

APPROPRIATIONS UPDATE

Oct 5th,
2026

Fiscal Year 2027 Begins

The new fiscal year has begun under a continuing resolution (CR), with last year's funding levels extended through December 11 while work on FY27 appropriations is largely paused as Congress prepares for midterm elections. With a very limited window to reach agreement on full-year spending, the likelihood of Congress turning to another short-term CR is significant, particularly given the lack of progress on individual appropriations bills and priority legislation remaining. If lawmakers do not reach an agreement or extend the CR before December 11, federal agencies could face another government shutdown.

Lawsuits Mount Over Funding Cancellations

A growing number of lawsuits are challenging the Trump administration's cancellation of approximately \$810 million in congressionally approved federal funding, raising broader questions about the executive branch's authority to rescind funding after Congress has appropriated it. Six states and an organization supporting college access for students from migrant families filed suits in late September, arguing that the administration's use of a "pocket rescission" violates federal impoundment law, the Constitution, and enacted appropriations bills. The litigation follows a federal judge's temporary decision to block the expiration of \$56 million in housing support funding while the underlying claims are considered. The cases also come against the backdrop of a 2025 Supreme Court decision involving a similar administration action, which allowed the withholding of \$4 billion in foreign aid to proceed while raising questions about whether outside organizations have standing to challenge funding cancellations. While the outcome of the current cases remains uncertain, the litigation could have significant implications for the respective roles of Congress and the executive branch in determining how federal funds approved through the appropriations process are ultimately spent.