic majority, trade policy experts will be closely watching whether and how the committees of jurisdiction use their authority to conduct hearings with witnesses under oath or attempt to chip away at longstanding presidential authorities in trade law. It is worth noting that notwithstanding a new House majority, Senate Democrats would not have the 60 votes needed to enact trade reform legislation over opposition from Republicans who support President Trump. It is possible that a sufficient supermajority exists to remove punitive tariffs imposed on Canada, but how such a vote would fare depends in part on timing and whether it is proposed on the heels of very polarizing legislation. Given the difficulty of amassing sufficient congressional opposition within the parliamentary procedural context, we expect the Administration will continue to use existing trade laws just as they have for the past two years.

Key Players

As of this writing, we expect Rep. Richard Neal (D-MA) to once again become the Chairman of the House Ways and Means Committee. Since the President's first term, Rep. Neal has been actively conducting oversight of the President's use of tariff authorities. According to his former colleague Rep. Phil English, he is well-positioned to make his mark on trade policy.

The President is a dealmaker with populist leanings and Congressional Democrats may want to revive lapsed pro-worker policies, so it is possible that negotiations on Trade Adjustment Assistance could be revived in exchange for something the President wants from Democrats.

House Democratic leaders who want to write trade law reform will have to educate new members and others who have not specialized in that policy area. Significant turnover will occur within the House Democratic Caucus, and it remains a mystery as to how those aligned with the Democratic Socialists of America will vote on trade policy issues. Progressive Democrats have not shied away from speaking out against the President; however, most progressives are not self-described Free Traders and many have

strong labor ties or represent Rust Belt districts, which may create nuanced divisions on how to address the President's approach to trade.

We expect Rep. Jason Smith (R-MO) to remain the Republican leader of the Ways and Means Committee. Rep. Smith has expertly navigated his leadership of the committee over the past two years and has allowed his members to represent and advocate for their districts on specific trade matters such as foreign market access for agricultural products or manufacturing dependent on foreign-sourced inputs.

We expect Sen. Ron Wyden (D-OR) to reclaim the Chairmanship of the Senate Finance Committee and Sen. Mike Crapo (R-ID) to again serve as Ranking Member. Sen. Wyden has today laid out an agenda that includes trying to overturn some tariffs, so we expect movement along those lines. In a press release, Wyden stated he would use his chairmanship to "reassert congressional authority over our country's trade policy to bring down costs, end Trump's disastrous and corrupt tariffs, reestablish critical trade partnerships, and hold trade cheats accountable."This is understandable in part because this committee will likely be focused first on attempts to roll back changes to Medicaid and some of the tax provisions included in the One Big Beautiful Bill Act (PL 119-21). In addition to possible discussions about the Social Security Trust Fund and Medicare payment policy, the committee will also grapple with how to consider the President's nominees for various senior agency positions in key agencies such as the Office of the US Trade Representative (USTR), Department of the Treasury, and Department of Commerce.

Heading into the 120th Congress, Senate Finance Committee Republicans will experience significant turnover and the loss of institutional knowledge from Senators who did not win their reelections, retired, or sought a different public office. Some of the Senators expected to position themselves for a seat on the Finance Committee have been publicly supportive of the President's trade agenda, which makes the changing dynamic amongst the Senators more intriguing.

One must not forget that the House Foreign Affairs Committee has some jurisdiction over trade policy, including the Export Control Act and the African Growth and Opportunity Act (AGOA). A longtime Democratic leader of the committee, Rep. Greg Meeks (D-NY), is expected to once again be elevated to Chairman. Rep. Meeks is a traditional Democrat who understands the value of diplomacy and has opposed the President's tariff-laden approach to trade as a means to achieve foreign policy goals. We expect proactive, offensive congressional trade priorities originating from this committee to be driven by the need to counter foreign entities of concern, such as China and Russia, especially through the use of export controls.

Oversight

Elsewhere in this report, we elaborate on the coming increase in congressional investigations. The area of trade is unlikely to remain untouched by these investigations. Congressional Democrats have indicated an interest in investigating "deals" made by companies and nations seeking relief from tariffs.

Since the Supreme Court struck down the International Emergency Economic Powers Act (IEEPA) earlier this year, Congressional Democrats have introduced legislation and sent letters to US Customs and Border Protection (CBP) regarding the speed and completions of refunds. We may see the committees of jurisdiction, or the House Oversight Committee and Senate Homeland Security and Governmental Affairs Committee, seek data on how quickly CBP's Consolidated Administration and Processing of Entries system is paying refunds, how the system treats small businesses versus large corporations, and how much remains unpaid.

Congressional Democrats have never been neatly unified in their support of the US-Mexico-Canada Agreement (USMCA), though the Agreement gained more congressional support in 2018 than its predecessor, the North American Free Trade Agreement, had in 1993. In the Administration's pursuit of favorable bilateral trade deals, and its decision to decline renewing USMCA during its six-year review, we expect to hear about congressional consultations, or lack thereof.

Most recently, traditional party lines were broken in support of enacting the Lindsey O. Graham Sanctioning Russia and Iran Act of 2026 (PL 119-111), which expands the President's statutory authority to enact tariffs on Russia and countries that buy Russian energy products. Just one month later, the President issued an Executive Order waiving the law's sanctions and tariffs on Russia. Once Congress returns to Washington in the coming weeks, and looking ahead to 2027, congressional oversight of this matter, and of Russia generally, is expected.

Due to calendar timing and a robust oversight agenda, select witnesses from the Administration may be called for hearings, in addition to the annual statutory hearing on the President's Trade Policy Agenda with the USTR.

Finally, while it is possible for Congress to utilize the appropriations process to cut off the Department of Commerce's and USTR's ability to implement the existing tariff decisions by the President, through report-language or funding adjustments, Congress has not previously shown a willingness to legislate in this manner, and it is unlikely they would start now.

Amending Trade Law to Counter the President?

Democrats have publicly stated that they will put Republicans on the record on the President's tariffs within days of assuming control. This could look something like Sen. Wyden's proposed Congressional Trade Powers Reform Act, which proposes that Section 232, 201, 203, and 301 tariffs require review by a new Joint Committee on Tariffs and Trade with enactment of a joint resolution of approval, and that the approved actions only last 180 days with possible extensions. The bill also would repeal Sections 122 and 338 and require that trade agreements binding the United States be approved by law. This bill, introduced earlier in 2026, is a wish list of actions that would be taken to rein in Presidential trade authorities, and we expect that elements of this bill could move individually through the legislative process, especially in the House, where there is no procedural hurdle of 60 votes to proceed.

Additional statute-specific legislation amending Section 232, Section 301, and the IEEPA has been introduced during the 119th Congress, including by respected Democrats on the House Ways and

Means Committee, and could also be considered as an option for putting Republicans on record (or could be considered in the following months).

Bipartisan, bicameral legislation introduced in 2025, the Trade Review Act, would require notice to Congress within 48 hours of any new or increased duty, with rationale and an economic-impact assessment. The duty would expire after 60 days unless a joint resolution of approval was enacted. Putting Republicans on the spot with such legislation remains an option.

At the end of the day, even though Democrats will hold large majorities in both chambers, unless a substantial number of Republicans join them, a veto override is unlikely on any measure countering trade policies the President views as central to his agenda.

Bipartisan Trade Priorities?

Long supported on a bipartisan basis, AGOA, the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE), and the Haiti Economic Lift Program (HELP) were reauthorized through the end of calendar year 2028, without amendments, as part of the Continuing Appropriations and Extensions Act, 2027 (PL 119-416). There are currently 32 African nations eligible for the AGOA benefit of duty-free access to the US market for certain goods. US Trade Representative Jamieson Greer and some stakeholders want to see AGOA modernized with stronger eligibility criteria in order to prevent bad actors from utilizing the program (as was the case recently, when some nations were removed from the program). Some Members of Congress from both parties view the preservation of this program as a vital tool to countering China on the African continent. They desire thorough consideration of any changes in advance of the next extension to ensure the future of AGOA benefits and protect participating countries' access to the US market, reduce Chinese influence, and sufficiently inhibit corruption and human rights violations.

We believe an additional point of bipartisan focus in the trade arena will be digital trade barriers and digital services taxes. These digital services taxes largely harm American technology companies' access to foreign markets and present an ongoing opportunity for retaliatory tariffs by the United States if other nations implement these taxes or introduce other barriers to digital trade. Members on both sides of the aisle have sought to address these trade barriers by proactively negotiating digital trade policies in any trade deals or agreements in order to advance American leadership and business interests while countering adversaries.



Tax

TAX

Tax Policy in the 120th Congress: Back on the Front Burner

The sweeping and decisive Democratic midterm victory will usher in a massive ideological shift in the dominant tax philosophy in Congress, with an even deeper ideological shift in the tax writing panels, the House Ways and Means Committee, and the Senate Finance Committee. With Democrats claiming an ambitious electoral mandate, and facing immediate demands for expensive economic programs, the new majorities in these Committees will be charged with refining a tax agenda for their party that fulfills political commitments while recognizing how tax burdens fall differently on parts of their polyglot coalition.

Victorious Democrats prevailed without having to rally behind a unified tax program. Instead, the opposition trained their criticism on the Trump Administration's implementation of the One Big Beautiful Bill Act (OBBBA) and renewed commitment to the Tax Cuts and Jobs Act (TCJA). Congressional Democrats are likely to selectively revive Biden-era revenue ideas. The new Congressional majority will have limited ability to override the Trump Administration's tax policies contending with White House vetoes, even while utilizing the Reconciliation process. However, the project of advancing tax legislation will be critical to Democratic efforts to reset the tax reform agenda, with long-term consequences for future debates. New tax proposals will have immediate significance in funding reconciliation agreements and free-standing messaging bills, including strategic legislation to pressure Republicans on popular domestic priorities. Even if certain legislation is unlikely to get through the polarized Congress or survive a Presidential veto, key political initiatives acting as "signaling" legislation will require "payfors" that are satisfactory to the majority coalition.

New Leadership on the Tax Panels

The House Ways and Means Committee and Senate Finance Committee will have enhanced visibility and greater autonomy in the new Congress. Committee leadership will enjoy a stronger role in shaping tax policy, with new party Conference leadership and without the need to defer to a Democratic Treasury Department. The committees may reacquire their historic role in defining the tax code, headed by two familiar faces and Trump critics in national tax debates.

The House Ways and Means Committee will be chaired by longtime tax policy veteran Rep. Richard Neal (D-MA), a past Chairman and proven coalition-builder who bridges the committee to earlier eras of legislative cooperation. Rep. Neal will preside over a committee majority with new faces and likely new leadership on the critical Tax and Oversight Subcommittees, with backup from thought leaders such as Reps. Steven Horsford (D-NV), Brad Schneider (D-IL), and Terri Sewell (D-AL). The committee is expected to take soundings among House Democrats as they shape their priorities.

The new Chairman of the Senate Finance Committee, Sen. Ron Wyden (D-OR), has already been testing the waters on progressive tax reforms with the tax community and fellow Finance Committee Democrats. Sen. Wyden is a policy entrepreneur committed to making the tax code more progressive and equitable, while shifting a greater share of the tax burden to the corporate sector. He is also a fierce critic of the Trump Administration's policies and ethical regime, and can be expected to pursue aggressive, high-visibility oversight investigations into the policy implementation, staffing levels, and compliance standards at the Treasury Department. The Finance Committee can be expected to target perceived tax loopholes and embrace changes structured to improve tax fairness and alleviate concentrations of wealth.

