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Capital Snapshot: *2nd Session of the 119th Congress*

January 2026

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119th Congress Calendars

2026 Senate Calendar

- There are currently 150 legislative session days scheduled for 2026; this number was 179 in 2025, though both numbers could be slightly off since the Senate often leaves town on Thursday rather than Friday.
- The 2nd session of the 119th Congress began on January 5.
- The Senate's annual August recess will run from August 10 to September 11.
- The Senate will once again have its biennial election year October recess from October 5 to November 6.
- The Senate's last day of session for the 119th Congress is currently scheduled for December 18, though that could get pushed closer to Christmas if Congress needs to pass an omnibus package or Continuing Resolution (CR) before the end of 2026.

2026 SENATE CALENDAR

JANUARY						
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Red dates = Senate not in session

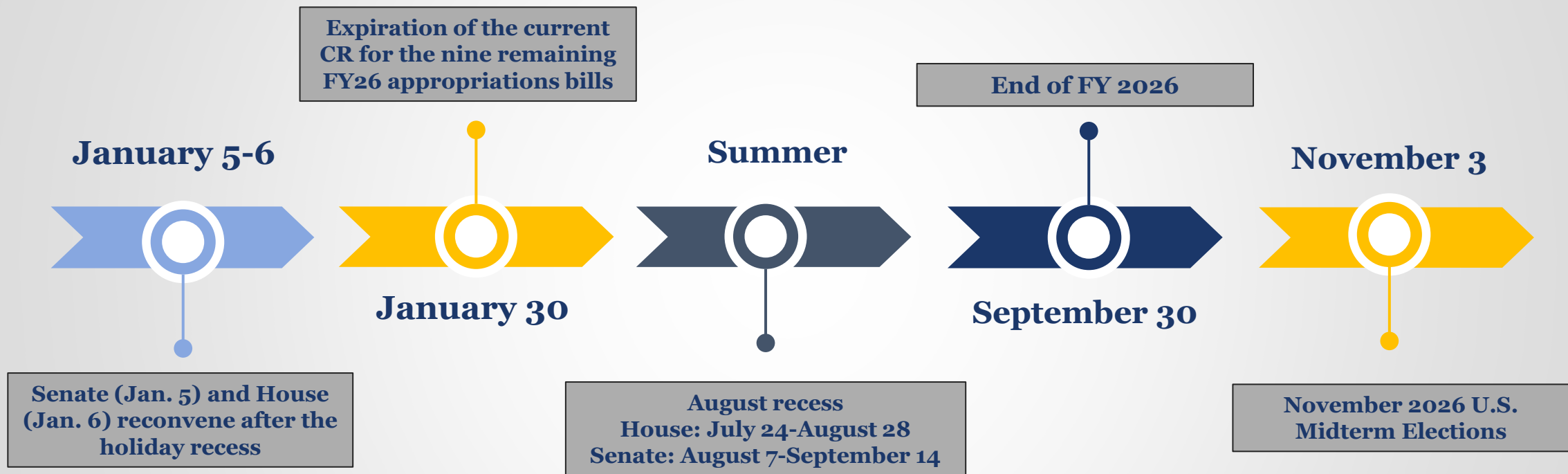
= Federal Holiday

2026 House Calendar

- There are currently 115 legislative session days [scheduled](#) for 2026; this number was 131 in 2025, though 23 of the legislative days were cancelled due to the government shutdown.
- The 2nd session of the 119th Congress began on January 6, one day after the Senate's start date.
- The House's annual August recess will run from July 27 to August 28; the House's recess will begin and end two weeks earlier than the Senate's.
- The House, like the Senate, will once again have its biennial election year October recess from October 5 to November 6.
- The House's last day of session for the 119th Congress is currently scheduled for December 17.

STEVE  SCALISE			MAJORITY LEADER		
January			February		
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30	31				

Congressional and Political Key Dates for 2026





Congressional Updates

Congressional Developments – Rep. Newhouse Announces Retirement

- On December 17, Rep. Dan Newhouse (R-WA-04) announced he will not run for re-election in 2026. He will retire at the end of his current term when the 119th Congress ends.
 - Rep. Newhouse is currently serving his 6th term representing Washington state's 4th congressional district, which includes much of the central part of the state. The district is the most Republican district in Washington state.
 - Rep. Newhouse has served in public office for over 20 years; he was the Director of the Washington State Department of Agriculture from 2009 to 2013 and was a member of the Washington State House of Representatives from 2003 to 2009.
 - Notably, Rep. Newhouse is one of only 10 House Republicans who voted to impeach President Donald Trump over the January 6, 2021 attack at the Capitol. When he departs Congress, Rep. David Valadao (R-CA) will be the only remaining House Republican who voted to impeach the president.



Rep. Dan Newhouse (R-WA)

Congressional Developments – Wyoming

- On December 19, Senator Cynthia Lummis (R-WY) [announced](#) she will not seek re-election in 2026.
 - The Senator will retire after serving only one term in the Senate.
 - Upon announcing her plans to retire, Sen. Lummis stated, “Deciding not to run for re-election does represent a change of heart for me, but in the difficult, exhausting session weeks this fall I’ve come to accept that I do not have six more years in me. I am a devout legislator, but I feel like a sprinter in a marathon. The energy required doesn’t match up.”
- In response, Rep. Harriet Hageman (R-WY) [announced](#) on December 23 that she will run for Sen. Lummis’ Senate seat in 2026.
 - Rep. Hageman has represented Wyoming in the U.S. House as the state’s at-large representative since 2023. She defeated former Rep. Liz Cheney (R-WY) in the 2022 Republican primary.
 - Within hours of her announcement, President Trump [endorsed](#) Rep. Hageman in her Senate campaign in a post on Truth Social.
 - Between how deep red Wyoming is, and President Trump’s endorsement, Rep. Hageman has the inside track to become Wyoming’s next U.S. Senator.



Senator Cynthia Lummis (R-WY)



Rep. Harriet Hageman (R-WY)

Congressional Developments – Rep. Marjorie Taylor Greene’s Retirement Becomes Official

- On November 21, 2025, Rep. Marjorie Taylor Greene (R-GA-14) [announced](#) her resignation from Congress, which became effective at the end of the day on January 5, 2026.
 - In her [statement](#), the Congresswoman cited her ongoing feud with President Trump, her frustration with what she called a dysfunctional and “mostly sidelined” Congress, political drama “from both sides of the aisle,” and death threats as some of the several reasons why she is leaving Congress.
 - Her resignation is notable because, until her recent feud with the president started, she was one of his earliest and staunchest supporters.



Former Rep. Marjorie Taylor Greene (R-GA)

Congressional Developments – Rep. Doug LaMalfa Passes Away

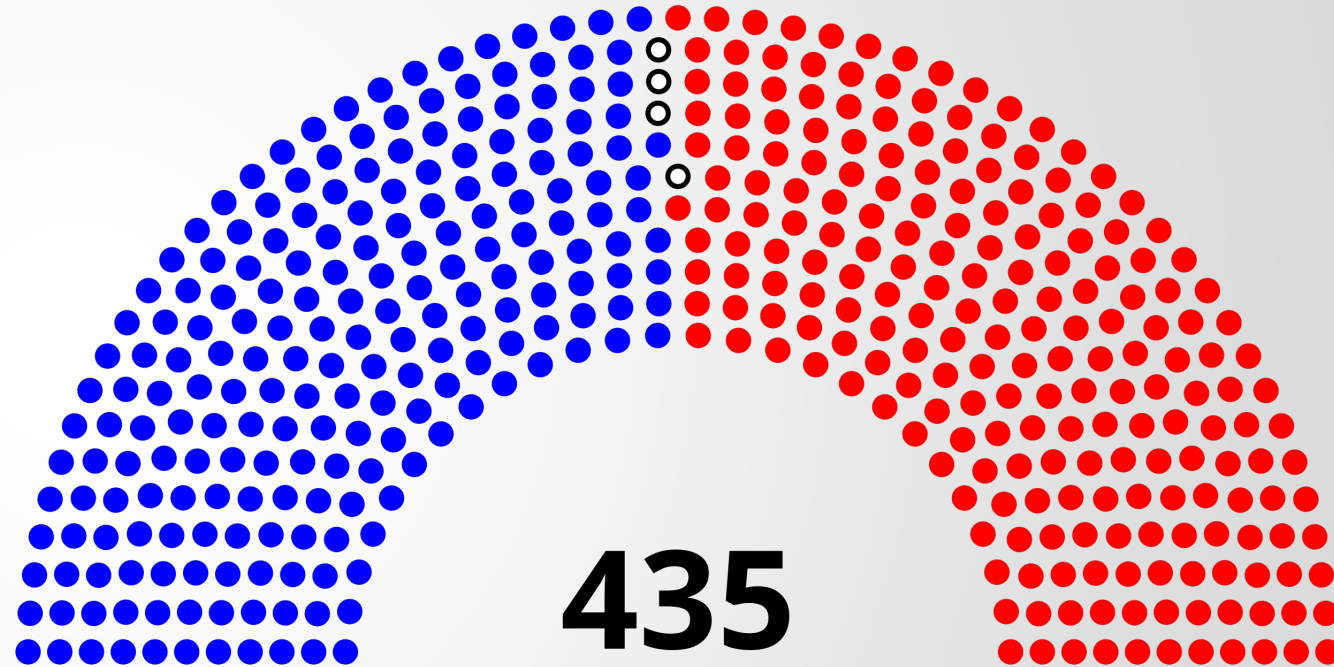
- On January 6, Rep. Doug LaMalfa (R-CA) passed away suddenly from a medical emergency. He was 65 years old.
 - Rep. LaMalfa was a significant figure in Northern California politics for a quarter century.
 - He represented California's 1st congressional district in Congress for 13 years, from January 2013 to his passing on January 6, 2026.
 - He served in the California State Senate from December 2010 to August 2012 and in the California State Assembly from December 2002 to November 2008.
 - Rep. LaMalfa represented the far northeastern part of California in Congress, which is very rural. As such, he focused heavily on rural and farm issues in Congress, as well as wildfire prevention. He was also the chair of the Congressional Western Caucus.



The Late Rep. Doug LaMalfa (R-CA)

Current Party Breakdown in the U.S. House

- There are now a total of 46 Members of the House who have announced their plans to not run for re-election in 2026, either to retire or to seek higher public office, including 20 Democrats and 26 Republicans.
- Additionally, five Members have already resigned in the 119th Congress, while four Members have unfortunately passed away.
- The House currently stands at **218 Republicans** and **213 Democrats**, with four vacancies. This is just a two-vote majority. Once vacancies are filled in various special elections in the coming months, the tally will be **220 Republicans** and **215 Democrats**, also just a two-vote majority.



Overview of Current House Vacancies and Special Elections

District	Former Representative	Special Election Date	Race Rating
Texas-18	Late Rep. Sylvester Turner (D)	January 31, 2026 (Run-off)	Safe D
Georgia-14	Rep. Marjorie Taylor Greene (R)	March 10, 2026	Safe R
New Jersey-11	Rep. Mikie Sherrill (D)	April 16, 2026	Likely D
California-01	Late Rep. Doug LaMalfa (R)	Mid-May or Early-June 2026	Safe R



FY26 Federal Funding and Appropriations

Appropriations – State of Play



Senator Michael Bennet (D-CO)



Senator John Hickenlooper (D-CO)

- In December, the Senate attempted to advance a five-bill minibus, which included Defense, Commerce, Justice, Science (CJS), Interior and Environment, Labor, Health and Human Services, Education (LHHS), and Transportation, Housing and Urban Development (THUD), but failed to begin votes on the measure before the holiday break due to member objections. Senators Michael Bennet (D-CO) and John Hickenlooper (D-CO) placed holds on the spending package in opposition to the Trump administration's decision to dismantle the National Center for Atmospheric Research (NCAR), located in Colorado.
- Additionally, on December 19, the Senate Appropriations Committee released the draft FY26 Homeland Security appropriations bill [text](#) and [report](#). Vice Chair Patty Murray (D-WA) [criticized](#) the “partisan” bill and urged negotiations on all funding bills.

Appropriations – State of Play



House Appropriations Chair Tom Cole (R-OK)
and Ranking Member Rosa DeLauro (D-CT)

- Despite the lack of progress on the Senate spending package, House and Senate Appropriations Committee Chairs Tom Cole (R-OK) and Susan Collins (R-ME) announced their bicameral agreement on topline spending levels for the remaining funding bills before the holidays. The remaining nine spending bills include: CJS, Defense, Energy & Water, Financial Services and General Government (FSGG), Homeland Security, Interior and Environment, LHHS, State, Foreign Operations (SFOPS), and THUD.
- While the funding allocations were not revealed, Chair Cole highlighted that the FY26 spending levels will be below projected levels in the current CR. Chairs Cole and Collins reiterated the need for full-year appropriations to “implement Republican priorities” that are aligned with the administration. Ranking Member Rosa DeLauro (D-CT) emphasized needing to “get to work now, before it is too late.”
- Over the holiday recess, appropriators continued their work on conferencing final FY26 spending bills. On January 5, the House Appropriations Committee released the text of the next three-bill minibuss package, which includes CJS, Interior, and Energy & Water. On January 7, the House narrowly passed the rule for the minibuss in a 214-212 vote. The House could vote on final passage of the measure as soon as today (January 8).

Appropriations – 2026 Look Ahead

- Government funding under the CR runs out on January 30, leaving few legislative days to complete work on the remaining spending bills. Chair Cole outlined an ambitious timeline for considering a three-bill spending package each week in January to complete its work. Top appropriators have suggested that remaining spending bills may be funded through a full-year continuing resolution if not completed by the deadline.
- The president's FY27 Budget Request (PBR) is directed to be submitted to Congress by the first Monday in February, which is frequently delayed. Once the PBR is released, it will formally kick off the FY27 spending process. Each federal agency will release its congressional budget justification documents, which will include the administration's budget requests and address any congressional directives from past funding bills.
- The FY27 PBR is expected to propose deep funding cuts and eliminations for a variety of programs across the federal government. The Republican-controlled Congress is expected to continue its focus on reducing discretionary non-defense spending through the annual appropriations process, while rejecting some of the president's proposals to eliminate programs that enjoy strong bipartisan support.
- Additional efforts by the Trump administration to transfer or rescind congressionally approved funding will continue to complicate the FY27 appropriations process, especially in an election year. Congress is likely to delay passage of final FY27 spending bills until after the midterm elections.



Speaker of the House Mike Johnson
(R-LA) and Senate Majority Leader
John Thune (R-SD)



Trade and Tariffs Developments

Trade – Recent Developments

- **IEEPA Tariff Litigation Update.** On December 15, the U.S. Court of International Trade (CIT) [denied](#) a motion for a preliminary injunction to prevent U.S. Customs and Border Protection (CBP) from liquidating past tariff payments imposed under the International Emergency Economic Powers Act (IEEPA). Importers like [Costco](#) have filed lawsuits at the CIT to preserve their right to duty refunds as the Supreme Court assesses IEEPA tariffs.
- **Delay in Increased Tariffs on Furniture and Home Goods.** On December 31, President Trump signed a [proclamation](#) delaying increased tariffs on upholstered furniture (30% proposed tariff rate) as well as cabinets and vanities (50% proposed tariff rate) until January 1, 2027, maintaining the current 25% tariff on such products.



