ATTACHMENT B

City of Bellevue | City Manager's Office

DATE: November 12, 2025

SUBJECT: Federal Legislative Update, October 2025

OVERVIEW

The House has not been in session since September 19, and the President has spent much of the past month overseas. While Congress' inaction over the last month has delayed work in several areas, quiet work has progressed on some regulatory and legislative matters. With a new month and new pressure-points on the American public emerging, there is hope an end to the government shutdown may be possible. Once a deal on the budget stalemate moves forward, expect Congress to race to complete work on FY 26 funding and other key priorities with year-end deadlines.

CONGRESS

Budget and Appropriations

As the budget stalemate passes the one-month mark and real impacts to the American people mount, small signs of a compromise may start to emerge. Once the immediate shutdown resolves, Congress will need to negotiate a solution to FY 26 funding to avoid another shutdown.

The Senate is poised to move another FY 26 appropriation minibus that includes bills covering Defense, Labor-HHS, Transportation-HUD, and Commerce-Justice-State Appropriations. Previously, the Senate moved a smaller package that covered Agriculture-FDA, Legislative Branch, and Military Construction-VA funds. Senate advancement of these packages, however, does not immediately end the current government shutdown as the packages still need to go to conference with the House to create a final bill. Leadership on both sides of the aisle currently remain strident that the shutdown needs to end first before the normal appropriations process moves forward. Movement of any appropriations bills would signal a softening of the hardline positions that have prevented any discussion of a deal to end the shutdown.

Expiring Federal Programs

Several federal programs critical to defense and government services face year-end deadlines. These include the National Defense Authorization Act (NDAA), which provides authorization for the Pentagon and other national security programs. The NDAA, for the security of the country, is likely to move forward by both the House and Senate whether there's a budget deal or not. Both chambers have passed their defense policy bills (H.R. 3838, S. 2296) with negotiators needing to reconcile differences for completion before year end. With strong bipartisan support, it appears at this time that the House will acquiesce to the Senate a $32 billion higher authorizing budget.

Other expiring programs include: key provisions of the Farm Bill; telehealth and community health funding authorization that expired on October 1; counter drone authorizations, and cybersecurity information sharing regimes. Congress is likely to use a moving funding package or another legislative vehicle to extend these programs.

Taxes

Republicans have some time to push out another reconciliation tax package, but momentum to push through a second bill appears to have died out. President Trump and Republicans achieved many of their key priorities in the One Big Beautiful Bill Act (OBBBA). So much political capital was expended to get the bill done that it's unlikely that there will be a OBBBA 2.0 before year end.

Tax matters, however, may still get some action in the form a tax "extenders" package. Several bipartisan tax credits, including the Work Opportunity Tax Credit and the tax break for film and television studios, racetracks, and other businesses are set to expire at the end of the year. In years past, Congress has found a way to push through these items at the 11th hour. A tax extenders package could be a vehicle for other tax and related proposals but only if the proposals are non-controversial with strong bipartisan support. House and Senate bipartisan proposals aimed at improving tax administrative challenges for taxpayers, for example, have been ready to move for months. A related proposal to clarify Internal Revenue Service (IRS) error notices (H.R. 998) recently passed the Senate and is ready for the President's signature.

Crypto Regulation Package

Despite the government shutdown, bipartisan talks on a bill to define a broad market structure for crypto currencies is gaining momentum in the Senate after the House passed its plan (H.R. 3633) in July. The policy issues still to be resolved include those related to stablecoins and tax code treatment of digital assets. Progressive members of the Democratic caucus have raised concerns that any crypto bill could support President Trump's executive order easing crypto into the 401(k) retirement accounts before tax committee members are able to address concerns about criminal use of crypto to launder funds. In general, lawmakers in both parties need to be better educated on the crypto market before there's enough buy-in to clear any legislation with such limited time left on the legislative calendar.

ADMINISTRATION

Refugee Program

The White House issued a decision to limit the number of refugees the US is allowed to resettle to 7,500. This represents a steep decrease from last year's limit of 125,000 set by President Joe Biden. Additionally, the decision places a priority on the resettlement of White South Africans. In February, President Trump signed an executive order cutting aid to South Africa and promoted resettlement of Afrikaners who it says face "government-sponsored race-based discrimination, including racially discriminatory property confiscation." The South African government and several Afrikaner groups have denied the allegations.

Claiming the US refugee program is a “back door” that allows criminals and terrorist into the county, the administration wants to require those applying for refugee status to go through a lengthy vetting process before being accepted. Reducing the refugee program cap is the latest move in the administration’s efforts to significantly reduce migration, legal and illegal, into the US. On his first day in office, President Trump suspended refugee resettlement with only a handful being admitted since. President Trump also signed a determination transferring the United States Program of Initial Refugee Resettlement from the State Department to the Department of Health and Human Services. These actions, along with the new lower refugee cap limit, represent a break from US policy since the 1980 inception of the US Refugee Resettlement Program of accepting those fleeing from conflict and persecution.

Canada Negotiations

President Trump announced the immediate end of all negotiations with Canada when the government of Ontario ran an advertisement critical of President Trump’s tariffs on Canadian goods. The ad used clips from a 1987 radio address of President Ronald Reagan speaking about tariffs. President Trump posted on social media that the ad was "FAKE" and accused Canada of trying to “…illegally influence the United States Supreme Court in one of the most important rulings in the history of our Country.” The US Supreme Court is scheduled to hear arguments in November on a case challenging President Trump’s use of emergency powers to issue tariffs.

Ontario Premier Doug Ford initially defended the advertisement campaign. After speaking with Canada’s Prime Minister Mike Carney, who is negotiating relief from a 35 percent tariff imposed by President Trump earlier this year, Ford paused the campaign so trade talks could resume. It remains unclear whether the US will re-engage; however, with more than $900 billion in annual trade and tightly connected industries, both countries have much at stake.

Prior to the advertisement, US and Canadian negotiators were making headway in talks about the steel, aluminum, and energy sectors. In discussion was the restart of talks on the renewal of the Columbia River Treaty, an issue of great significance to northwest energy, tribal, and agriculture interests.

JUDICIARY

Washington State won a temporary injunction to prevent the Trump administration from rescinding $9 million in climate resilience funding. Judge Marsha J. Pechman of the US District Court for the Western District of Washington ruled that Washington would suffer irreparable harm if the funding was canceled.

The funding, issued under the Biden administration was meant for the Washington Department of Ecology to advance an “equitable framework for coastal resilience,” and for the Washington Board of Community and Technical Colleges to teach post-secondary students about addressing climate change. The judge also found the terminations appear likely to have been arbitrary and capricious, in part because they violated federal rules that state a change in administration is not a permissible ground for termination.

The Commerce Department and National Oceanic and Atmospheric Administration canceled the environmental grant awards on May 5. The White House has said it has the right to cancel grants if they no longer advance the program's original goals and if the terms and conditions of the award allow for termination.

BELLEVUE FEDERAL RELATIONS

City staff continue to monitor issues that have the potential to impact Bellevue. In October, concerns were raised about potential efforts in Congress to eliminate the Community Development Financial Institutions (CDFI) Fund. The fund provides grants, loans, and tax credits to local lenders like community development banks, credit unions, and venture capital funds that provide financing for small businesses, housing, and community facilities where traditional banks often do not lend. The federal team continues to monitor the issue and will update should changes occur.

City staff have worked with the National League of Cities regarding leadership positions and general membership in councils, committees, and constituency groups up for appointment in 2025. These conversations have covered upcoming engagement opportunities and the long-term outlook of the federal shutdown and its impact on cities.