



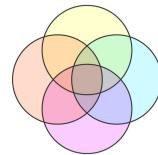
# MEMORANDUM

**TO: IEDA Board**  
**RE: Federal Legislative Committee Report**  
**DATE: January 9<sup>th</sup>, 2026**

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## 2025 Year in Review

Perhaps the best way to describe this past year is to use a Venn diagram. While it should probably include more than four circles, I have attempted to distill it down for simplicity. As represented in the diagram, some issues overlap or have impact on other issues.



## 2025 Governance Year in Review

President Trump has signed more executive orders (225) in the first year of his second term than all his first term (220). President Trump reentered the Oval Office ready to implement an “America First” agenda. While many of these EO’s will touch other categories, the sheer volume of actions from the administration needs to be highlighted.

The four governance issues that dominated the news cycle were the One Big Beautiful Bill (H.R. 1), energy, DOGE, and the government shutdown.

Coming into 2025, the extension of the 2017 Tax Cuts and Jobs Act was a top priority for the President. Thanks to the budget reconciliation provision, this bill was able to get passed, permanently extending the 2017 tax cuts. This bill rolled back multiple renewable energy tax credits, shifting away from wind and solar and included provisions that helped bolster nuclear development.

Nuclear seems to be a key pillar to the policy of energy dominance. Seen as a national economic and security issue, the race for AI supremacy is dependent on sufficient energy to power all these computer chips. This administration has

reversed course on the greening of the grid and shifted to focusing on growing the grid. This includes continuing the life of coal plants that were planned to close, as well as reactivating decommissioned nuclear plants. The administration has promoted expanding oil and gas leases, increasing the development of LNG and lowering the cost of gasoline. This emphasis on energy has helped in Arizona with the development of new generation, and you are seeing democratic governors starting to reverse course on climate positions because of the economic pressure for AI and data centers and their need for energy. It is also providing leverage globally for economic and political reasons as well.

The Department of Government Efficiency was an initiative to shrink the government, eliminating agencies and to help shrink the budget. One of the primary ways DOGE planned to do this was via early retirement and reduction in force initiatives. Multiple WAPA employees were released, but a significant number of them were asked to return a few days later when people realized that they were mission critical staff. Another wrinkle is that BOR & WAPA employees are customer funded, which means the reductions didn't save the government any money.

Some Bureau of Reclamation employees were rolled up into DOI, resulting in a significant overhead rate increase at Hoover (\$5M) and PDP. We were able to pressure BOR to reengage with DOI, which resulted in a reduction of \$3M in the planned increase in rates. BOR plans to keep staffing lower to mitigate the impact of the rates. The impacts are scheduled for 2027 for BCP & 2028 for PDP.

The longest government shutdown in history occurred in 2025, lasting 43 days. Unable to pass the 12 appropriation bills, the continuing resolution expired on October 1<sup>st</sup>, 2025. The House had advanced a clean continuing resolution, but it failed in the Senate, prompting a stalemate. A main sticking point for the Democrats was an extension of the Obamacare subsidies. It resulted in a furlough of roughly 900K federal workers during that time. A continuing resolution passed on November 12, including 3 appropriation bills being signed into law, but didn't include the extension of the subsidies. Nine appropriation bills still are outstanding. In 2024, all 12 appropriations bills were not signed, resulting in a full year of continuing resolutions and no appropriation requests being approved, pushing them into 2025.

IEDA reintroduced the Help Hoover Dam Act this year, but it got hung up due to the score. This was contemplated, so the real play was an appropriation request in the House and the Senate. While the House bill did not include our

request (due to the score), the Senate included it in the Water & Energy Appropriations Bill as report language in both the BOR & WAPA sections. The final bill report language shows that the language survived the conference. It has passed the House and Senate and expect the President to sign the bill shortly. We hope that it will be sufficient congressional direction for the Bureau to utilize the \$52M in stranded funds. We are also pursuing an administrative approach as an alternative to the scoring hurdle.

### **2025 Economy Year in Review**

Economy continues to be a major concern with Americans, with 35% ranking it the most important problem (December 2025). While the economy tends to lag policy changes, there have been mixed reactions to some of the actions taken by the administration.

