

APPROPRIATIONS UPDATE

**January
5th, 2026**

Four Weeks to Avoid a Partial Shutdown

Congress has less than 30 days to pass a funding measure to replenish the coffers for the nine remaining appropriations accounts. In fact, the House and Senate have even less time considering both chambers are only scheduled to be in session at the same time for the first two weeks of January, with the Senate in recess the third week of the month and the House out the following week. The Senate could move relatively early on a five-bill minibuss package that was being negotiated before the holiday break, but a lack of finalized topline spending totals may hold things up. The most likely outcome is that a minibuss to fund Labor-HHS-Education, Defense, Interior-Environment, Transportation-HUD, and Commerce-Justice-Science will come together later in the month, while the remaining four accounts – Energy and Water, Financial Services, Homeland Security, and State – will be funded through a full-year continuing resolution.

Prospects for a Second Budget Reconciliation Bill Looking Slim

Despite Republican aspirations to move a second budget reconciliation bill this year, a full docket, compressed timeline, and lack of direction are making a second package increasingly unlikely. House Ways and Means Chair Jason Smith (R-MO) was recently quoted as saying he doesn't "see a path of a second reconciliation ever passing." With midterm elections in November, Congress will look to move as much legislation as possible before the August recess. In that time, they'll have to address remaining FY26 appropriations, start work on FY27 spending, make progress on the Farm Bill and surface transportation reauthorization, try to find a solution for healthcare losses, and possibly take up permitting reform. What's more, the White House has yet to provide any substantive indication on priorities for a second bill, though Speaker Johnson (R-LA) noted last month that healthcare could be a primary focus.