Both Chairs will be challenged to find common ground on revenue sources around which their respective, philosophically diverse Chambers of Congress can rally to fund a common agenda.

Toward a Tax Agenda for the New Majority

Congressional Democrats can be expected to revive traditional tax proposals to benefit working-class and low-income constituencies by shifting tax burdens to high-earning individuals, corporate entities, and concentrations of existing wealth. They will also explore tax solutions addressing current issues such as affordability and climate change. While the Democratic Congressional coalition is unified in opposition to the OBBBA and skeptical of TCJA tax rates, parts of the populist Trump agenda are likely to be retained: Relief for taxes on tips, overtime, auto loans, and senior income are improbable candidates for repeal. Instead, a range of potential revenue sources of various sizes is emerging.

High-Net-Worth

A possible rate increase for high-income taxpayers is possible. A potential Billionaire Minimum Tax is a likely option, with a preference for assessing individual tax loopholes like "buy-borrow-die," which are primarily beneficial to the wealthy. There is interest in revisiting the structure of the inheritance tax in the wake of the TCJA. A "wealth tax" as advocated by Sen. Elizabeth Warren (D-MA) and proposed in a California referendum is far less likely, unless fiscal and ideological pressure brought on by circumstances overcomes policymaker reluctance.

Corporate Investments and Profits

There is likely to be an effort to raise corporate rates to as much as 28%, or potentially new levies on stock buybacks. On the other hand, new corporate cost-recovery regimes, like expensing, R&D benefits, and structures, are less likely to face hostile scrutiny.

Capital Gains

Although many progressives advocate for higher tax rates on capital gains, there is likely to be more appetite to assess a tax on "unrealized capital gains," a current target of Sen. Wyden. Another potential is to impose a "mark-to-market" system of taxing capital gains.

Tax Credits and Refundable Provisions

An expanded refundable Child Tax Credit is a likely antipoverty initiative, similar to Covid-era policy. This will appeal to a broad cross-section of the congressional majority, but its cost may be a barrier to its advancement. Liberalizing the Earned Income Tax Credit for single taxpayers is also likely to be a priority for many in the new majority.

Affordability

A housing policy tax initiative similar to Sen. Wyden's Decent, Affordable, Safe Housing for All (DASH) Act — which included an expanded Low Income Housing Tax Credit, a Middle-Income Housing Development Credit, a Renter's Tax Credit, and a capital loss tax deduction for low- and middle-income home sales — is a possible opportunity. This could also include a revised version of the former First Time Homebuyer tax credit, which has been proposed in the current Congress.

Technology

The idea of a low-rate tax on business revenue, profits, or consumption from artificial intelligence is attracting growing attention. More immediate is the demand for tax penalties on data center investments, including R&D spending, use of REIT structures, Opportunity Zone benefits, and expensing, coupled with the possibility of a gross receipts tax on data center operators.

Energy Taxes

There is likely to be a debate on limiting tax benefits for fossil fuel development, considered alongside a revival of and permanency for clean energy incentives. Although unlikely to produce changes against the backdrop of the current Administration, this historic competition between energy sectors will rekindle.

Retirement

Although outside of the federal budget, the financial condition of the Social Security system is likely to kindle a debate over the Social Security Payroll Tax: whether to raise it, or raise or eliminate its cap. This debate is likely to play out as some lawmakers push to restrict accumulations of tax-advantaged investments in Roth IRAs.

Legacy Issues

The cap on the deductibility of state and local taxes, which pits high-tax against low-tax jurisdictions, is a probable target in the new Congress. The preferential treatment of carried interest, a venture capital priority, is likely to draw renewed scrutiny.

International

As a much lower-visibility issue, there may be movement on international tax provisions. In a Trump Administration, this is extremely unlikely to include a Global Minimum Tax under the OECD Pillar II, but could spawn a proposal to increase the rates in the Global Intangible Low-Taxed Income mechanism.

A Climate of Investigations

As noted elsewhere in this report, the new Congress is expected to lean in on oversight initiatives and investigations. In the tax arena, this is expected to include:

- IRS funding and performance.
- Audits of Trump-related business activities.
- Treasury data leaks.
- DOGE cuts and their consequences.

The net result of the election results will be to dramatically shift the tax policy agenda in Congress, and, at least in the short term, the regnant congressional tax philosophy. Longer term, it will force a shift in both parties' tax assumptions in the rising tide of fiscal imbalances and demand for entitlements.

In the current environment, tax policy is and will continue to be one of the most politically polarized and ideological areas of legislative endeavor. Tax debates are going to continue to be contentious in Congress, testing the shrinking venues for bipartisanship in this space. The upcoming philosophical conflicts between Democrats and Republicans, and between Democratic factions, will have enhanced significance as budgetary issues sharpen and the economy changes. Tax policy will be a challenge for years to come, with large stakes for all of America.



Congressional Investigations

CONGRESSIONAL INVESTIGATIONS

Lawyer Up: Dealing with A Robust Congressional Investigations Climate

Under a Democratic majority, the next Congress will continue to vigorously exercise its constitutionally recognized power to investigate any matter falling within its legislative functions. In addition, a House Democratic majority can be expected to investigate personal matters related to Donald Trump and his family, in addition to more traditional subjects such as policy and government spending.

House Committee on Oversight and Government Reform

The 45-member House Oversight Committee is the main investigative committee of the US House of Representatives. The Committee has broad jurisdiction and legislative authority, and its chairman has the authority to issue subpoenas without a Committee vote or consultation with the ranking member. In the past, it has focused on a mix of political and policy issues ranging from Hunter Biden's laptop to government spending on health care and fraud in social services.

If Democratic Rep. Robert Garcia (D-CA) becomes Chairman of House Oversight, the focus of the panel will switch to, in his words, "Trump corruption and Trump family corruption. Everything to do from the crypto scheme to pay-to-play, selling pardons, obviously the Trump family cutting real estate deals, [and] defense contracts." Many of these investigations will focus on the private sector individuals and companies who had interactions with the President's campaign, the Trump family, and the White House.

More specifically, under Chairman Garcia, the committee will likely investigate:

- Trump-family matters, such as Jared Kushner's role assisting the Administration and his role with a private equity firm; Qatar's gift of an airplane to the US government; and private benefits enjoyed by family members.
- The Epstein files and how they were handled, including actions taken by now Attorney General Todd Blanche.
- US Immigration and Customs Enforcement (ICE) operations, including alleged violations of civil liberties and the personal performance of former US Department of Homeland Security (DHS) Advisor Corey Lewandowski.
- Vaccine policies at the US Department of Health and Human Services (HHS) as designed by Secretary Robert F. Kennedy Jr.
- Corporate corruption in government contracts and in the financial and crypto markets.

Senate Committee on Homeland Security and Government Affairs, Permanent Subcommittee on Investigations

The Senate's primary investigative body is the Permanent Subcommittee on Investigations, which is housed within the Committee on Homeland Security. It conducts televised hearings on the efficiency and effectiveness of every federal agency and department; the government's compliance with existing laws; and issues related to health, welfare, safety, and financial fraud. Although the two political parties have different perspectives on what issues are important, there are several matters that may merit joint investigation:

- Self-dealing in the crypto markets and illicit finance, including former officials within the Administration or stablecoin issuer Tether's ties to Iran's shadow banking network.
- Medicare Advantage prior-authorization denials targeting UnitedHealthcare, CVS, and Humana.
- ICE and its relation to commercial spyware companies that have provided support to the Trump Administration's immigration, law enforcement, and national security priorities.

If the Committee takes a more Democratic-leaning approach to its investigative priorities, there will likely be hearings related to fundraising for the Trump Presidential Library Foundation, the White House Ballroom construction, and use of the pardon power.

Conclusions and Predictions

Regardless of which party controls the House and Senate, the seriousness of a congressional investigation cannot be overstated. Oversight hearings have become very contentious — sometimes between the Members of Congress but more likely between a Member and a particular witness. A televised congressional hearing is not a legal proceeding — it is a political one. A witness does not have the same legal protections when appearing before Congress as they would in a court, or even in an Executive Branch hearing. Reputations have been tarnished when Senators vigorously question uncooperative witnesses. If you receive a letter, or more seriously, a subpoena, from a congressional committee, the best course is to devise a cooperation strategy with committee staff to minimize your exposure to the negative consequences of a publicized hearing. Of course, the best way to prevent that subpoena from being issued in the first place is to invest in relationships with Congress now, making it less likely that Congress will take an adverse interest in a matter it already knows and understands.

Energy & Cleantech

ENERGY & CLEANTECH

Energy and Cleantech Agenda

Democrats have won control of both the House and the Senate and the 120th Congress will put energy and environmental policy in a familiar posture: a Congress and a White House pulling in opposite directions. The President's energy agenda, centered on oil production and coal development and a reduced federal regulatory role over greenhouse gas emissions, will generate major controversy through the remainder of President Trump's term. Because President Trump holds the veto pen, the near-term story is one of oversight, appropriations leverage, and a narrow but real lane for bipartisan dealmaking, with the surge in electricity demand from data centers running through all three. Slim majorities will not always be able to advance energy and clean technology initiatives quickly, but they will have an important opportunity to prevent executive actions that Democrats view as even more harmful. That role carries added weight given the very wide expert consensus that climate change is a serious threat to the planet and that action must be taken now rather than later.

With committee gavels in hand, Democrats are positioned to deliver the "onslaught of oversight" they signaled before the election, with document requests, public testimony, subpoenas, and even impeachment of officials on the table. The agenda is expected to orbit around House Energy and Commerce, where Rep. Frank Pallone (D-NJ) is expected to take the gavel; House Science, which Rep. Zoe Lofgren (D-CA) is expected to chair again; Senate Environment and Public Works (EPW), where Sen. Jeff Merkley (D-OR) is expected to lead the committee as Sen. Sheldon Whitehouse (D-RI) moves to Judiciary; and the Interior-Environment appropriations subcommittees. The US Environmental Protection Agency's (EPA) Administrator Lee Zeldin will be in the spotlight, and data centers will be a centerpiece of the agenda. Rep. Chellie Pingree (D-ME), now positioned to chair the House Appropriations subcommittee overseeing EPA, has said a Democratic majority would use funding leverage to compel disclosures or policy reversals. That would include more explicit directive language barring unauthorized reorganizations and staffing cuts. Senate appropriators' 2025 attempt to block the dissolution of EPA's research office did not survive the final FY 2026 package, but it previews the riders likely to feature in the first spending bills written by the new majority.

Further, the House margin offers more cushion than recent majorities have enjoyed, but frontline members who won on affordability could be wary of anything framed as raising energy costs. In a Senate where Democrats hold only a very slim majority, the filibuster and the veto sharply limit what can become law, a constraint discussed below in the context of the IRA credits. Moderate Democrats from energy-producing states will hold outsized leverage. Expect House messaging bills that preview a 2029 agenda, paired with real negotiation on a short list of must-pass and bipartisan items, including riders on appropriations and the National Defense Authorization Act (NDAA). We also expect the White House to respond to a Democratic Congress with executive actions, setting up continued conflict through agency rulemaking and the courts. In many areas, the majority's most consequential role may be to block or constrain those actions rather than to enact new laws.

