



Arnold & Porter

Innovative. Integrated. Industry-Focused.

Capital Snapshot: 100+ Days Into the Trump Administration

May 2025

This Month's Capital Snapshot Deck Includes:

- Recent major developments in politics, including congressional retirements, special elections, Trump administration changes, and approvals/favorability of President Trump
- Overview of the 119th Congress, including party breakdown of each chamber, the upcoming congressional schedules, and key dates
- An overview of the state of play for FY26 federal appropriations
- A recap of where things stand with congressional Republican planning for reconciliation
- Legislative and policy updates across a variety of key policy areas
- Economic factors that could impact the future political landscape

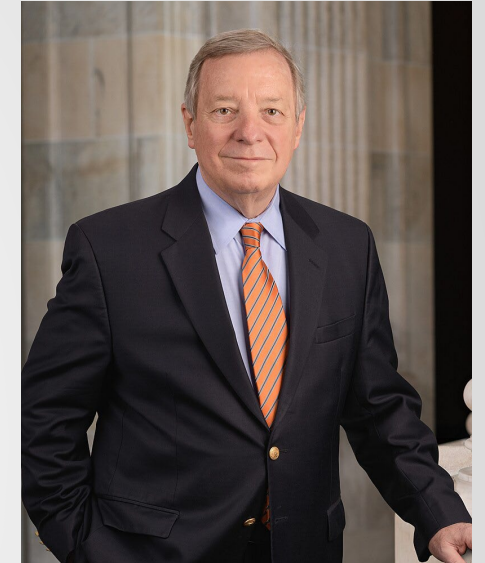
Table of Contents

- Recent Major Developments in Politics..... Slide 4
- Current State of Play for the 119th Congress..... Slide 9
- 119th Congress Calendars..... Slide 12
- Federal Funding and Appropriations (FY26)..... Slide 16
- Republican Reconciliation Plans..... Slide 21
- Other Key Legislative and Policy Updates..... Slide 24
- Economic Factors That Could Impact the Future Political Landscape..... Slide 48

Recent Major Developments in Politics

Senator Dick Durbin Announces His Retirement

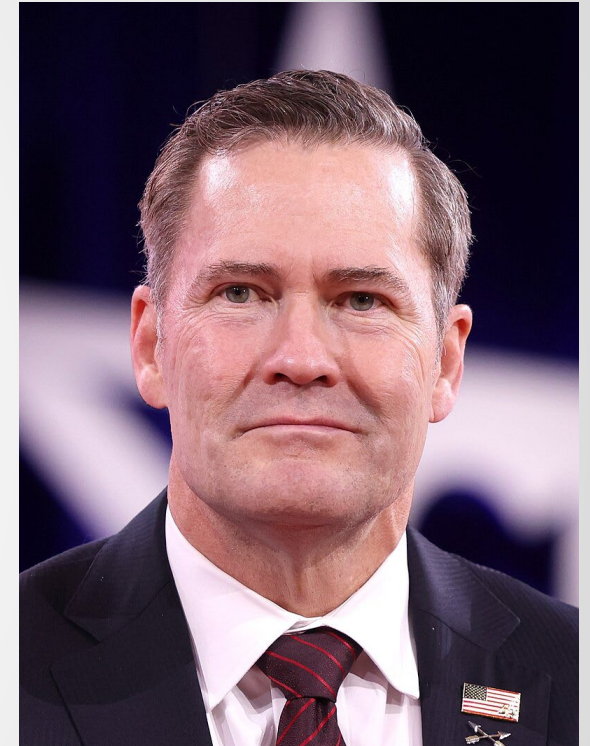
- On April 23, 2025, Senator Dick Durbin (D-IL) announced he will not seek re-election in 2026 and will retire at the end of his current term on January 3, 2027.
- Senator Durbin is in his fifth U.S. Senate term, having first assumed office on January 3, 1997.
- The senator has served as the Senate Democratic Whip (which is the #2 Senate Democrat) since 2005; he is the longest-serving Senate party whip for either party in U.S. history.
 - He is currently Senate Minority Whip, a role he has held three times: 2005-2007; 2015-2021; and 2025.
 - He also had two stints as Senate Majority Whip: from 2007-2015 and from 2021-2025.
- Senator Durbin has also been the top Democrat on the Senate Judiciary Committee since 2021. He is currently Ranking Member and was Chairman from 2021-2025.
- Before serving in the U.S. Senate, Mr. Durbin represented Illinois's 20th Congressional District in the U.S. House of Representatives (1983-1997).
- **Electoral Impact:**
 - Senator Durbin is now the fourth Senate Democrat to announce he will not run for re-election, joining Senators Gary Peters (D-MI), Tina Smith (D-MN), and Jeanne Shaheen (D-NH).
 - Rep. Robin Kelly (D-IL-2) launched her candidacy for Senate, as has Illinois Lieutenant Governor Juliana Stratton.
 - Reps. Raja Krishnamoorthi (D-IL-8) and Lauren Underwood (D-IL-14) have also expressed interest in running but have not formally announced campaigns.
 - The Republican field is less clear right now, as two out of the three Illinois congressional Republicans have declined to run, and former Rep. Rodney Davis (R-IL-13) has also declined to run.
 - Illinois is a blue state; Democrats have won the vast majority of statewide elections this millennium.
 - However, Republicans won the state's U.S. Senate race in 2010 and won the state's gubernatorial race in 2014. And the Democrats' presidential margin in the state decreased from 17 points in 2020 to 11 points in 2024.
 - Race rating: **Likely Dem to Safe Dem**



Senator Dick Durbin (D-IL)

Michael Waltz Removed as National Security Advisor

- On May 1, 2025, President Trump removed Michael Waltz as the U.S. National Security Advisor, effective immediately. Deputy National Security Advisor Alex Wong was also removed from his post.
- The president came to this decision less than two months after the U.S. government group chat leaks, also known as “Signalgate,” in which Mr. Waltz erroneously added Jeffrey Goldberg, the editor-in-chief of *The Atlantic*, to a Signal group chat involving highly classified military operations against the Houthis in Yemen. President Trump and his senior team also reportedly had some other disagreements and frustrations with Mr. Waltz.
- President Trump replaced Mr. Waltz with Secretary of State Marco Rubio, who will be National Security Advisor on an interim basis.
 - In addition to being the Secretary of State, Secretary Rubio is now also the acting U.S. National Security Advisor, the acting Archivist in the United States, and the acting Administrator of the U.S. Agency for International Development (USAID).
- Later the same day, President Trump announced that he is nominating Mr. Waltz to be the next U.S. Ambassador to the United Nations (UN). The position is still vacant after the White House recently pulled the nomination of Rep. Elise Stefanik (R-NY) due to concerns about the narrow House Republican majority.
- Unlike the National Security Advisor position, the UN Ambassador position is subject to Senate confirmation. The confirmation process in the Senate could be difficult due to the fallout from the Signalgate incident.



Former National Security Advisor
Michael Waltz

U.S. House Special Elections

- On April 1, 2025, two special elections were held for two vacant Florida U.S. House seats.
- In Florida's 1st Congressional District, which was previously held by Matt Gaetz (R-FL), Republican Jimmy Patronis defeated Democrat Gay Valimont [56.9%-42.3%](#).
- In a special election to replace now-former National Security Advisor Mike Waltz's open seat in Florida's 6th Congressional District, Republican Randy Fine defeated Democrat Josh Weil by a similar margin ([56.7%-42.7%](#)).
- Both Reps. Patronis and Fine were sworn in as the two newest Members of the U.S. House of Representatives on April 2, 2025.
- While both special elections were comfortable 14-point wins for the Republicans, Democrats overperformed in both districts by 18-19 percentage points. With the additions of Reps. Patronis and Fine, the House Republicans currently have a 220-213 majority – which is a three-vote margin – with two vacancies in deep blue Democratic districts.



Rep. Jimmy Patronis
(R-FL-1)



Rep. Randy Fine
(R-FL-6)

President Trump's Approval Rating at the 100 Day Mark

- In the first months of his second term in office, President Trump enjoyed some of the highest approval ratings he has had over the course of his two terms in office, generally in the 47-53% range.
- Over the past few weeks, however, the president's approval ratings have fallen, and multiple polls now show that President Trump has the lowest 100-day approval rating of any president in decades.
- A recent ABC News/Washington Post/Ipsos poll [found](#) that the president's approval rating is now at 39%, with a 55% disapproval rate. The 39% approval rate is the lowest approval rating for a president around his 100th day in this poll in the past 80 years. The previous low in approval for a president around his 100th day was President Trump's 42% in his first term in 2017.
 - *Despite the president's lower approval ratings, however, the poll also showed that he edges out congressional Democrats in terms of trust to handle the country's main problems.*
- Additionally, a recent Fox News poll [found](#) that President Trump's approval rating is at 44%, which is lower than the approval ratings of Joe Biden (54%), Barack Obama (62%), George W. Bush (63%), and President Trump in his first term (45%) at the 100-day mark of their presidencies.



