

The Next Washington

Planning for the New Congress and Navigating Divided Government

Client Advisory | November 4, 2026

FLEISHMANHILLARD

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Democrats' sweep of the House and Senate, including victories deep into Republican territory, will put both chambers under Democratic control on January 3, 2027. Early results and voter surveys point to a broad rebuke of the Trump administration, driven by frustration over living costs, the Iran war and concerns about government corruption. Both parties entered the election with unfavorable public images. Democrats now face pressure to translate their victory into tangible results, while Republicans must rebuild confidence in the administration's economic leadership.

Democrats are likely to organize their agenda around reducing household costs, protecting access to health care and investigating alleged corruption and favoritism. For companies, that means particular attention to prescription drug prices, insurance costs, electricity bills, the effects of tariffs and the allocation of federal contracts and financial support. Businesses with prominent administration relationships should prepare to explain how government decisions were made, what commitments accompanied them and whether those commitments have been met.

Control of both chambers gives Democrats substantial influence over spending negotiations and a broader investigative reach. Senate control also gives them authority to approve or reject executive and judicial nominees. President Trump's veto and Senate procedural requirements remain significant constraints on legislation. The practical focus will be negotiations over government funding and other essential legislation, alongside targeted agreements where the parties' interests overlap.

The White House is likely to rely heavily on executive orders and agency action to advance its agenda, particularly on tariffs, immigration, federal spending and domestic investment. The administration retains consequential authority over regulation, enforcement and procurement, subject to statutory limits and court review. Companies should prepare for continued executive action and congressional challenges to its implementation, with disputes over funding and legal authority affecting the timing and durability of business decisions.

Democrats and the White House are likely to compete aggressively to shape the public narrative.

However, the immediate decisions belong to the outgoing Congress. Republicans retain control during the lame duck, and government funding expires December 11. Whether lawmakers complete a broader spending agreement or extend temporary funding into 2027 will determine how much unfinished business the incoming majority inherits. Companies need to identify which funding, contracting and legislative priorities require action before that transfer of power.

The Lame Duck and Transition

December's funding negotiations will determine which spending decisions are settled by the outgoing Republican Congress and which are left to the incoming Democratic majority. Congress returns the week of November 9 with annual appropriations unfinished and government funding expiring December 11. Republicans retain control during the lame duck, making current congressional leaders and the administration essential to companies' immediate engagement plans.

The central negotiation concerns both spending priorities and the duration of any agreement. A full-year package establishes agency budgets and funding conditions before Democrats take control. A short-term extension carries unresolved decisions into 2027, giving the new majority an early opportunity to negotiate with President Trump. Republicans have an interest in securing priorities while they still control Congress; Democrats have an incentive to preserve their ability to shape those decisions in January.

Companies should identify the specific decisions that require action before year-end: contract awards and renewals, grant commitments, expiring authorities and provisions that need a legislative vehicle. Continued temporary funding generally restricts new activities and spending increases, creating operational constraints even when agencies remain open.

January 3 marks the transfer of congressional authority, with committee leadership, staffing and rules shaping how Democrats exercise it. The incoming majority is likely to prioritize affordability, health care and scrutiny of administration decisions involving corporate interests. Its leaders will also need to reconcile demands for aggressive investigations with pressure to demonstrate progress on household costs.

Legislative and Executive Branch Implications

Legislation and Federal Funding

In the new Congress, Democratic control ends Republicans' ability to advance legislation through Congress on party-line votes alone, including through reconciliation. Democrats, in turn, face President Trump's veto and Senate procedural requirements. Broad statutory reversals are likely to be difficult. Targeted agreements on affordability, health care, permitting, infrastructure or national security may remain possible where interests overlap.

Appropriations are likely to provide recurring opportunities for Democrats to seek spending conditions, reporting requirements and restrictions on administration priorities. Those proposals require enactment to become binding law; committee demands and public pressure operate separately. Businesses should distinguish operations dependent on annual appropriations from those supported by previously enacted multiyear funding, and assess their reliance on agency services. Negotiations over essential legislation could create opportunities for targeted provisions while also prolonging uncertainty.

The debt limit could become a separate source of fiscal pressure in 2027. CBO's February 2026 baseline projected that Treasury would reach the statutory borrowing limit in fiscal 2027; the timing of any cash-

exhaustion deadline remains uncertain. Companies should monitor those negotiations separately from appropriations and assess potential effects on federal payments, financing conditions and broader business confidence.

Executive Authority and Appointments

The administration retains authority over trade measures, export controls, procurement, enforcement and regulatory implementation, subject to statutory limits and judicial review. Congressional criticism or an investigation does not automatically reverse an agency decision. Scrutiny is likely to increase the importance of the decision's legal basis, written terms and supporting record, particularly where companies have relied on political assurances. Litigation, agency implementation and funding disputes may each affect the durability or timing of a policy.

Democratic Senate control creates a new constraint on executive and judicial appointments. The majority can delay or reject nominees, and confirmation hearings are likely to become important venues for examining agency policy and seeking commitments.