Permitting Reform

There is a chance that this Congress could finalize permitting reform legislation during the lame duck session. Permitting reform has been a long-standing issue, but an emerging bipartisan proposal represents one of the first genuine opportunities to enact it, and bipartisan support makes enactment more likely than at any point in recent years. Its consequences will be substantial for many large projects, particularly in energy and manufacturing. Following the Supreme Court's 2025 decision narrowing the scope of National Environmental Policy Act (NEPA) review and the Administration's rescission of longstanding NEPA regulations, the debate for Democrats is no longer whether to reform permitting but whose projects benefit and how durably. Both parties now want faster reviews, though for different reasons, so a permitting deal would likely be a trade: Democrats seeking interregional transmission planning, to move the transmission and clean energy projects the grid needs to absorb data center load, and protections against after-the-fact stop-work orders and permit revocations of the kind applied to offshore wind; and Republicans seeking firm review deadlines, limits on judicial review, and streamlining for fossil, nuclear, and mining projects. In the event that permitting reform is not enacted this year, in a new Congress, with the President holding the veto and a very slim Senate margin, no package can pass on Democratic votes alone. Revocation protections, which would constrain the Administration's own discretion, are the central sticking point, alongside the other flashpoints discussed below. Democrats are also likely to resist further limits on environmental review while the Administration rolls back environmental regulations, which means progress on any deal will turn on whether each side views it as protecting its projects from the other side's future Administration. Even as reform gains the support needed for passage, it will remain controversial with some constituencies, including groups concerned that faster reviews will come at the expense of environmental and community protections.

IRA Implementation and Rollback

In 2024, we expected the Inflation Reduction Act (IRA) energy credits to be targeted to help pay for a Republican tax package, and the 2025 reconciliation law largely bore that out, accelerating the phase-out of credits for wind, solar, and electric vehicles while leaving nuclear, geothermal, and storage on a longer runway. For the new Democratic majority, the question is what can be preserved and selectively rebuilt. Reconciliation cannot reverse the rollback without the President's signature, and the filibuster and veto foreclose full restoration through regular order. Attainable objectives are likely to include targeted relief and deadline extensions for projects caught by compressed construction and placed-in-service deadlines, provisions attached to must-pass vehicles such as appropriations bills and the National Defense Authorization Act (NDAA), and a bipartisan expansion of support for firm power and domestic supply chains, including nuclear, geothermal, and critical minerals.

Because eligibility rules such as beginning-of-construction and sourcing standards are set administratively, Democrats are likely to rely on oversight and appropriations leverage, including document requests, testimony, subpoenas, and funding conditions, to protect the surviving credits and constrain Treasury and US Department of Energy actions that narrow guidance, terminate awards, or freeze IRA-era program funds. Permitting reform, discussed above, may ultimately do more for these

projects than any tax bill that can pass this Congress. With credits tied to construction deadlines, faster reviews and protections against after-the-fact permit revocations can determine whether a project qualifies before its window closes, leaving broader restoration to a 2029 agenda.

Grid Reliability and Data Centers

Data center and artificial intelligence (AI) power demand has been constraining new development, and without massive grid and transmission investment, AI companies will lack the power they need to compete. That demand is the central point of energy policy. Rapid load growth after a long period of relatively flat demand is straining interconnection queues and reserve margins, pushing utilities to delay retirements or build new gas generation, and complicating state and corporate clean energy commitments. Rising household electricity bills made it a midterm campaign issue that the new majority's frontline members will carry into the 120th Congress. Three questions dominate:

1. Cost Allocation: Whether households are subsidizing the grid upgrades large-load customers require.
2. Interconnection and Procurement: How quickly hyperscalers can secure firm power, including through co-location, behind-the-meter generation, and long-term contracts for nuclear and gas.
3. Environmental Treatment: Whether data centers should be exempt from generally applicable standards.

The new majority's oversight push on data centers began before the election with letters to major technology companies and to EPA, and it is set to expand significantly. The Energy and Commerce Committee under its likely new Chairman, Rep. Pallone, and where Rep. Paul Tonko (D-NY) has led Democrats on the Environment Subcommittee, is likely to compel testimony from Administrator Zeldin and technology CEOs on efforts to ease environmental rules for the industry, including the Administration's plans to spare data centers from nationwide environmental standards and the Administrator's inclusion of AI support in his five-pillar plan for the agency. The inquiry is expected to examine the facilities' noise, air, and water pollution; alleged efforts to skirt certain permits or approvals; and whether technology companies are fulfilling commitments to cover the full cost of the power they consume. Appropriators will add leverage. Rep. Pingree has said Democrats could tighten spending for EPA priorities they oppose to press the agency to address data centers' use of per- and polyfluoroalkyl substances (PFAS), and she expects her subcommittee to hold hearings on data centers.

Data centers have also become an area of significant energy confusion and concern for both Democrats and Republicans, and both parties are beginning to grapple with interrelated questions of electricity costs, water usage, transmission, and local permitting. Both parties share interests in domestic AI infrastructure, energy security, and competition with China, and members of both parties have already inserted language cracking down on data centers into appropriations measures, the NDAA, and other legislation that could become law under the new majority. Ratepayer protections that keep households from subsidizing large-load grid upgrades also appeal on both sides of the aisle. However, parties diverge on environmental treatment and cost allocation: Republicans and the Administration are more likely to favor speed to power and regulatory relief, while Democrats are likely to resist exemptions

from generally applicable standards and press for rate structures that assign grid costs to the customers who cause them.

Offshore Wind, Solar, Storage, and Hydrogen

Offshore wind has borne the brunt of executive action, while solar and storage deployment continues under safe-harbor deadlines amid tariff and supply-chain pressure. Clean hydrogen faces both a shortened credit window and the Department of Energy's cancellation of several previously awarded projects. Each is likely to be an early test of the new majority's oversight of grant terminations and permit reversals. Beyond oversight, the new majority is expected to pursue restoration of support for offshore wind, renewed incentives for wind, solar, and other renewable energy, and policies to strengthen the electric vehicle market. The veto will remain a significant constraint, but Democratic majorities are expected to make incremental progress in these areas over time. Hydrogen, often overlooked as a clean energy source, is also expected to attract growing interest under a Democratic Congress.

EPA

EPA under Administrator Zeldin has repealed climate regulations, including through the process to rescind the greenhouse gas endangerment finding. Congress also disapproved EPA's methane fee rule in 2025, and the agency has cut staff and dismantled its Office of Research and Development. These actions are not separate from the energy agenda: power plant, methane, and air rules determine the cost of the gas generation now being built to serve data center load. With control of the committees of jurisdiction, Democrats are expected to devote early oversight efforts to the agency's layoffs and budget cuts, its repeal of climate regulations, and stalled research on harmful chemicals. Further, significant controversy is expected over EPA actions that have abandoned or weakened air quality standards affecting public health. Because these issues frequently stem from energy development, concerns over mercury standards, fines, and other emissions-related matters are likely to become the subject of a national debate about the public health consequences of abandoning emissions standards.

Firm Power and Supply Chains

Firm power and supply chains offer a less contested lane for bipartisan agreement. Advanced nuclear reactors, nuclear fuel supply, and next-generation geothermal continue to enjoy bipartisan support, as does building domestic and allied critical minerals supply chains to reduce dependence on China. Nuclear power carries the highest cost per kilowatt hour under existing technology, but it is a non-emitting source of new energy, and bipartisan effort combined with emerging reactor technologies may support a path toward additional nuclear capacity. Data center ratepayer protections, discussed above, offer another potential area of agreement. The reauthorization that follows the Infrastructure Investment and Jobs Act (IIJA), whose authorizations ran through FY 2026, is a natural vehicle for grid and charging provisions.

EPA Authority and the Endangerment Finding

The deepest divide concerns EPA's authority over greenhouse gases. The endangerment finding repeal will draw hearings, appropriations riders, and litigation, but a Democratic Congress cannot reverse it over a presidential veto. Because that authority underpins power plant and methane standards and any future climate target, the fight over EPA will shape the energy agenda well beyond the 120th Congress and is likely to frame the 2028 campaign debate. Climate change will be a major priority that the new majority views as critically important. Democrats will work to reconstruct environmental protections and advance the changes they view as necessary to address increasing greenhouse gas emissions. The veto limits what can be achieved through legislation, but meaningful change remains possible through appropriations and, to a lesser extent, authorizing legislation.

Likely Flashpoints

The openings for agreement sit alongside sharp flashpoints, many of which are the same issues viewed from the other side. Shared concern about data center costs will collide with the Administration's proposed exemptions for data centers from nationwide environmental standards, as discussed above. Bipartisan support for firm power will be tested by emergency orders keeping retiring fossil plants online, and by the question of who bears their cost. Any permitting deal will also have to contend with offshore wind stop-work orders and grant terminations, as well as disputes over federal lands and offshore leasing, the pace of US liquefied natural gas export approvals, and environmental review timelines.

Anti-Poverty & Entitlements



ANTI-POVERTY & ENTITLEMENTS

How a Shift in Congressional Control Could Affect Safety-Net Programs and the Nonprofits That Deliver Them

Federal policy affecting low-income Americans has changed significantly since mid-2025. The 2025 budget reconciliation law, commonly called the "One Big Beautiful Bill Act" (OBBBA, P.L. 119-21), made major changes to Medicaid and the Supplemental Nutrition Assistance Program (SNAP), and the Administration's FY 2027 budget proposed further reductions to non-defense programs.[1] With appropriations bills to fund the government still in limbo, many nonprofit organizations are asking what the change in control of both Houses could mean for their clients and funding. Below, we summarize recent actions affecting the most vulnerable among us and outline what the Democratic majority in both Houses could realistically pursue.

Current Administration Actions

Medicaid

The Congressional Budget Office (CBO) projects OBBBA will reduce federal Medicaid spending by more than $1 trillion and increase the number of uninsured people by about 7.5 million over 10 years.[2] The law creates the first federal Medicaid work (community engagement) requirement: Expansion adults ages 19 to 64 must generally document 80 hours per month of work, community service, or school, beginning by January 1, 2027 (states may start earlier).[3] It also narrows eligibility for certain lawfully present immigrants starting October 1, and shortens retroactive coverage.[4] The homeless are not exempted from this requirement.

SNAP

OBBBA extends SNAP work requirements to adults ages 55 to 64 (including the homeless) and to parents of children 14 and older, limits area waivers, makes many refugees and asylees ineligible, and, beginning in FY 2027, raises the state share of administrative costs from 50% to 75%. Beginning in FY 2028, states with higher payment error rates must also pay a share of benefit costs.[5]

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[1]P.L. 119-21 (enacted July 4, 2025); Office of Management and Budget, Budget of the U.S. Government, FY 2027 (Apr. 2026).
[2]CNN, "How Trump's megabill may be affecting you right now" (Oct. 15, 2026) (citing CBO).
[3]Congressional Research Service (CRS), R48755 (2026); KFF, Medicaid Work Requirements Tracker (updated Sept. 29, 2026).
[4]CRS, R48569; D.C. Dept. of Health Care Finance, OB3 Eligibility Changes Overview (Sept. 2026).
[5]CRS, R48552, SNAP and Related Nutrition Programs in P.L. 119-21 (updated Aug. 2025); Brookings, "SNAP cuts in the One Big Beautiful Bill Act" (2025).

