

## From Campaign Trails to Capitol Hill: What's Next in DC?

With autumn now on the horizon, DC is working to wrap up critical agenda items ahead of the election.

With only a few weeks left until Congress checks out for its extended August break, House Republicans still have a lot on their plate with an eye toward maintaining their slim majority. First and foremost is the ambitious agenda set by Speaker of the House Mike Johnson (R-LA) and his leadership team: passing all 12 2025 government funding bills early. Johnson has already managed to advance the critical annual defense policy bill, known as the National Defense Authorization Act (NDAA), and the Senate is moving toward passage after the July 4 recess. We continue to see defense spending on the rise (to varying degrees) regardless of which party controls Congress and the White House.

On the Senate side, Senate Appropriations Committee Chair Patty Murray (D-WA) has committed to action in advancing government spending bills to the floor, but the committee has not disclosed a potential timeline. In the meantime, newly minted House Appropriations Chairman Tom Cole (R-OK) has introduced greater transparency regarding the House's budget and schedule putting pressure on Murray and Sen. Majority Leader Chuck Schumer (D-NY) to prioritize the annual appropriations bills.

Both House and Senate Republicans appear to be mirroring budget allocations from the previous fiscal year, with the House increasing funding for defense by about 6% or around \$9 billion (the Senate, however, is looking at an increase of 25%) and reducing funding for non-defense programs by approximately \$67 billion. Murray and Senate Democrats have advocated for equal increases in defense and non-defense budgets but haven't revealed the specific funding levels for the Senate. Debates of this nature are often referred to as "guns and butter," the tradeoff of prioritizing defense or domestic spending, and one which we're likely to hear more about in the coming months.

### Getting the Budget Across the Finish Line

Despite some movement around the 2025 fiscal year budget and the appropriations bills, it's widely acknowledged in Washington that a temporary funding resolution (aka a continuing resolution or CR) will likely be necessary before the final day of fiscal year 2024 on September 30. How exactly Congress plans on addressing the impending CR is up for debate: A number of conservative House members are pushing for a CR to start in the first quarter of 2025, giving former President Donald Trump an advantage if he wins back the White House.

The House is expected to move forward with most of its appropriations bills, including those with policy riders, in July. In August, House and Senate appropriators will start working toward the CR and their back-up plan. By mid-September, the House is anticipated to pass the CR, which will provide a week or two of padding to avoid a government shutdown on October 1.

Every significant bill that makes its way through committees the remainder of the year, including the NDAA, the Farm Bill, and the various spending measures, will be the scene of intense but politically popular "culture war" provisions. There's a possibility that these extreme measures could add unnecessary pressure to Republicans in Democrat-leaning districts where Republicans need to win/hold to maintain their majority.



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### Key Points

- With a number of policy issues left to resolve, the House and Senate will be squarely focused on getting a jump on the federal budget before hobbling into the August recess.
- While defense spending is set to increase in 2025, we expect a "guns and butter" debate over non-defense, domestic dollars.
- Election 2024 kicks into full gear with the earliest Presidential debate in recent history presidential debate in recent history amid record amounts of money raised and spent.

# Taking Stock of Washington

Even if House Republican leaders succeed in passing the full slate of 12 appropriations bills, final funding negotiations with Senate leaders and the White House aren't expected to begin in earnest until post-election, when there's more certainty about the next president and future makeup of Congress.

## Tax Takes

Despite strong support in the House early in the year, the Smith-Wyden tax bill remains stalled in the Senate. This tax bill includes key provisions from the Tax Cuts and Jobs Act of 2017 (TCJA) and aims to extend important business breaks, including bonus depreciation, interest deductions, and research and development incentives, and seeks to enhance the Child Tax Credit and the Low-Income Housing Tax Credit.

Though Sen. Majority Leader Chuck Schumer (D-NY) is eager to hold a vote, Senate Republicans have a number of concerns about the bill, including issues related to the process and policy and the potential political implications. At this juncture, it appears unlikely that Schumer will find support for passage.

Rep. Jason Smith (R-MO) and House Republicans have announced the formation of 10 Republican-only "tax teams" dedicated to convincing both the American public and fellow lawmakers in Congress to extend the TCJA beyond December 31 when most of its individual provisions are set to expire. A similar set of teams exist in the Senate as well. A significant portion of the teams' efforts will be focused on Congressional districts, following the successful field hearing series led by Smith before the introduction of the Smith-Wyden bill. Smith has expressed a readiness to offset some or all of the costs associated with the future package.