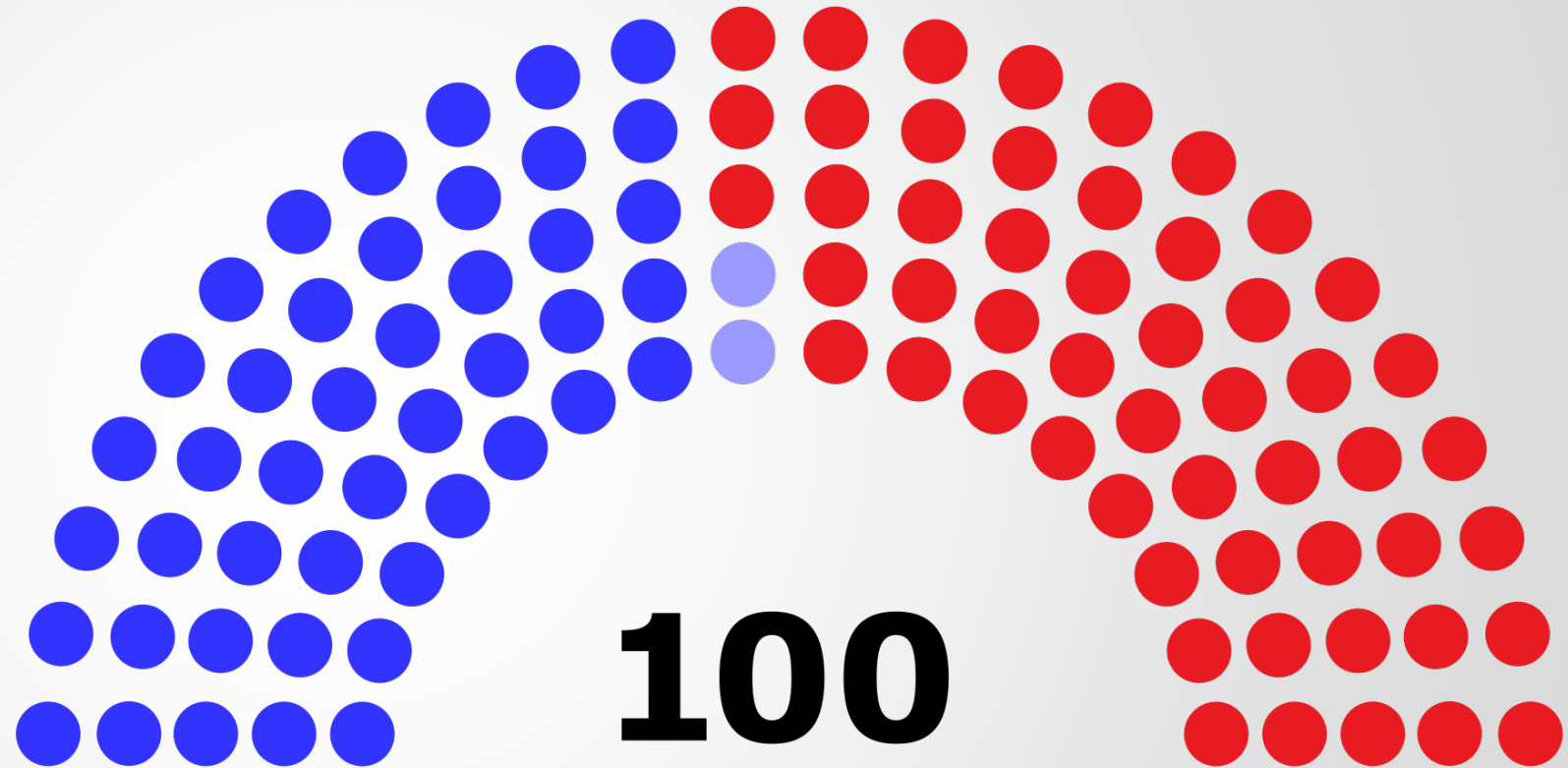
President Donald Trump (R)



Current State of Play for the 119th Congress

Composition of the U.S. Senate

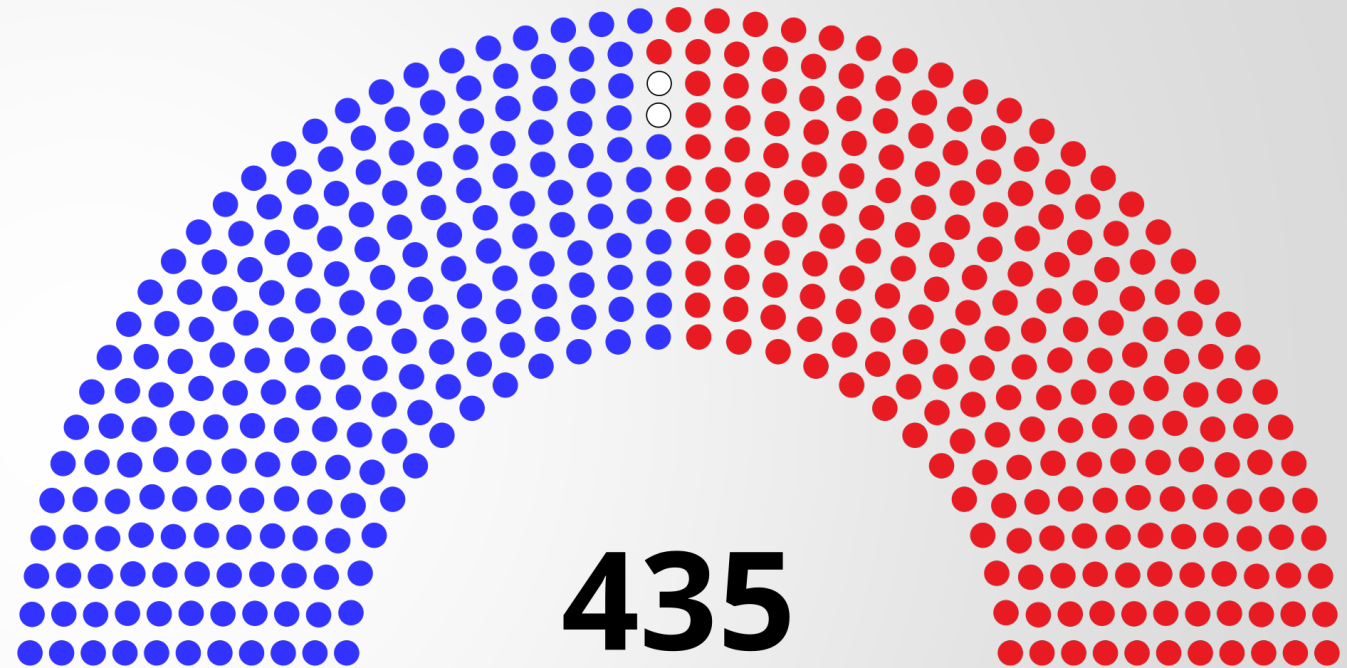
- Republicans currently hold a 53-47 majority in the U.S. Senate.
- This is the same margin Republicans had the last time they held the Senate majority (116th Congress, Jan. 2019 to Jan. 2021).
- The Senate Democratic Caucus includes two independent senators who caucus with the Democrats – Sens. Bernie Sanders (I-VT) and Angus King (I-ME).



Source: Parliament Diagram Tool

Composition of the U.S. House of Representatives

- Republicans currently hold a 220-213 majority in the House of Representatives, a three-vote margin.
- The two current vacancies are in deep blue Democratic districts. When these seats are all filled via special election, the House count will very likely be 220-215 in favor of the Republicans, a two-vote margin.
 - The AZ-7 special election will not take place until September 23, 2025, and the TX-18 special election will not occur until November 4, 2025, so neither seat will be filled for a while.
- The 220-215 elected Republican majority from the November 2024 general election was the smallest full capacity House majority for either party since Republicans held a 215-214 majority in the 65th Congress (1917-1919).



Source: Parliament Diagram Tool



119th Congress Calendars

2025 Senate Calendar

- The Senate currently [plans](#) to be in session for 37 weeks in 2025, with a total of 179 legislative days, a period longer than each year of the previous Republican Senate majority from 2015 to 2020.
- By comparison, in 2024, the Senate was in session for 29 weeks, with a total of just 102 legislative days.
- A notable feature of the new Senate calendar is how many session Fridays there are. In the past, the Senate has usually ended its weeks on Thursdays even when that respective Friday is listed as a session day. For 2025 though, Sen. Thune has said he is serious about keeping the Senate in session on Fridays of session weeks.
- The Senate did not have its first recess week of 2025 until the week of March 17, largely due to work to confirm President Trump’s cabinet and administration appointees.
- The Senate’s next recess period will be during Memorial Day week, which is the week of May 26.

JOHN BARRASSO
Majority Whip

DICK DURBIN
Democratic Whip

UNITED STATES SENATE
119th Congress, 1st Session
2025

TENTATIVE SCHEDULE

JANUARY							FEBRUARY							MARCH						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			①	2	3	4						1								1
5	6	7	8	9	10	11	2	3	4	5	6	7	8	2	3	4	5	6	7	8
12	13	14	15	16	17	18	9	10	11	12	13	14	15	9	10	11	12	13	14	15
19	20	21	22	23	24	25	16	17	18	19	20	21	22	16	17	18	19	20	21	22
26	27	28	29	30	31		23	24	25	26	27	28		23	24	25	26	27	28	29
SENATE CONVENES JANUARY 3, 2025														30 31						
APRIL							MAY							JUNE						
	1	2	3	4	5				1	2	3			1	2	3	4	5	6	7
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28
27	28	29	30				25	26	27	28	29	30	31	29	30					
JULY							AUGUST							SEPTEMBER						
	1	2	3	④	5					1	2			①	2	3	4	5	6	
6	7	8	9	10	11	12	3	4	5	6	7	8	9	7	8	9	10	11	12	13
13	14	15	16	17	18	19	10	11	12	13	14	15	16	14	15	16	17	18	19	20
20	21	22	23	24	25	26	17	18	19	20	21	22	23	21	22	23	24	25	26	27
27	28	29	30	31			24	25	26	27	28	29	30	28	29	30				
							31													
OCTOBER							NOVEMBER							DECEMBER						
	1	2	3	4							1			1	2	3	4	5	6	
5	6	7	8	9	10	11	2	3	4	5	6	7	8	7	8	9	10	11	12	13
12	13	14	15	16	17	18	9	10	11	12	13	14	15	14	15	16	17	18	19	20
19	20	21	22	23	24	25	16	17	18	19	20	21	22	21	22	23	24	25	26	27
26	27	28	29	30	31		23	24	25	26	27	28	29	28	29	30	31			
							30													