Trade – Recent Developments

- **Tariff Bailout for Farmers.** On December 8, the Trump administration [announced](#) a \$12 billion aid package from U.S. Department of Agriculture (USDA) Commodity Credit Corporation (CCC) funds for U.S. farmers negatively impacted by tariffs. The one-time bridge payments are [capped](#) at \$155,000 per farmer. Applications closed on December 19, with payments expected by February 28.
- **USMCA Update.** On December 16, U.S. Trade Representative (USTR) Jamieson Greer privately briefed the House Ways and Means and Senate Finance Committees on recommendations for the upcoming U.S.-Mexico-Canada Agreement (USMCA) Joint Review. Amb. Greer's [published](#) opening statement highlighted rules of origin, access to Canada's dairy market, Mexico's labor obligations, digital trade, and industrial overcapacity. Amb. Greer declined to endorse or oppose the extension of the USMCA.
- **Trade Preference Program Renewals.** On December 10, the House Ways and Means Committee [advanced](#) three-year extensions of the African Growth and Opportunity Act (AGOA) ([H.R. 6500](#), 37-3 vote) and of the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act and Haiti Economic Lift Program (HELP) Extension Act ([H.R. 6504](#), 41-0 vote). AGOA and HOPE/HELP originally lapsed on October 1.



U.S. Trade Representative Jamieson Greer

Trade – Recent Developments and Country-Level Negotiations



From Left to Right: FIFA President Gianni Infantino, U.S. President Donald Trump, Mexican President Claudia Sheinbaum, and Canadian Prime Minister Mark Carney

- **China Phase One Agreement Section 301 Investigation.** USTR's request for [public comments](#) on the Section 301 investigation of China's Implementation of Commitments Under the Phase One Agreement received variable responses, with some stakeholders calling for more stringent measures while others requested tariff relief. On December 16, stakeholders testified at a USTR public [hearing](#), agreeing that China had not met its Phase-One Agreement commitments but differed on possible remedies.
- **China Semiconductor Section 301 Investigation Conclusion.** On December 23, USTR [concluded](#) its Section 301 investigation into China's Acts Policies and Practices Targeting the Semiconductor Industry for Dominance, finding unfair practices and recommending tariffs. The initial rate would be 0% for 18 months, with an ensuing rate announced 30 days before imposition.
- **Nicaragua Section 301 Tariffs.** On December 10, USTR [announced](#) Section 301 tariffs for Nicaraguan imports not covered by the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). Stacking on 18% reciprocal tariffs, the Section 301 tariffs will go into effect in 2027 at 10% and 2028 at 15%. The action follows USTR's Section 301 investigation into labor rights, human rights, and the rule of law in Nicaragua launched in December 2024.
- **Mexico.** On December 8, President Trump [threatened](#) a 5% tariff on Mexico if it did not uphold water delivery commitments from a 1944 bilateral treaty. On December 13, the two sides [announced](#) a deal in which Mexico would deliver 202,000 acre-feet of water and then finalize a broader distribution plan by the end of January.

Trade – Country-Level Negotiations

- **UK.** On December 1, the U.S. and United Kingdom (UK) announced an agreement in principle on pharmaceutical pricing. The [deal](#) excludes UK-origin pharmaceuticals, ingredients, and medical technology from future Section 232 tariffs for the remainder of the Trump administration and bars Section 301 investigations on UK drug pricing. The UK will increase expenditures on new medicines by about 25% and ensure its rebate schemes do not “materially erode” higher prices for new medicines. With respect to other tariff exclusions, the UK continues to advocate for lower steel and aluminum tariffs.
- **Indonesia.** On December 23, Indonesian Trade Minister Airlangga Hartarto [said](#) Indonesia and the U.S. had agreed on “the substance” of a trade deal to be signed in mid-January, in accordance with a July 22 [joint statement](#). The deal provides market access for U.S. goods in exchange for Indonesia lowering non-tariff barriers, increasing cooperation in various sectors, and making purchase commitments for U.S. goods such as Boeing planes. The U.S. will provide tariff exemptions for Indonesian exports the U.S. cannot produce, mainly agriculture goods.
- **Canada.** On December 18, Canadian Prime Minister Mark Carney stated tariff talks with the U.S. may “roll into” USMCA negotiations. The countries are “unlikely, given the time horizons coming together, to have a sectoral agreement.” On December 9, Canadian media [reported](#) that the U.S. and Canada were discussing possible reductions in Section 232 tariffs for limited quantities of most Canadian steel products. U.S. negotiators proposed a tariff-rate quota (TRQ) to impose 10% to 15% Section 232 tariffs on such imports.



UK Prime Minister Keir Starmer and President Donald Trump

Trade – Country-Level Negotiations



Secretary of Commerce
Howard Lutnick

- **EU.** Amb. Greer [revealed](#) European Commission officials did not present any expected tariff exclusion requests at a November 24 meeting with Commerce Secretary Howard Lutnick and Amb. Greer. In addition, the European Union (EU) reacted negatively to a suggestion by Secretary Lutnick that the U.S. might modify steel and aluminum tariffs if the EU reconsidered the Digital Markets Act and other digital regulations. Amb. Greer has [referenced](#) Section 301 as a possible tool if the EU refuses to engage on these regulations. With respect to other EU exclusions, Amb. Greer noted the U.S. has already adjusted certain tariff rates under the July [U.S.-EU trade deal](#), while the EU is still implementing its own commitments.
- **Switzerland and Liechtenstein.** On December 18, the U.S. Department of Commerce (DOC) and USTR [implemented](#) certain tariff adjustments under the U.S. “reciprocal” trade [agreement](#) with Switzerland and Liechtenstein, which have a customs union. The U.S. agreed to lower its reciprocal tariff rate on imports from both countries to 15%, excluding some sectors and products such as aircraft and generic pharmaceuticals. Switzerland and Liechtenstein agreed to lift certain non-tariff trade barriers on U.S. agricultural and industrial goods, and Swiss companies committed to \$200 billion in direct U.S investments by 2028.
- **Korea.** USTR canceled an annual bilateral meeting with South Korea due to South Korea’s consideration of digital trade regulations that many Republican lawmakers view as discriminatory against U.S. companies. It would have been the first meeting since the countries announced a tariff and investment [deal](#) in November 2025.

Trade – 2026 Look Ahead

Items to Watch	Possible Developments
USMCA Review Process	The USMCA Commission formally convenes in July to review the USMCA. Parties could extend the agreement until 2042 or conduct annual reviews for a decade until an agreement is reached. If there is no consensus after annual reviews, the agreement will expire in 2036. If parties agree to an extension in July, the next review will be in 2032.
Supreme Court IEEPA Case	We anticipate the Supreme Court will reach a decision in Q1 2026. If reciprocal and fentanyl tariffs are struck down, importers will be entitled to refunds, and the Trump administration will have to use other mechanisms to uphold its tariff regime. These alternative tools include increased usage of Section 232 or the usage of Section 122 and 338 tariffs.
Section 232 Investigations and Deadlines	The Trump administration relies heavily on Section 232 investigations as a backstop and will continue to do so if “reciprocal” tariffs are overturned by the Supreme Court. Ongoing investigations have statutory deadlines ranging from Q4 2025 to Q2 2026. We anticipate delayed investigation conclusions due to the 2025 government shutdown.
Possible Digital Regulations Section 301 Investigation	The U.S. has become more outspoken in its opposition to digital regulations in recent months by criticizing the EU, cancelling a meeting with South Korea, and initiating a Section 301 investigation into Brazil. While no formal investigation has been announced, Amb. Greer has referenced Section 301 as a negotiation tool for digital regulations.
Possible Foreign Drug Pricing Section 301 Investigation	The Trump administration has discussed imposing tariffs on countries that do not agree to U.S. Most Favored Nation (MFN) drug pricing agreements to make up any difference in revenue, but no countries have pushed back on the agreements. While Section 301 investigations into drug pricing practices of multiple countries (including Germany, France, Italy, and Australia) have been suggested, no formal investigation has been announced.



Other Key Legislative and Policy Updates

Defense – FY26 NDAA Signed into Law



President Trump Signs FY26 NDAA

- On December 18, President Trump [signed](#) into law the FY26 National Defense Authorization Act (NDAA; [P.L. 119-60](#)).
 - The House passed the NDAA in a 312-112 vote on December 10. The bill received broad bipartisan support on final passage, but 94 Democrats voted against the bill due to concerns relating to the removal of collective bargaining and health care provisions.
 - The Senate passed the NDAA by a vote of 77-20 on December 17. Similar to the House, the bill received broad bipartisan support in the Senate.
- The bill authorizes over \$900 billion in total defense discretionary funding, which is an \$8 billion increase above the president's request.
- The House Armed Services Committee published a [resources page](#) for the FY26 NDAA.

Defense – FY26 NDAA

- A primary focus of the FY26 NDAA was defense acquisition reforms to streamline the process and “cut red tape.” This included reforms from the Streamlining Procurement for Effective Execution and Delivery (SPEED) Act ([H.R. 3838](#)), and the corresponding Senate version (known as the FoRGED Act).
- The final bill also included the following key provisions:
 - ✓ BIOSECURE Act*
 - ✓ Outbound investment restrictions aimed at limiting U.S. investments in China
 - ✓ \$400 million for Ukraine security assistance
 - ✓ \$1 billion for the Taiwan Security Cooperative Initiative
 - ✓ Restrictions on reducing troop levels in Europe and South Korea
 - ✓ Repeal of the 2002 and 1991 Authorization for Use of Military Force
 - ✓ Reauthorization of the Defense Production Act through September 2026
 - ✓ 3.8% pay raise for military servicemembers

*See Arnold & Porter’s [analysis](#) of the BIOSECURE Act.

Defense – FY27 Look Ahead

- The FY27 NDAA process is expected to begin in early February, with the release of the president's budget request for the next fiscal year.
- Following the budget request, the House and Senate Armed Services Committees will begin the process of drafting the FY27 NDAA, taking committee member request letters and scheduling the annual budget hearings.
- Typically, the committees will finish reviewing the president's budget request and prepare authorizing legislation for committee markup by late April or May.



Senate Armed Services Committee Chair Roger Wicker (R-MS) and Ranking Member Jack Reed (D-RI)

Artificial Intelligence – Congressional Developments



Sen. Marsha Blackburn (R-TN)

- On December 19, Sen. Marsha Blackburn (R-TN) rolled out a comprehensive artificial intelligence (AI) [policy framework](#) to codify President Trump’s [executive order](#) establishing a national AI standard. The framework combines several pieces of existing legislation including, the Kids Online Safety Act ([S. 1748](#)) and the NO FAKES Act ([S. 1367](#)), with the White House’s effort to preempt state AI laws. Notable provisions in the framework include:
 - The “duty of care” standard, requiring companies to ensure their platforms avoid foreseeable harms to children
 - Reform of Section 230 of the Communications Decency Act to incentivize platforms to take action to protect minors on their platform from sexual exploitation, bullying, and suicide
 - An individual right of action to sue companies that use personal or copyrighted data to train AI models without consent
- On December 18, the president signed the FY26 NDAA ([S. 1071](#)) into law. The Guaranteeing Access and Innovation for National (GAIN) AI Act ([S.Amdt.3505](#)), which was initially included in the bill, was dropped from the NDAA due to pressure from the White House and industry stakeholders.
 - The GAIN AI Act would have required semiconductor producers to ensure U.S. companies have a first opportunity to purchase advanced semiconductor chips before buyers from China and other “countries of concern.” Originally introduced by Sen. Jim Banks (R-IN), the GAIN AI Act garnered bipartisan approval in Congress, but was met with heavy resistance from the executive branch.

Artificial Intelligence – Administration Developments

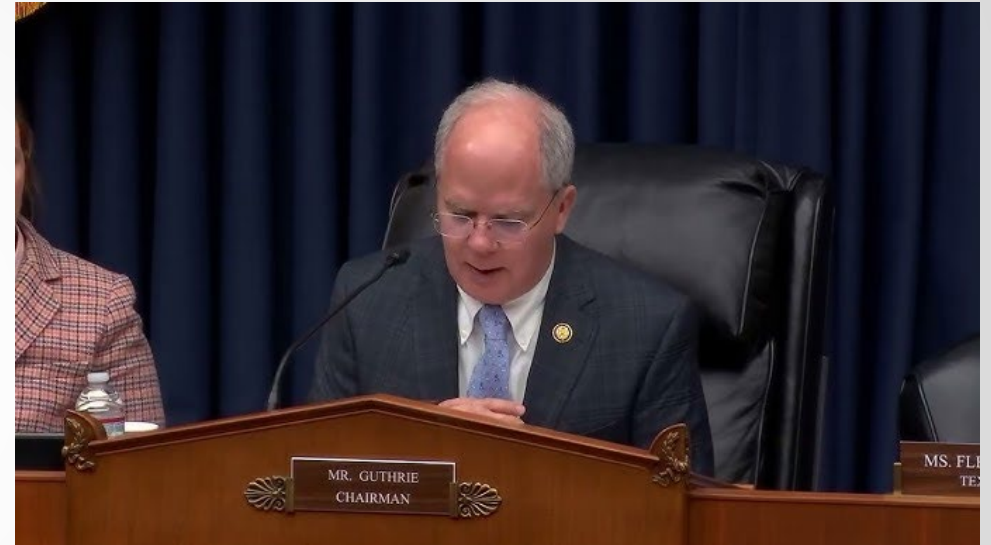


President Donald Trump

- On December 8, President Trump [announced](#) that the administration would allow the sale of H200 chips, NVIDIA's powerful AI chip, to China in exchange for the United States taking 25% of the revenue. The new policy has drawn criticism from Democratic lawmakers, including Sen. Elizabeth Warren (D-MA), who said the policy would undermine the United States' economic and national security.
- On December 11, President Trump signed an EO, titled "[Ensuring a National Policy Framework for Artificial Intelligence](#)," aimed at blocking state regulations on AI and accelerating industry innovation. Notable provisions include:
 - Asserts that it is the policy of the United States to enhance "global AI dominance through a minimally burdensome national policy framework for AI"
 - Creates an AI Litigation Task Force to challenge state AI laws inconsistent with the EO
 - Directs the Federal Communications Commission (FCC) to consider federal reporting and disclosure requirements for AI models
 - Directs Special Advisor for AI and Crypto and Assistant to the President for Science and Technology to develop a legislative framework for AI. This framework will not preempt state laws related to child safety protections, AI computing and data center infrastructure, state government AI procurement, and other topics to be determined.
- On December 15, the Trump administration [launched](#) the [U.S. Tech Force](#), a program to recruit roughly 1,000 AI and technology experts for two-year stints across federal agencies to modernize government operations.

Artificial Intelligence – 2026 Outlook

- AI will remain a hot topic in 2026. Key leaders, such as Sen. Marsha Blackburn (R-TN) and Rep. Brett Guthrie (R-KY), have outline legislative agendas related to AI and we can expect them to try and push their respective bills before the end of the year.
- However, 2026 is expected to be a busy year for lawmakers. To avoid another government shutdown during a midterm election year they will need to fund the government by January 30 and then complete the FY27 appropriations process before the end of the 2026 fiscal year. Thus, it will be difficult to pass large legislative packages, and smaller, more narrow AI-related legislation is more likely to make significant progress.
- The Trump administration has heavily prioritized deregulation and other pro-AI development policies. The recent EOs, [Launching the Genesis Mission](#) and [Ensuring a National Policy Framework for Artificial Intelligence](#), continue this trend. We can expect the administration to begin implementation of these EOs and pursue other pro-AI policies in 2026.