Smith has warned the business sector that a corporate tax rate hike from 21% to 25% has found bipartisan support in Congress, which could generate nearly half a trillion dollars in additional revenue. Presumably, a large portion of the remaining savings would be derived from repealing and/or reforming the Inflation Reduction Act (IRA), extending the State and Local Tax (SALT) cap, and possibly revisiting certain aspects of the Affordable Care Act.

If the TCJA expires, President Joe Biden has made clear his intentions to leave it expired if he's re-elected, suggesting that he aims to delay the tax issue until after the election in a divided government. Biden has also indicated that he will support keeping tax rates in check for those making under \$400,000 a year.

## Countdown to November

Alongside temperatures this summer, the campaign for the White House is also heating up with the earlier-than-normal presidential debate, both Republican and Democratic conventions, Trump's selection of a vice-presidential running mate, and continued fundraising efforts.

## Money Matters

Democrats currently hold a significant financial lead in the presidential race thanks to Biden's ability to secure a joint fundraising deal months before Trump, who had to campaign to become the official Republican nominee. Biden and the Democratic National Committee kicked off May with \$146 million in cash on hand, in stark contrast to Trump and the Republican National Committee who held just \$88 million.

However, Trump's fundraising figures are on the rise, especially following the hush money trial, which boosted donations—garnering nearly \$53 million in the hours following the verdict. Trump's campaign, along with the Republican party and its affiliated committees, had already collected \$76.2 million in April, but Trump's continued legal bills have contributed to the lag in funds.

## Key 2024 Politics and Policy Dates



**July 15-18:**  
Republican  
National Convention



**Aug. 5-Sept. 6:**  
August recess



**August 19-22:**  
Democratic  
National Convention



**September 10:**  
Second  
presidential debate



**September 30:**  
End of FY24, expiration  
of government funding  
and top-of-mind bills\*



**November 5:**  
Election Day

\* Extensions for the Farm Bill and Temporary Assistance for Needy Families and related programs also expire on the September 30 fiscal year deadline.

# Taking Stock of Washington

## Veepstakes

Without a running mate, speculation about Trump's vice-presidential picks persists. Potential VPs include Sens. Tim Scott (R-SC), J.D. Vance (R-OH), Marco Rubio (R-FL), Tom Cotton (R-AR), Reps. Elise Stefanik (R-NY) and Byron Donalds (R-FL), as well as North Dakota Governor Doug Burgum. Trump plans to announce his VP shortly before the Republican National Convention, which begins July 15, and, while we don't often put much emphasis on VP selection, we think it matters more this year than in previous election cycles.

## Third-Party Contenders

Securing ballot access for presidential candidates varies from state-to-state, with each having unique election laws and procedures. Restrictions on out-of-state individuals helping to collect signatures, limited use of paid canvassers, and various deadline rules can pose additional challenges for third-party candidates such as Independent candidate Robert F. Kennedy (RFK) Jr. and Jill Stein, the candidate for the Green Party.

Despite this, RFK is on the ballot in 8 states as of June 27 with decisions pending in 17 other states according to the RFK campaign. Since both CNN and ABC (the networks hosting this year's presidential debates) are requiring participants to have enough ballot access to secure 270 electoral votes and to be polling at 15% or higher in multiple national surveys, RFK was unable to qualify for participation. Stein is on the ballot in 18 states, including key swing states such as Arizona, Wisconsin, Michigan, and North Carolina, but also didn't qualify for the debates.

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**Talk to your financial professional to help make sure your portfolio is prepared for whatever happens in Washington D.C.**

### About the Author:

James R. (JT) Taylor serves as Senior Policy Analyst at Hedgeye Potomac Research. JT has extensive experience in both government and business in Washington, D.C., with a career spanning the legislative and executive branches as well as the financial-services industry. Prior to joining Potomac Research Group, he ran Pelorus Research, the US public-markets division of the Holdingham Group based in the United Kingdom. He previously led a policy research team as Managing Director at DeMatteo Monness. From 2002-2009, he was Managing Partner of Kemp Partners, a Washington, D.C.-based strategic consulting, business development, and marketing firm he founded with former Housing and Urban Development Secretary Jack Kemp in 2002. At Kemp Partners, he oversaw day-to-day operations and business development while managing client relationships in both the corporate arena and financial-service industries.

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