While the One Big Beautiful Bill Act maintained a lot of the status quo, it avoided tax increases that could have had a significant impact on the economy. Tariffs have received a lot of criticism but have resulted in some more advantageous economic agreements than what we previously had. Impacts from tariffs vary by product, but an increase of 1%-1.3% overall is estimated. These tariffs disrupted the stock market early in the year, but the fear has seemed to subside and seem to be baked into the market now.

President Trump has pushed for the Federal Reserve to lower interest rates to help the economy, and possibly to help with the national debt. The Federal Reserve has cut rates three times in 2025, but will likely hold rates for a while, or until President Trump replaces Chairman Powell.

One aspect starting to be discussed is labor uncertainty. The crackdown on immigration has likely impacted the number of available workers, while the unemployment rate has increased slightly.

### **2025 National Security Year in Review**

National security has been a major priority in 2025, at the border and inside our borders. Illegal immigration was a campaign issue that President Trump has had a huge success. Southwest border encounters are down 90% in 2025 compared to last year. ICE has made multiple raids across the US, and the National Guard has been used to restore safety in different cities.

## **2025 AI Year in Review**

Artificial intelligence is integral to the economy, is viewed as a national security issue (competition with China), and has become a policy issue as states push back against the water and power issues that it creates.

Trump has directed federal agencies to make federal land available for the development of data centers. Along these lines, new generation is being cited on federal property to avoid the regulatory burden of normal permitting.

Given the importance of AI is to this administration, the focus on data centers in Arizona, and the need for energy for these projects, this issue will continue into 2026 for IEDA.

## **2026 DC Update**

With the resignation of Majorie Taylor Greene and the unexpected passing of Doug Lamalfa, the House majority has shrunk to just 218 to 213 (with 4 seats vacant), which makes 216 the magic number to pass a bill if every current congressman is present. The car accident involving Republican congressman Jim Baird and his hospitalization will not help matters. This will make passing legislation increasingly difficult in early 2026.

## **Predictions for 2026**

- Affordability continues to be a hot button topic, especially with healthcare subsidies going away, increasing costs.
- Legislation slows even further, especially with the thin House margin and a lack of 60 votes in the Senate.
- House flips at the midterm, but don't expect a blue wave.
- Conservative Supreme Court judge retires.
- More international engagements ("Donroe Doctrine").
- Mining begins on large lithium deposit at Nevada/Oregon border.
- Water weaponized more globally, as we deal with our own water wars on the Colorado River.

I have included below a chart from Andrew Busch. He covers more ground than political predictions, so I thought it would be good information for the group.

## 2026 Andrew Busch Predictions

### Risk Matrix: Post-Peak Trump by Sector

Sector	Primary Risk Drivers	Impact	Strategic Implications
Financial Services & Capital Markets	Fed independence pressure, debt issuance, election legitimacy concerns	Higher rate volatility, wider credit spreads, FX uncertainty	Shorten duration exposure, stress-test rate and liquidity scenarios
Manufacturing & Industrials	Tariff volatility, stalled trade talks, weak domestic demand	Input cost swings, delayed capex, uneven reshoring benefits	Diversify suppliers, avoid single-country sourcing assumptions
Technology & AI	China trade tension, data transfer rules, AI labor disruption	Regulatory uncertainty, workforce backlash, export restrictions	Invest in compliance agility and workforce transition strategies
Energy & Utilities	Geopolitical escalation (Iran/Venezuela), deregulation whiplash	Price volatility, permitting risk, policy reversals	Hedge geopolitical risk, avoid long-dated regulatory assumptions
Construction & Infrastructure	Immigration enforcement, labor shortages, rate pressure	Project delays, rising wages, financing stress	Lock labor early, prioritize balance-sheet strength
Agriculture & Food	Deportations, trade retaliation, labor scarcity	Cost inflation, production disruption, export volatility	Accelerate automation, diversify export markets
Healthcare & Life Sciences	CFPB/FTC funding fights, regulatory leadership turnover	Approval delays, compliance ambiguity	Maintain regulatory optionality, delay irreversible investments
Defense & Aerospace	Increased scrutiny of military actions, budget uncertainty	Contract timing risk, reputational exposure	Scenario-plan demand tied to political cycles
Consumer & Retail	Affordability pressures, wage volatility, sentiment erosion	Demand softness, margin compression	Focus on value positioning and pricing flexibility
Real Estate & Housing	Elevated rates, affordability crisis, policy uncertainty	Weak transaction volume, refinancing risk	Emphasize liquidity and geographic diversification