House Energy and Commerce Committee Chair
Brett Guthrie (R-KY)

Technology – Congressional and Administration Updates

- On December 12, House China Select Committee Chair John Moolenaar (R-MI) sent a [letter](#) to Commerce Secretary Howard Lutnick about President Trump’s [approval](#) of NVIDIA H200 chip sales to China, citing reports that it was based on the belief that Huawei chips already rival those of NVIDIA in performance and availability.
 - Chair Moolenaar asserted that the sale of NVIDIA H200 chips to China risks undermining the United States’ AI strategic advantage, as well as President Trump’s AI Action Plan and EOs on AI.
- On December 19, President Trump signed a [memorandum](#) that directs the DOC to begin planning for and studying how to free up government-held spectrum for wireless carriers in an effort to advance 6G expansion.
- On December 22, the Federal Communications Commission (FCC) issued a [Public Notice](#) announcing the addition of all foreign-made uncrewed aircraft systems (UAS) and UAS components to the FCC’s Covered List, following a determination that such products “pose an unacceptable risk to the national security of the United States.” The notice notes that drones and drone components are “inherently dual-use” and could be used for “persistent surveillance, data exfiltration, and destructive operations over U.S. territory.”



House China Select Committee Chair
John Moolenaar (R-MI)

Technology – 2026 Look Ahead

- **International Cooperation:** The Trump administration will likely participate in and lead more international cooperation efforts related to critical and emerging technologies. On December 12, the Department of State hosted the inaugural U.S.-led Pax Silica Summit — alongside Australia, Israel, Japan, the Netherlands, South Korea, the United Kingdom, and United Arab Emirates — where participants committed to pursue joint efforts to (1) address AI supply chain opportunities and vulnerabilities in priority critical minerals and semiconductors, (2) protect critical technologies from foreign countries of concern, and (3) build trusted technology ecosystems, among other commitments.
 - The administration will also advance international cooperation on a bilateral basis, as it works with U.S. trading partners to implement their respective investment commitments and partnership agreements. For example, the U.S. and South Korea [agreed](#) to expand cooperation on U.S. AI exports, AI standards, AI adoption, research security, 6G, biotech supply chains, and quantum innovation. The Trump administration made similar commitments to bolster technology cooperation with Saudi Arabia and Japan.
- **Outbound Investment Restrictions:** The U.S. government will begin work to implement new outbound investment restrictions included in the FY26 NDAA. The Comprehensive Outbound Investment National Security (COINS) Act (Secs. 8501-8531) mandates screening of outbound American investment in certain technologies, including China, Cuba, Iran, North Korea, Russia, and Venezuela. Covered technologies include advanced semiconductor technology and microelectronics, quantum information technologies, AI systems, high-performing computing and supercomputing, and hypersonic systems. Under the NDAA, the Department of the Treasury must issue implementing regulations within 450 days of enactment, by March 13, 2027. Read the Arnold & Porter [Advisory](#) for more information.
- **BIS Affiliates Rule:** The Bureau of Industry and Security (BIS) will start enforcing the “[Affiliates Rule](#)” (also known as the “50% Rule”) on November 10, 2026. As part of a trade deal with China, the Trump administration agreed to pause enforcement of the rule until November 9, 2026.
- **Chips Exports:** Congress may seek to assert authority over the approval of AI chip sales to adversary nations. In December 2025, House Foreign Affairs Committee Chair Brian Mast (R-FL) introduced the AI OVERWATCH Act ([H.R. 6875](#)), which has the support of several Republican lawmakers.

Data Privacy – Congressional Developments

- On December 11, the House Energy and Commerce Subcommittee on Commerce, Manufacturing, and Trade (CMT) held a [markup](#) on 18 online safety bills aimed at protecting minors, including the Kids Online Safety Act (KOSA; [H.R. 6484](#)) and Children and Teens' Online Privacy Protection Act (COPPA 2.0; [H.R. 6291](#)). All 18 bills were advanced to the Full Committee.
 - Subcommittee Chairman Gus Bilirakis (R-FL) used his opening statement to emphasize the need to form a comprehensive strategy to protect children and teens online. Full Committee Chairman Brett Guthrie (R-KY) expressed broad support for the package of proposed bills, which he commended for placing the burden of protection on platforms and for empowering parents with the tools needed to oversee their children's digital lives.
 - Subcommittee Ranking Member Jan Schakowsky (D-IL) raised concerns about many of the proposed bills, arguing they do not do enough to protect minors online because of the existing state preemption language and other provisions she views as concessions to the Big Tech industry. Full Committee Ranking Member Frank Pallone (D-NJ) and other Democratic members similarly discussed concerns about the proposed state preemption language.
 - **Next Steps:** The CMT Subcommittee's package of online safety bills will likely be considered by the Full Committee in early 2026.



Energy & Commerce Chairman
Brett Guthrie (R-KY)

Data Privacy – 2026 Look Ahead



Senate Homeland Security and Governmental Affairs
Chairman Rand Paul (R-KY)

- **CISA Reauthorization:** In November, Congress approved a short-term extension of the Cybersecurity Information Sharing Act (CISA) of 2015 through the end of January, but the path to long-term reauthorization is unclear. The White House has called for a “clean” 10-year extension, but Senate Homeland Security and Governmental Affairs Chair Rand Paul (R-KY) remains opposed to reauthorization due to privacy and censorship concerns.
- **Online Safety for Minors:** The House Energy and Commerce Committee is expected to hold a mark-up in the coming months of its package of online safety bills aimed at protecting minors. Key differences remain between the House and Senate versions of KOSA and COPPA 2.0, making the timeline for passage unclear. Sen. Marsha Blackburn’s (R-TN) inclusion of the Senate version of KOSA in her TRUMP AMERICA AI Act could further complicate passage.
- **CISA Director Confirmation:** The Senate closed 2025 without confirming Sean Plankey, President Trump’s nominee to be Director of the Cybersecurity and Infrastructure Security Agency, due to objections from both Democrats and Republicans, including Sen. Rick Scott (R-FL). The White House will need to renew his nomination or submit a new nominee to the Senate.
- **National Cybersecurity Strategy:** The Trump administration is expected to release its national cybersecurity strategy this month.

Tax – Key Policy Developments

- **OECD Finalizes Pillar Two Global Minimum Tax Framework.** On January 5, the Organisation for Economic Co-operation and Development (OECD) published the “side-by-side” [package](#) for Pillar Two, to exempt the United States from the 15% global minimum tax framework.
 - House Ways and Means Committee Chairman Jason Smith (R-MO) and Senate Finance Committee Chairman Mike Crapo (R-ID) [called](#) the deal a “landmark step” to protect American workers from foreign competitors and a “global tax surrender.”
 - The deal establishes a “side-by-side” system allowing the U.S. tax regime to operate alongside Pillar Two without subjecting U.S. firms to the income inclusion rule or undertaxed profits rule.
 - OECD Secretary-General Mathias Cormann [echoed](#) this agreement as a “landmark decision,” with further information scheduled to be released in the coming weeks.
 - On December 18, all EU countries had signed on to the deal, with Estonia, Poland, and Czechia dropping opposition.
- **Expiration of ACA ePTCs.** On December 17, the House passed the Lower Health Care Premiums for All Americans Act ([H.R.6703](#)), without an extension of the Affordable Care Act (ACA) enhanced premium tax credits (ePTCs), which expired at the end of the year.
 - **ACA Extension Discharge Petition.** On December 17, four Republicans [joined](#) Democrats in signing the discharge petition ([H.Res.780](#)) to force a vote on the House floor on a three-year extension of the ACA ePTCs sometime in January.
 - The Senate has not indicated any intent to consider H.R.6703 or the extension, if passed.

Tax – Administration Updates

- **IRS Finalizes Rules on Derivative Payments Under BEAT.** On December 18, the Internal Revenue Service (IRS) finalized [regulations](#) governing how certain derivative payments are treated under the base erosion and anti-abuse tax (BEAT).
 - The final rules largely adopt the [framework](#) proposed earlier this year, [making](#) only modest changes from the proposal but adding definitions and reporting clarity. The BEAT rate is currently 10% and will increase to 10.5% in 2026 under the One Big Beautiful Bill Act (OBBBA; [P.L.119-21](#)).
- **Treasury Seeks Comments on Tax-Year Transition Rules for Foreign Subsidiaries.** On December 11, the Department of the Treasury and IRS [indicated interest](#) in public comments on [proposed regulations](#) governing how U.S. companies' foreign subsidiaries should allocate foreign taxes after OBBBA eliminated the long-standing “one-month deferral rule.”
 - Under OBBBA, controlled foreign corporations (CFCs) must conform to the parent company's tax year, resulting in a mandatory one-month “short year” and complications for claiming foreign tax credits.

Tax – 2026 Look Ahead

- **Second Reconciliation Package Unlikely.** On one side, GOP hard-liners continue to push for a second budget reconciliation effort, while moderate and vulnerable Republicans have mostly opposed the prospects. Republican leadership have voiced skepticism that there is a pathway or even a reason to pursue.
- **Tax Treatment of Digital Assets on the Horizon.** Following the passage of the GENUIS Act ([P.L.119-27](#)), the crypto industry has shifted focus to updating the tax treatment of digital assets.
 - Tax professionals are advocating for guidance from the Department of the Treasury to treat stablecoin payments as cash, a departure from their current treatment as property ([Notice 2014-21](#)), focusing on the underlying currency for digital asset valuation.
 - On December 20, Reps. Max Miller (R-OH) and Steven Horsford (D-NV) released a bipartisan [discussion draft](#) of the Digital Asset PARITY Act to update the taxation requirements for digital assets.
- **Treasury and IRS Continue OBBBA Implementation.** The Department of the Treasury and the IRS will continue implementing the policy changes in the OBBBA.
 - **No Tax on Tips:** Treasury and the IRS issued [Notice 2025-69](#) on deductions for tips or overtime. The agency intends to issue proposed regulations and solicit comments on the notice in 2026.

Financial Services – Key Policy Developments

- **Senators Eye January 15 to Markup Crypto Market Structure Legislation.** On December 31, Crypto in America [reported](#) that the Senate Banking Committee is preparing to consider a revised crypto market structure bill following bipartisan negotiations.
 - Digital Chamber CEO Cody Carbone [stated](#) that the markup is set for January 15, and the reporting noted confirmation from “several sources,” though an official announcement is expected in early January.
- **ROAD to Housing Act falls out of the NDAA.** The Renewing Opportunity in the American Dream (ROAD) to Housing Act ([S.2651](#)) was not included in the final FY26 NDAA signed into law by President Trump on December 18.
 - The bill was reported favorably out of the Senate Banking Committee by a unanimous vote on July 29 and passed on October 9 as an amendment to the Senate version of the FY26 NDAA ([S.2296](#)).
 - House Financial Services Committee (HFSC) Chairman French Hill (R-AR) [stated](#) that the ROAD to Housing Act was “not the same bill” as the version he sponsored in the 118th Congress ([H.R.9990](#)), indicating his intent to work on the legislation in 2026.

Financial Services – Administration Developments

- On December 18, the Senate [passed](#) an en-bloc package ([S.Res.532](#)) of executive nominations, which includes five appointees to the Department of the Treasury:
 - **Jonathan Burke**, Assistant Secretary for Terrorist Financing
 - **Chris Pilkerton**, of Maryland, to be Assistant Secretary for Investment Security
 - **Derek Theurer**, of Virginia, to be Deputy Under Secretary of the Treasury
 - **Jonathan Greenstein**, of New York, to be a Deputy Under Secretary of the Treasury
 - **Peter Metzger**, of the District of Columbia, to be Assistant Secretary for Intelligence and Analysis
- Notably, **Mike Selig**, Commissioner of the Commodity Futures Trading Commission (CFTC), was also confirmed in the en-bloc package.
- **Cicely LaMothe**, Securities and Exchange Commission (SEC) Deputy Director of the Division of Corporation Finance, [retired](#) from the agency on December 29.

Financial Services – 2026 Look Ahead

- **Crypto Market Structure Legislation Faces an Election Year Deadline.** Senate Banking Committee Chairman Tim Scott (R-SC) [continues](#) to push for a cryptocurrency market structure bill, hoping to pass the legislation before the 2026 elections.
 - Ahead of the potential January 15 committee markup, Senators have held [meetings](#) with industry heavyweights to continue negotiations on the Republican-led Responsible Financial Innovation Act of 2025 [draft](#).
 - Democratic [counterproposals](#) and the Senate Agriculture Committee [discussion draft](#) are being weighed in negotiations, authorizing the Commodity Futures Trading Commission (CFTC) to regulate digital assets.
 - The Senate Banking Committee markup will illustrate whether bipartisan negotiations succeeded or whether the bill will be partisan, particularly on decentralized finance (DeFi) and anti-money laundering provisions.
- **President Trump to Announce Next Fed Chair.** On December 2, President Trump [stated](#) he would pick the next chair for the Federal Reserve “early next year.” The president has [expressed](#) his desire for more aggressive rate cuts, following the third cut of the year on December 10.
 - Early [reporting](#) suggested National Economic Council Director Kevin Hassett would be the president’s pick, though there has been no official indication.
 - Fed Chair Jerome Powell’s term will conclude in May, following months of [criticism](#) from President Trump, and the recent [threat](#) of a “gross incompetence” lawsuit on the Fed building remodel.

Health Care Reform – Congressional Developments

- On December 11, the Senate failed to advance two partisan health care proposals aimed at addressing rising costs ahead of the expiration of the ACA enhanced premium tax credits (ePTCs) on December 31, 2025.
- On December 17, the House passed the Lower Health Care Premiums for All Americans Act (LHCPAAA) ([H.R. 6703](#)) by a party-line vote of [216-211](#). The LHCPAAA is unlikely to garner the 60 votes needed for passage in the Senate.
 - Notably, the bill does not include an extension of the ACA ePTCs. Moderate House Republicans sought a floor vote on amendments to add a two-year extension of the ACA ePTCs with reforms; however, the amendments were ruled out of order.
- Reps. Brian Fitzpatrick (R-PA), Mike Lawler (R-NY), Rob Bresnahan (R-PA), and Ryan Mackenzie (R-PA) signed the House Democrats' [discharge petition](#) to force a floor vote on a three-year extension of the ACA ePTCs, bringing the signature total to 218 (the threshold for a House floor vote).
 - The House held a vote on the discharge petition on January 7; in a [221-205](#) vote, the chamber discharged the House Democrats' resolution to extend the ACA ePTCs for three years. This is a procedural step that sets up a final vote on the measure today (January 8).
 - Senate consideration seems unlikely, as the chamber voted down a similar Democratic three-year extension [proposal](#) in December. A bipartisan group of Senators – led by Sens. Bernie Moreno (R-OH), Jeanne Shaheen (D-NH), and Susan Collins (R-ME) – is negotiating a potential compromise for a two-year extension with income limits and other reforms. While there has been progress, a deal has not been reached yet.
- The FY26 NDAA was [signed into law](#) on December 18, including the BIOSECURE Act, which prevents the federal procurement, purchase, or use of biotechnologies from a “biotechnology company of concern.”