Immigration Enforcement

OBBBA provided $75 billion to US Immigration and Customs Enforcement (ICE), including $45 billion for detention capacity through FY 2029, and the Secure America Act (June 2026) added roughly $38.5 billion more.[6] The FY 2027 refugee ceiling is 17,500, matching the historically low FY 2026 level, with admissions primarily allocated to Afrikaners from South Africa.[7] In September, the Administration also proposed rescinding about $567 million in previously appropriated refugee and entrant assistance funds.[8]

Other Anti-Poverty Programs

The FY 2027 budget requests $73.5 billion for the US Department of Housing and Urban Development (HUD), about 13% below the FY 2026-enacted level, and would eliminate the Community Development Block Grant and HOME programs while adding work requirements and time limits for HUD-assisted households.[9] For legal aid, the House Appropriations Committee approved $268 million for the Legal Services Corporation (LSC) for FY 2027, a cut of more than 50% from the $540 million FY 2026 level.[10] These are proposals; Congress has not completed FY 2027 appropriations.

Impact on Nonprofit Service Providers

These changes affect nonprofits in three main ways.

1. **Funding Uncertainty:** Proposed eliminations of block grants, reduced LSC funding, and rescissions of refugee funding put sub-grants and contracts at risk, and short-term continuing resolutions make planning difficult.
2. **Increased Client Demand:** As Medicaid and SNAP work requirements and immigrant eligibility limits take effect, people losing benefits often turn to food banks, shelters, clinics, and legal aid.
3. **Operational Strain:** Clients will need help with documentation and appeals, states facing higher SNAP and Medicaid costs may reduce their own grants, and immigrant-serving organizations report heightened client fear and changing service needs.

[6]GAO-26-108663; Senate Budget Committee Minority, press release (July 23, 2026).
[7]Presidential Determination No. 2026-24, 91 Fed. Reg. 63119 (Oct. 2, 2026); CRS, IF13277 (July 2026).
[8]OMB, Rescissions Proposals (Sept. 25, 2026), Federal Register Doc. 2026-19965.
[9]CRS, R48927, HUD FY2027 Budget Request: In Brief (Apr. 30, 2026); National Low Income Housing Coalition, FY27 Analysis (Apr. 2026).
[10]LSC, press release (May 14, 2026).

Potential Legislative Responses Under a Democratic Majority

Democratic control of **both Chambers** will not only give Democrats the power to set the agenda, block bills, shape annual appropriations, and conduct oversight, but also include the ability to pass legislation — though any bill will still face a presidential veto, and in the Senate most bills need 60 votes.

Restoring Safety-Net Programs

Democrats have already introduced proposals. H.R. 9623, the Protecting Americans' Health Care Act of 2026, would repeal the OBBBA Medicaid provisions.[11] House Democratic leaders have also offered amendments to redirect immigration enforcement funds to reverse the SNAP cuts.[12] Because a full repeal would likely face a veto, a more realistic near-term path is using appropriations and must-pass bills to delay implementation dates, fund state administration, or soften documentation rules.

Affordability, Housing, and Immigration

A Democratic majority would likely use the appropriations process to reject proposed eliminations of Community Development Block Grant (CDBG), HOME, and homelessness grants, to restore LSC funding, and to oppose new housing work requirements. Even the current House committee bill for HUD rejected many proposed cuts, which suggests some bipartisan support for core housing programs.[13] On immigration, expect efforts to add spending limits and conditions on ICE detention, to fund refugee resettlement, and to strengthen oversight offices.[14]

Oversight

Control of a chamber brings committee chairs, subpoena power, and control of hearings. Likely focus areas include how ICE spends its multiyear funds (the Government Accountability Office and the US Department of Homeland Security Inspector General have already flagged detention planning and contract weaknesses), state implementation of Medicaid work requirements and coverage losses, and grant terminations and rescissions.[15] Oversight does not change the law directly, but it can bring information to light and influence agency behavior.

Key Considerations and Takeaways for Nonprofit Organizations

- Track key dates: Medicaid immigrant eligibility changes (October 1), Medicaid work requirements (by January 1, 2027), and SNAP state cost-sharing (FY 2027 and FY 2028).
- Monitor FY 2027 appropriations and any continuing resolutions, which will decide actual funding levels for HUD, LSC, and refugee programs regardless of the election outcome.

[11]H.R. 9623, 119th Cong. (introduced July 9, 2026).
[12]Office of Rep. Katherine Clark, press release (June 8, 2026).
[13]Housing Assistance Council, "House Committee Advances FY27 HUD Funding Bill" (June 11, 2026).
[14]House Appropriations Committee Democrats, press release (Jan. 20, 2026).
[15]GAO-26-108663; DHS OIG, OIG-26-37 (Sept. 2026).

- Review grant agreements for termination, reporting, and compliance provisions, and plan for several funding scenarios.
- Prepare staff to help clients with work requirement documentation, renewals, and appeals.
- Diversify revenue and coordinate with peer organizations and state agencies, which will make many implementation decisions.
- Engage in permissible education activities, staying within IRS limits on lobbying and the prohibition on partisan campaign activity for 501(c)(3) organizations.

Conclusion

Recent federal changes to Medicaid, SNAP, housing, legal services, and immigration programs are significant, and many take effect in the coming months. The Democratic majority in both chambers could slow or reshape these policies through appropriations and oversight, but broad reversals would require either Presidential support or enough votes to override a veto. Nonprofit organizations should stay informed, plan for multiple scenarios, and seek legal guidance as the environment evolves.



District of Columbia

DISTRICT OF COLUMBIA

2026 General Election

A New Mayor and Council Take Shape

District of Columbia voters have chosen a new Mayor and filled the Council Chair, two at-large seats, and the Ward 1, 3, 5, and 6 seats in yesterday's general election. These outcomes follow the June 16 primary, the first held under the District's new ranked-choice voting system. With Mayor Muriel Bowser stepping down after three terms and several long-serving members departing, the incoming government will set District budget, procurement, labor, and development policy beginning in January 2027. Below, we summarize each winner's stated priorities in education, housing, economic development, and health care, and what they may mean for businesses and others operating in the District of Columbia.

Mayor-Elect Janeese Lewis George

A third-generation Washingtonian and former Assistant Attorney General, Mayor-elect Lewis George was first elected to the Council from Ward 4 in 2020 and took office in January 2021. She has proposed universal childcare that caps family costs at 7% of household income, a single agency to manage truancy referrals, expanded after-school programming in all eight wards, and more school-based mental health and special education staffing. Her housing plan would expand rent stabilization, reform zoning and permitting, strengthen the Tenant Opportunity to Purchase Act, and launch "Dignified Homes DC," a program of publicly owned, mixed-income housing. On economic development and health care, she has proposed a Downtown Development Corporation with bonding authority, office-to-residential conversion, Union Station redevelopment, a health innovation program with area hospitals, labor peace, project labor agreement, and First Source requirements for District contracts and development projects, which contractors should watch closely.

Delegate-Elect Robert White

A fifth-generation Washingtonian and former legislative counsel to Delegate Eleanor Holmes Norton, Delegate-elect White was first elected to the Council at-large in 2016, chaired its committee on Housing beginning in 2023, and will be sworn in on January 3 as only the third person to hold the delegate seat. His top priorities are protecting Home Rule and advancing statehood, and he has called for greater federal investment in affordable housing production, preservation of existing units, rehabilitation of public housing, and expanded housing vouchers. To stabilize the District's economy after federal workforce reductions, he has proposed a "D.C. Forward Economic Plan" to secure federal resources for housing, workforce development, and jobs, along with federal tax incentives to attract private-sector employers, proposals that could shape federal funding and contracting opportunities in the District.

"This election marks a meaningful transition for the District, with a new Mayor and several new members of the Council taking office for the first time in many years. For residents, businesses, and organizations that work with the District government, the months ahead will be a time to engage early, understand the incoming leadership's priorities, and help shape how those priorities become policy. I congratulate all of the winners and look forward to working with them on behalf of our clients and the communities we serve."

DAVID P. GROSSO
Partner & At-Large Member of the Council of the District of Columbia



Attorney General Brian Schwalb

Attorney General Schwalb, a former federal prosecutor and law firm partner, was first elected in 2022, took office in January 2023, and won his first reelection bid after receiving more than 90% of the primary vote. He has sought to hold social media companies accountable for youth mental health harms, reviewed health care transactions such as the proposed transfer of Medical Faculty Associates, Inc., and brought wage theft, consumer protection, and District False Claims Act cases, signaling continued active enforcement which businesses and District contractors should factor into compliance planning.

Council Chairman Phil Mendelson

Chairman Mendelson was first elected to the Council as an at-large member in 1998 and has served as Chairman since 2012. He shaped the FY 2027 budget by restoring the Early Childhood Educator Pay Equity Fund to $72 million, ending the childcare subsidy waitlist, funding 569 housing vouchers, and adding money for school-based behavioral health. As the Council's chief budget negotiator in his new term, he will likely play a central role in deciding how the new Mayor's initiatives are funded amid projected out-year budget pressures.

At-Large Councilmember-Elect Oye Owolewa

Mr. Owolewa, a pharmacist and former Advisory Neighborhood Commissioner, was first elected citywide in 2020 as the District's shadow US Representative and now joins the Council for the first time. He campaigned on restoring DC Medicaid coverage, free tuition at the University of the District of Columbia, and stronger affordable housing protections. Health care providers, managed care organizations, and higher-education stakeholders should expect him to focus on coverage and access issues.

At-Large Councilmember Elissa Silverman

Councilmember Silverman, a former reporter and budget analyst, was first elected to the Council in 2014 and served from 2015 to 2023 before returning in July after winning a special election; she now begins a full term. She co-authored the District's paid family and medical leave law and has supported inclusionary zoning and repairs to public housing. Her current priorities include free school aftercare, more home-buying assistance, more housing density near transit, and full use of federal and DC Housing Finance Agency dollars to expand affordable housing.

Ward 1 Councilmember-Elect Aparna Raj

Ms. Raj, a communications manager at the organizing network Local Progress, won her first election this year to follow retiring Councilmember Brianne Nadeau and, at 32, will be the Council's youngest member. She has prioritized expanding rent stabilization, building workforce and permanently affordable housing, and piloting District-owned, tenant-controlled "social housing." She has also proposed lowering costs and red tape for small businesses and funding free childcare through a 2% business activity tax, a proposal businesses in the city should continuously monitor.

Ward 3 Councilmember Matt Frumin

Councilmember Frumin was first elected in 2022 after a crowded Democratic primary, took office in 2023, and was unopposed in this year's primary. He chairs the Committee on Human Services and has called for full funding of the Early Childhood Educator Pay Equity Fund and the Pre-K Enhancement and Expansion Program, along with more affordable housing in high-cost neighborhoods. He has also backed behavioral health housing supports, a dedicated Ward 3 senior wellness center, and stronger commercial corridors.

Ward 5 Councilmember Zachary Parker

Councilmember Parker, a former educator who served on the State Board of Education beginning in 2018, was first elected to the Council in 2022 and took office in January 2023. He authored the District Child Tax Credit and legislation creating a school support office to improve low-performing schools, and his second-term agenda focuses on school attendance, facilities, and career pathways. He has also

pledged to expand affordable housing and rental assistance, lower childcare and utility costs, and steer development to the Rhode Island Avenue, North Capitol Street, and 12th Street corridors.

