Congress Set to Adjourn for Annual August Recess. The House of Representatives adjourned on Wednesday, July 23, for the remainder of the summer and are not scheduled to return to Washington until Tuesday, September 2. The Senate is scheduled to wrap up its work for the summer this week once it completes consideration of the Military Construction/Veterans Affairs Appropriations bill and approves a number of nominations that are pending before the Senate. However, with nearly 150 nominees awaiting a vote, President Trump has called on the Senate to forgo its August recess and instead stay in Washington to approve his nominees. The expectation is that, rather than stay in session and forgo their August break, Senators will reach an agreement to confirm a large number of nominees (most of whom are considered non-controversial) en bloc. However, as of this writing on Friday afternoon, no agreement has been announced. If an agreement fails to materialize, Republicans could change the rules to streamline the nominations process in order to expedite confirmations, but this would likely happen in September when the Senate reconvenes. While on recess, Republican members are expected to promote the One Big, Beautiful Bill, which was signed into law on July 4, by holding field hearings on various aspects of the legislation. Democrats, on the other hand, have been holding a series of town hall meetings to criticize spending reductions included in the new law. All of this will set the stage for the midterm elections next year.

One Big, Beautiful Bill Becomes Law. On the Fourth of July, President Trump signed One Big Beautiful Bill, legislation that was the culmination of the budget reconciliation process. The bill implements key parts of President Trump's policy agenda by permanently extending the 2017 tax cuts, boosting funds for immigration, border security, and defense. These priorities were partially offset by phasing out clean energy tax credits from the Inflation Reduction Act (IRA), modifying student loan repayments, imposing new immigration fees, and making changes to the Supplemental Nutrition Assistance Program (food stamps) and Medicaid by imposing work requirements, increased cost sharing on states, local governments, and enrollees, and imposing provider tax restrictions. Local governments will be impacted primarily through reductions in federal funding, changes to tax credits, and the ripple effects of cuts to social programs. The bill includes cuts to federal spending on Medicaid and the Supplemental Nutrition Assistance Program (SNAP), totaling over $1 trillion. Funding for several clean energy programs created through the IRA was rescinded, including the EPA's Greenhouse Gas Reduction Fund (GGRF), Environmental Justice Block Grants, and Climate Pollution Reduction Grants. It also phases out the Commercial Clean Vehicle Tax Credit, which localities used to electrify their municipal vehicle fleets. The bill allocates a significant amount of funds ($350 billion) toward border security and immigration enforcement, including expanded deportation efforts. The new law does NOT make any changes to the tax-exempt status of municipal bonds.

Appropriations Process Moves Slowly. As of August 1, the appropriations process for fiscal year 2026 is progressing slowly in both the House and Senate. In the House, only two out of twelve appropriations bills—Defense and Military Construction-VA—have passed. Other key bills, such as Labor-HHS-Education and Transportation-HUD, have yet to reach full committee markup. The House Appropriations Committee has postponed the markup of several bills until at least September, with several subcommittee drafts stalled due to disputes over spending cuts and policy issues. In contrast, the Senate has been more productive over the last month, with the Senate Appropriations Committee marking up and approving major bills, including Defense, Labor-HHS-Education, Commerce-Justice-Science, and Transportation-HUD. The full Senate is expected to approve a spending package that includes Military Construction/VA, Agriculture, and the Legislative Branch Appropriations bills before their summer recess. These Senate bills generally feature higher funding levels and more bipartisan support than their House counterparts. However, significant differences in funding levels between the House and Senate bills remain a challenge as the September 30 deadline approaches. Unlike budget reconciliation, appropriations bills require 60 votes in the Senate, meaning that at least seven Democratic Senators must support any bill for it to pass. With only fifteen legislative days left before the fiscal year ends, it is likely that Congress will need to pass a Continuing Resolution to provide more time for negotiations and prevent a government shutdown. A shutdown could occur on October 1 if spending negotiations in September break down.

President Trump Announces New Global Tariffs. On July 31, President Trump announced an executive order that introduces new tariff rates for numerous countries, set to take effect on August 7. This order establishes a baseline tariff of 10 percent for all imports, but specific rates differ significantly based on trade relations. Notably, Canada will face a substantial 35 percent tariff, a move that reflects the administration's frustration with various issues, including the influx of fentanyl into the United States and Canadian leaders' threats to retaliate with tariffs against American products. Unlike the other tariffs announced, the tariff on Canadian products takes effect immediately. Earlier in the day, President Trump announced that instead of increasing tariffs on Mexico, he was extending the current tariff structure with Mexico for another 90 days in hopes of reaching an agreement. Examining the tariffs announced on other countries, Brazil will be subjected to a 50 percent tariff due to political tensions. Countries such as Indonesia and Thailand negotiated lower rates of 19 percent, while South Korea and Japan secured 15 percent tariffs, indicating the administration's preference for countries that engage in meaningful negotiations. The executive order highlights the United States' shifting stance on trade relations, particularly with Canada and other partners. It points out that while some nations are working to align with U.S. economic and national security interests through trade agreements, others have failed to offer terms that satisfy the President’s demands on trade imbalances, fentanyl and other policy priorities beyond trade. The President’s approach to trade has been fluid since he took office, with a pattern of announcing, delaying, and adjusting tariffs based on market feedback and negotiation outcomes. Since most tariffs do not take effect until August 7, it is possible that new trade agreements could be announced as countries try to avoid the new tariffs.

EPA Rescinds Greenhouse Gas Endangerment Finding. On July 29, the Environmental Protection Agency (EPA) Administrator Lee Zeldin announced the Administration’s decision to reverse the 2009 EPA’s conclusion that greenhouse gases must be regulated under the Clean Air

Act because they endanger human health through climate change. The ‘endangerment finding’ enabled past Administrations to regulate sources of greenhouse gas emissions, most notably vehicles and power plants. The EPA argues that the finding ignores the Congressional intent of the Clean Air Act, and the consequent regulations restrict consumer choice and raise prices. Without a national regulation on greenhouse gases, state and local governments will face pressure to implement regulations from constituencies concerned about climate change. Furthermore, it is expected that there will be court challenges by states and environmental groups to the decision by the Administration to rescind the endangerment finding, with the ultimate decision likely to come before the Supreme Court.