Rep. Brian Fitzpatrick (R-PA-1)

Health Care – MFN and Drug Pricing – White House Updates

- On December 1, the U.S. and U.K. announced a framework deal that included certain changes to U.K. drug pricing and coverage policies.
 - In exchange, the Trump administration agreed to exclude all U.K.-origin pharmaceuticals, ingredients, and medical technology from pending Section 232 tariffs. Additionally, the U.S. promised not to subject U.K. drug pricing to Section 301 investigations.
- On December 19, President Trump announced new drug pricing agreements with nine major pharmaceutical companies: Amgen, Boehringer Ingelheim, Bristol Myers Squibb (BMS), Gilead, Genentech, GSK, Merck, Novartis, and Sanofi.
 - According to the Trump administration, the companies will (1) provide reduced drug prices to state Medicaid programs, (2) provide MFN drug prices for new drug products brought to the market, (3) invest increased foreign revenue from higher prices on existing drug products in U.S. based manufacturing, and (4) offer their drugs in direct-to-consumer (DTC) sales via the TrumpRx.gov platform.
 - Several companies also announced donations of drugs to the U.S. Strategic Active Pharmaceutical Ingredients Reserve (SAPIR).
 - In return, the companies are expected to receive exemptions from impending tariffs for the remainder of President Trump's term.
- **What's Next?** To date, the White House has announced deals with 14 of 17 major pharmaceutical companies that received the president's July 31 letters outlining MFN demands. The Trump administration has indicated additional agreements to come in early January. The completion of drug pricing deals may indicate that the Trump administration will proceed with a Section 232 tariff announcement on pharmaceuticals in early 2026.



President Trump Announces Drug Pricing Agreements With Nine Companies

Health Care – Agency Updates

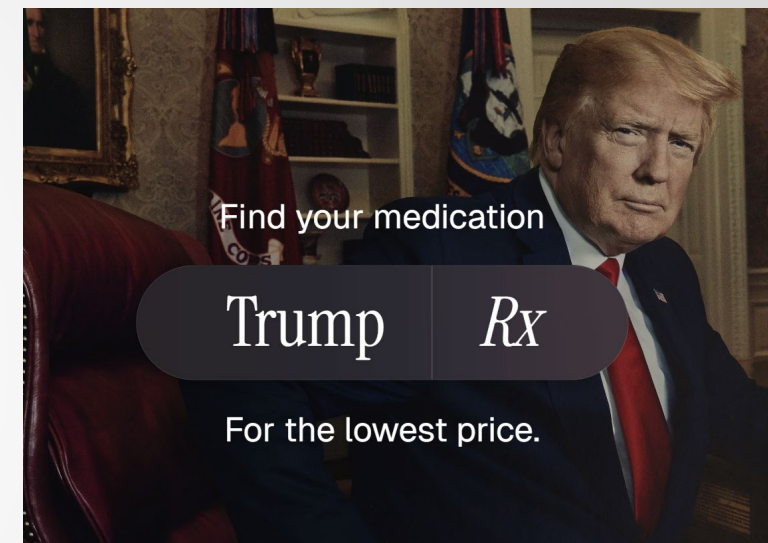
- In December, the Centers for Medicare & Medicaid Services (CMS) announced three prescription drug pricing models, including two mandatory MFN models, under which CMS would “waive” the Medicare Part B and Part D inflation rebates to require additional rebates on the difference between the Medicare price and the price in market basket countries.
 - The Global Benchmark for Efficient Drug Pricing ([GLOBE](#)) Model applies to Medicare Part B, while the Guarding U.S. Medicare Against Rising Drug Costs ([GUARD](#)) Model applies to Medicare Part D.
 - CMS also announced the Better Approaches to Lifestyle and Nutrition for Comprehensive hEalth ([BALANCE](#)) Model, which will allow CMS to directly negotiate net prices and coverage terms with manufacturers of GLP-1s.
- In mid-December, the FDA [announced](#) it will no longer require that real-world evidence (RWE) include identifiable, patient-level data in submissions for certain drug and medical device application reviews. FDA also issued three additional awards under the Commissioner’s National Priority Voucher (CNPV) program, bringing the total number of voucher recipients to 18.
- On December 19, CMS issued two proposed rules aimed at prohibiting gender-affirming care for minors, including (1) prohibiting federal Medicaid and CHIP [funds](#) for such services and (2) [barring hospitals participating](#) in Medicare and Medicaid from providing such services.
 - The proposed rules are consistent with President Trump’s [Executive Order](#), “Protecting Children from Chemical and Surgical Mutilation.” In December, the House also passed two bills aimed at limiting gender-affirming care for minors.



HHS Secretary
Robert F. Kennedy Jr.

Health Care – 2026 Look Ahead

- Health care reform and affordability are expected to remain at the forefront of policy and political discussions heading into 2026 midterm elections, as millions of Americans face higher premiums following the expiration of the ACA ePTCs. Speaker Mike Johnson (R-LA) indicated interest in pursuing health care legislation in the first half of 2026 and views the LHCPAAA as the start of a longer-term legislative effort on health care.
- The looming FY26 Continuing Resolution ([P.L. 119-37](#)) deadline on January 30, 2026 remains a major legislative pressure point and is anticipated to drive broader negotiations on expiring health extenders, including Medicare telehealth flexibilities, acute hospital care at home waiver authorities, and the reauthorization of Community Health Center (CHC) funding.
- Following negotiations on health insurance reform and appropriations, there is some optimism that lawmakers will revisit bipartisan health policies excluded from the December 2024 package, including pharmacy benefit manager (PBM) reforms.
- The Trump administration is expected to continue pursuing lower drug prices through implementation of MFN agreements and related drug pricing models. Additionally, the direct-to-consumer (DTC) [TrumpRx.gov](#) platform is set to launch in early January.
 - Given the prospect of a Democratic House majority following 2026 midterms, scrutiny and oversight on the details and execution of these drug pricing agreements is likely to intensify.
- Lawmakers have not yet agreed to appropriations for the U.S. Department of Health and Human Services (HHS) in fiscal year 2026 with a looming government funding deadline at the end of January. It remains likely that HHS will be funded via continuing resolutions for both fiscal years 2026 and 2027 given the politically contentious policies involved with HHS appropriations.



An Image from the TrumpRx.gov Website

Education – Administration Developments



- Despite ongoing congressional scrutiny, the Department of Education (ED) continued efforts to restructure agency functions through interagency agreements (IAAs).
 - On December 4, 36 Democratic Senators sent a [letter](#) to Education Secretary Linda McMahon opposing ED's execution of six IAAs transferring more than 50 education grant programs to other federal agencies, arguing the transfers lack congressional authorization and risk disrupting services for students.
 - Bipartisan lawmakers have raised bipartisan concerns regarding the impact of ED's restructuring on special education oversight. Members have warned that transferring or downsizing education-specific functions could undermine federal enforcement responsibilities and destabilize long-standing supports for students with disabilities.
- ED [continued](#) implementation of regulatory changes required under the OBBBA and on December 5, concluded the first session of the Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) negotiated rulemaking committee, where negotiators reached consensus on draft proposals related to Workforce Pell implementation.
- ED is expected to pause funding for Minority-Serving Institutions (MSI) programs, which the Department of Justice found unconstitutional in a December [opinion](#).

Education – Congressional Updates



House Education and Workforce Committee
Chairman Tim Walberg (R-MI)

- The House Energy and Commerce Subcommittee on Commerce, Manufacturing, and Trade advanced a package of legislation focused on children's online safety and data privacy including the Kids Online Safety Act (KOSA, [H.R. 6484](#)) and the Children and Teens' Online Privacy Protection Act (COPPA 2.0, [H.R. 6291](#)). Measures include restrictions on data brokers' use of minors' data, AI chatbot disclosure requirements, and age-verification standards for harmful online content, with committee debate centered on state law preemption, enforcement authority, and the scope of consumer protections. Separately, on December 16, Senate HELP Committee Chair Bill Cassidy (R-LA) and Republican members [urged](#) the Committee on Foreign Investment in the United States (CFIUS) to review a Chinese company's acquisition of a U.S.-based children's learning platform, citing national security and student data privacy concerns.
- Education committee leaders also have focused on college price transparency. On December 11, the House Education and Workforce Committee [marked](#) up and advanced four higher education bills, including proposals to establish a Universal Net Price Calculator, expand the College Scorecard, and require standardized financial aid offer formats to provide students with clearer and more comparable cost information. The four bills included:
 - Home School Graduation Recognition Act ([H.R. 6392](#))
 - Territorial Student Access to Higher Education ([H.R. 6472](#))
 - Student Financial Clarity Act ([H.R. 6498](#))
 - College Financial Aid Clarity Act ([H.R. 6502](#))

Education – 2026 Look Ahead



- Student Loans
 - In early January, ED will begin garnishing the wages of individuals in default on their student loans, potentially impacting millions of borrowers after a years-long pause due to the pandemic.
- Negotiated Rulemaking
 - ED's OBBBA implementation timeline is expected to drive continued rulemaking activity through 2026. ED will [convene](#) a second session of the AHEAD negotiated rulemaking committee in January 2026, and OBBBA requires final regulations implementing AHEAD-related provisions to take effect by July 1, 2026. ED also must finalize regulations under the Reimagining and Improving Student Education (RISE) committee and implement its Public Service Loan Forgiveness (PSLF) final [rule](#).
- Dismantling the Department of Education
 - Congressional oversight of ED's restructuring efforts is expected to continue into 2026, with appropriations potentially weighing in (or not) in final FY26 funding bills.
- Cost Transparency in Higher Education
 - Higher education transparency [measures](#) may reemerge as part of a broader accountability agenda. Proposals addressing net price calculators, standardized financial aid offers, and expanded consumer-facing disclosures could inform future floor action or serve as a basis for bipartisan negotiations in 2026, particularly alongside broader debates over affordability and institutional accountability.

Energy and Environment – Administration Updates



- **Department of the Interior** Assistant Secretary for Land and Minerals Management Leslie Beyer [abruptly resigned](#). Beyer was confirmed in September 2025 to oversee DOI's energy and mining programs, including the Bureau of Ocean Energy Management and Bureau of Land Management.
 - Lanny Erdos, DOI's Office of Surface Mining Reclamation and Enforcement Director, will temporarily fill Beyer's role.
- [Recent interim guidance](#) published by the **Department of the Treasury** allows companies to continue using the 45Q tax credit for carbon storage projects in the 2025 tax year.
- **The Bureau of Land Management** has [extended compliance](#) deadlines for Biden-era oil and gas waste prevention rules until December 10, 2026.

Energy and Environment – Permitting Reform

- On December 18, the House passed the [Standardizing Permitting and Expediting Economic Development \(SPEED\) Act](#):
 - The permitting reform bill includes an amendment allowing the Trump administration to continue blocking projects it opposes, including offshore wind projects.
 - The bill now heads to the Senate, where key Democratic energy leaders have [stated](#) it “does not meet [the] standard” necessary to build out transmission infrastructure and provide low-cost, clean energy.
- On December 22, the administration [cancelled](#) several offshore wind projects, which were the subject of some House Republicans’ opposition to the SPEED Act.
 - In response, Senate Democrats [announced](#) they were pausing permitting reform negotiations.



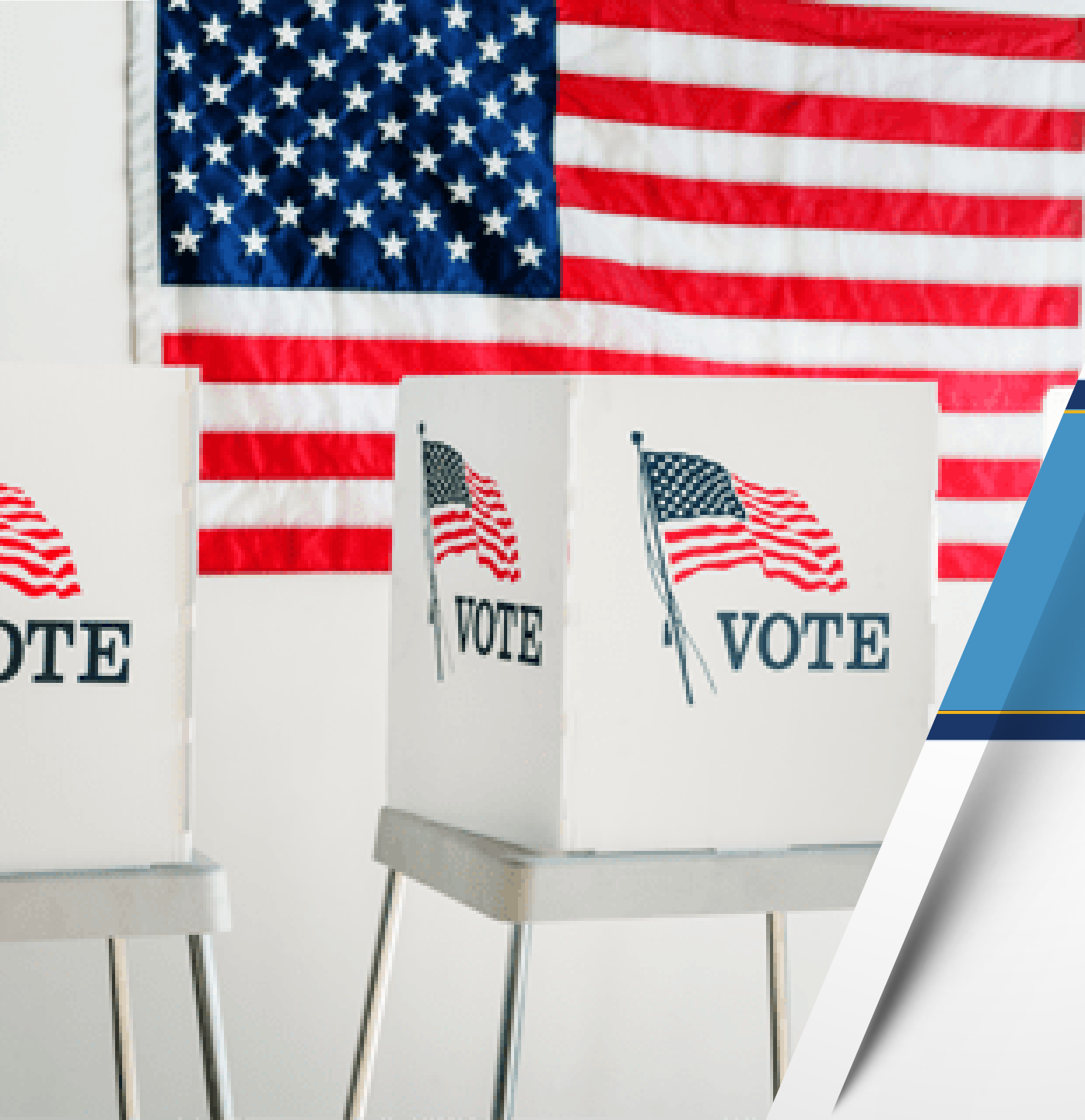
Senate Environment and Public Works Committee Ranking Member Sheldon Whitehouse (D-RI; left) and Senate Energy and Natural Resources Committee Ranking Member Martin Heinrich (D-NM; right) released a joint statement halting permitting reform legislation negotiations.

Energy and Environment –2026 Look Ahead



EPA Administrator Lee Zeldin's Powering the Great American Comeback Initiative reconciles the agency's environmental protection mission with the Trump administration's economic growth goals.

- **Agency Updates:** The **Environmental Protection Agency** (EPA) plans to release its [FY 2026 - FY 2030 EPA Strategic Plan](#), including the priorities outlined in the agency's [Powering the Great American Comeback Initiative](#).
- **Permitting Reform:** Policymakers and industry are eager to make significant advances in 2026, however, politics over the recent changes to the House bill could halt progress.
- **AI Energy Demand:** Addressing increased electricity demand from AI data centers will continue to be a policy priority ahead of the 2026 midterm elections.
 - U.S. electricity consumption continues to rise at record rates, and the accelerated deployment of AI data centers will further contribute to the energy crisis.