Ward 6 Councilmember Charles Allen

Councilmember Allen was first elected in 2014, has represented Ward 6 since 2015, and now begins a fourth term as one of the Council's longest-serving members. He chairs the Council's transportation committee and represents a ward that has produced more new affordable housing than any other. His priorities include strong neighborhood schools, small business support, and lower household costs, including a bill to automatically enroll about 30,000 eligible low-income households in utility discount programs.

Conclusion

The incoming government takes office at a moment of both transition and constraint. Several of the Council's newest members will arrive alongside a first-term Mayor, while the Ward 4 seat Mayor-elect Lewis George is vacating and the at-large seat held by Delegate-elect Robert White will be filled through special elections expected in 2027, leaving the Council's final composition unsettled for several months. Fiscal pressure will frame much of the agenda: the outgoing administration warned that the FY 2027 budget relies on one-time spending and leaves out-year gaps, so ambitious proposals in childcare, housing, and workforce development will compete for limited resources. The District's relationship with the federal government, including debates over Home Rule, will also shape how quickly new policies can move. Businesses and others that work with the District can expect changes in procurement and labor standards, development incentives, and program funding as these dynamics play out.

Higher Education



HIGHER EDUCATION

A Shift for Colleges and Universities Remains Uncertain

The first two years of President Trump's second term have brought sweeping changes to higher education: the largest restructuring of federal student aid in more than a decade, an active plan to eliminate the US Department of Education (ED), an accountability metric which measures return on investment (ROI), changes to the endowment excise tax that will impact the wealthiest private colleges and universities, and a heightened level of Administration involvement in campus civil rights, accreditation, admissions policies, and research funding allocation. Coupled with proposed regulations allowing the Internal Revenue Service (IRS) to revoke 501(c)(3) status for private colleges and universities, stakeholders in higher education are eager for stability. However, the election results could bring new challenges to the sector. While Democrats will seek to provide a check on the Trump Administration and potentially rollback policies from the last two years, the road ahead will be a struggle between regulatory and congressional authority for higher education.

While Democratic majorities in both chambers would provide new opportunities to shape federal higher education policy, President Trump's veto authority would limit the prospects for reversing major Administration initiatives through legislation. Instead, Democrats are expected to leverage their congressional majorities to strengthen oversight, influence appropriations, and scrutinize the Administration's implementation of existing policies. Key areas of focus will likely include pushing back on efforts to dismantle ED, access to federal research funding, and implementation of higher education provisions enacted under the One Big Beautiful Bill Act (OBBBA).

Even without the ability to override a presidential veto, Democrats will try to pursue their own legislative priorities in the higher education sector, which will center around making college more affordable and handling student loan issues. Voters clearly demonstrated that affordability was one of their highest priorities in this election, and Democrats will attempt to respond to voters and address those affordability concerns in the higher education arena. The appropriations process will be a key area of negotiation over each party's higher education priorities, providing Democrats an opportunity to advance their policy objectives while potentially identifying areas of bipartisan agreement.

Committee Leadership

A Democratic majority in the House will put the Committee on Education & Workforce under new leadership — but which Democrat will hold the gavel is an open question. Rep. Bobby Scott (D-VA), the committee's most senior Democrat and its chair from 2019 to 2023, faces challenges from Rep. Jahana Hayes (D-CT) and Rep. Suzanne Bonamici (D-OR). The contest reflects a broader intraparty dynamic leftover from 2024, where House Democrats have pushed for new leadership rather than deferring to seniority. Regardless of who wins the chairmanship, the Democratic majority on the Committee will hold subpoena power over ED and other agencies, and they have promised to exercise

extensive oversight over the Trump Administration's education policies. On the other side of the dais, current Chairman Tim Walberg (R-MI) will likely become Ranking Member and be charged with defending the Trump Administration's education priorities while also keeping the Committee focused on Workforce Pell and combatting antisemitism on college campuses, two of his priorities as chairman.

In the Senate, Sen. Bernie Sanders (I-VT), who chaired the Health, Education, Labor, and Pensions (HELP) Committee in 2023 and 2024, is poised to reclaim the gavel. Health care and labor issues will likely dominate his agenda, but he has long championed tuition-free four-year public college and higher salaries for teachers. Sen. Tim Kaine (D-VA) has also emerged as a leading voice on ED's restructuring and will likely lead the Democrats' oversight efforts. The Republican side of the dais will see a shake-up, as Chairman Bill Cassidy (R-LA) leaves the Senate at the conclusion of the 119th Congress. Sen. Rand Paul (R-KY) is next in line for the top Republican seat but may choose to remain the lead Republican on Homeland Security and Governmental Affairs. In that case, the Ranking Member position could be open to Sen. Josh Hawley (R-MO).

The Future of the Department of Education and Rulemaking

Downsizing ED and returning authority to the states has been a long-standing Republican goal, and the Trump Administration has moved quickly to pursue it. In March 2025, President Trump issued an executive order directing Secretary of Education Linda McMahon to facilitate the Department's closure. ED subsequently reduced its workforce, and the US Supreme Court allowed those reductions to proceed in July 2025. By late 2025, ED had begun shifting management of certain programs to other agencies, including the US Department of Labor and the Department of Treasury. ED officials report that programs and staff continue to move out of ED's headquarters and that the Office of Postsecondary Education has decreased to roughly 400 employees. With Democrats poised to control both chambers of Congress, they are expected to intensify their scrutiny of the Administration's efforts to downsize ED.

Under Democratic majorities, the Labor, Health and Human Services, and Education (LHHS) appropriations bill will likely become the vehicle to push back on the Administration's moves to close ED; Democrats will likely propose setting staffing floors and limiting program transfers to other agencies. Republicans and the Administration will oppose these proposals and continue to argue that states and other agencies are better positioned to run ED programs more efficiently. We anticipate that Democrats will intensify congressional oversight through hearings and subpoenas, with particular scrutiny of interagency agreements transferring higher education programs to the Department of Labor and student loan responsibilities to the Department of the Treasury, as well as funding reductions affecting minority-serving institutions.

Despite increased congressional oversight, the Trump Administration is expected to continue advancing its higher education regulatory agenda. On October 29, ED finalized a rule revising the federal system for recognizing accrediting agencies. Developed through negotiated rulemaking, the rule makes it easier for new accrediting agencies to gain recognition and for institutions to change accreditors, and places greater emphasis on student outcomes such as completion and post-graduation results. The rule also sets new expectations for transfer of credit, directs accreditors to evaluate

institutional policies on intellectual diversity, and adds conflict-of-interest requirements for accreditors and affiliated trade associations. Supporters argue the changes will increase competition and reduce compliance burdens, while critics raise concerns about the rule's effect on quality assurance and the independence of the accreditation process. Democrats can be expected to scrutinize the implementation of this new rule closely.

Implementation of the OBBBA

Turning to legislative affairs, the OBBBA, the President's major 2025 legislative package, will continue to set the terms of the higher education debate for the next two years. OBBBA's major student aid provisions took effect July 1: Grad PLUS loans end for new borrowers; graduate, professional, and Parent PLUS borrowing face new limits; and a new Repayment Assistance Plan begins. Additionally, all degree programs become subject to an earnings-based accountability test on July 1, 2027. Institutions are already recalibrating financial aid packages and program offerings in response. Democrats will take a hard look at how the new borrowing limits affect access to graduate and professional programs, particularly in medicine, nursing, and law. There may be room for bipartisan agreement on expanding which fields of study qualify for the higher borrowing caps, or on increasing borrowing caps, though there would have to be a large enough consensus to overcome a veto from the President.

OBBBA also created Workforce Pell, a long-sought bipartisan priority. Pell Grants are the federal government's primary need-based grant aid for low-income undergraduates, but eligibility has traditionally been limited to longer educational programs, leaving out many short-term certificate and job training programs in fields such as health care, manufacturing, and the skilled trades. Beginning with the 2026–2027 award year, Workforce Pell extends Pell Grant eligibility to these shorter programs that meet state workforce needs and federal outcome standards. Given Workforce Pell's deep roots on both sides of the aisle, its implementation is one of the most promising areas for constructive engagement in the next Congress.

OBBBA also substantially expanded the endowment excise tax, which has long been a target of reform. The tax applies only to private colleges and universities with at least 3,000 tuition-paying students and endowment assets of at least $500,000 per student; state colleges and universities are exempt. Beginning with taxable years after December 31, 2025, the flat 1.4% rate is replaced by tiered rates of 1.4%, 4%, and 8%, depending on endowment assets per student. Those rates are likely here to stay through the 120th Congress.

Student Loans and College Affordability

Outside of oversight of the Administration and scrutinizing the implementation of current laws and rules, college affordability and student debt issues sit at the top of the Democratic agenda. Democrats will push to increase Pell Grants, index them to inflation, and convert funding for the program to mandatory spending. On student loan legislation, Democrats are likely to pursue stronger income-driven repayment plans, affordable monthly payments, a broader Public Service Loan Forgiveness program with a shorter timeline, and relief for defaulted borrowers that does not rely on wage garnishment. Democrats may also revisit institutional accountability and transparency on student

outcomes, an issue with a history of bipartisan interest. Any bipartisan effort for a technical fix on the OBBBA's accountability metric must go through Congress which presents an immediate priority for those adversely impacted. Although there are some areas for bipartisan agreement, Republicans will push back on any proposals they view as costly or as unwinding the 2025 reforms, and any new legislation would still need the President's signature.

Campus Civil Rights, Research Funding, and International Students

Few issues have directly affected student life on campus in the past two years more than the Administration's use of federal funding to address antisemitism, diversity-related policies, and admissions practices. Some universities negotiated resolutions with the Administration; others challenged funding freezes in court. Both sides agree that institutions must protect students from discrimination, but they differ on the proper federal role in enforcing that obligation, and Democrats argue that the Administration has overstepped its authority by threatening university funding. Democratic majorities will likely examine grant terminations and settlement terms and may seek appropriations language protecting research funding, an effort that could draw some Republican support given the value of university research to local economies in Republican districts. Republicans will keep pressing institutions on antisemitism and compliance with the Supreme Court's 2023 admissions decision.

Private institutions have an additional item on their watch list. In September, the Treasury Department and IRS proposed regulations on racial nondiscrimination in private schools, which would extend to private colleges and universities and could put their 501(c)(3) tax-exempt status at risk. According to the proposed rule, changes would apply to private schools during the 2027 tax year starting after May 31. Stakeholders are pressing for answers on how the standard would interact with existing civil rights laws, what procedural protections would apply to an adverse determination, and how religious liberty would be safeguarded. Comments were due November 3, so it is still early in this process. One can anticipate congressional attention to this matter as the 120th Congress examines pending regulatory initiatives by the Administration.

International students have also felt the effects of federal policy changes. Visa processing changes and new H-1B fees have sparked bipartisan concern about international enrollment, a vital source of talent and revenue for many institutions and an important contributor to the nation's research competitiveness.