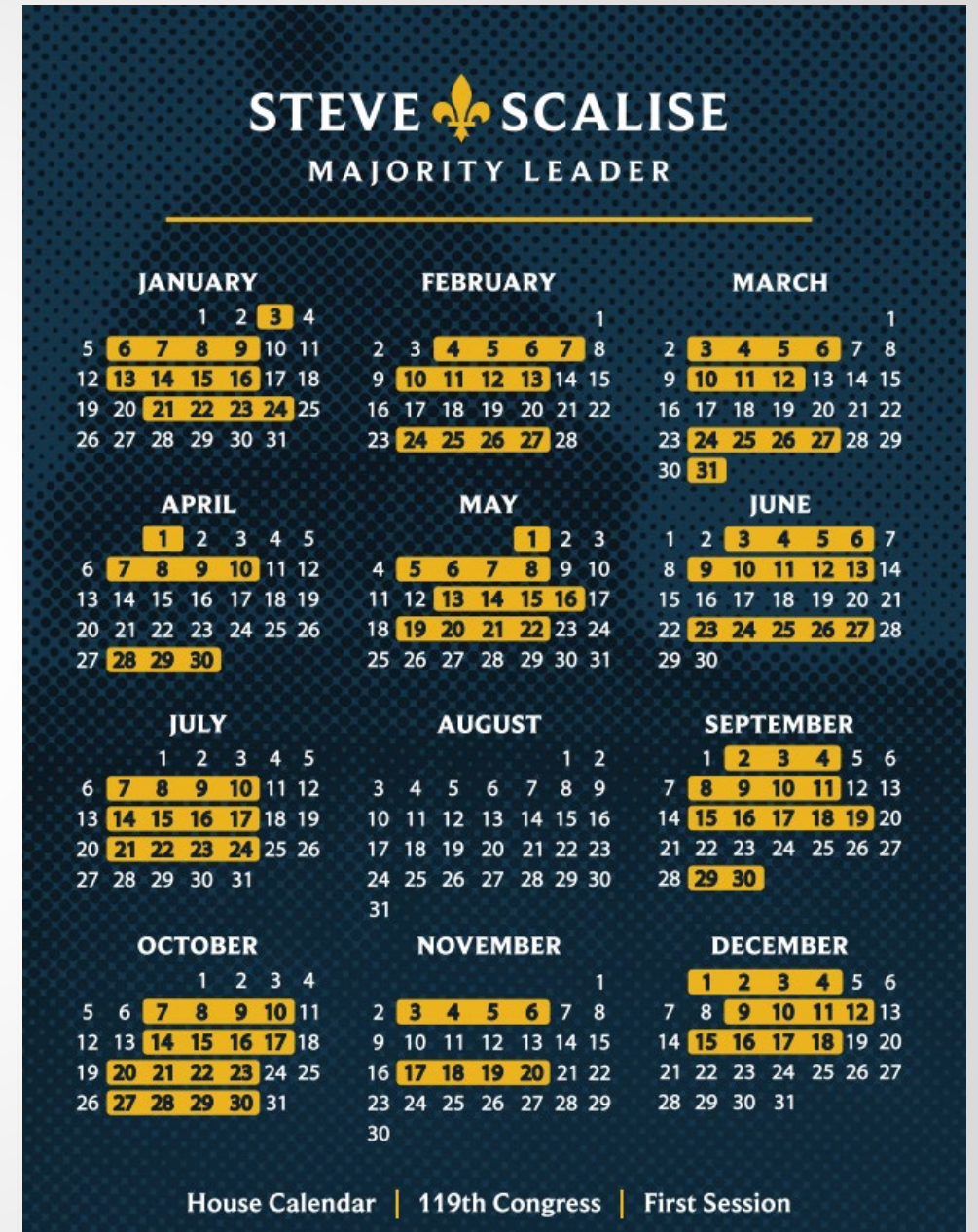
Red dates = Senate not in session
○ = Federal Holiday

1ST SESSION CONVENES—JANUARY 3, 2025
TARGET ADJOURNMENT—DECEMBER 19, 2025

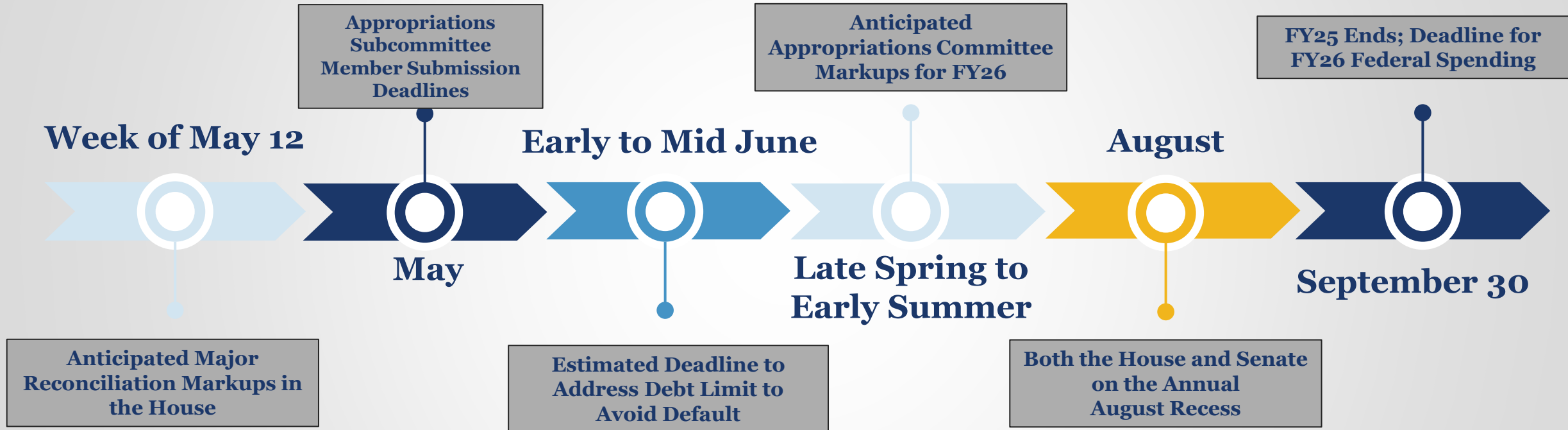
GPO: 2024 57-753 (mac)

2025 House Calendar

- This will be a busy year for the House, as the House will be in session for 33 weeks in 2025, with a total of 134 legislative days.
- By comparison, in 2024, the House was in session for 28 weeks, with a total of just 110 legislative days.
- The busiest in-session stretch will come from October 7 to November 6, when the House will be in session for five straight weeks.
- The House's next recess period will be during Memorial Day week, which is the week of May 26.



Congressional Key Dates





Appropriations and Reconciliation

FY26 Appropriations Update



Senate Appropriations Vice Chair Patty Murray (D-WA)
and Chair Susan Collins (R-ME)

- In April, the House and Senate Appropriations Committees released guidance for the FY26 appropriations cycle.
- Senate [Guidance](#): caps the number of congressionally directed requests a Senator can submit for most subcommittees. For example, Senators will be permitted to submit up to 80 requests for eligible accounts in the Labor-Health and Human Services-Education (LHHS) bill.
- House [Guidance](#): largely continues current policies and allows 15 community project funding requests per Member. The House guidance prohibits requests in the Defense, Financial Services, LHHS, Legislative Branch, and National Security/Department of State funding bills.
- The president's FY26 Budget Request is expected to be released in May, but the committees in both chambers have started to hold hearings on the FY26 cycle.
- On May 2, 2025, the president [released](#) his “skinny” budget proposal ahead of the release of the full budget.

Recission Package



Senate Budget Committee Chair Lindsey Graham (R-SC)

- The Trump administration is planning to send a formal rescission request to Congress targeting \$9.3 billion in FY25 funds. Cuts are reportedly primarily aimed at foreign aid accounts at the State Department and USAID, and public broadcasters including PBS and NPR.
- Once the president submits the package, Congress has 45 days to act on the proposed cuts, which will bypass the Senate filibuster requiring a simple majority for the motion to proceed and pass in each chamber.
 - Appropriators may hold hearings on the package.
 - If Congressional Republicans are successful in passing the recissions package, it will complicate bipartisan efforts in the Senate to develop FY26 funding bills.
 - During his first term, President Trump's rescission package passed the House but failed in the Senate.
- Agencies were required to report to Congress by April 29, 2025 on plans for spending the remaining FY25 funds, which indicates funding flexibilities taken, as provided under the long-term Continuing Resolution, passed in March.

President's FY26 Budget



Make America Great Again Budget Document

- Following the delay in the FY26 appropriations cycle, the administration [released](#) its “skinny budget” outline on May 2, 2025, with the full budget request expected later this month.
- While the recommendations are not binding on Congress, they do give a sense of the administration’s priorities.
- This [budget outline](#) calls for a total of \$163 billion in cuts to federal discretionary spending for FY26.
- The administration aims to cut billions in funding for health research, education, and housing assistance programs and is expected to propose the elimination and consolidation of numerous programs.
- According to leaked Office of Management and Budget (OMB) budget passback memorandums:
 - Department of Health and Human Services is expected to decrease by approximately 30% in discretionary funding.
 - Department of State and former USAID activities may see decreases by nearly 50% from the prior fiscal year.
- The memorandum provides some insight into the president’s full budget, but we are likely to see changes in the coming weeks.

Budget Reconciliation

- The reconciliation process enables the majority party to pass legislation in the Senate with just a simple majority of 50+1 rather than a 3/5 majority (60 votes), as reconciliation bills are “privileged” and cannot be filibustered.
- Generally, all provisions in a reconciliation bill must be germane to changing federal spending or revenues, and/or the federal debt ceiling.
- The “Byrd Rule,” which regulates the reconciliation process in the Senate, enables senators, usually of the minority party, to block portions of a reconciliation bill that are considered “extraneous” to the objective of enacting budget changes.
- Examples of recent notable reconciliation bills include the American Rescue Plan Act of 2021 ([P.L. No: 117-2](#)) and the Inflation Reduction Act (IRA) of 2022 ([P.L. No: 117-169](#)), which were two of President Joe Biden’s (D) biggest legislative achievements, and the Tax Cuts and Jobs Act of 2017 ([P.L. No: 115-97](#)), which was President Trump’s signature legislative achievement from his first term.



Former President Joe Biden signs the Inflation Reduction Act of 2022 into law, the most recent reconciliation bill to be signed into law

Republican Reconciliation Plans

- Congressional Republicans and the White House are trying to utilize the reconciliation process to advance President Trump's top policy priorities.
- Early in the morning on April 5, 2025, the Senate passed their updated FY25 budget resolution ([S.Amdt. 1717](#) to [H.Con.Res. 14](#)), which is a compromise budget resolution between Senate and House Republican leaders. The Senate passed this amended budget resolution in a largely party-line vote of [51-48](#); Senators Susan Collins (R-ME) and Rand Paul (R-KY) joined all Democrats in voting against the measure.
- The Senate's budget resolution directs billions in federal spending cuts, and allows \$150 billion in new defense spending and at least \$175 billion in border security spending, in addition to:
 - Instructing the Senate Finance Committee to spend up to \$1.5 trillion for tax cuts
 - Instructing the House Ways and Means (W&M) Committee to spend up to \$4.5 trillion for tax cuts
 - Raising the federal debt ceiling by \$5 trillion, whereas the House resolution currently raises the debt ceiling by \$4 trillion
 - Maintaining the House resolution's instructions for the House Energy and Commerce (E&C) Committee to reduce spending by \$880 billion, mostly in expected cuts to Medicaid, in total over the next 10 years
 - Instructing all committees to submit their budget reduction recommendations to the House and Senate Budget Committees by May 9, 2025
- On April 10, 2025, the House passed the Senate amended [budget resolution](#) by a party-line vote of [216-214](#). Two Republicans, Reps. Thomas Massie (R-KY) and Victoria Spartz (R-IN), voted against the measure, along with all 212 House Democrats who voted. Reps. David Valadao (R-CA) and Bob Onder (R-MO) did not cast a vote.