2026 Midterm Elections

House Outlook for 2026 Midterms

- Democrats will only need to flip a net of **3 seats** in 2026 to win control of the House (218 is needed for a simple majority).
 - **Currently: 218 Republicans** and **213 Democrats**, with four vacancies
 - **Once vacancies are filled: 220 Republicans** and **215 Democrats**
- **On average, since the 1930s, the party in power loses about 24-28 House seats in the midterms.**
 - Republicans are likely to gain 3-9 seats via mid-decade redistricting (possibly less, depending on litigation), while Democrats are expected to gain 6-8 new seats.
- **Only 15-20 toss-up seats are expected out of the 435, most of which are currently held by Republicans.**
- Due to high political polarization, redistricting gains for both parties, and limited toss-up seats, the 2026 midterms for the House are expected to be very close.



House Outlook for 2026 Midterms – Early Ratings of Key Races

Republicans		
TOSS-UP (14)	LEANS REPUBLICAN (6)	LIKELY REPUBLICAN (14)
Juan Ciscomani (AZ-6)	ME-2 Open (Golden)	Nick Begich (AK-AL)
AZ-1 Open (Schweikert)	Don Davis (NC-1)	Eli Crane (AZ-2)
Darrell Issa (CA-48)	Mike Lawler (NY-17)	Jeff Crank (CO-5)
David Valadao (CA-22)	Marcy Kaptur (OH-9)	Jeff Hurd (CO-3)
Gabe Evans (CO-8)	Rob Bresnahan (PA-8)	Anna Paulina Luna (FL-13)
M. Miller-Meeks (IA-1)	Brian Fitzpatrick (PA-1)	IA-2 Open (Hinson)
Zach Nunn (IA-3)		KY-6 Open (Barr)
Tom Barrett (MI-7)		Bill Huizenga (MI-4)
MI-10 Open (James)		Ryan Zinke (MT-1)
Tom Kean Jr. (NJ-7)		Nick LaLota (NY-1)
Ryan Mackenzie (PA-7)		Monica De La Cruz (TX-15)
Scott Perry (PA-10)		TX-35 New
Jen Kiggans (VA-2)		Rob Wittman (VA-1)
Derrick Van Orden (WI-3)		Bryan Steil (WI-1)

SAFE GOP PICKUP (3)
Emanuel Cleaver (MO-5)
TX-9 New
TX-32 New

Total seats rated Safe Republican: 188
Total seats rated Safe, Likely, or Leans R: 208

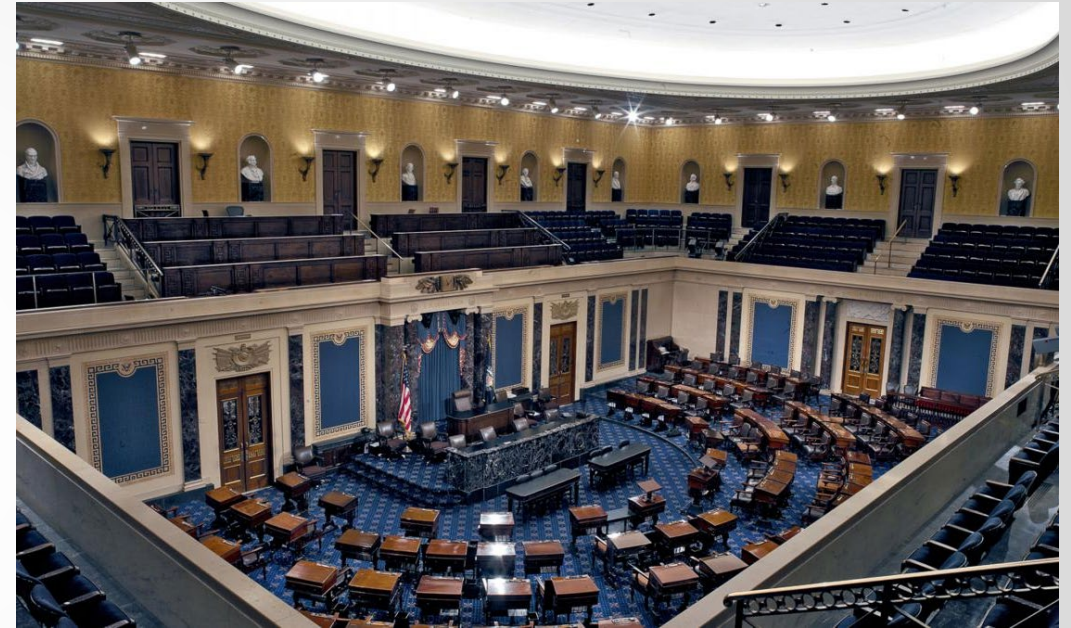
Democrats		
TOSS-UP (2)	LEANS DEMOCRATIC (17)	LIKELY DEMOCRATIC (24)
Greg Landsman (OH-1)	Adam Gray (CA-13)	Jim Costa (CA-21)
Vicente Gonzalez (TX-34)	Derek Tran (CA-45)	Josh Harder (CA-9)
	Jared Moskowitz (FL-23)	Kevin Kiley (CA-3)
	Frank Mrvan (IN-1)	Doug LaMalfa (CA-1)
	K. McDonald Rivet (MI-8)	Mike Levin (CA-49)
	MN-2 Open (Craig)	Dave Min (CA-47)
	NE-2 Open (Bacon)	Raul Ruiz (CA-25)
	NH-1 Open (Pappas)	George Whitesides (CA-27)
	Nellie Pou (NJ-9)	Jahana Hayes (CT-5)
	Gabe Vasquez (NM-2)	Darren Soto (FL-9)
	Susie Lee (NV-3)	Eric Sorensen (IL-17)
	Laura Gillen (NY-4)	Sharice Davids (KS-3)
	Josh Riley (NY-19)	April McClain Delaney (MD-6)
	Tom Suozzi (NY-3)	Maggie Goodlander (NH-2)
	Emilia Sykes (OH-13)	Josh Gottheimer (NJ-5)
	Henry Cuellar (TX-28)	Steven Horsford (NV-4)
	M. Gluesenkamp Perez (WA-3)	Dina Titus (NV-1)
		John Mannion (NY-22)
		Pat Ryan (NY-18)
		Chris Deluzio (PA-17)
		Janelle Bynum (OR-5)
		Val Hoyle (OR-4)
		Andrea Salinas (OR-6)
		Eugene Vindman (VA-7)

SAFE DEM PICKUP (2)
CA-41 New
UT-1 New

Total seats rated Safe Democratic: 170
Total seats rated Safe, Likely, or Leans D: 211

Senate Outlook for 2026 Midterms

- **Currently: 53 Republicans** and **47 Democrats** (includes **two independents**)
- Expected to be **4 Toss-Up seats** in the Senate in the 2026 midterms.
 - Democrats will be defending Michigan and Georgia.
 - Republicans will be defending North Carolina and Maine.
- Even if Democrats win all toss-up seats, Republicans would still lead **51-49**.
- Additionally, if the Senate is 50-50, Republicans would still control the chamber, since Vice President JD Vance (R) is the Senate President through the end of 2028.
- The president's party has averaged around four lost Senate seats in the midterms since 1934, but this trend is less consistent.
 - **For example, in 2018, during President Trump's first term, while Democrats achieved a net gain of 41 seats in the House, Republicans gained a net of two seats in the Senate.**
- Even in a strong Democratic year, Republicans are favored to hold the Senate after the 2026 midterms, due to a favorable map.



Source: UVA Center for Politics, Sabato's Crystal Ball,
270ToWin

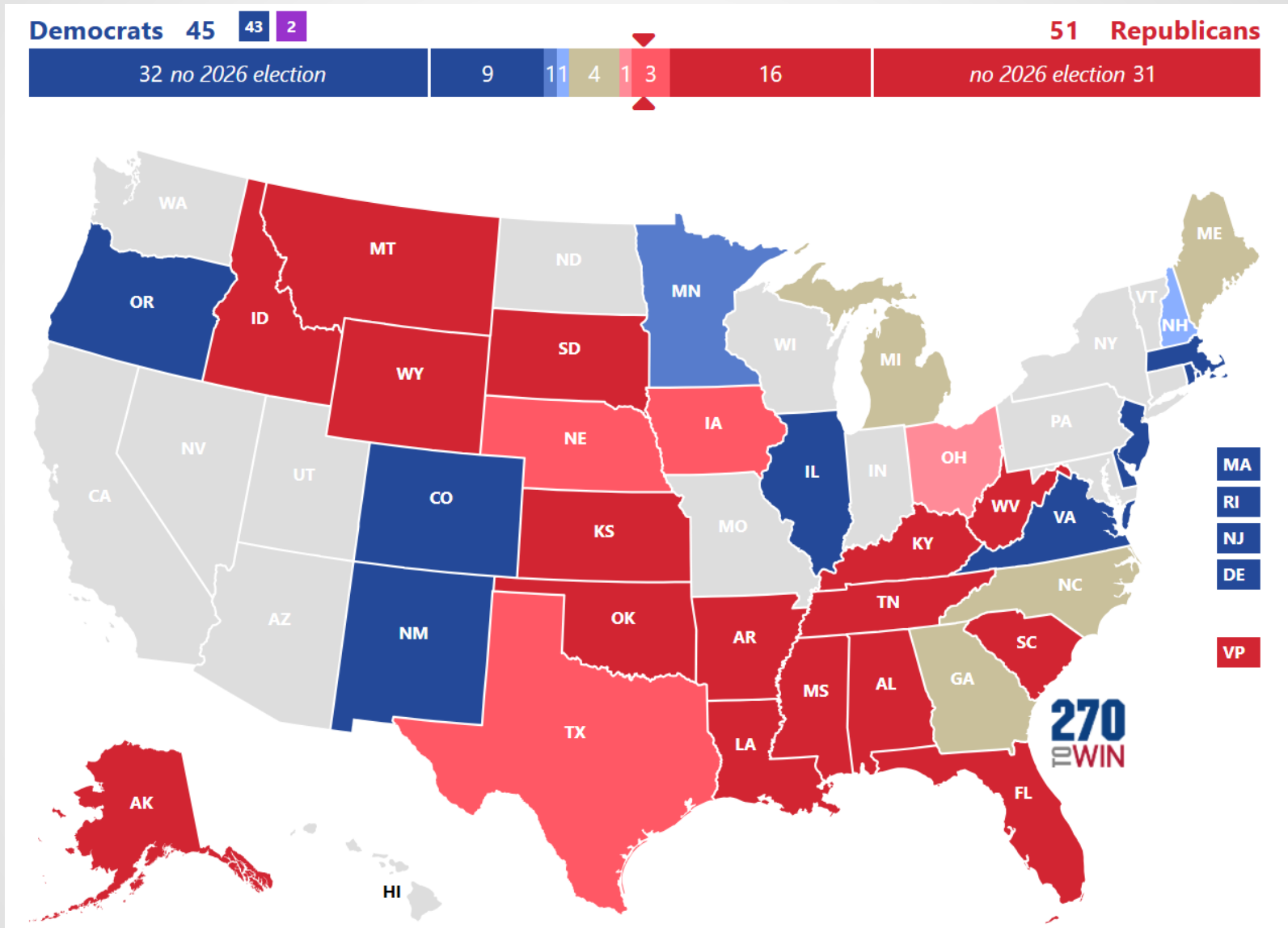
Key 2026 Senate Races (Seats Currently Held by Democrats)

State	Democratic Candidates	Republican Candidates	Race Rating
Michigan	Rep. Haley Stevens State Senator Mallory McMorrow Abdul El-Sayed	Former Rep. and 2024 Senate Nominee Mike Rogers	Toss-Up
Georgia	Sen. Jon Ossoff	Rep. Buddy Carter Rep. Mike Collins Derek Dooley	Toss-Up
New Hampshire	Rep. Chris Pappas	Former Sen. (MA) Scott Brown Former Sen. John Sununu	Leans D
Minnesota	Rep. Angie Craig Lt. Gov. Peggy Flanagan	Former State Sen. David Hann 2024 U.S. Senate Nominee Royce White	Likely D

Key 2026 Senate Races (Seats Currently Held by Republicans)

State	Democratic Candidates	Republican Candidates	Race Rating
Maine	Governor Janet Mills Graham Platner	Sen. Susan Collins	Toss-Up
North Carolina	Former Governor Roy Cooper	Former RNC Chair Michael Whatley	Toss-Up
Ohio	Former Sen. Sherrod Brown	Sen. Jon Husted	Leans R
Iowa	State Rep. Josh Turek State Sen. Zach Wahls	Rep. Ashley Hinson	Likely R
Texas	Rep. Jasmine Crockett State Rep. James Talarico	Sen. John Cornyn Texas Attorney General Ken Paxton Rep. Wesley Hunt	Likely R
Nebraska	Dan Osborn (Independent)	Sen. Pete Ricketts	Likely R

Senate Outlook for 2026 Midterms





Mid-Decade Redistricting Updates

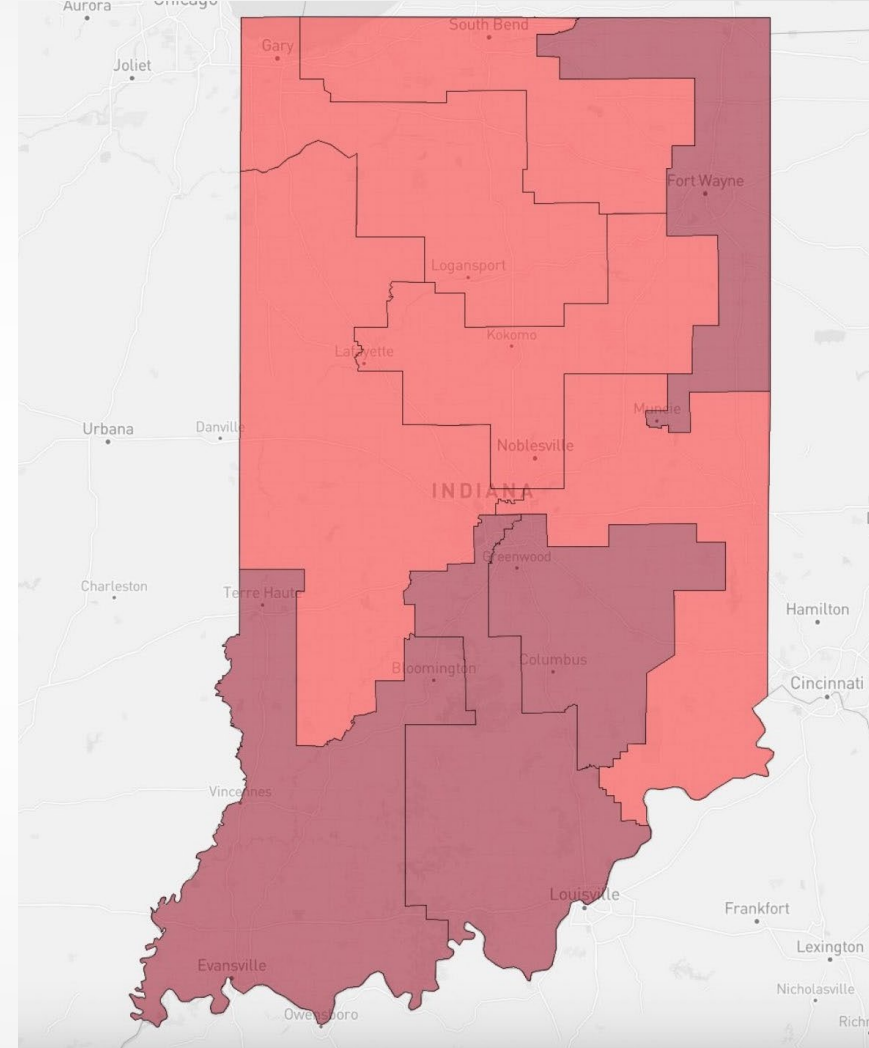
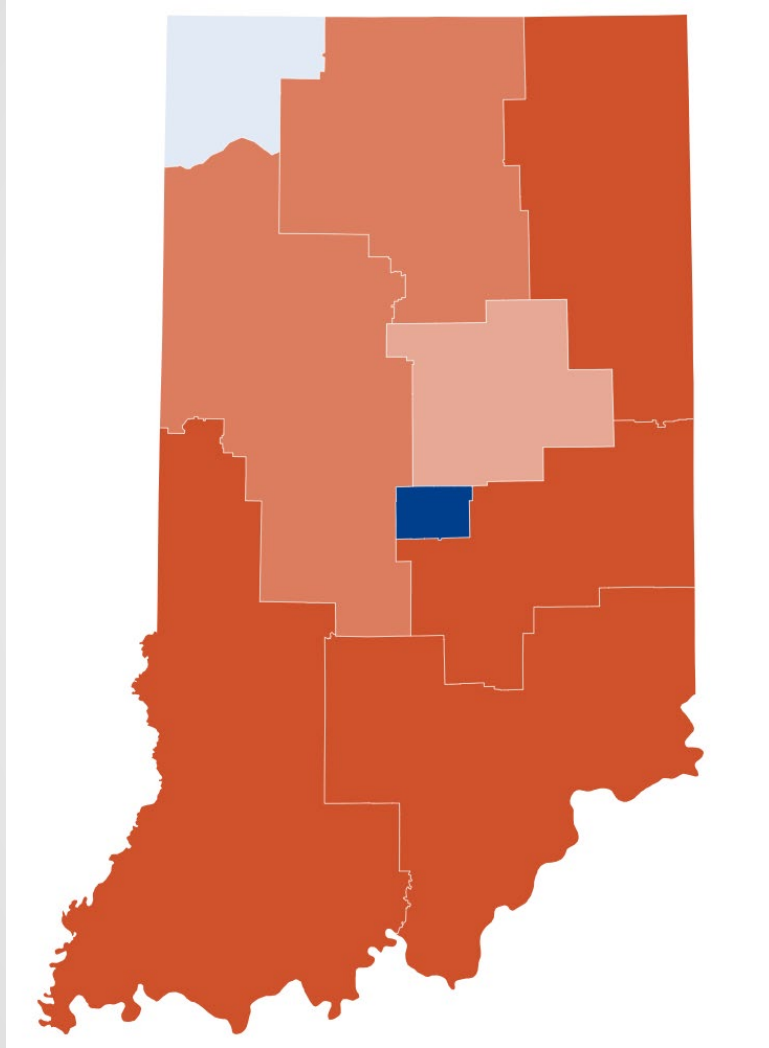
Congressional Redistricting – Indiana

