

Additional Federal Updates

House Elections Maintain Democratic Control, But Republicans Pick-Up Several Seats

The presidential election, while decided by narrow margins in some states, confirmed pollsters' predictions of the outcome. However, predictions of a "blue tsunami" failed to materialize. Instead, a Republican "rip tide" pulled a number of Democrats from their seats, providing anywhere from a 5-7 seat pick-up. This reduces the current 232 Democratic House majority, depending on the final tally. Many of the Democrats' losses were seats from conservative leaning congressional districts that were won in the 2018 off-year election that provided a record level of Democratic seats. Whatever the final outcome, the losses will likely require recalibration of the legislative agenda, throwing into doubt the ability to pass any aggressive initiatives like the Green New Deal. At the same time, the current House leadership on both sides of the political aisle is well positioned to remain in place. Nancy Pelosi (CA) is expected to remain as Speaker, Steny Hoyer (MD) as Majority Leader and James Clyburn (SC) as Majority Whip. Kevin McCarthy (CA) will likely continue as Republican Leader and Steve Scalise (LA) as Republican Whip. Each of these positions will be ratified by the parties' respective caucuses in mid-November. As to committee leadership positions, committee chairs are expected to remain unchanged with the exception of the Committee on Appropriations where Nita Lowey (NY) retired. A three-way race is underway, and this should be determined in November as part of the Democratic caucus' reorganizing for the next Congress, the 117th.

The other important dynamic involves the rules that will govern the 117th Congress. This housekeeping task essentially represents the rulebook on how legislative operations will unfold for the next two years. Over the past several weeks, the House Committee on Rules has conducted hearings into the issues that Members want addressed. Perhaps the most anticipated, and consequential rule change, is whether to eliminate or significantly modify the ban on directed federal spending otherwise known as "earmarking". As of this writing and based upon the bipartisan support heard during the hearings, it seems that the House will allow earmarking to return, but with specific guardrails to ensure that any direct assistance provides a public purpose. Assuming that this happens, the Senate would likely follow a House decision and modify its policy discouraging earmarks.

Overall, the single most important change that might be seen is the rise of fiscal hawks, as Republican budget leaders seek to draw a line in the sand to limit the increases anticipated in federal funding under a Biden Administration related to various domestic programs and to begin the process of reducing overall federal spending. This situation carries more importance because the upcoming budget cycle represents the first year in a decade that the deficit reduction mandates no longer apply to budget decision-making. Spending decisions will be made within the normal, regular order of developing spending bills.