Looking Ahead

Overall, the higher education sector is poised to see continued movement on both the regulatory and legislative fronts. The next two months' debates will center around funding government programs for the remainder of the fiscal year. The remainder of this Congress will focus on the implementation of the OBBBA provisions, one last negotiated rulemaking session focused on reducing regulations from the Administration, ED and research funding, and oversight. While a Democratic Congress is expected to exercise greater oversight of the Executive Branch, advancing legislative priorities during the remaining two years of the Trump Administration will require some degree of bipartisan cooperation.

Financial Services



FINANCIAL SERVICES

Lots of Moving Parts

The financial services industry headed into the 2026 midterm elections facing a political environment much different from recent memory. The past two years under unified Republican control delivered wins for the sector: a federal stablecoin law, a lighter regulatory touch at the banking agencies, and a sharply curtailed Consumer Financial Protection Bureau (CFPB). The finance industry should not assess the 120th Congress as reshaped into a simple party-line federal policymaking operation. The resurgent progressive left will have opportunity to govern with legislative assists from an increasingly populist right, both of which have found common cause in taking aim at Wall Street, private equity, and the cost of living.

Committee Leadership

In the House, the Democratic majority will likely return Rep. Maxine Waters (D-CA) as chair of the Financial Services Committee, where her agenda will entail consumer protection, the utilization of the committee's oversight authority, housing, and Federal Reserve independence. Foreshadowing her agenda, her office has already pressed the largest private credit managers for information following last year's wave of retail investor redemptions from private credit funds.

In the Senate, Sen. Elizabeth Warren (D-MA) is positioned to claim the gavel of the Senate Banking, Housing, and Urban Affairs Committee. Sen. Tim Scott (R-SC) will remain in the top Republican spot as ranking member.

We expect that both chambers, as we touch on in our oversight and investigations section, will conduct numerous investigatory and oversight hearings early in the 120th Congress. Anti-money laundering, crypto, and ties to traditional institutions are expected as oversight topics in the Financial Services and Banking committees alike.

Finance, Populism, and Bipartisanship

One meaningful development worth monitoring may lie less in a partisan Democratic agenda than in the bipartisan coalitions that Sen. Warren could assemble. Sen. Warren has a long record of partnering with Republicans on financial services issues and has already joined with GOP lawmakers on policy ranging from bank and crypto oversight to housing.

Populist proposals that President Trump has endorsed, such as the Credit Card Competition Act, could gain renewed momentum. Concepts including caps on credit card interest rates and targeting of interchange (swipe) fees could find fertile ground in a Warren-led committee — though the President's public criticism of the Senator could complicate bipartisan efforts. The Banking Committee's jurisdiction over export controls also gives Sen. Warren a lane to work with GOP China hawks such as Sens. Jim Banks (R-IN) and Tom Cotton (R-AR) on issues that have had difficulty finding consensus in

the current Congress, namely restrictions on advanced artificial intelligence (AI) chip exports, which, if not enacted in the lame duck, will continue to absorb committee attention.

Private capital's growing footprint in health care, housing, retirement savings, and urban development places crosshairs on the industry over the rising cost of living. As we mentioned above, proposals to tighten rules on leverage and to hold fund sponsors liable for the obligations of their portfolio companies are also likely to resurface in both chambers, consistent with allusions from Rep. Waters.

Digital Assets

The digital asset landscape is entering a new phase of governance. The Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, enacted in July 2025, takes effect January 18, 2027, and the Office of the Comptroller of the Currency finalized its implementing rule on October 21. Yet market structure legislation, which would provide clear, predictable rules on how crypto is governed, has struggled. The Digital Asset Market Clarity Act passed the House in July 2025 and cleared the Senate Banking Committee in May after certain provisions were dropped in committee, but a September 15 cloture vote failed as Democrats insisted on including what was dropped in committee — language prohibiting senior Administration officials' profiting from crypto ventures. Barring unlikely enactment in the lame duck, the debate around a digital asset market structure framework will reset in the new Congress, likely inclusive of ethics guardrails. Democrats will also prioritize clear regulatory authority for the Commodity Futures Trading Commission, additional safeguards for token classification and illicit finance.

AI, Data Privacy, and the CFPB

Agentic AI, referring to systems that make financial decisions on a consumer's behalf, has become a front-line issue all throughout Congress, and financial services are no exception. Advocates for agents in consumer finance argue that agents can reduce fraud and improve consumer decision-making. Critics warn of data harvesting, privacy risks and new openings for fraud — JPMorgan Chase, amid other institutions, have already barred agents, citing risk. As when fintech intermediaries such as Plaid first entered the scene, the central question remains unresolved: who is liable when a technological middleman or agent makes a mistake that harms a consumer?

Being that there is still no comprehensive federal privacy law, and the Gramm-Leach-Bliley Act's framework was written long before modern AI, we expect Democrats to turn to the CFPB as the consumer's shield against emerging technology and associated risk. The past two years have pulled in the opposite direction. US Office of Management and Budget (OMB) Director Russell Vought and allies in Congress have sought to abolish the Bureau entirely, and absent authority or consensus, have settled for slashing Bureau funding. In September, the House Financial Services Committee advanced legislation that would make the Bureau rely on annual appropriations, in lieu of its traditional funding through the Federal Reserve system. A Democratic majority will work to considerably rebuild the Bureau's capacity as a counterweight to the increasing risk and uncertainly that comes with agentic AI permeating consumer finance.

The Lame-Duck Agenda

Before the 120th Congress convenes, lawmakers face several financial services deadlines that may ride on the National Defense Authorization Act, a year-end funding package, or standalone:

- **Export-Import Bank Reauthorization**: The Bank's charter expires December 31. Absent action, it could not approve new transactions. Bipartisan legislation from Sens. Kevin Cramer (R-ND) and Mark Warner (D-VA) would reauthorize the Bank for 10 years — Congress will need to decide term between a five-, seven-, or 10-year extension.
- **DPA**: Most of the Defense Production Act's (DPA) authorities, including its Title I priorities and allocations powers and Title III financing tools, are set to expire on December 11 under a short-term extension. Congress will seek to extend them during the lame-duck session. A consensus package referred out of Committee would extend the DPA through 2031 with modernized authorities.
- **Terrorism Risk Insurance Program**: The program is set to expire at the end of 2027. The House passed Rep. Mike Flood's (R-NE) reauthorization bill by a vote of 373-15 in June, and the Senate passed a measure from Sen. David McCormick (R-PA) by unanimous consent in September, positioning the issue for resolution.

Separately, on insurance policy traditionally governed by the states under McCarran Ferguson, Rep. Flood, Rep. Jim Clyburn (D-SC), among other Members, have begun bipartisan discussions on how weather risk affects insurance ratings and how to better equip consumers to understand that risk. We expect this to be an issue likely to carry into and develop in the 120th Congress given climate increasingly distressing state insurance markets.

Housing Policy

HOUSING POLICY

From Enactment to Execution: Housing Policy After the 21st Century ROAD to Housing Act

Housing affordability remains one of the few areas of genuine bipartisan agreement, as the 119th Congress produced the first comprehensive federal housing package in decades. The 21st Century ROAD to Housing Act (ROAD Act) became law on July 11, combining priorities from the Senate Committee on Banking, Housing, and Urban Affairs, the House Financial Services Committee, and the White House into a single package focused on increasing housing supply, reducing regulatory barriers, and modernizing federal housing programs.

With that package enacted, we do not anticipate another major housing authorization in the near term. Instead, the new Democratic majorities in the House and Senate are expected to focus on implementing and funding the ROAD Act and on oversight of the agencies responsible for it, while advancing a second tier of priorities that were left out of the 2026 package. As a result, the next two years are likely to be defined less by new authorizing legislation and more by agency rulemaking, appropriations, and congressional oversight.

Implementation of the ROAD to Housing Act

Key Provisions

The ROAD Act establishes and amends a wide range of federal housing programs, many of which require additional rulemaking and appropriations. Among its principal provisions, the Act authorizes $200 million annually for FY 2027 through FY 2031 for a new competitive grant program for local governments that demonstrate measurable increases in housing supply through reforms such as streamlined permitting and zoning changes; allows communities to use up to 20% of their Community Development Block Grant (CDBG) allocation for new construction of affordable housing; streamlines federal environmental review for certain housing activities; eliminates the requirement that manufactured homes be built on a permanent chassis; increases Federal Housing Administration (FHA) multifamily loan limits; makes the Rental Assistance Demonstration (RAD) program permanent and raises its unit cap from 455,000 to 555,000; and raises the cap on bank public welfare investments from 15% to 20%. The Act also prohibits large institutional investors that control at least 350 single-family homes from purchasing additional single-family homes for 15 years beginning January 7, 2027, subject to certain exceptions.

Timelines, Agency Capacity, and Congressional Oversight

The ROAD Act requires roughly 125 federal actions, with deadlines ranging from 180 days to several years after enactment. The US Department of Housing and Urban Development (HUD) is responsible for about 70% of these actions, including nine new rulemakings, which places much of the implementation work in the 120th Congress. Implementation also runs through the US Department of

the Treasury, which published a proposed rule on October 23, to implement the institutional investor prohibition ahead of its January 7, 2027, effective date. HUD has also begun implementation efforts, releasing its Next Generation Manufactured Housing Action Plan on October 7, following the Act's elimination of the permanent chassis requirement. The agency has also held bipartisan, bicameral briefings on its implementation progress.

Agency capacity remains a concern on both sides of the aisle. A Government Accountability Office report requested by Sen. Elizabeth Warren (D-MA), and released on October 14, found that HUD reduced its workforce by 29% in 2025 and terminated about 21% of its active contracts. HUD is rehiring, but the pace has been slow. We expect these findings to shape early oversight hearings before the Senate Committee on Banking, Housing, and Urban Affairs and the House Financial Services Committee and to inform FY 2027 and FY 2028 appropriations negotiations.

Unfinished Business

Although we do not expect another comprehensive housing bill in the near term, several ideas with support from both parties that were left out of the 2026 package are likely to resurface. These include incentivizing housing near transit, which was set aside in part because of overlapping committee jurisdiction in the House, and easing domestic-sourcing requirements that some Members argue raise construction costs for federally assisted housing. Rural housing is also likely to remain an area of bipartisan interest, building on rural provisions included in the ROAD Act.

Shifting Gavels in the 120th Congress

House Financial Services Committee

In the House, Chairman Rep. French Hill (R-AR), Ranking Member Rep. Maxine Waters (D-CA), Subcommittee on Housing and Insurance Chairman Rep. Mike Flood (R-NE), and Subcommittee Ranking Member Rep. Emanuel Cleaver (D-MO) led the ROAD Act through the Financial Services Committee. With Democrats in the majority, Rep. Hill is expected to become Ranking Member, while the Democratic gavel is contested. Rep. Waters, who has led Committee Democrats since 2013 and chaired the Committee from 2019 to 2023, faces a challenge from Rep. Sean Casten (D-IL), and Rep. Bill Foster (D-IL) is reportedly weighing a bid of his own. Most Committee Democrats have backed Rep. Waters, and House Democratic leadership has remained neutral.