- On December 11, the Indiana State Senate rejected a new congressional map for the state in a decisive 19-31 vote.
- Not only did the measure fail but most of the state Senate's Republicans – 21 out of 40 – voted against it.
- While the state legislature could make another attempt at redistricting in January, this is a major setback for the White House and House Republicans, who were pressuring Republican state Senators for months to back the redistricting measure and enact the new map.
- The defeat of the Republicans' proposed map means that Reps. Frank Mrvan's (D-IN-1) and André Carson's (D-IN-7) current Congressional districts are spared for now.



Congressional Redistricting – Indiana

Current Indiana congressional map



Indiana Republicans' proposed new congressional map, *which failed in December*

2026 Redistricting Outlook– GOP Likely to Have a Small Net Gain of Seats

- Currently, Republicans are not projected to net as many seats through redistricting as was initially expected.
- Republicans were initially expected to achieve a net gain of at least 10 House seats through their redistricting efforts across several states.
- It is now looking like they may net an additional 2-5 seats total for the 2026 midterms.
- While Republicans scored a win with the U.S. Supreme Court upholding the new Texas map for 2026, which will net Republicans 4-5 seats, that win is essentially cancelled out by California's new map, which will net Democrats 3-5 seats.
- Virginia and Florida are the two biggest wild cards. Virginia Democrats are aiming to draw a new map for the state that would give Democrats 2-4 new seats, while Florida Republicans are likely to draw a new map next year that would give Republicans 2-4 new seats.
- The redistricting efforts will lead to fewer moderate, toss-up seats, and more safe seats for each party, which could change the political dynamics in Congress.

State	Net New Seats
Texas	Republicans +4-5**
Missouri	Republicans +1**
California	Democrats +3-5**
Ohio	Republicans +1-2**
North Carolina	Republicans +1**
Florida	Republicans +2
Virginia	Democrats +2-4
Indiana	Republicans +0-2
Illinois	Democrats +1
Maryland	Democrats +1

** = new maps have already been enacted

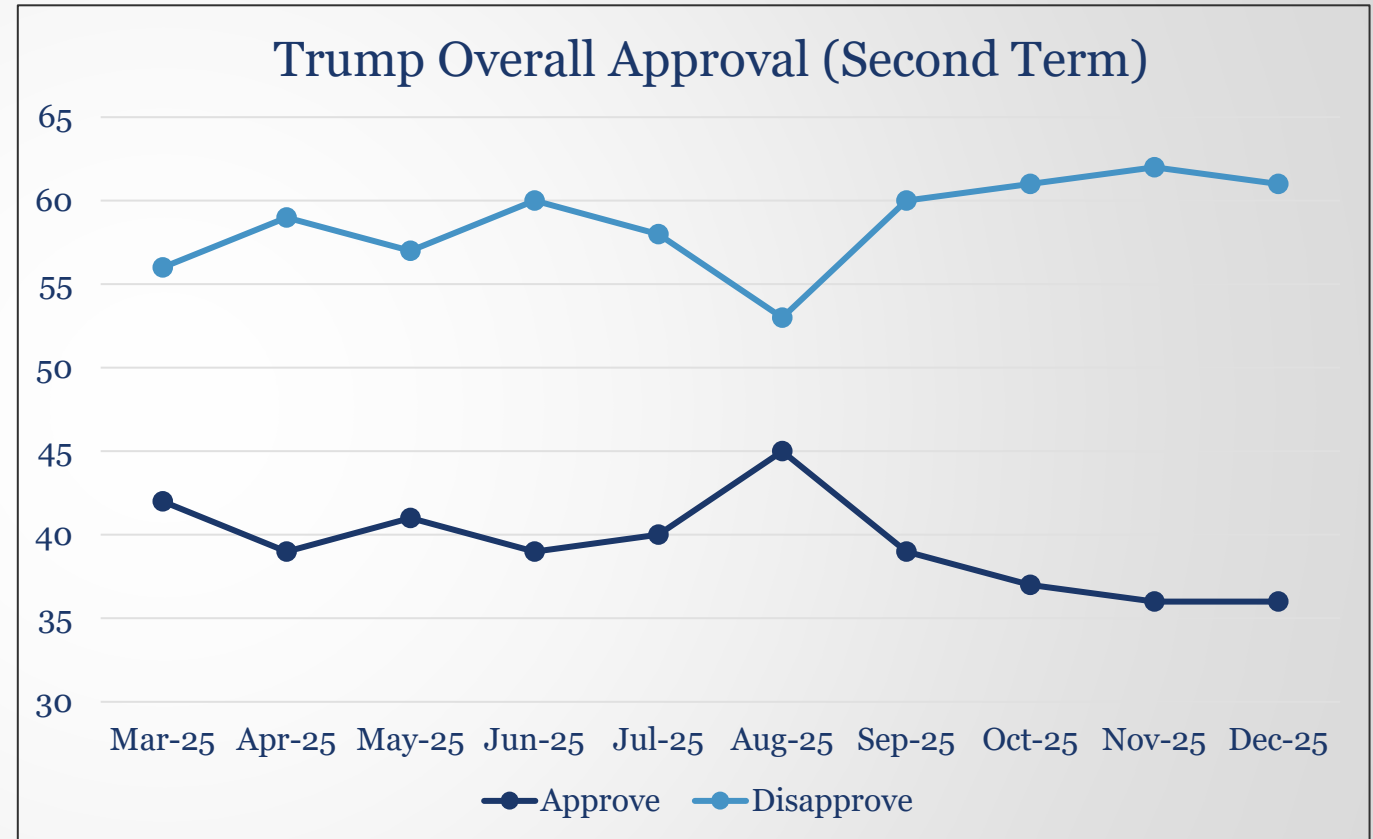
Sources: UVA Center for Politics, Sabato's Crystal Ball; Punchbowl News; Politico; Split Ticket

Current Public Opinion Polling

*Polling results may vary from poll to poll based on polling methodology and reporting.
Results reported here are for context only.

President Trump's Approval Rating

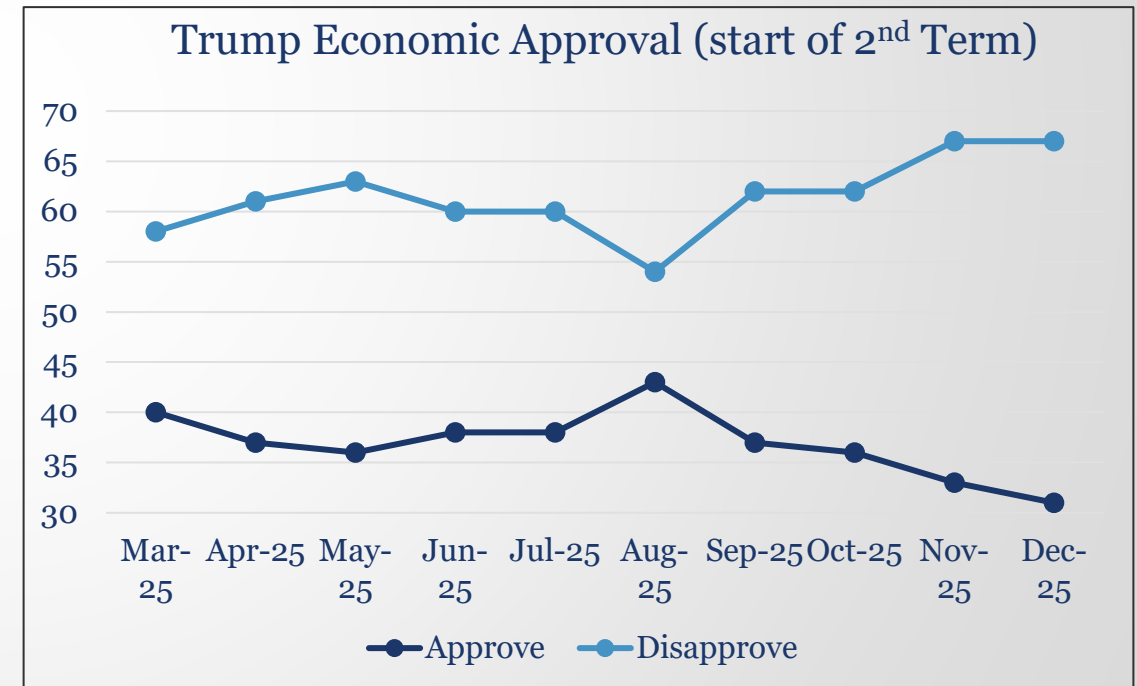
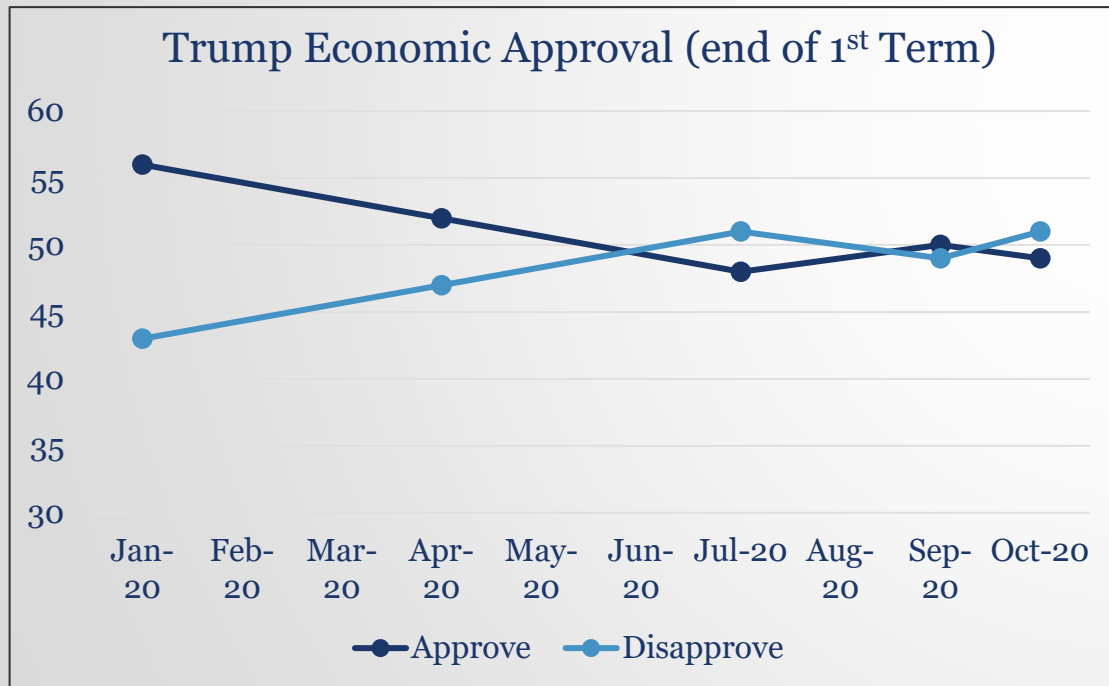
- President Trump's approval rating is currently 36%, according to the December 2025 AP-NORC poll.
- President Trump had a 42% approval rating in the first AP-NORC poll of his second term (March 2025).
- President Trump's approval rating never got higher than 43% in the AP-NORC poll during his first term (Jan. 2017 to Jan. 2021). In August 2025, he reached his highest approval rating across his two terms, 45%, according to the AP-NORC poll.
- The president's current disapproval rating is 61%. His highest disapproval rating in the AP-NORC poll came in December 2017 (67%).