President Donald Trump signing the Tax Cuts and Jobs Act of 2017 into law, the last Republican-led reconciliation bill to be enacted

Republican Reconciliation Plans

- Both chambers passing the same budget resolution means the budget reconciliation process has officially been “unlocked.”
- Reconciliation negotiations are currently taking place in the House, as the House is expected to mark up “one big, beautiful bill” before sending it over to the Senate.
- House Speaker Mike Johnson (R-LA) had originally planned to have both chambers pass the bill and send it to the Oval Office for President Trump’s signature by Memorial Day (May 26, 2025).
- However, due to many disagreements on critical issues between moderate Republicans and right-wing conservative Republicans, a deal has not been reached yet. Speaker Johnson has already altered his planned timeline: he now hopes to have the House pass a reconciliation bill by Memorial Day, with the hope that the Senate would pass the legislation and send it to President Trump by the 4th of July.
- On May 1, 2025, House Speaker Mike Johnson (R-LA), House Majority Leader Steve Scalise (R-LA), House E&C Committee Chairman Brett Guthrie (R-KY), and House W&M Committee Chairman Jason Smith (R-MO) met with President Trump at the White House to discuss major components of the Republicans’ party-line reconciliation package, including various Medicaid and tax proposals.



House Speaker Mike Johnson (R-LA)

Republican Reconciliation Plans

- House Republican leadership delayed three key committee markups that are due, to allow more time to reach consensus on key provisions. E&C, W&M, and Ag Committees will now hold their respective reconciliation markups during the week of May 12.
- One of the major disagreements at this time is over the extent of the Medicaid cuts and reforms that would be included in the package. Right-wing conservatives are demanding steep cuts to the Medicaid program and want at least \$880 billion cut from Medicaid.
- Moderate Republicans, including those in competitive swing districts, are insisting that Medicaid cuts be limited and targeted in scope. Rep. Don Bacon (R-NE), for example, has drawn a red line of \$500 billion in Medicaid cuts, and Rep. David Valadao (R-CA), whose district has the highest percentage of Medicaid beneficiaries in the House Republican Conference, has expressed deep concerns about cutting too much from Medicaid.
- As of May 7, 2025, we understand that House Republican leadership has made some progress with moderates on a Medicaid plan that revolves around work requirements, more frequent eligibility checks, and curbing or eliminating coverage for noncitizens.
- There is still an ongoing debate about how to draft the tax provisions of the reconciliation package. The House W&M Committee is working on trillions in tax cuts, including an extension (potentially permanent) of the 2017 Trump tax cuts.
- The White House and the W&M Committee are also working to figure out how to include President Trump's campaign promises related to tax, including no tax on tips, overtime pay, and Social Security benefits.



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



House Ways and Means Committee
Chairman Jason Smith (R-MO)



Other Key Legislative and Policy Updates

Trade Update – President Trump Issues New Tariffs

- On April 2, 2025, President signed an **executive order** (EO) implementing his reciprocal tariff plan and announced his new tariffs at a White House press conference.
- Below is a high-level summary of the key information pertaining to the tariffs EO that was presented at the press conference:
 - **Tariffs imposed:** President Trump announced he is imposing a baseline 10% tariff on all imports into the United States (with some exceptions). In addition, many countries were to have higher country-specific tariffs that will be imposed. The higher tariffs are meant to represent half of what other countries allegedly charge the United States. The individual country rates are provided in [Annex I](#).
 - **Timeframe:** Baseline tariffs of 10% were to be imposed on all imports into the United States as of 12:01 am on April 5, 2025. For certain countries, higher country-specific tariff rates were to be imposed beginning at 12:01 am on April 9, 2025.
 - **Legal basis:** President Trump stated that trade deficits are a “national emergency” and that he is basing the legal authority for imposing tariffs on the International Emergency Economic Powers Act.
 - **Key rationale:** Economic independence, supporting the domestic industrial base, and chronic trade deficits were listed as key reasons why the administration is moving forward with its reciprocal tariff agenda. In particular, President Trump referenced steel and auto workers, farmers, and skilled craftsmen as suffering due to non-reciprocal trade policies.



The image shows President Donald Trump at a podium in the White House Rose Garden, holding a large sign titled "Reciprocal Tariffs". The sign displays a table comparing the tariffs charged to the U.S. by various countries with the U.S. discounted reciprocal tariffs. The table lists countries and their respective tariff rates, with the U.S. rate often being significantly lower than the foreign rate.

Country	Tariffs Charged to the U.S. (Current Legislation and New Rates)	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
	97%	49%
	10%	10%
	60%	30%
	10%	10%
	74%	37%
	10%	10%
	33%	17%
	34%	17%
	10%	10%

President Trump announcing new tariffs in the White House Rose Garden

Trade Update – President Trump Issues New Tariffs

- A week later, on April 9, 2025, President Trump [announced](#) in a Truth Social post that he was increasing China's retaliatory tariff rate to 125% and pausing the country-specific tariff increase for all other countries for 90 days. Thus, for all countries except China, the administration will maintain the 10% global baseline tariffs, as well as the various duties implemented under the fentanyl-IEEPA action, Sections 301 and 232.
- On April 11, 2025, President Trump exempted smart phones, computers, chips, and other tech devices and components from his new tariffs, according to [guidance](#) from the U.S. Customs and Border Protection.
- Notably, pharmaceutical products were exempt from President Trump's reciprocal tariffs at the time the tariffs were first announced, among other items listed in [Annex II](#). However, on April 14, 2025, the U.S. Department of Commerce released a [Notice](#) announcing that it was conducting a Section 232 investigation into pharmaceuticals and related products and calling for comments to inform that investigation. According to the Notice, the investigation was launched on April 1, 2025.
 - This investigation is very likely to result in a recommendation to the president that he impose significant tariffs on imports of pharmaceuticals.



President Trump announcing new tariffs in the White House Rose Garden

Trade Update – Congressional Reaction to New Tariffs

- On April 8, 2025, the Senate Finance Committee, which has primary jurisdiction over trade policy in the Senate, held a [hearing](#) with U.S. Trade Representative Jamieson Greer to discuss the president's new tariffs.
 - In his opening [statement](#), Chairman Mike Crapo (R-ID) noted public concern over President Trump's recent tariff actions but defended tariffs as a tool to open markets and address systemic trade issues, especially with countries like China.
 - Ranking Member Ron Wyden (D-OR) sharply criticized President Trump's tariff announcements in his [opening statement](#), calling it a tax hike on Americans with no clear strategy. He argued the Trump administration's trade policy will harm the economy, workers, and families, and undermine national security.
- On April 9, 2025, the House W&M Committee, which has primary jurisdiction over trade policy in the House, held a hearing with Ambassador Greer to discuss the tariffs.
 - In his [opening statement](#), Chairman Jason Smith (R-MO) showed unyielding support for the administration's trade agenda and applauded President Trump for securing \$5 trillion in new investment commitments since entering office.
 - Ranking Member Richard Neal (D-MA) offered a much different [perspective](#), claiming that President Trump's actions represent "the largest tax and tariff hikes in decades" and increased the chances of a global recession. He criticized the president's use of the International Emergency Economic Powers Act (IEEPA) ([Pub. L. 95-223](#)) to levy tariffs on longtime U.S. allies.
- On April 10, 2025, Senators Ron Wyden (D-OR) and Rand Paul (R-KY) [introduced](#) a joint resolution ([S.J. Res. 49](#)) that would have repealed and terminated President Trump's reciprocal global tariffs.
 - The resolution received a vote on the Senate floor on April 30, 2025 due to its status as a privileged resolution. However, the resolution failed in a [49-49](#) tie. Republican Senators Susan Collins (R-ME), Lisa Murkowski (R-AK), and Rand Paul (R-KY) joined all 46 voting Democrats in voting in favor of the measure. 49 Republicans voted against the joint resolution, and Senators Sheldon Whitehouse (D-RI) and Mitch McConnell (R-KY) did not vote.

Tax Update – Reconciliation

- The congressional Republicans' compromise budget resolution, which aims to include all the Trump administration's policy priorities in a single bill, provides for \$4.5 trillion in spending by the Ways and Means Committee – enough to extend the Tax Cuts and Jobs Act (TCJA) by 10 years.
- Over the past few weeks, House and Senate Republican tax policy leaders have continued negotiations surrounding the text of the forthcoming budget reconciliation legislation.
- On May 1, 2025, Speaker Mike Johnson, Senate Majority Leader John Thune, and other Republican leaders, including House W&M Chairman Jason Smith (R-MO), met with President Trump to discuss the current status of budget reconciliation negotiations.
 - After the meeting, House Republican leadership decided to postpone key reconciliation committee markups, including the W&M Committee markup. These markups will now likely be held during the week of May 12 (rather than the week of May 5, which was the original plan). However, some members of the committee have suggested the markup could slip to the week of May 19 or even into June.
 - The White House meeting followed an earlier May 1, 2025 meeting during which House committee chairs briefed leadership and rank and file members on their plans for drafting reconciliation text.
- On April 30, 2025, House Republican leadership met with a group of Republicans in high-tax swing districts to discuss a potential path forward for raising the cap on state and local tax (SALT) deductions included in the first TCJA.
 - Following the meeting, Rep. Nick LaLota (R-NY), one of the leaders of the SALT push, indicated “It was a lively discussion, but we’re still far away.”
 - Speaker Johnson expressed a similar sentiment, noting he is still working with the members to land on an appropriate number to increase the cap to, and that he remains committed to “trying to work that in.”



Ways and Means Committee Chair
Jason Smith (R-MO),
the chief tax policy writer in the House

Tax Update – Reconciliation

- President Trump and congressional Republicans are aiming to enact trillions in tax cuts in the reconciliation package. The White House and Senate Republicans want to make the 2017 Trump Tax Cuts from the TCJA permanent, and House Republicans are open to the idea as well.
- The White House also wants congressional Republicans to include the president's tax campaign priorities, including no tax on tips, overtime pay, and Social Security benefits. It's unclear how long these tax breaks would last, though the leading possibility is four years.
- We also understand that President Trump is urging Congress to include other tax priorities, including:
 - A 15% corporate tax rate for corporations that manufacture products in the United States. The current corporate tax rate is 21%.
 - A tax deduction for interest payments on automobile loans, but only for automobiles that are made in the U.S.
 - A decreased tax rate for “foreign-derived intangible income” for the next four fiscal years.
 - Full immediate deductions for businesses buying short-term assets like machinery and equipment for the next four years.