Following enactment of the ROAD Act, Rep. Waters has expressed interest in building on the law with substantially increased federal investment in housing. Should she retain the top Democratic position on the Committee, she is expected to revisit three bills she has previously introduced: the Housing Crisis Response Act, which would provide more than $150 billion in affordable housing investments; the Ending Homelessness Act, which would make the Housing Choice Voucher program a federal entitlement and prohibit housing discrimination based on source of income and veteran status; and the Downpayment Toward Equity Act, which would provide $100 billion in direct assistance to first-time, first-generation homebuyers. Given narrow margins in the Senate, these proposals are more likely to shape negotiations than to advance in their current form. Democrats on the Subcommittee on Housing and Insurance have also expressed interest in the intersection of environmental resilience and

insurance, including National Flood Insurance Program reform, climate-related financial risk, and the stability of property insurance markets, a focus Rep. Casten has also specifically emphasized.

Senate Banking, Housing, and Urban Affairs Committee

In the Senate, Sen. Warren, currently ranking member, is in line to chair the Committee on Banking, Housing, and Urban Affairs, with Sen. Tim Scott (R-SC), who chaired the Committee in the 119th Congress, expected to serve as Ranking Member. Their recent collaboration on the Senate's ROAD Act could provide a strong foundation for bipartisan cooperation on implementation and oversight. Sen. Warren is expected to focus on federal housing and construction lending and on access to capital for small and mid-sized developers, issues largely left out of the ROAD Act. Given elevated mortgage rates, Sen. Warren has also expressed interest in mortgage assumability, which allows a buyer to take over a seller's existing lower-rate mortgage, as a low-cost way to increase housing inventory. The concept may also draw bipartisan interest.

THUD Appropriations

Under Democratic majorities, current Ranking Members Rep. James Clyburn (D-SC) and Sen. Kirsten Gillibrand (D-NY) could assume leadership of the House and Senate Transportation, Housing and Urban Development (THUD) Appropriations Subcommittees, respectively, subject to committee assignments. Full-year FY 2027 THUD appropriations have not been enacted, and the bill reported by the House Appropriations Committee provides $92.224 billion, which is $10.659 billion (10.4%) below the FY 2026-enacted level. The Senate Appropriations Committee has not reported any of its FY 2027 bills, including THUD. Depending on the outcome of the lame-duck session, the new Democratic majorities may inherit unfinished FY 2027 work alongside the FY 2028 cycle.

Democratic appropriators are expected to push for a higher THUD top line to fund the ROAD Act pilot programs, rental assistance, and HUD staffing. They are likely to point to rising rents, limited rental assistance, and low home-sales volume, which reduces the mortgage-fee receipts that help offset the cost of HUD programs. Another option under discussion is redirecting unallocated HUD balances toward remediating unhealthy and hazardous homes. Any increase will face broader fiscal constraints, as nondefense discretionary spending makes up a shrinking share of the federal budget while interest on the debt makes up a growing share. Full-year spending bills will also require bipartisan support.

Transportation & Mobility



TRANSPORTATION & MOBILITY

A New Democratic Majority Takes on an Unfinished Highway/Transit Bill

Surface Transportation Reauthorization

The 2021 Infrastructure Investment and Jobs Act (IIJA) authorized ground transportation programs through FY 2026. Last May, the House Transportation and Infrastructure (T&I) Committee passed H.R. 8870, the BUILD America 250 Act. The bill would authorize about $580 billion for FY 2027–2031, including $474.4 billion in Highway Trust Fund contract authority. It would also raise assured annual highway funding 7% over IIJA levels and make the largest-ever investment in bridges. Neither the House nor Senate passed the bill and instead extended program authority to December 11 in the Continuing Appropriations and Extensions Act, 2027.

The IIJA extension through December 11 kept its programs running, but it did not include all the funding sources that the IIJA had included as advance appropriations. The American Road & Transportation Builders Association found that $9.5 billion in federal highway and bridge investment would be cut. The National League of Cities estimated $36.8 billion in automatic cuts to transportation programs, and the American Public Transportation Association said the measure would cut transit by 20% and passenger rail by 81% from FY 2026 levels. When Congress returns, it will need to pass a short-term funding bill that addresses the loss of IIJA's extra yearly funding before it expires. A long-term transportation reauthorization bill will be the responsibility of the incoming Democratic majorities in 2027. Expect Democrats to push for funding that keeps pace with inflation, restore funding the Administration paused, and add guardrails that prevent the Executive Branch from withholding funds appropriated by Congress.

Structural problems remain unresolved, such as the Highway Trust Fund's long-term shortfall and federal fuel taxes that have not been raised since 1993. With a narrow Democratic Senate majority and the need for a Republican President to sign the bill, a bipartisan bill remains the most likely and practical path forward. Incoming T&I Chairman Rep. Rick Larsen (D-WA) is expected to use the bipartisan BUILD America 250 Act as a starting point next year. The Republican minority will have some leverage in negotiations, especially on permitting reforms and climate-related programs. Top-line negotiations will likely include fuel taxes, federal registration fees on electric vehicles (EVs) and hybrids, and vehicle-miles-traveled pilot programs.

Aviation

Aviation policy will command policymakers' attention in the latter portion of the 120th Congress, with federal aviation programs sunsetting in September of 2028. Congress will maintain its multi-year efforts to modernize air traffic control (ATC) through the Modern Skies Initiative. ATC funding, staffing, and safety oversight will be closely scrutinized after numerous high-profile aviation safety incidents.

Regulatory whipsaw between the Biden Administration and Trump Administration will fan the flame for a renewed debate around airline consumer protection and the cost of airfare. The next Federal Aviation Administration (FAA) reauthorization will be shaped in large part by Democrats with significant constituent exposure to air travel. Sens.-elect James Talarico (D-TX) and Roy Cooper (D-NC) join a new Democratic majority which represents eight of the nation's 10 busiest airports (Atlanta, Dallas/Fort Worth, Denver, Chicago O'Hare, Los Angeles, New York JFK, Charlotte, and Las Vegas). Of those air travel hubs, eight are now in states with at least one Democratic senator, and six are in states with two.

Changes at Committees

Transportation policy falls under three Senate committees: Environment and Public Works (EPW); Commerce, Science, and Transportation; and Banking, Housing, and Urban Affairs. On EPW, we expect Sen. Jeff Merkley (D-OR) to take the gavel. Sen. Merkley has long advocated for climate action and clean energy, which may shape how the committee implements highway policy. Current Chair Sen. Shelley Moore Capito (R-WV) is likely to become Ranking Member and has a record of bipartisan highway bills with EPW Democrats, which could help the committee reach agreement on highway transportation legislation.

Current Ranking Member Sen. Maria Cantwell (D-WA) is expected to return as Chair of Commerce, having previously held that role in the 117th and 118th Congresses, and Sen. Ted Cruz (R-TX) would likely become Ranking Member. The Commerce Committee oversees safety, rail, trucking, and aviation. Sen. Cantwell has worked with Sen. Cruz on bipartisan issues, such as the 2024 FAA law, and that bipartisanship could extend to the rail and safety titles of a surface transportation bill.

On the Banking Committee, which handles transit, we expect current Ranking Member Sen. Elizabeth Warren (D-MA) to become Chair. Sen. Warren will likely support federal funding for transit construction and operations. She is also likely to investigate how the Trump Administration has handled the Capital Investment Grants (CIG) program, the main federal grant program for building new rail and bus rapid transit lines, in Democratic-led states. Current Chair Sen. Tim Scott (R-SC) will likely become Ranking Member. Committee ratios will be close because of the narrow margin, giving moderate members of both parties outsized influence on each panel.

As stated earlier, we expect Rep. Rick Larsen, the current Ranking Member of the T&I Committee, to become Chair. Rep. Larsen was a major contributor to the IIJA, and we expect him to support building on its framework, continuing its grant programs, and pushing back against cuts to transit and passenger rail. Democrats may also use the T&I Committee's oversight authority to inspect US Department of Transportation (DOT) grant administration and FAA operations. With the retirement of current Chair Rep. Sam Graves (R-MO), Rep. David Rouzer (R-NC) is expected to become Ranking Member. As current Chair of the Highways and Transit Subcommittee, Rep. Rouzer helped write the BUILD America 250 Act, so he will likely support using it as the starting point for next year's bill. He favors highway formula funding that gives states flexibility, supports permitting reform, and has backed giving transit systems more flexibility. The committee has been consistent with bipartisan reauthorizations, and with Chair. Larsen at the helm, it expects the status quo to continue.

Autonomous and EV Policy Issues

AVs

Autonomous vehicle (AV) policy has pushed forward over the last two years, especially with executive action. In 2025, the DOT and the National Highway Traffic Safety Administration announced an AV framework that expanded exemptions for vehicles without manual controls and sped up crash-reporting requirements under the Standing General Order, while keeping restrictions on all vehicles and vehicle technology tied to China. With the growth of commercial robotaxis and states adding their own rules, we expect a discussion about building a federal framework for which the AV industry has called.

The BUILD America 250 Act would create the country's first federal framework for autonomous commercial vehicles. It would require manufacturers to self-certify that their vehicles are at least as safe as human drivers, and it would override state laws requiring a human driver on board. Democrats would likely keep these provisions, since incoming T&I Chair Rep. Larsen helped write the bill. Rep. Larsen could also focus more on safety data transparency, performance standards, consumer protections, and the effects on workers, particularly in trucking and transit. Restrictions on Chinese connected-vehicle software and hardware have largely been bipartisan and could be written into law in the new Congress. Countering Chinese influence in US transportation could be a rare area of agreement between Congress and the Trump Administration. A comprehensive AV bill, on the other hand, would face a harder path since it would need 60 votes in the Senate, making bipartisan support critical.

EVs

Federal EV policy has changed dramatically since President Trump took office. The 2025 reconciliation law (the One Big Beautiful Bill Act) ended federal consumer EV tax credits and eliminated civil penalties for noncompliance with Corporate Average Fuel Economy standards. Congress also overturned California's Clean Air Act waivers for its vehicle emissions standards by using the Congressional Review Act, and the Administration rolled back federal greenhouse gas and fuel economy standards. DOT paused and reissued instructions for the IIJA's National Electric Vehicle Infrastructure (NEVI) formula program, prompting lawsuits in multiple states.

The Democratic majorities will want to restore at least parts of the original Biden-era EV framework but will be limited during Trump's Administration. Standalone bills that would restore consumer tax credits or expand emissions standards would face a veto and would not have the votes to override it. Instead, we expect Democrats to work through must-pass bipartisan bills that the President may be reluctant to veto over a single issue. In a surface bill, Democrats could add provisions protecting and growing EV charging stations and add guardrails to the NEVI program. Democrats will also use the appropriations process to limit funds for rolling back regulations and hold hearings on how the Trump Administration's policy changes have impacted domestic manufacturing and supply chain investment. Stakeholders should expect EV policy to be one of the most contentious parts of reauthorization and should begin working with the incoming leadership early.

National Security & Foreign Policy



NATIONAL SECURITY & FOREIGN POLICY

What the 2026 Election Means for National Security and Foreign Policy

The coming Democratic majorities in both chambers will seek to constrain Trump's foreign policy in a variety of ways, starting immediately. While most foreign policy decisions remain solely within the President's discretion, the Democratic majority will seek to use the power of the purse and oversight to limit his decision-making.

A near-term prospect is an escalation in Democratic efforts to force the removal of Secretary Pete Hegseth. Rep. Thomas Massie (R-KY) has outlined plans to give notice of his intent to file an impeachment resolution next week. If he does, the lame duck Republican majority is likely to seek to table it. The impeachment effort could be renewed in the 120th Congress, though not all Democrats are in agreement. Even if the House does vote to impeach, securing a two-thirds vote to convict in the Senate could be difficult.