Source: AP-NORC Poll, December 4-8, 2025
1,146 adults; Online and telephone interviews
Margin of sampling error: +/- 4.0 percentage points

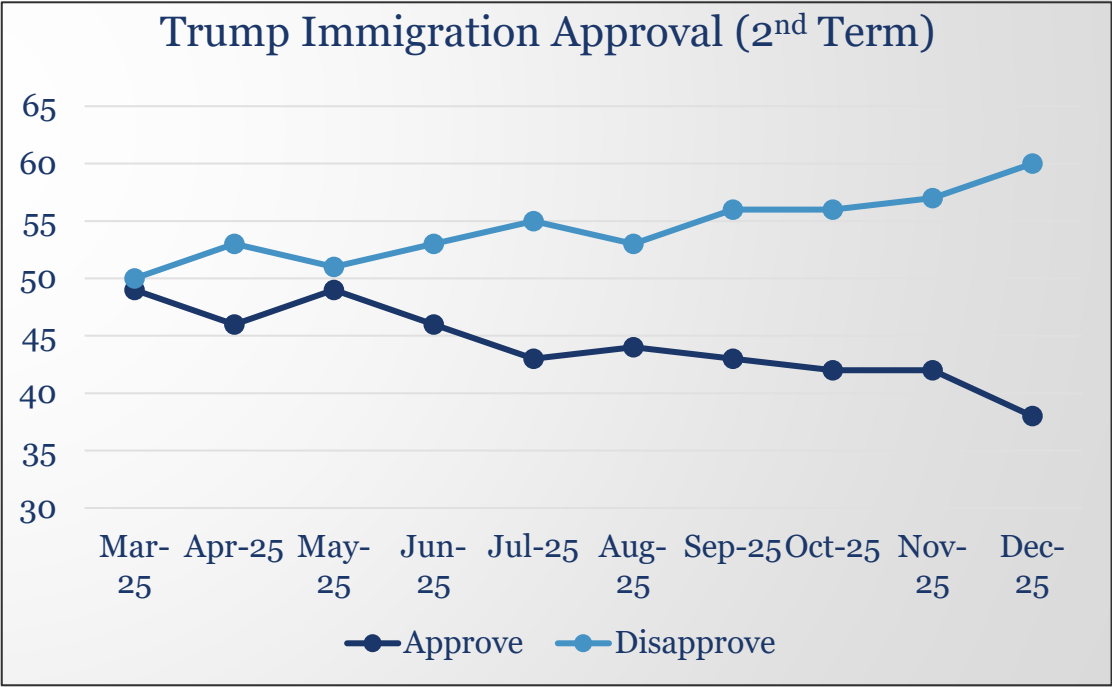
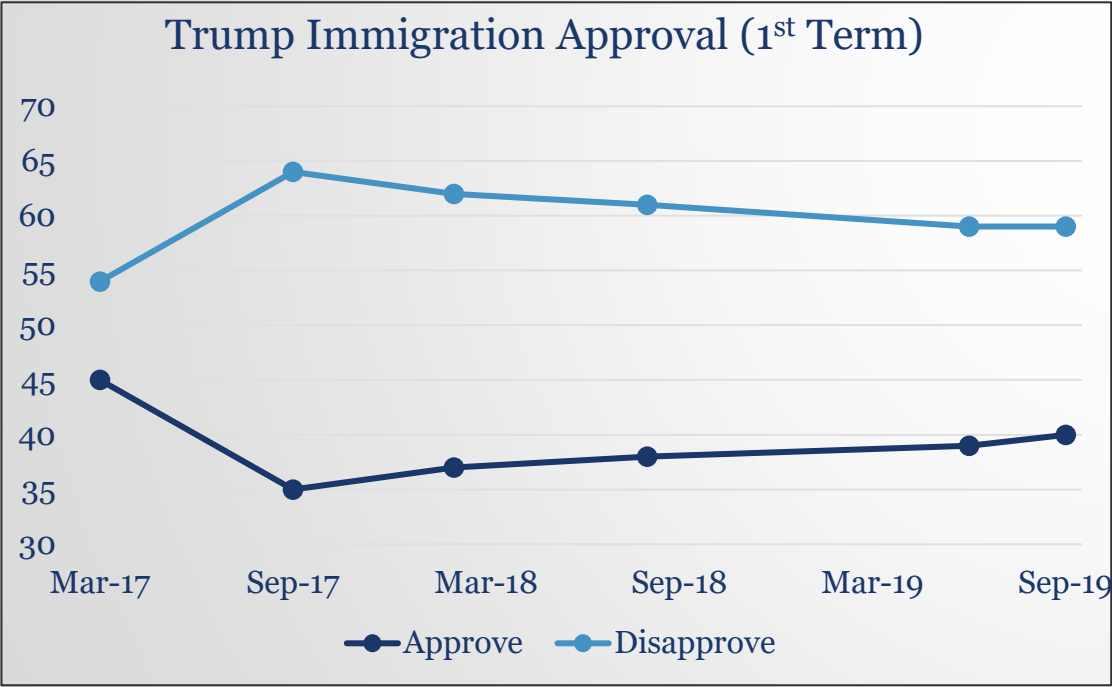
President Trump's Approval Rating on the Economy

- President Trump currently has low approval ratings on the economy, with just 31% of Americans approving of his handling of the economy. This marks the lowest economic approval rating across his two terms in office thus far.
- 67% disapprove of the president's economic policies, which is the highest economic disapproval rating of either of his two terms in office thus far.
- President Trump enjoyed strong economic ratings in early 2020, though those numbers decreased as the COVID-19 pandemic progressed and worsened. Still, he hovered near 50% on the economy for most of the second half of 2020.



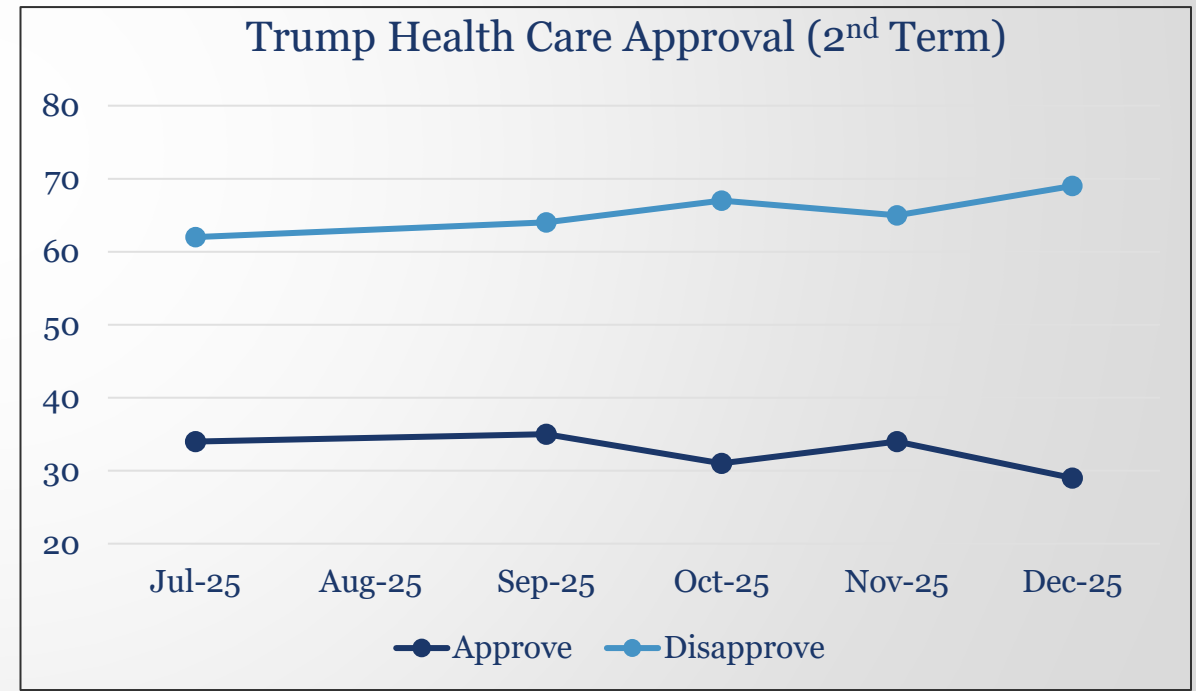
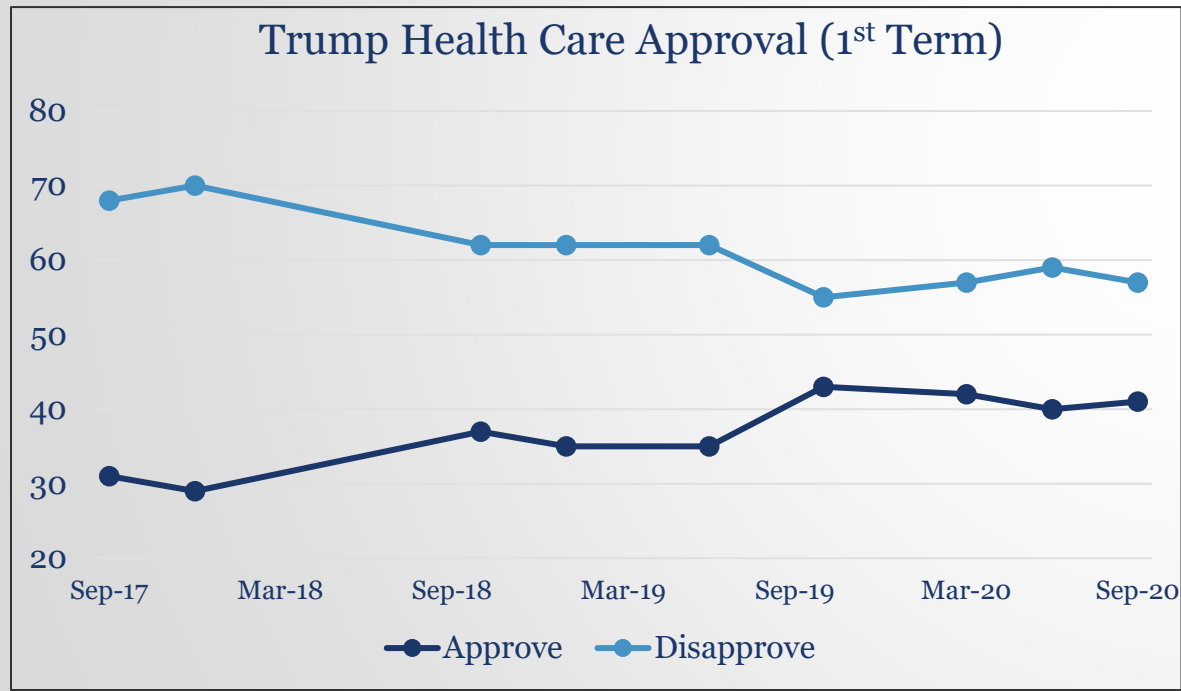
President Trump's Approval Rating on Immigration

- One of the policy areas in which President Trump has held the highest approval ratings in his second term is immigration, though more Americans disapprove of his immigration policies than approve (38% approve; 60% disapprove).
- President Trump had a 49% approval rating on immigration in the first AP-NORC poll of his second term (March 2025). This uptick in approval contrasted with the public's views of immigration policies during his first term, when his approval ratings on this issue were usually around 20 points below his disapproval ratings. This trend is now beginning to reemerge, entering the second year of his second term.



President Trump's Approval Rating on Health Care

- President Trump's approval rating on his health care policies currently sits at 29%, with 69% of polled Americans disapproving of his health care policy.
- President Trump generally received poor ratings on health policy during his first term, though his poll results in this policy area had fluctuated, and gradually somewhat improved as his term progressed. His lowest approval rating on the issue was 29% in December 2017, just a few months after he unsuccessfully tried to repeal the Affordable Care Act. His current approval rating, eight years later, matches this low.



Source: AP-NORC Poll, December 4-8, 2025
1,146 adults; Online and telephone interviews
Margin of sampling error: +/- 4.0 percentage points

Voters' Perception of Affordability in 2025

- In a recent poll, surveyed Americans were asked, “In general, have you experienced higher prices than usual for each of the following in recent months, or not?”
- Both parties are expected to address affordability as a major policy issue ahead of the 2026 midterm elections.

	Yes, higher	No, not higher	Did not purchase	Skipped question
Groceries	87%	11%	2%	--
Gas	49%	42%	8%	1%
Electricity	69%	24%	6%	1%
Holiday gifts	63%	15%	21%	1%

Voters' Opinions on 2026 Issues

- In a recent poll, surveyed Americans were asked, “Thinking about the problems facing the United States and the world today, which problems would you like the government to be working on in the year 2026? Please list up to five problems.”

Issue area	Percentage of respondents who identified the issue area as one of their top 5 issues
Domestic issues	75%
The economy	71%
Immigration/border wall/family separation/DACA/ICE	44%
Health care/health issues	41%
Personal finance issues	43%
Politics	37%
Foreign policy issues (not including immigration)	26%

Voters' Opinions on 2026 Issues (Cont.)

- In a recent poll, surveyed Americans were asked, “How confident are you in the ability of the federal government to make progress on the important problems and issues facing the country in 2026?”
- This survey question is asked at the beginning of each year.

	December 2025	December 2024	December 2023	December 2022
Not at all/slightly confident	66%	58%	71%	73%
Moderately confident	22%	26%	23%	22%
Very/extremely confident	11%	15%	5%	4%

Source: AP-NORC Poll, December 4-8, 2025
1,146 adults; Online and telephone interviews
Margin of sampling error: +/- 4.0 percentage points

Economic Factors That Could Impact the Future Political Landscape

Most Recent Jobs Reports

- The Department of Labor's Bureau of Labor Statistics (BLS) continues to retroactively collect employment data. On December 16, BLS [released](#) the November 2025 Jobs report. The October 2025 data will not be released.
 - Total nonfarm payroll employment edged up by **64,000** in November but has shown little change since April 2025.
 - The unemployment rate was **4.6%**, which was a slight increase from the previous month.
- In November, health care added **46,000** jobs, about the same as the average monthly gain of 39,000 over the prior twelve months.
- Employment in social assistance continued to trend up in November (+18,000), along with construction (+28,000).
- In November, employment edged down in transportation and warehousing (-18,000). Federal government employment continued to decrease in November 2025 (-6,000). This follows a sharp decline of 162,000 in October 2025. Federal government employment is down by 271,000 since reaching a peak in January.
- Employment showed little change over the month in other major industries, including mining, quarrying, and oil and gas extraction; manufacturing; wholesale trade; retail trade; information; financial activities; professional and business services; leisure and hospitality; and other services.