President Donald Trump

Tax Update – Potential Offsets for Reconciliation

- Several key provisions of the legislation still must be ironed out, including cost offsets and an agreement to appease high-tax state Republicans regarding the SALT deduction cap.
- Potential cost offsets that are being given some degree of consideration include:
 - Limiting the deductibility of executive compensation
 - A cap on corporate SALT deductions
 - Limiting the depreciation of salaries owed to sports team owners
 - Raising the excise tax on stock repurchases



House Speaker Mike Johnson (R-LA)

Tax Update – International

- Members of the European Union (EU) are considering whether to acquiesce to the Trump administration's request to exempt the United States from the Pillar Two global minimum tax.
- The proposal, led by Poland, was met with criticism from some EU nations, who argued the EU needs more time to analyze the impact of the proposed changes on negotiations, and to allow time for more clarity on the Trump administration's demands.
- In Congress, House Republicans are reportedly crafting their own package of legislation to retaliate against the EU for imposing the tax. The legislation, led by Rep. Kevin Hern (R-OK), would be imposed alongside the Trump administration's existing tariff regime.



Rep. Kevin Hern (R-OK)

Financial Services – Secretary Bessent Outlines Deregulatory Agenda

- On April 9, 2025, Treasury Secretary Scott Bessent outlined his plans to modify federal regulation of the banking industry in a [speech](#) to the American Bankers' Association. During the speech, Secretary Bessent indicated Treasury “intends to play a greater role in bank regulation” under the Trump administration, adding that existing regulations on financial institutions are an unnecessary burden to wealth creation and economic growth.
- Secretary Bessent promised “more tailored regulation” for the community banking industry, and increased transparency into the decision-making processes associated with bank examinations. Secretary Bessent also advocated shrinking capital requirements for banks of all sizes, and indicated he would consider modifications to anti-money laundering requirements, with the goal of allowing “financial institutions to de-prioritize lower risks.”



Secretary of the Treasury Scott Bessent

Financial Services – HFSC Advances Budget Reconciliation Proposal



House Financial Services Chairman French Hill (R-AR)

- In a [markup](#) on April 30, 2025, the House Financial Services Committee (HFSC) voted along party lines (30-22) to approve its budget reconciliation [text](#), which would reduce spending by \$1 billion over 10 years pursuant to [H.Con.Res. 14](#).
- The approved text includes provisions to:
 - Cut funding for the Consumer Financial Protection Bureau by about 60% by reducing its budget cap from 12% of the Federal Reserve’s operating expenses down to 5%
 - Revoke all funding for the Public Company Accounting Oversight Board and transfer its responsibilities to the U.S. Securities and Exchange Commission
- We expect the Senate Banking Committee to make the same or similar changes in May.

Financial Services – Senate

- Senate Republican leadership, including Senate Majority Leader John Thune (R-SD), intend to hold a vote during the week of May 5 on the Senate floor for the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 [GENIUS ACT of 2025] ([S. 394](#)).
- This legislation would create a regulatory framework for payment stablecoins. It would establish licensing rules and currency reserve requirements for depository stablecoin issuers above \$10 billion in market capitalization.
- While the bill was introduced in a bipartisan manner in early-February, a group of Senate Democrats, even some who are open to crypto, recently announced they have various issues with the legislation, and thus could not support the bill in its current form.
- Additionally, Senate Banking Ranking Member Elizabeth Warren (D-MA) opposes the legislation, contending it fails to establish adequate consumer protections.
- If Democrats continue to oppose the legislation by the time the bill is voted on later this week, it is likely that the bill will not reach the 60 votes needed to overcome the Senate filibuster.



Senator Bill Hagerty (R-TN),
one of the lead sponsors of the GENIUS Act of 2025



Senator Tim Scott (R-SC), Senate Banking Committee Chairman
and one of the lead sponsors of the GENIUS Act of 2025

Defense Updates

- **Defense Budget Updates:**

- The Trump administration released its FY26 “skinny” budget request on May 2, 2025. For the U.S. Department of Defense (DOD), President Trump is requesting over \$1 trillion, an increase of 13% above FY25.
- This request includes the anticipated \$113 billion in reconciliation funding for the DOD to be used for a host of high-priority defense projects.
- The skinny budget outlines funding to prioritize further investments in strengthening safety and security, expanding shipbuilding capacity, supporting U.S. space dominance, modernizing nuclear deterrence, deterring Chinese aggression in the Indo-Pacific region, and revitalizing the U.S. defense industrial base.
- A more detailed budget proposal with program-by-program requests is expected to be released later this month.

- **The National Defense Authorization Act (NDAA):**

- The House Armed Services and Senate Armed Services Committees are currently drafting the FY26 NDAA, taking committee member request letters and scheduling the annual posture hearings.



Education – Administration Update

- On April 23, 2025, President Trump signed seven EOs related to education. These EOs cover various topics including:
 - College and university accreditation ([link](#) and [fact sheet](#))
 - Disclosure of foreign gifts and contracts to colleges and universities ([link](#) and [fact sheet](#))
 - Historically Black Colleges and Universities ([link](#) and [fact sheet](#))
 - Artificial intelligence in education ([link](#) and [fact sheet](#))
 - Skilled/trade jobs and training ([link](#) and [fact sheet](#))
 - Discipline in K-12 education ([link](#) and [fact sheet](#))
 - Disparate-impact liability related to DEI programs ([link](#) and [fact sheet](#))
- On April 21, 2025, the Department of Education (ED) [announced](#) it would resume collections for defaulted federal student loans, which had been paused since March 2020 in response to COVID-19. ED will begin outreach and communications regarding payment options. This summer, borrowers who are in default could have their wages garnished or experience other means of collection.



President Donald Trump

Education – Administration Update

- The Trump administration continues to pressure institutions of higher education to change their DEI policies and launched investigations and funding pauses as part of their broader efforts to combat campus antisemitism.
 - On April 3, 2025, the U.S. Departments of Health and Human Services (HHS), ED, and General Services Administration sent a [letter](#) to the president of Harvard University outlining their conditions for Harvard to receive federal funding. This letter comes in response to the administration’s announcement it was reviewing nearly \$9 billion of Harvard’s federal grants and contracts.
 - On April 11, 2025, the American Association of University Professors and the Harvard faculty chapter of the group sued the Trump administration over the threat to cut \$9 billion in federal funding. In response, President Trump canceled more than \$2.2 billion in contracts and grants.
 - Last month, Columbia University notably made extensive changes to their school’s policy in response to the administration freezing \$400 million in funding. However, the university has yet to have its federal funding restored.
 - Over the past several months, the Trump administration has revoked student visas from students who were reportedly involved in pro-Palestinian protests.
 - To deport these foreign students, the administration has been relying on a specific section of the Immigration and Nationality Act of 1952 which allows the Secretary of State to deny entry or deport noncitizens if their presence or activities “could potentially have serious adverse foreign policy consequences.”
- In response to these developments, several Ivy League and leading private research universities have formed a “collective” in order to coordinate and push back against the administration’s efforts. The group currently includes about 10 universities from mostly blue states.

Education – Congressional Activity

- On April 28, 2025, the House Education and Workforce Committee released the [text](#) and [summary](#) of its budget reconciliation provisions ahead of its April 29, 2025 markup.
- Dubbed the “Student Success and Taxpayer Savings Plan,” the measure advanced out of committee on a party-line vote and would:
 - Reform student loans, including introducing lower loan limits, reducing repayment options, and eliminating Grad PLUS loans
 - Change Pell Grant eligibility, including elimination for students enrolled less than half time
 - Authorize Workforce Pell Grants
 - Establish risk-sharing payments for colleges and universities based on the nonrepayment of student loans
 - Eliminate the 90/10 rule and gainful employment
- The Congressional Budget Office released a preliminary score estimating a \$350 billion reduction in spending over the next 10 years.
- The House Budget Committee will compile the package with other House committees’ respective reconciliation proposals.



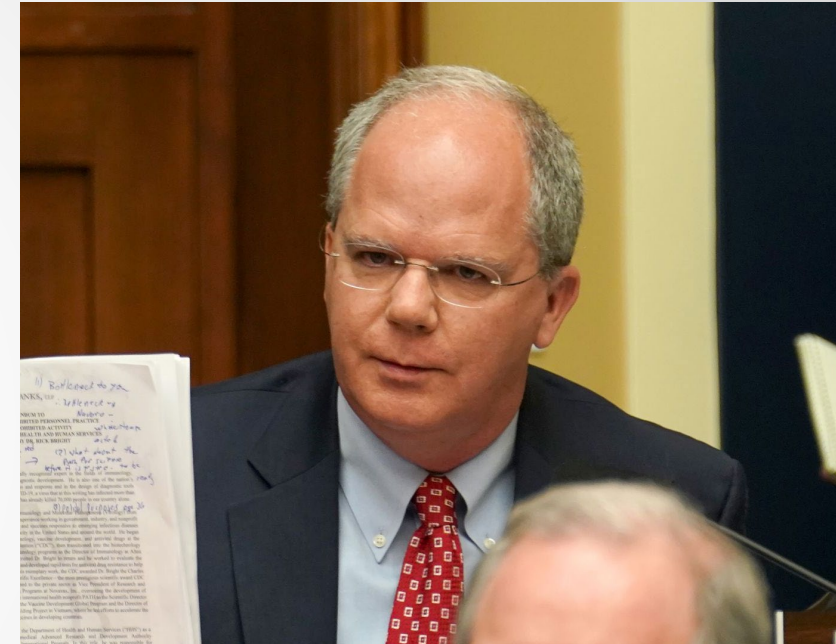
House Education and Workforce Committee
Chair Tim Walberg (R-MI)

Education – Congressional Activity

- On May 21, 2025, Education Secretary Linda McMahon will testify before the House Appropriations Committee on the ED's spending priorities for FY26.
- Congressional oversight continues over campus antisemitism, including:
 - On May 7, 2025, the House Education and Workforce Committee is scheduled to hold a [hearing](#) titled “Beyond the Ivy League: Stopping the Spread of Antisemitism on American Campuses.”
 - On April 30, 2025, the Senate Health, Education, Labor and Pensions Committee held a markup on antisemitism legislation – the Antisemitism Awareness Act of 2025 ([S. 558](#)) and the Protecting Students on Campus Act of 2025 ([S. 163](#)). The bills ultimately did not get a vote in the committee due to Sens. Rand Paul (R-KY) and Susan Collins (R-ME) backing a series of amendments led by Democratic members of the committee.
 - On April 17, 2025, the House Committee on Oversight and Government Reform Chairman James Comer (R-KY) and Rep. Elise Stefanik (R-NY) announced an investigation into Harvard for an alleged “lack of compliance with civil rights laws.” In the [letter](#) sent to Harvard's president, the lawmakers stated the university's “improper use of federal funds requires this oversight.” The investigation focuses both on the university's DEI practices and policies and alleged antisemitism activities on campus.