Expect Sen. Jack Reed (D-RI) to take the gavel in the Senate Armed Services Committee, with Sen. Roger Wicker (D-MS) moving into the Ranking Member's seat. On the House side, Rep. Adam Smith (D-WA) is poised to become Chair, while caucus term limit rules require a waiver for Rep. Mike Rogers (R-AL) to keep the Republican leadership position.

Defense Authorization and Appropriations Legislation

Congress' agenda for the lame duck session includes the annual National Defense Authorization Act (NDAA), legislation Congress has passed every year since it was first enacted in 1961. Both the House-passed and the Senate Committee-approved versions would authorize a defense budget of $1.15 trillion as requested by the Administration, over Democratic opposition. Democrats also have been unwilling to agree to any legislation that could be viewed as supporting or endorsing hostilities with Iran. Other areas of sharp disagreement include support for Israel, renaming the US Department of Defense to the US Department of War, personnel policies and actions, and the inclusion of non-defense riders like the Safeguard American Voter Eligibility (SAVE) Act. The FY 2026 NDAA included a number of provisions that assert Congress' authority over defense strategy and force posture and that demand accountability from the Executive Branch. This year, however, Congress has been reluctant to enforce consequences when the Administration has ignored those guardrails. A Democrat-led Congress likely will not hesitate to insist on adherence to the law, either by freezing funds, holding up nominees, or subpoenaing testimony. Although the new Members will not take their seats until January 3, given the pressure to maintain the 64-year streak, Democrats' negotiating position with respect to some of these high-profile policy disagreements is significantly improved.

Going forward, Trump's agenda is likely to face funding constraints. Another candidate for the lame duck agenda is the President's proposed budget reconciliation measure which, among other things,

could be used to boost defense funding by an amount as large as $350 billion, which the Administration hopes to combine with its appropriations request of $1.15 trillion for an unprecedented $1.5 trillion in FY 2027 defense funding. We are hearing that the Pentagon is redrafting its budget to eliminate roughly $400 billion, meaning that a reconciliation bill would not need to contain such a high level of new funding and could, for instance, include the $70 billion sought by the Administration for costs of the Iran war. Some Republicans have signaled an unwillingness to support a reconciliation bill, and time would be tight for such an effort, as the reconciliation process is time-consuming, and the current schedules provide for just 22 Senate and 20 House session days between now and the end of December.

Eliminating the additional funding asks would also align the toplines in the NDAA drafts with the toplines in the draft FY 2027 appropriations legislation, which also are on the agenda for the remaining weeks of the 119th Congress, with the current Continuing Resolution set to expire on December 11. Democrats may be reluctant to do more than enact another Continuing Resolution until the new Congress is sworn in, or they may use their new leverage to exact tolerable compromises so they can clear the decks for other priority legislation in January. Behind-the-scenes work for the Pentagon's FY 2028 budget request is already underway, but a Democratic majority is not likely to unquestioningly accept it. Additionally, while this year the Pentagon has shifted some funds from unrelated defense programs to cover costs incurred in the Iran war, with Democrats in control of appropriations, such actions may be restricted or prohibited in the 120th Congress.

Alliances

In light of the President's continued skepticism of the value to the United States of participating in the North Atlantic Treaty Organization (NATO), Congress has expressed strong bipartisan support for NATO in legislation. Section 150A of the 2024 NDAA prohibits the President from "suspend[ing], terminat[ing], denounc[ing] or withdraw[ing] from the North Atlantic Treaty … except by and with the advice and consent of the Senate, provided that two-thirds of the Senators present concur, or pursuant to an Act of Congress." That legislation also prohibits the use of any funds to "support, directly or indirectly, any decision to" withdraw from the North Atlantic Treaty without Senate advice and consent or statutory authorization. In addition, the 2026 NDAA prohibits the reduction of US troops in Europe below 76,000 without reporting and consultation with Congress. The draft versions of the FY 2027 NDAA also include such provisions and express a sense of Congress that the United States should strengthen its alliances in the Indo-Pacific region.

We expect a Democrat-led Congress to continue to insist on support for strategic alliances to counter Russia, China, North Korea, and Iran. It is unclear at this time to know with certainty what the implications will be for the historic US-Israel partnership given the influx of new Congressional Democrats, many of whom have argued that the United States should end its war with Iran and that there should be some new limitations on military aid to Israel. That issue may be less controversial after President Trump's announcement this week of an agreement with Israel to end US aid and instead allow Israel to purchase US military equipment. It is worth noting that an attempt to legislate against continued US military aid to Israel failed by a 3-1 margin in the House recently, reflecting ongoing bedrock support for the bilateral relationship, but it will take considerable effort to return to the level of support previously demonstrated by both houses of Congress.

Russia and Ukraine

Democrats and many moderate Republicans in Congress have opposed actions taken by the President to diminish US support for Ukraine and his easing of sanctions on Russian energy products to try to reduce fuel prices before the elections. With the midterms in the rearview mirror, the President may decide to end the waivers and reinstate the sanctions. The Democrat-controlled Congress could, with continued support from centrist Republicans, even try to initiate new and tougher sanctions on Russia, but Trump may thwart them by either vetoing any such special legislation or by refusing to enforce new sanctions. Similarly, the new Congress may seek to reinstate some aid and weapons packages for Ukraine that were reduced nearly to zero by Trump, but Trump could refuse to spend such funds.

Trump will likely continue to claim he is making progress on brokering a peace deal between Russia and Ukraine. Expect more high-level talks, including direct talks between Trump and Putin, but unless Putin makes compromises that he has been unwilling to make thus far, Ukraine will continue to resist anything Trump can offer on the belief that it gives up too much sovereignty for too little in future security guarantees.

China and North Korea

The authorization for the House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party expires at the end of the 119th Congress. It is not yet clear whether Democratic leadership will re-authorize the Committee, but if they do, current Ranking Member Rep. Ro Khanna (D-CA) is positioned to take the gavel. His agenda is likely to focus on pushing for agreements with China on artificial intelligence (AI) guardrails, though there is tension between the need for cooperation in this area and US determination to lead the world in AI development. Khanna also is expected to continue his emphasis on revitalizing domestic manufacturing and investing in domestic sourcing and processing of critical minerals to reduce dependence on Chinese products. Congressional Democrats have sharply criticized Trump's approvals of sales of semiconductor chips to China and his inaction on final approval of congressionally approved support to Taiwan. Democrats will step up criticism on both, but Trump may continue to ignore them. Finally, Democrats may seek to increase pressure on China to release detained Americans and to roll back its repression of ethnic minorities and political activists, though such efforts also may not bear much fruit without robust support from Trump, which is unlikely.

The President's ambiguous statements about Taiwan's independence, combined with his holding "in abeyance" a $14 billion arms package approved by Congress could lead Chinese President Xi Jinping to take a more aggressive posture toward Taiwan. Congressional Democrats may use oversight powers, including appropriations or confirmations, to try to ensure continued US support for Taiwan's self-defense capabilities and to preserve the status quo.

President Trump is engaged in push and pull diplomacy with North Korean leader Kim Jong Un, seeking to restart talks, but imposing sanctions last week when his overtures were ignored. Meanwhile, Trump ordered the Pentagon to scale back annual joint defense exercises with South Korea.

Congressional Democrats criticized the decision and may be expected to include 2027 NDAA language protecting congressional oversight over such moves or changes in force posture.

Middle East

Democrats' victories in the midterms can be at least partly attributed to their — and a majority of Americans' — opposition to the war Trump initiated in Iran. Whether the election results will impact the Administration's recently announced plans for a renewed offensive remains unclear.

The President has limited options. He can order a major escalation, including with ground troops, or he can order some more airstrikes and then negotiate a deal with Iran, declare victory, and withdraw some of the US forces from the region. While Israel urges the former, it is likely the President will choose the latter, though doing so is likely to embolden the Iranian Regime and leave it in control of the Strait of Hormuz. If the United States and Iran do not reach a negotiated peace and instead resume kinetic operations, both nations will be trapped in a hot-cold conflict until one government loses power. Regional sources share that both Iranian and US officials, at a high level, earnestly want to avoid a third round of hostilities for that reason. Meanwhile, Iranian attacks on US partners in the region have strained those relationships, adding pressure to end the conflict, and the Pentagon has not decided whether to repair CENTCOM facilities damaged by Iranian missiles. Some Democrats in Congress have expressed concerns about the cost and advisability of doing so, though there is not a clear consensus yet. We expect Congress to assert an opinion on that subject via FY 2028 authorizations and appropriations.

In June, for the first time in US history, both chambers of Congress passed a concurrent resolution directing the President to withdraw US armed forces from hostilities in Iran. Although the White House and many legal scholars view concurrent resolutions — which are not presented to the President for signature or veto — as symbolic, if not unconstitutional, if the conflict continues in a stalemate, we may see efforts to enforce the concurrent resolution's directive through litigation or to pass a joint resolution as an additional expression of Congress' opposition to the Iran war, even though the President is certain to veto it.

The President has given Israel a good amount of leeway to handle the conflict in Gaza, which is now over three years old. Some Democrats, however, have objected to Israel's conduct and, as noted above, are expected to continue seeking to curtail the provision of funding and military equipment to Israel. If the recently announced agreement to end the US-Israel Memorandum of Understanding regarding the provision of roughly $4 billion in aid is finalized, Congress may have the opportunity to assert some control by disapproving arms sales under the Arms Export Control Act, though doing so is procedurally difficult. While Israel still enjoys critically needed support among many Members of both parties, the topic of US aid or arms sales will have to be addressed in both the NDAA and defense appropriations negotiations for FY 2027 and 2028.

Latin America and Canada

President Trump's actions in Latin America have both tested and reinforced his belief in the breadth of executive power in the areas of foreign policy and national security. The capture of Venezuelan President Nicolas Maduro and the attacks on alleged drug smuggling vessels are two examples of the President's expansive use of power and will stimulate the incoming Democratic Congress to employ its investigative and oversight powers to explore the legality of some of these actions, including the drug boat strikes, the Venezuelan oil agreement, and alleged interference in the recent Brazilian presidential election. As in other areas of national security and foreign policy, we can expect to see Democrats attempt to rein in or direct some presidential actions via appropriations legislation, but with the US Department of Justice under the White House's thumb, it is doubtful that Democrats can impose legal consequences for any wrongdoing.

The Administration's future policy direction in Latin America is likewise uncertain. The extent of the Administration's revitalization of the Monroe Doctrine and the strength of its determination to keep US adversaries out of the Western Hemisphere may adjust as his relations with Russian President Vladimir Putin and China's Xi wax and wane. Similarly, in the runup to the midterms, the President has shifted his trade stance toward some Latin American countries in an effort to bring down food prices. Whether that will change after the elections is unclear. On the other hand, the Administration has kept steady, if not increasing, pressure on the Cuban regime, foreshadowing an increasing focus on Cuba once the Iran conflict is resolved.

Meanwhile, Canada has forged a new "Alliance for the Future" with the European Union, citing the weaponization of trade and over-dependence on US defense contractors as reasons for seeking an expanded relationship with Europe. The legal, economic, immigration, and global security implications of the relationship are still in the works and will be further defined at a summit to take place in 2027.

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