* *BLS [indicated](#) that the December 2025 Jobs Report will be released on December 9, 2026.*

September/November 2025 Jobs Report(s) – Key Data and Trends

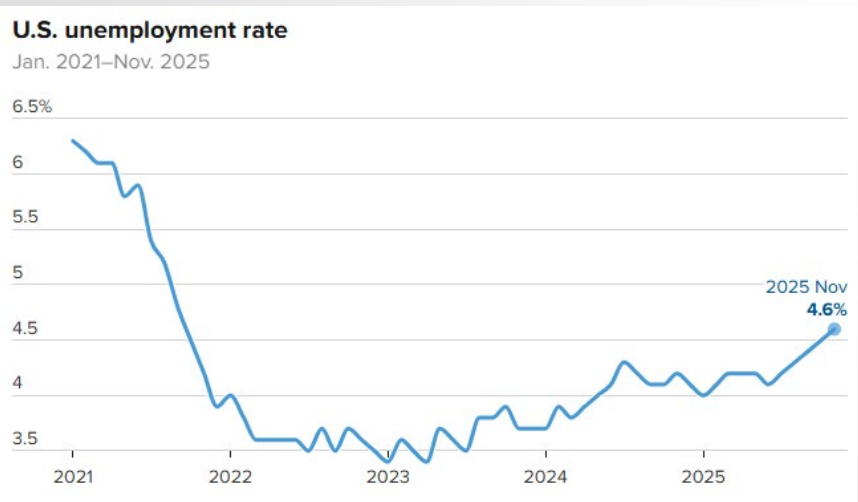
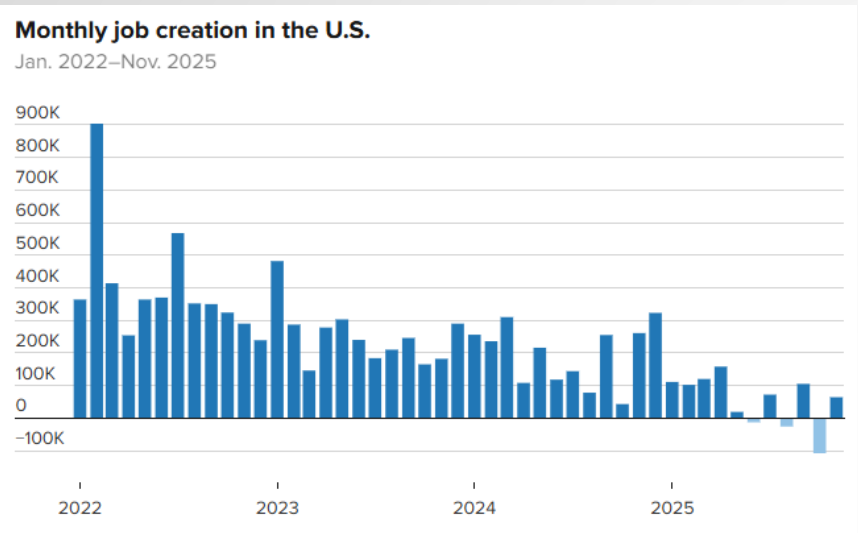


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, November 2023 – November 2025

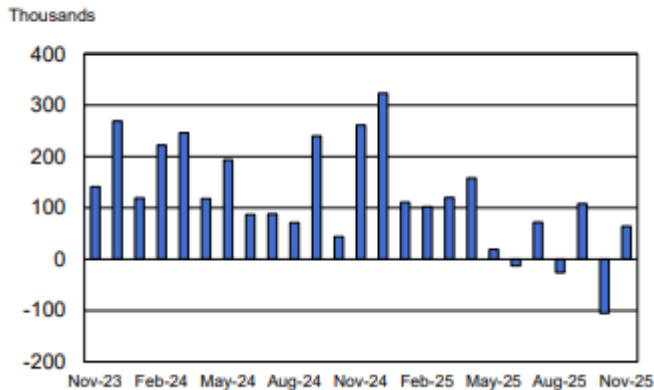
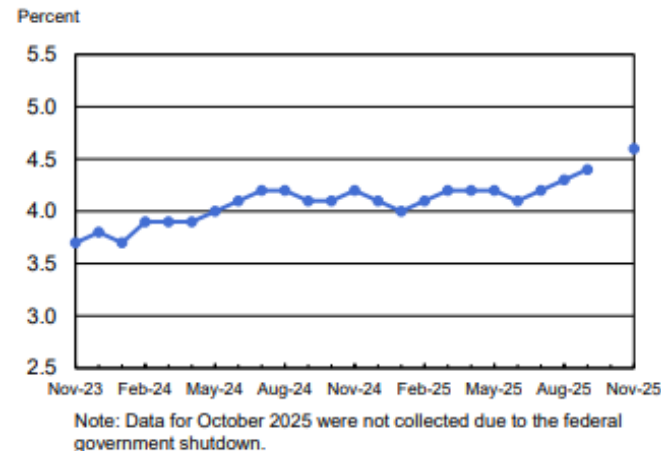


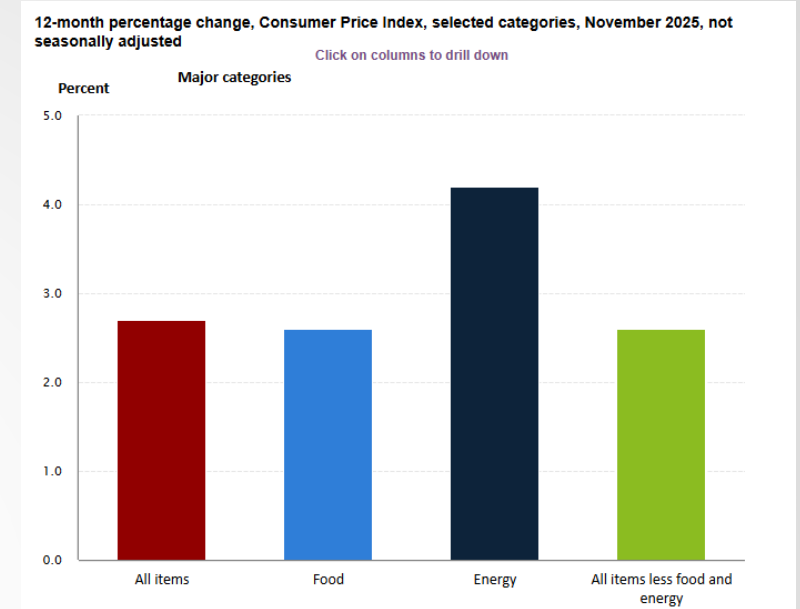
Chart 1. Unemployment rate, seasonally adjusted, November 2023 – November 2025



Most Recent Inflation Report

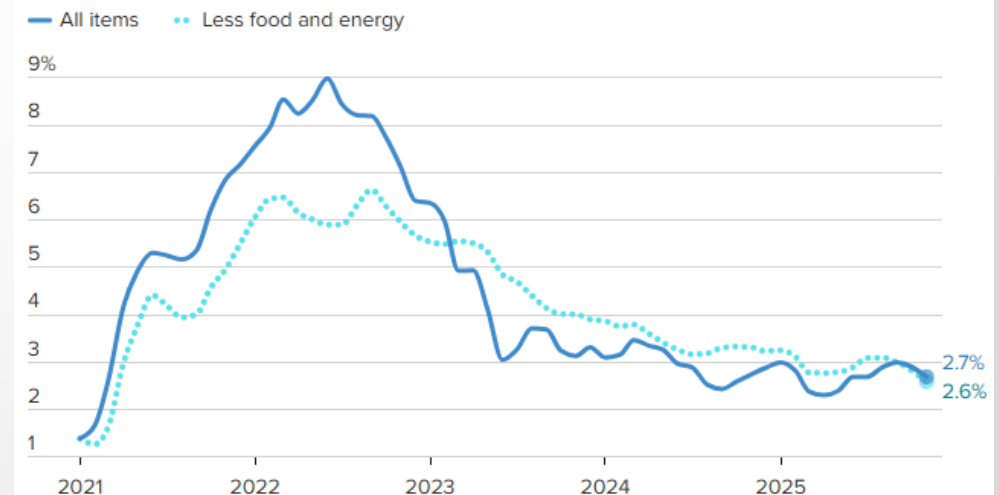
- On December 18, 2025, the U.S. Bureau of Labor Statistics announced the Consumer Price Index (CPI) increased +0.2% in November 2025 on a seasonally adjusted basis.
 - This increase was slightly less than experts had predicted (+0.3%).
 - This CPI figure was lower than the September 2025 reading (+0.3%).
- The consumer price index rose at a 2.7% annualized rate last month.
 - Consumer prices rose less than expected in November, giving investors some hope that inflationary pressures may be subsiding enough for U.S. monetary policy to be softened.
- “Core CPI,” which excludes food and energy prices, rose by 0.2% in November 2025, and 2.6% on an annual basis from November 2024.
 - Economists had projected that the monthly core CPI figure would be 0.3%, and the annual core CPI figure would be 3.1%.

** Due to the government shutdown, BLS did not collect survey data for October 2025. CPI data collection resumed on November 14, 2025, and BLS was able to retroactively acquire most of the non-survey data for October.*



U.S. consumer price index

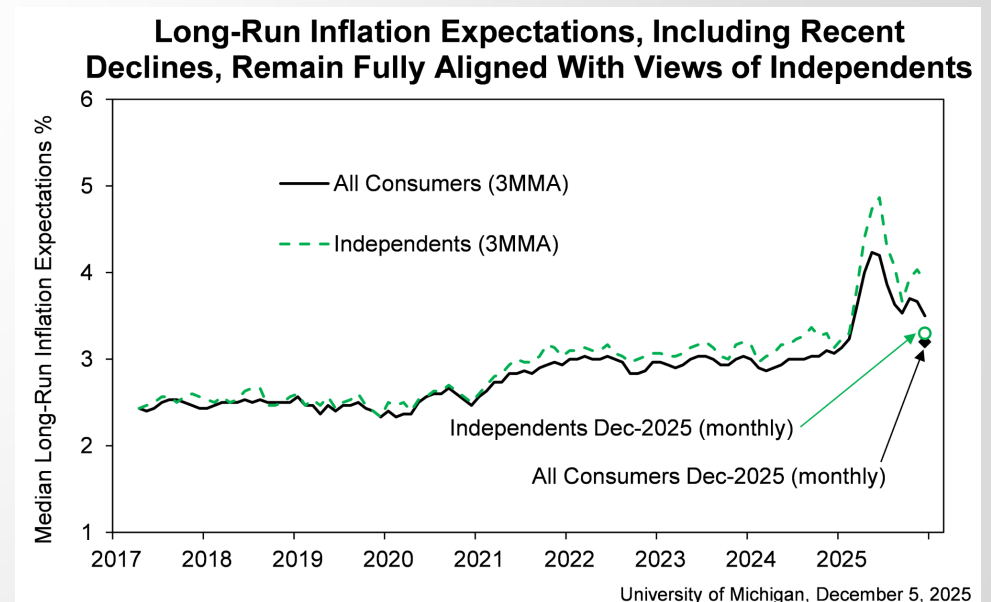
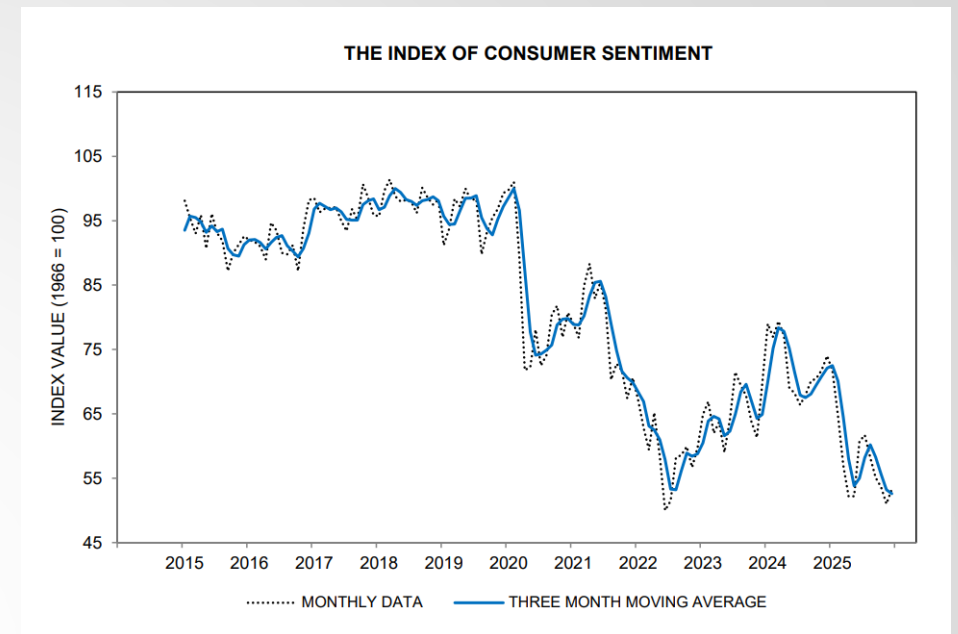
Year-over-year percent change | Jan. 2021–Nov. 2025



Sources: U.S. Bureau of Labor Statistics, Dept. of Labor; CNBC

Consumer Sentiment Report

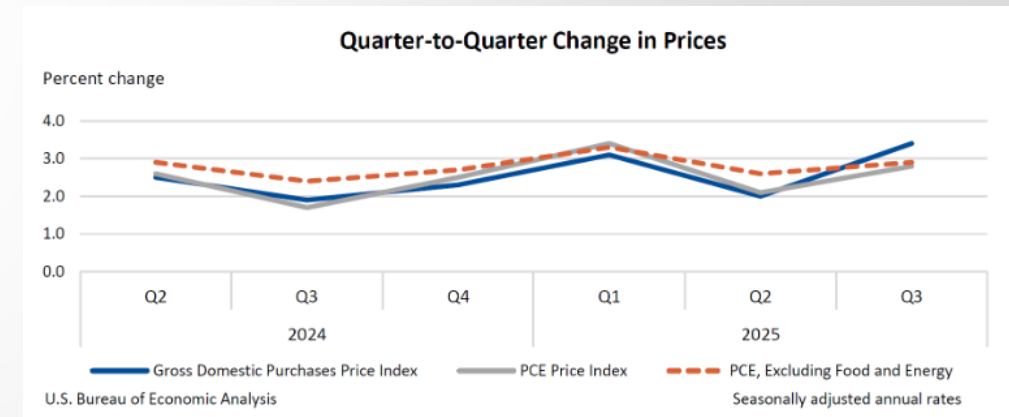
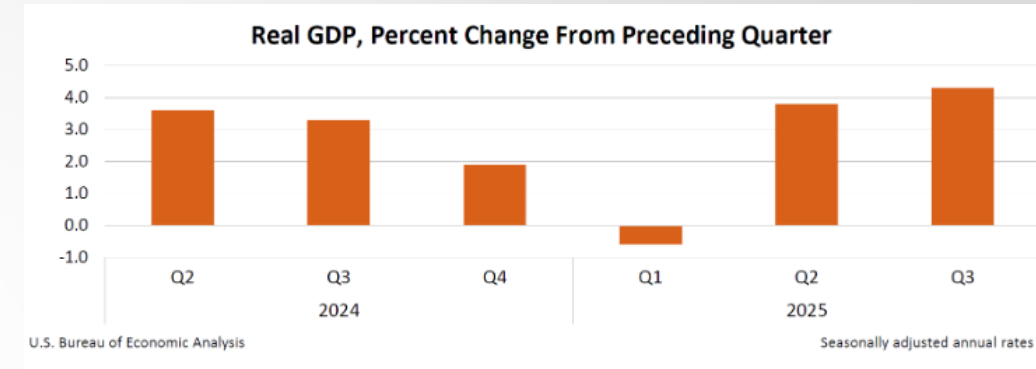
- Consumer sentiment for December 2025 increased to 52.9, which is a 3.7% *increase* from November 2025 (51.0). This release confirmed the preliminary data for December 2025 indicating a slight upturn of consumer sentiment (53.3), though the figure is still low, and slightly lower than projected.
 - This is a preliminary annual *decrease* of 28.5% from December 2024 (74.0).
 - This marks a slight departure from an annual declining trend – for 2025, consumer sentiment only previously increased in June and July 2025.
- The Index of Consumer Sentiment varies by political party.
 - 35.5 among Democrats
 - 51.2 among Independents
 - 87.9 among Republicans
- Expectations for personal finances, labor markets, inflation, and business conditions:
 - Year-ahead inflation expectations decreased for the fourth consecutive month to 4.2%. This is the lowest reading in 11 months, but is still above the 3.3% seen in January 2025.
 - Long-run inflation expectations slightly fell from 3.4% in November to 3.2% in December, matching the January 2025 reading. In comparison, readings ranged between 2.8% and 3.2% last year and were below 2.8% throughout 2019 and 2020.



GDP Report and Economic Outlook

- On December 23, the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) [released](#) its “initial estimate” of U.S. real gross domestic product (GDP) for Q3 2025.
 - The BEA reported that real GDP *increased* at an annual rate of +4.3% in Q3 2025 (adjusted for seasonality and inflation).
 - Economists had expected an *increase* of 3.2% in Q3, so the Q3 2025 GDP report came in above expectations and estimates.
- The price index for gross domestic purchases increased 3.4% in the third quarter, compared with an increase of 2.0% in the second quarter.
- Personal consumption expenditures (PCE) price index *increased* 2.8%. Excluding food and energy prices, the PCE price index increased 2.9%, compared with an increase of 2.6% in the previous quarter.

* Due to the recent government shutdown, this initial report for the third quarter of 2025 replaces the release of the advance estimate originally scheduled for October 30 and the second estimate originally scheduled for November 26.



Sources: Bureau of Economic Analysis (BEA)

Thank you



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