Congressional Oversight Priorities

Democratic scrutiny is likely to focus on whether the administration used federal authority to benefit President Trump, his family or politically connected companies at the expense of U.S. taxpayers and consumers. Corporate relationships will be central to that effort. Democrats are likely to examine whether commercial ties, political contributions or privileged access influenced federal contracts, regulatory approvals, enforcement decisions, tariff treatment or government financial support. Companies involved in those decisions should prepare for requests concerning their transactions, communications and relationships, even when the administration is the principal subject of the inquiry.

Exposure is likely to be greatest where a company's financial or political relationships intersect with a consequential government decision. That includes businesses with commercial ties to the president or his family, companies that received favorable treatment following high-profile administration engagement, and recipients of significant federal contracts or support. The central questions will concern who had access, how decisions were made, whether established processes were followed and who ultimately benefited. Proximity to the administration alone does not establish wrongdoing, but companies need a documented account of the relationship and the decisions surrounding it.

Affordability and consumer protection are likely to provide the connection between these inquiries and voters' concerns. Democrats will have an incentive to examine whether preferential treatment produced higher prices, reduced competition, weakened protections or inadequate returns for taxpayers. Drug pricing agreements, financial and digital asset arrangements, energy and data center decisions, and major federal awards are likely to attract attention where corporate interests and administration relationships overlap. The focus will be on the terms of those arrangements and their consequences for the public.

Corporate preparation should begin with those points of exposure. Companies need to establish the business rationale, decision-making chronology, applicable government process and evidence of performance or public benefit. Government affairs, legal and communications teams should use that shared factual record in engagement with incoming Democratic offices and the administration. Continued government engagement remains essential, and companies must be able to explain why a relationship or policy outcome served a legitimate business purpose and how associated public commitments have been fulfilled.

Several House committees warrant particular attention. The Committee on Oversight and Government Reform is likely to be a leading venue for examining administration relationships, federal contracts, spending and potential conflicts of interest. The Judiciary Committee is positioned to examine executive authority, Justice Department decisions, antitrust enforcement and legal questions involving technology and immigration. Specific investigative agendas will depend on incoming leadership, committee organization and emerging developments.

Energy and Commerce is likely to connect scrutiny of administration decisions with health care costs, consumer pricing, artificial intelligence, data practices, communications and energy. Financial Services is positioned to examine banking, digital assets, credit, housing and financial regulatory decisions, including the administration's approach to the Consumer Financial Protection Bureau and the Public Company Accounting Oversight Board. Both committees provide prominent platforms for examining the relationship between government decisions, corporate interests and consumer protection.

These committees are starting points for corporate planning. Committees across the House can launch inquiries within their jurisdictions through dedicated oversight subcommittees or panels responsible for particular policy areas. Ways and Means, Homeland Security, Education and Workforce, Natural Resources, and Transportation and Infrastructure each have substantial relevance for specific industries. Appropriations provides an avenue for Democrats to pursue spending restrictions, reporting requirements and other funding conditions informed by oversight findings. Binding changes to those funding terms require enactment.

Democratic Senate control adds investigative forums and influence over executive and judicial appointments. Banking, Housing and Urban Affairs; Finance; Commerce, Science and Transportation; Health, Education, Labor, and Pensions; Judiciary; and Homeland Security and Governmental Affairs warrant attention. The Permanent Subcommittee on Investigations is particularly relevant for its capacity to examine complex corporate transactions and government relationships. Companies should prepare for related questions across chambers, including when committees pursue different aspects of the same decision or practice.

Companies should map the committees and subcommittees with authority over their business, their incoming leadership and staff priorities, and the records relevant to potential inquiries. Subpoena authorization procedures vary by committee and chamber, so preparation must account for the applicable rules and how requests are authorized.

Companies should also prepare to receive requests for communications, transaction records and other documents concerning official decisions, including when an agency has resisted disclosure. A committee may approach a company as a source of information about administration conduct without alleging that the company acted improperly. Such requests still carry reputational risk and require a coordinated response grounded in the facts, the scope of the inquiry and the company's obligations.

Navigating the Post-Midterm Environment

Companies now face an administration that retains significant executive authority and an incoming Congress with greater capacity to challenge its decisions. A policy success in one setting may create reputational exposure in another. Clear business reasoning, consistent positions and demonstrable public benefits will be essential to sustaining support. As the 2028 presidential campaign develops, corporate decisions may also become reference points in competing arguments about the country's direction.

Companies that prepare now can also use this period to strengthen their standing. Substantive relationships across parties, credible contributions to affordability and employment, and visible delivery on commitments provide a foundation for influence. The task for corporate leaders is to bring policy engagement, business decisions and communications into closer alignment, so that each reinforces the company's ability to operate, grow and maintain stakeholder confidence.