Healthcare Updates – Budget Reconciliation

- On April 5, 2025, the Senate passed an updated budget resolution ([S.Amdt. 1717](#) to [H.Con.Res. 14](#)), which the House subsequently approved in a party-line vote of [216-214](#) on April 10, 2025.
 - Bicameral passage of this budget resolution represents a key step in congressional Republicans' attempt to pass President Trump's policy agenda via the reconciliation process this year.
 - Notably, Sens. Susan Collins (R-ME) and Rand Paul (R-KY) joined all Senate Democrats in voting against the measure, while Reps. Thomas Massie (R-KY) and Victoria Spartz (R-IN) joined House Democrats in voting no.
 - The amended resolution maintains the House's initial instructions for the E&C Committee to reduce spending within its jurisdiction by \$880 billion. A significant portion of these cuts will likely come from Medicaid, but [several moderate Republicans](#) are weary of supporting Medicaid reforms that go too far beyond reducing waste, fraud, and abuse, including work requirements.
 - Other proposals on the table for spending reductions within E&C Committee's jurisdiction include addressing spread pricing by Pharmacy Benefit Managers (PBMs) in Medicaid and repealing Biden-era rules like the nursing home staffing rule.
- What's Next? E&C Committee may meet as soon as the week of May 12 to mark up its portion of the reconciliation package, which has not been released.
 - The markup will likely be lengthy, potentially occurring over multiple days, and could be delayed if Republicans fail to finalize the text in time.
 - On May 1, 2025, House Speaker Mike Johnson (R-LA) and E&C Chairman Brett Guthrie (R-KY) met with President Trump to discuss the reconciliation package, including proposed changes to the Medicaid program and President Trump's revival of the Most Favored Nations approach to tie U.S. prescription drug prices to other nations' prices for Medicaid.
 - As of May 7, 2025, certain potential Medicaid reforms and cuts appear to be off the table for now: (1) reducing the federal share of funding for states, (2) capping federal payments to expansion states, and (3) per capita caps.



House E&C Committee Chairman Brett Guthrie (R-KY) leads the committee's efforts to find \$880 billion in spending cuts to include in Republicans' reconciliation package.

Healthcare Updates – Congress

- On April 3, 2025, the Senate Judiciary Committee [marked up](#) several pieces of legislation related to the intellectual property of biopharmaceuticals and drug pricing.
 - There was broad, bipartisan support for the six bills considered, which all passed via voice vote. The legislation may be considered for inclusion in a future legislative package as it would help offset other proposals' costs.
- On April 8, 2025, the House W&M Health Subcommittee held a [hearing](#) titled “Lowering Costs for Patients: The Health of the Biosimilar Market.”
 - While Republicans blamed the IRA for disincentivizing biosimilar uptake, both parties agreed that biosimilars effectively increase competition and lower prescription costs.
- On April 8, 2025, the E&C Committee was supposed to [mark up](#) six pieces of legislation but adjourned early. On April 29, 2025, the committee reconvened to [advance](#) the legislation.
 - On April 8, 2025, Democrats blamed Republicans for failing to pass a bipartisan end-of-year government funding bill in December 2024, which would have included various healthcare policies like PBM reform and a temporary payment relief for doctors who treat Medicare patients. Ranking Member Frank Pallone (D-NJ) sought to revive the healthcare package via amendment, but it failed by a party-line vote of 23-27.
 - The six healthcare bills included in the April 29, 2025 markup included the SUPPORT for Patients and Communities Reauthorization Act of 2025 ([H.R. 2483](#)), the Charlotte Woodward Organ Transplant Discrimination Prevention Act ([H.R. 1520](#)), the Women and Lung Cancer Research and Preventive Services Act of 2025 ([H.R. 2319](#)), the Shandra Eisenga Human Cell and Tissue Product Safety Act ([H.R. 1082](#)), and the Seniors' Access to Critical Medications Act ([H.R. 2484](#)). All the bills ultimately passed, with varying levels of Democratic support.
- On April 30, 2025, the Senate Appropriations Committee held a [hearing](#) titled “Biomedical Research: Keeping America’s Edge in Innovation.”
 - Chair Susan Collins (R-ME) notably deviated from several of her Republican colleagues by outwardly expressing her concerns regarding the Trump administration’s funding and staffing cuts. The hearing is the first in a series that the committee will hold on biomedical research, with the second hearing likely centered around government officials’ testimonies.
- On May 5, 2025, Senators Josh Hawley (R-MO) and Peter Welch (D-VT) [introduced](#) the Fair Prescription Drug Prices for Americans Act ([S. 1587](#)).
 - The legislation would limit the retail list price in the U.S. for drugs or biological products to the average retail list price for the drug or biologic product among Canada, France, Germany, Italy, Japan, and the United Kingdom.
 - This legislation differs from the “Most Favored Nation” in Medicaid drug pricing policy being floated by President Trump as a pay-for for reconciliation. However, it touches on similar themes.

Healthcare Updates – White House

- On April 2, 2025, President Trump signed an [executive order](#) implementing a reciprocal tariff plan. Pharmaceuticals were exempt from this round of tariffs, as highlighted in the White House’s [fact sheet](#) and [Annex II](#).
 - On April 14, 2025, the U.S. Department of Commerce announced a Section 232 investigation into imports of [pharmaceuticals](#) following President Trump’s EO.
 - [You may view Arnold & Porter’s Advisory on the Sec. 232 investigation here.](#)
- On April 3, 2025, the Senate confirmed Dr. Mehmet Oz to serve as the Centers for Medicare and Medicaid Services Administrator by a party-line vote of [53-45](#).
 - The Senate Finance Committee previously voted in favor of Dr. Oz’s nomination in a party-line vote of 14-13.
- On April 15, 2025, President Trump issued an [Executive Order](#) titled, “Lowering Drug Prices by Once Again Putting Americans First.”
 - The EO resurrects several policies from President Trump’s first administration and attempts to improve certain Biden-era policies, such as the IRA. While the EO sets several policies in motion, nearly all will require further administrative or congressional action.
 - [You may view Arnold & Porter’s Advisory on the executive order here.](#)
- On May 5, 2025, President Trump signed an [Executive Order](#) titled, “Regulatory Relief to Promote Domestic Production of Critical Medicines.”
 - The EO declares that “it is the policy of the United States that the regulation of manufacturing pharmaceutical products and inputs be streamlined to facilitate the restoration of a robust domestic pharmaceutical manufacturing base.”
 - The EO includes various directives that are meant to reduce “regulatory barriers” to domestic pharmaceutical manufacturing and to facilitate the “restoration” of a robust domestic manufacturing base for prescription drugs, including key ingredients and materials.
 - [A White House fact sheet for this EO can be found here.](#)

Healthcare Updates – White House FY26 Budget Request

- On May 2, 2025, the White House [released](#) a partial budget proposal that provides President Trump's recommendations on discretionary funding levels for FY26. While the recommendations are not binding on Congress, they do give a sense of the administration's priorities.
- This [budget outline](#) calls for a total of \$163 billion in cuts to federal discretionary spending for FY26, including \$33.3 billion in cuts to HHS. The enacted FY25 level for HHS was \$127 billion, whereas the requested amount from the president for FY26 is \$93.8 billion.
- The \$33.3 billion in cuts to HHS include:
 - \$17.97 billion from the National Institutes of Health (NIH)
 - \$3.59 billion from the Centers for Disease Control and Prevention (CDC)
 - \$674 million from the Centers for Medicare and Medicaid Services
- Additionally, the proposed budget calls for defunding and eliminating:
 - Health Resources and Services Administration (-\$1.73 billion)
 - Substance Abuse and Mental Health Services Administration (-\$1.06 billion)
 - Agency for Healthcare Research and Quality (-\$129 million)
 - Administration for Strategic Preparedness and Response Hospital Preparedness Program (-\$240 million)
- In a [cover letter](#) introducing the budget outline, White House OMB Director Russell Vought notes that this skinny budget proposal is being provided in advance of the president's full, traditional budget proposal so that the congressional Appropriations Committees may begin drafting and considering their respective appropriations bills for FY26. The full budget request from the White House is expected to be released later this month.



White House Office of Management and
Budget Director Russell Vought

Healthcare Agency Updates – HHS Reorganization

- On March 27, 2025, HHS announced a major [reorganization](#).
 - The reorganization plan includes the consolidation of several subagencies, planned reductions in personnel workforce to comply with the new Department of Government Efficiency, and the formation of the Administration for a Healthy America to pursue President Trump and Secretary Kennedy's Make America Healthy Again agenda.
- As part of HHS' reorganization, subagencies have already undergone large-scale [reductions in force](#) (RIFs) that have resulted in the termination of around 10,000 employees, or approximately 25% of the HHS workforce.
 - These terminations have disparately impacted public health agencies like the U.S. Food and Drug Administration (FDA), the NIH, and the CDC.
 - It is worth noting that many of the layoffs associated with the RIFs are being [contested in court](#). HHS has also re-hired previously fired federal workers in some [reported instances](#).
- On April 10, 2025, the FDA [announced](#) plans to phase out animal testing requirements for the development of monoclonal antibody therapies and other drugs.
 - According to the FDA, this new approach is aimed at improving drug safety and the drug evaluation process while reducing animal experimentation and lowering R&D costs.
 - On April 29, 2025, the NIH [announced](#) it aims to reduce the use of animals in NIH-funded research.



HHS Secretary Robert F. Kennedy Jr.

