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This update reflects facts as of Tuesday morning, April 7, 2026. The situation is fluid and may change.

Congress remains in recess this week, as the military action in Iran continues into its sixth week. The Department of Homeland Security (DHS) continues in partial shutdown, although resolution to the partisan standoff may be in sight. The Administration released last week an outline of its FY2027 budget request, reordering defense and nondefense spending priorities, but proposing no tax changes. Both the DHS funding agreement and the budget contemplate resort to budget reconciliation raising the prospect of two budget reconciliation bills this year. Meanwhile the President issued another proclamation on tariffs, this one affecting pharmaceuticals and metals.

DHS funding. Annual funding for DHS has been on hold since February 13 in a partisan standoff over proposed Democratic reforms for Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP). OB3—the One Big Beautiful Bill—supplemental funding has allowed those two agencies to continue operations. Other DHS agencies like the Transportation Security Administration (TSA), the Federal Emergency Management Agency (FEMA), the Coast Guard, and the Cybersecurity and Infrastructure Security Agency (CISA) remain unfunded, however, although the President by executive order has directed that employees be paid from unspecified funds.

The Senate passed a bipartisan bill to fund all of DHS except ICE and most of CBP, leaving funding for those two agencies for a partisan reconciliation bill. The House initially rejected the Senate bill. The House leadership then changed course, and acting at the behest of the President announced support for the Senate bill. The House is expected to vote on the Senate bill when it returns next week. There may be sufficient support for the House to pass it, although not easily and probably not without many members voting no.

The question will then arise whether Congressional Republicans would pass a partisan reconciliation bill to fund ICE and CBP and, if so, whether other spending or revenue—tax—provisions might be added. Senate Republican leadership has indicated a strong desire to keep this reconciliation bill “clean” to facilitate passage. Sorting the priorities of members and, if needed, finding revenue or spending offsets could complicate passage substantially. Moreover, there is the potential of a second reconciliation bill this year in connection with

defense that might be available for other proposals.

FY2027 budget and defense spending. The Trump Administration released an outline of its FY2027 budget request to Congress late last week. This so-called “skinny budget” highlights the Administration’s priorities and top line numbers, to be followed later in the month by its detailed line-item budget request. Congress may follow, modify, or ignore the Administration’s requests, which only begin the budgeting process.

Notably, the Administration is requesting a very large increase in defense spending. The request is for a 50 percent increase from the \$1 trillion appropriated for FY2026 to about \$1.5 trillion. It would offset part of that increase in defense spending by cutting nondefense domestic and international programs spending by about 10 percent or \$73 billion.

The budget request is unusual in that it would involve a two-step process never before utilized. It contemplates that the base defense budget request of \$1.15 trillion be considered under the normal Congressional appropriations process in Congress. The remaining \$350 billion would be addressed under budget reconciliation—a second budget reconciliation bill—avoiding the need for 60 votes in the Senate.

It is also notable that the Administration’s budget proposes no tax changes. That is consistent with the President’s expressed view that his tax priorities were addressed in OB3. While no tax changes are proposed, however, the budget request would further reduce funding for the IRS by \$1.4 billion, a cut of about 15 percent.

Tariffs. The President also signed two executive orders last week addressed to tariff issues. The first would impose tariffs of up to 100 percent on patented drugs if the pharmaceutical manufacturers do not agree to new pricing deals with the Administration or shift production to the U.S.

The second EO would modify and clarify the application of section 232 tariffs to strategic metals and their derivatives. The EO would define the way tariffs are assessed on steel, aluminum, and copper products to reflect their “full value,” instead of a price based on foreign production costs. The EO would also establish clear rules for calculating these tariffs with respect to the metals content of imported products.

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