Credibility in a Divided Washington

Companies should use the transition to sharpen their policy priorities, assess how their engagements with policymakers could be viewed by critics, establish the evidence behind public commitments and prepare an engagement strategy for both branches of government. The strongest starting point is a clear explanation of how the business contributes to priorities that matter across parties: affordability, American jobs, reliable services, economic competitiveness and responsible stewardship of public resources.

Affordability should be central wherever the company can demonstrate a meaningful contribution. Congressional Democrats are likely to emphasize consumer costs and access to health care, while the White House has its own incentive to demonstrate progress on household expenses. Companies should explain what customers pay, what drives those costs and what the business is doing to improve value, choice or access. Those messages must hold up against customers' experience. A disconnect between claims about affordability and actual prices, fees or service can turn a policy discussion into a broader challenge to the company's credibility.

American investment and employment provide another important foundation. The administration continues to emphasize domestic production, industrial capacity and American workers. Companies should translate national investment figures into evidence that matters locally: facilities operating or under construction, permanent jobs, wages, apprenticeships and purchases from domestic suppliers. Distinguish new commitments from previously announced spending and report progress against realistic milestones. Investment announcements create expectations that extend beyond the political moment. Visible delivery can strengthen a company's standing across administrations; missed commitments or unexplained delays can undermine confidence.

The company's underlying position should remain consistent across all stakeholder audiences. Emphasis can change: an administration discussion may begin with domestic investment and competitiveness, while a meeting with Congressional Democrats may begin with affordability, worker benefits and

accountability. The facts, commitments and requested policy outcome should remain the same. Assume that White House remarks, congressional briefings, investor statements and employee communications will be read together. Consistency helps preserve credibility as political attention shifts and reduces the risk that cooperation on a specific issue will be interpreted as an unexplained change in the company's principles.

Preparing for the Next Two Years

Companies should organize preparation around the lame duck, the opening months of the new Congress and the policy decisions likely to shape 2027 and 2028. Each priority should have a clear owner, a timetable and defined circumstances that would require a change in approach.

- **Sequence the transition.** Identify which priorities require action before year-end, which depend on the incoming Congress and which can advance through existing executive authority. Assess how the administration's response to the election and congressional leadership decisions could affect business plans. Maintain a current map of decision-makers as responsibilities change.
- **Set a focused policy agenda.** Rank the legislative, regulatory and funding decisions that matter most to the business. For each, identify the desired outcome, the institution with authority to act, potential partners and the next opportunity to advance it. Distinguish immediate year-end opportunities from longer negotiations. Include measures that support growth, investment and market access alongside defensive priorities.
- **Assess operational and financial dependencies.** Review exposure to tariffs, tax policy, reimbursement, federal contracts, grants, immigration requirements and regulatory approvals. Determine how temporary funding restrictions, a funding lapse or agency delays could affect revenue, costs, supply chains, staffing and project timelines. Establish contingency plans for the most consequential dependencies, including payment and contract execution risks.
- **Refresh relationships across government.** Update engagement plans for the White House, relevant agencies, outgoing congressional leaders, incoming Democratic offices and state and local officials. Account for leadership and staff transitions. Build relationships with officials responsible for implementation, as well as those setting policy, and connect outreach to specific business objectives and local interests.
- **Review the company's political and public profile.** Assess how government relationships, political contributions, trade association positions, executive appearances and previous statements may be interpreted in the new environment. Identify potential inconsistencies or sensitivities and prepare a clear explanation of the business rationale. Establish standards for future participation and public commitments.

- **Validate commitments and demonstrate progress.** Check claims about investment, employment, affordability, access and community benefits against current evidence. Confirm delivery milestones, identify gaps and agree on corrective action or explanations where needed. Use measurable progress to strengthen credibility with policymakers, employees, customers and investors.
- **Align the corporate narrative across audiences.** Develop a consistent account of the company's priorities, policy positions and economic contribution. Support it with evidence relevant to both parties, including customer value, American jobs, reliable services and competitiveness. Prepare explanations for difficult tradeoffs so that congressional engagement, administration announcements and stakeholder communications reinforce one another.
- **Clarify internal authority and escalation.** Bring Government Affairs, Legal, Corporate Affairs, Finance, Operations and Human Resources into a coordinated planning process. Define who assesses developments, approves policy positions, authorizes commitments and decides when to respond publicly. Establish when matters should reach the CEO or board and confirm that teams have the resources to act.
- **Prepare executives and response teams.** Rehearse how leaders would address a sudden policy announcement, public criticism, congressional inquiry or disruption to a government-dependent operation. Confirm procedures for handling official requests and preserving relevant records with counsel. Prepare communications for employees, customers, investors and business partners, with clear approval and distribution responsibilities.
- **Connect monitoring and intelligence to decisions.** Track legislative and agency activity, appointments, litigation, state developments, media coverage and stakeholder sentiment. Set triggers for engagement, escalation or changes to business plans. Maintain an action calendar spanning the December funding deadline, the January transfer of power, subsequent fiscal negotiations and the developing 2028 political agenda. Reassess priorities as committee agendas and executive actions become concrete.