Energy and Environment – CRA Resolutions



Senate Majority Leader John Thune (R-SD)

- Over the last month, the House and Senate approved Congressional Review Act (CRA) resolutions targeting Biden administration energy and environment regulations:
 - On April 30, 2025, the Senate passed in a party-line 52-46 vote [H.J. Res. 42](#), which would rescind energy conservation certification and labeling requirements for certain consumer products and commercial equipment. The resolution, which passed the House in March, heads to President Trump’s desk for signature. The same day, the House passed two measures, [H.J. Res. 87](#) and [H.J. Res. 89](#), which would repeal U.S. Environmental Protection Agency (EPA) waivers giving California authority to enforce zero-emissions sales mandates for heavy-duty trucks and place stricter emissions standards for diesel trucks. About a dozen Democrats joined Republicans in approving the resolutions.
 - On May 1, 2025, the Senate passed [H.J. Res. 75](#), which would rescind efficiency standards for commercial refrigerators and freezers. The resolution passed 52-45 and is headed to the president’s desk for signature. The same day, the House passed [H.J. Res. 88](#), which would overturn EPA waivers that allow California to set rules which phases out gas-powered and hybrid vehicle sales by 2035, with 35 Democrats joining all Republicans in approving the measure.

Energy and Environment – Nominees Advance

- In a [business meeting](#) on April 30, 2025, the Senate Energy and Natural Resources Committee approved the nominations of Wells Griffith as Undersecretary of Energy at the U.S. Department of Energy (DOE) in a 14-6 vote, and Darío Gil as Undersecretary of Science and Innovation at DOE in a 15-5 vote. Both nominees received some bipartisan support, including from Ranking Member Martin Heinrich (D-NM), who supported the nominations despite “substantial reservations” due to concerns about “the chaos that this administration is facilitating at DOE,” including workforce reductions and funding freezes. Both are expected to be approved on the Senate floor in the coming weeks.
- Immediately following, the committee held a [hearing](#) to consider the nominations of: Leslie Beyer, to be Assistant Secretary of the Interior, Lands and Minerals Management; Andrea Travnicek, to be Assistant Secretary of the Interior, Water and Science; Theodore Garrish, to be Assistant Secretary of Energy, Nuclear Energy; and Tristan Abbey, to be Administrator of the Energy Information Administration.



Senate Energy and Natural Resources Chair Mike Lee (R-UT)

Energy and Environment – Critical Minerals Legislation



Senate Energy and Natural Resources Committee
Ranking Member Martin Heinrich (D-NM)

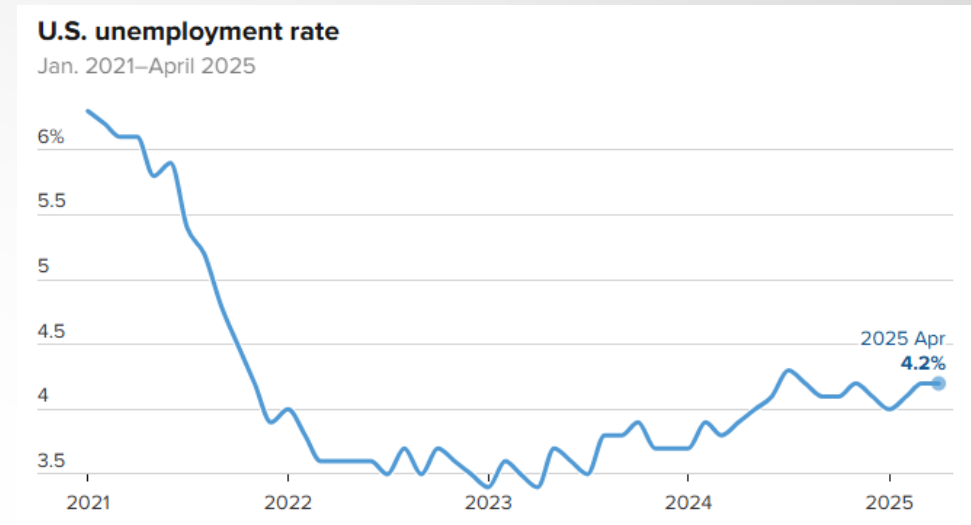
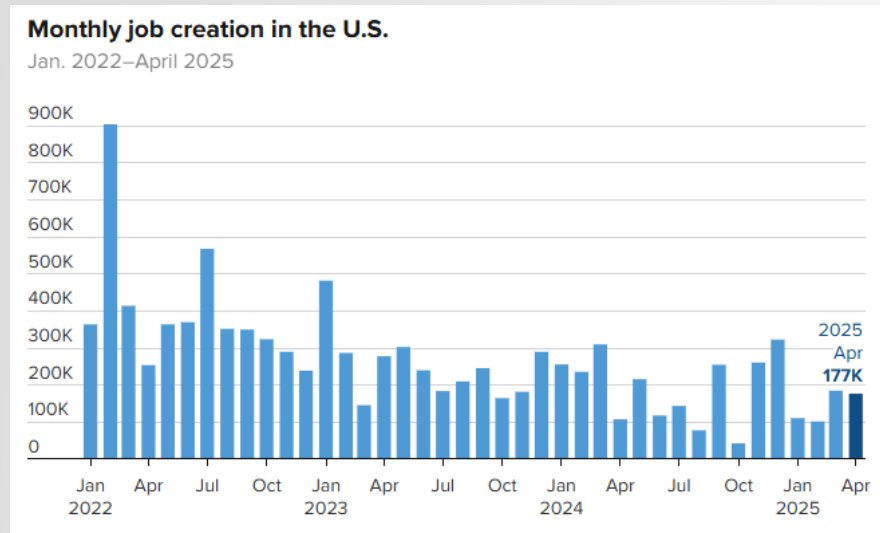
- In the April 30 2025 Senate Energy and Natural Resources Committee [business meeting](#), the committee approved the Critical Mineral Consistency Act ([S. 714](#)) in a bipartisan voice vote after holding a hearing on the legislation earlier in the month.
- The legislation would expand the U.S. Geological Survey's (USGS) critical minerals list to include materials designated by DOE as critical materials to effectively add copper, electrical steel, silicon, and other materials to the USGS critical minerals list to facilitate access to subsidies and faster permitting for those materials.
- Bipartisan approval of the legislation was secured after Chair Mike Lee (R-UT) and Ranking Member Martin Heinrich (D-NM) reached a compromise directing the Secretary of the Interior to craft a new, combined “Critical Minerals and Materials List” rather than automatically classifying minerals on DOE’s list.

Economic Factors That Could Impact the Future Political Landscape

April 2025 Jobs Report Comes in Above Expectations

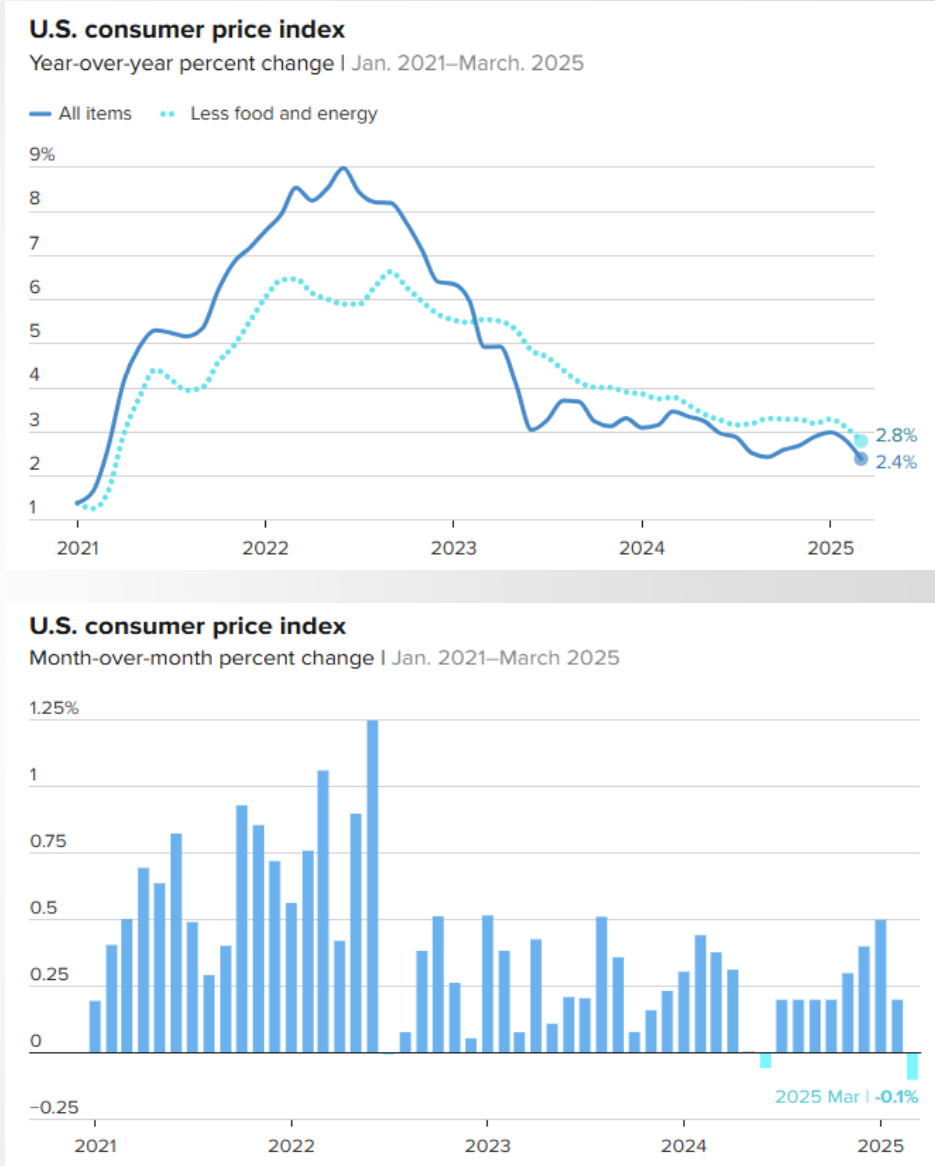
- On May 2, 2025, the Department of Labor's Bureau of Labor Statistics [announced](#) (1) total nonfarm payroll employment increased by 177,000 in April 2025, the third full month of the second Trump administration, but that (2) the unemployment rate remained the same, at 4.2%.
 - Economists had expected an increase of about 133,000 for the month, so the jobs report came in above expectations.
 - The unemployment rate has been at or above 4% since May 2024. The unemployment rate was below 4% for 27 consecutive months before May 2024.
- Healthcare was the leading industry in job creation, with a net gain of 51,000 new jobs. The transportation and warehousing sector was the next leading industry, with a net gain of 29,000 new jobs. Other leading industries included financial activities (14,000), and social assistance.
- The federal government saw a decrease of 9,000 jobs in April (and are down 26,000 since January). This does not even count employees that are furloughed but are still receiving severance. Additionally, manufacturing jobs declined by 1,000 in April.
- Average hourly earnings for all employees rose by just 0.2% in April, below the 0.3% projection. Over the last 12 months, average hourly earnings have increased by 2.8%, which was 0.1% below expectations.
- An alternate measure of unemployment that includes “discouraged workers” and “those holding part-time jobs for economic reasons” slightly decreased to 7.8%.
- The February 2025 jobs report was revised down by 15,000, from +117,000 to +102,000. Additionally, the March 2025 report was revised down by 43,000, from +228,000 to +185,000. Thus, employment from these two months combined is -58,000 lower than previously reported.

April 2025 Jobs Report – Key Data and Trends



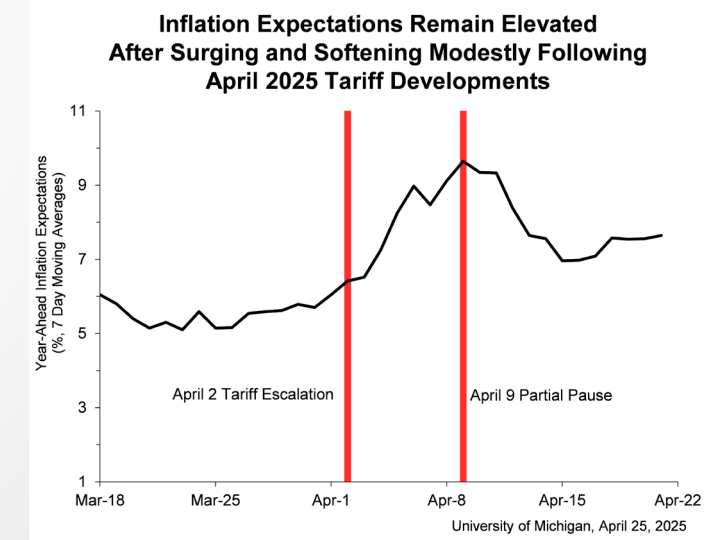
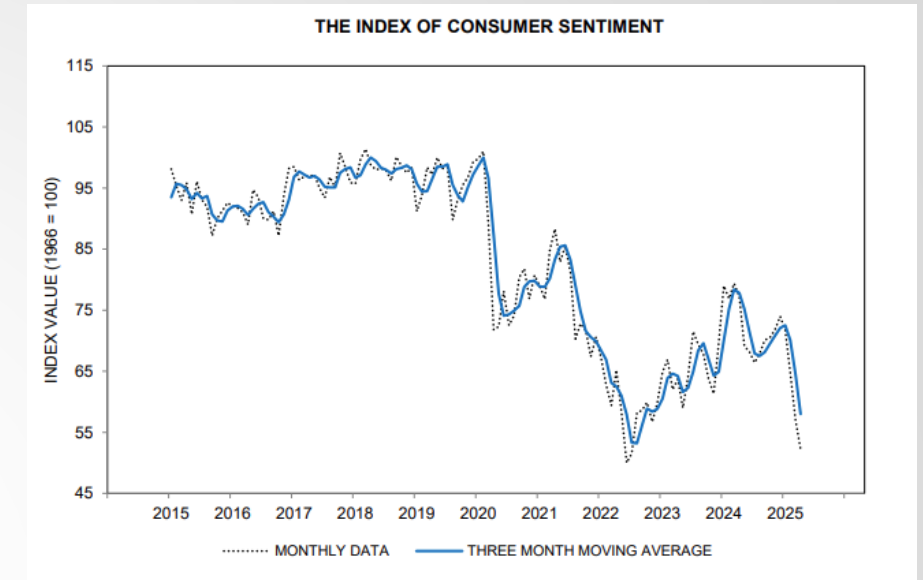
March 2025 Inflation Report

- On April 10, 2025, the U.S. Bureau of Labor Statistics [announced](#) the Consumer Price Index (CPI) decreased by -0.1% in March 2025 on a seasonally adjusted basis.
 - This CPI figure was lower than the January 2025 reading (+0.5%) and the February 2025 reading (+0.2%).
- The Bureau of Labor Statistics also reported that the CPI increased by 2.4% from March 2024.
 - This 2.4% CPI annual gain is down from the February 2025 level (2.8%).
 - This figure came in 0.2% below economists' forecasts.
- “Core CPI,” which excludes food and energy prices, rose by 0.1% in March 2025, and 2.8% on an annual basis from March 2024.
 - Economists had projected that the annual core CPI figure would be 3.0%.
 - The 2.8% increase in core CPI is the lowest such reading since March 2021.
- While the annual inflation rate (2.4%) is lower than its peak in summer 2022 (9%), the Federal Reserve aims for a 2% annual inflation rate over the long term.
- The CPI report for April 2025 will be [released](#) on May 13, 2025.



Consumer Sentiment Report

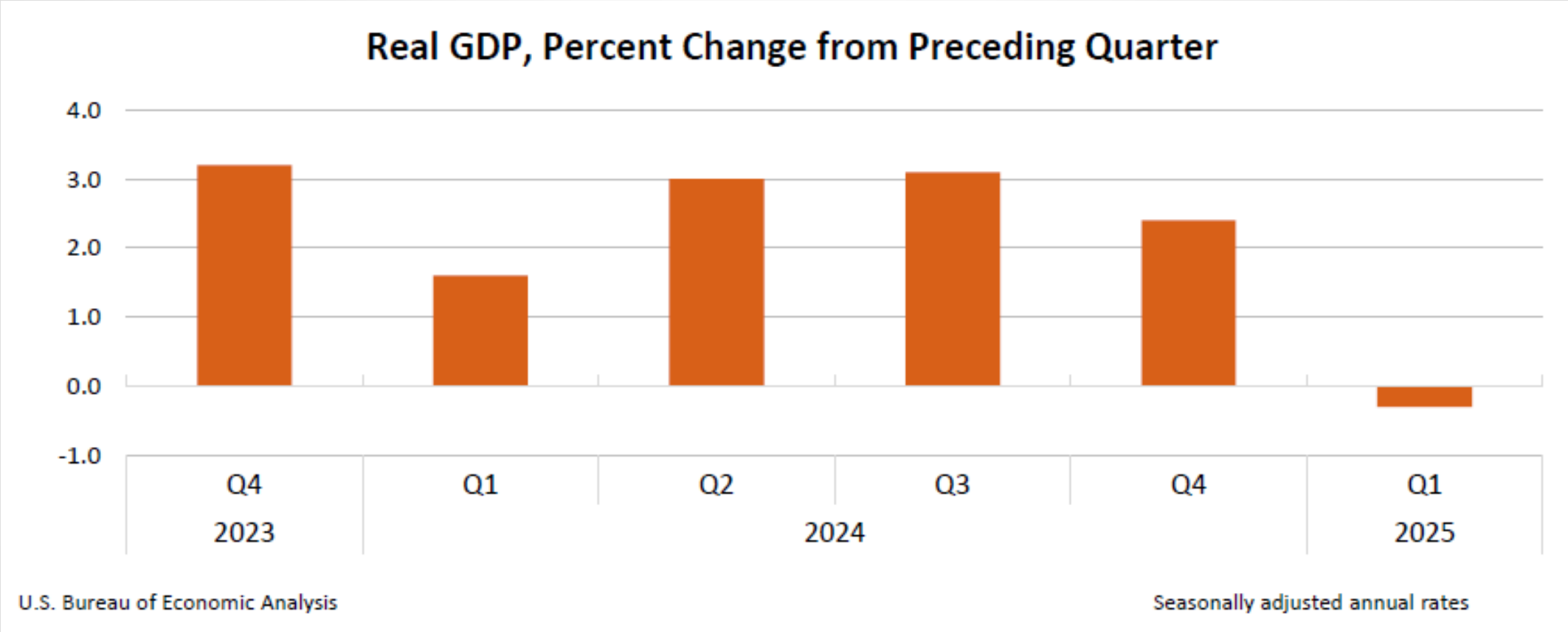
- Consumer sentiment for April 2025 fell to 52.2, which is an 8.4% *decrease* from March (57.0).
 - This is an annual *decrease* of 32.4% from April 2024 (77.2).
 - This is a sharp decline from the fall and winter – consumer sentiment had been above 70 for each month from September 2024 to January 2025.
- The Index of Consumer Sentiment varies by political party.
 - 34.4 among Democrats
 - 46.2 among Independents
 - 90.2 among Republicans
- Expectations for personal finances, labor markets, inflation, and business conditions.
 - Year-ahead inflation expectations increased from 5.0% last month to 6.5% this month, which is the highest level since 1981. It is also the fourth straight month of large increases of 0.5 percentage points or more for this reading.
 - Additionally, long-run inflation expectations increased from 4.1% in March to 4.4% in April, which is one of the largest monthly increases since 1993.



GDP Reports and Economic Outlook

- On April 30, 2025, the Department of Commerce's Bureau of Economic Analysis (BEA) [released](#) its “advance estimate” of U.S. real gross domestic product (GDP) for the first quarter (Q1) of 2025. The BEA reported that real GDP *decreased* at an annual rate of -0.3% in Q1 2025 (adjusted for seasonality and inflation).
 - Economists had expected an *increase* of 0.4% in Q1, so the Q1 2025 GDP report came in below expectations and estimates. This was the first quarter of negative growth since Q1 of 2022.
 - The U.S. economy had grown in all four quarters of 2024, including by over 3% in Q3 2024.
- The price index for gross domestic purchases increased by 3.4% in Q1; the increase in Q4 2024 was 2.2%.
- Personal consumption expenditures, which reflects consumer activity, increased by just 1.8% in Q1 2025, up from a 4% increase in Q4 2024. This is the slowest quarterly gain for this metric since Q2 2023.
- The personal consumption expenditures price index, which is a key inflation variable for the Federal Reserve, increased at a 3.6% annualized pace for Q1 2025. This is higher than the 2.4% figure from Q4 2024.
- The personal savings rate in Q1 2025 was 4.0%, up from 4.0% in Q4 2024.
- Some economists contend that the primary reason for the 0.3% contraction of the U.S. economy in the first three months of 2025 is due to an import surge amid fears that President Trump would issue tariffs. The president did ultimately implement tariffs, but not until the first week of Q2 2025, in April 2025. U.S. imports in Q1 2025 increased by 41.3%; imports *subtract* from a country's GDP.

Real GDP Growth Over the Six Quarters



Thank you



Arnold & Porter

www.arnoldporter.com