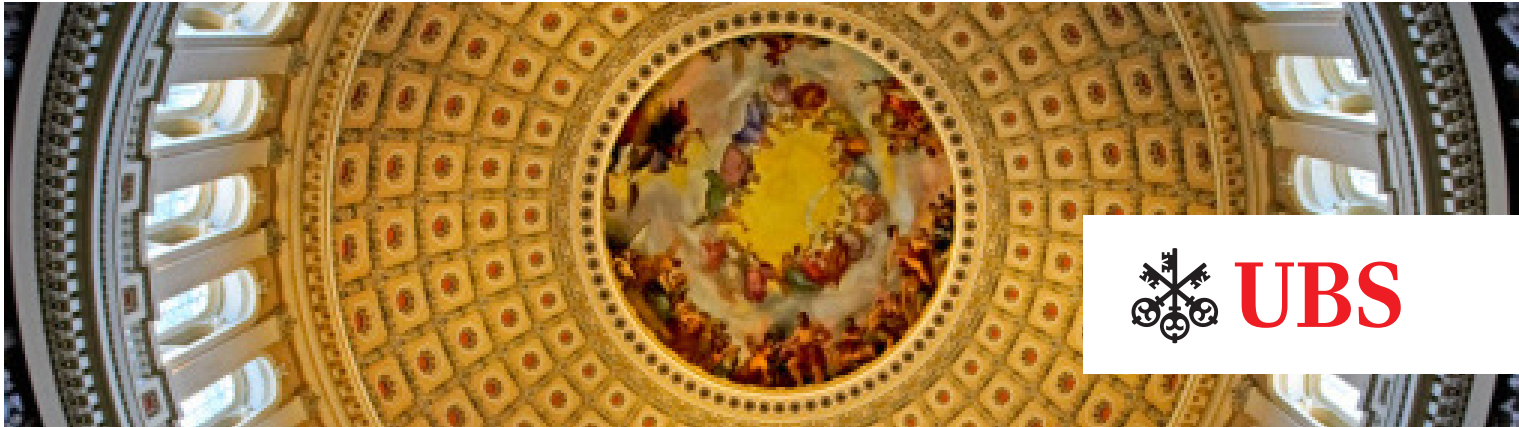


Washington Weekly

Under the Dome: The Week in Review

12 June 2026



This Week: The **Senate** confirmed Trump administration nominees and tried, but failed, to pass a short-term extension of the FISA Section 702 surveillance authority, which expires today (see below). The **House** passed the Senate-passed immigration enforcement reconciliation bill (see below) as well as legislation addressing fraud, improper payments, and oversight across federal programs. It also voted on, but failed to pass, an extension of the surveillance authority.

Next Week: The **Senate** will consider Trump administration nominees. The **House** will be out of session until the week of June 22.

The Lead

Reconciliation 2.0 Passes, Now 3.0? House Republicans this week passed the roughly \$70 billion reconciliation package funding Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP) through the end of President Trump's term. The bill cleared the House on a party-line vote (214-212) after the Senate passed the package last week. The measure now goes to President Trump to sign into law. These actions end a months-long standoff over immigration enforcement funding. While Republicans finally passed the package, the effort was not without complications, many added by the Trump administration. These included the over \$1 billion Secret Service funding provision tied to security enhancements for the proposed White House East Wing ballroom project and the administration's proposed \$1.8 billion Justice Department "anti-weaponization" fund. Now that "reconciliation 2.0" has passed, attention among Republicans has started to shift to a possible third reconciliation package. Despite growing interest, Republican leadership has yet to coalesce around specific proposals that would be included. *With narrow Republican majorities and a limited legislative calendar, the chances of another reconciliation package are very slim.*

Surveillance Standoff. Congress this week failed to extend Section 702 of the Foreign Intelligence Surveillance Act (FISA) before it is set to expire today. Lawmakers are deadlocked over targeted surveillance reforms and President Trump's appointment of Federal Housing Finance Agency Director Bill Pulte as acting Director of National Intelligence (DNI). The House this week voted on a short-term extension (to July 2), but this measure failed, with most Democrats and 18 Republicans voting against it (these Republicans had concerns about the surveillance authority itself). The Senate also tried passing a short-term extension through unanimous consent, but it also failed. Many Republicans argue that the FISA extension is needed, particularly with upcoming major security events like the 2026 FIFA World Cup and the nation's 250th anniversary celebrations. Democrats argue that President Trump should nominate someone more qualified for the intelligence role and that his selection of Pulte also poses a significant danger. While existing FISA Court certifications allow much of the program to continue operating through next March, lawmakers and industry groups have raised concerns that prolonged uncertainty over the authority could complicate future intelligence collection efforts as well as cooperation from communication providers concerned whether they will be protected from liability during the Section 702 lapse. Following the failed votes in both chambers, President Trump announced his intention to nominate Jay Clayton as DNI Director. *While this is a welcome nomination by lawmakers in both parties, it remains unclear if it will be enough to break the impasse.*

Other Issues

Prediction Market Proposal. The Commodity Futures Trading Commission (CFTC) has unveiled a sweeping proposal on prediction markets. The proposal replaces a long standing categorical ban on event contracts tied to areas like war, terrorism, and gaming with a structured, time-bound public interest review process. In practice this would shift the

default in favor of allowing contracts to trade. Under the new framework, the Commission can initiate a review within 10 days of a contract's listing. After a review is initiated, exchanges will have 30 days to respond, and the agency has 90 days to act. Otherwise, the contract is effectively cleared. While contracts can continue trading during review, the tight initial window signals that most listings will proceed unimpeded. Substantively, the proposal narrows the definition of "gaming," suggesting mainstream sports contracts are likely permissible with safeguards. Contracts tied to discrete actions, officiating decisions, or youth sports likely will be excluded. The rule also draws sharper lines around national security and criminal activity, while notably affirming that political elections are not "gaming" (a significant departure from prior agency interpretations). *The efforts to sway the CFTC's opinion will be a fierce battle, but in the near term the proposal is poised to reshape ongoing litigation around prediction markets, giving courts a more detailed and arguably more permissive framework to evaluate.*

Excise Tax on AI? Lawmakers recognize the growing impact of artificial intelligence (AI) and are factoring it into conversations in many policy areas. As with most issues, there is a tax angle. Many lawmakers are concerned that AI will bring about disruption to the economy and labor force. Some argue that there should be some kind of tax on AI as a response. This tax would help deal with lower revenue to the federal government if AI leads to the displacement of workers. That revenue could be used at least in part for job re-training and other programs to help displaced workers. Even the CEO of Anthropic has advocated for such taxes to be levied on AI. *The conversation about taxing AI is at an early stage but will be noteworthy and worth following.*

Anti "Anti-Weaponization" Fund. A bipartisan effort is gaining traction on Capitol Hill to force a vote blocking the administration from implementing its controversial "anti-weaponization" fund. Lawmakers are turning to a procedural tool (the discharge petition) to bypass leadership and bring legislation directly to the House floor. The push centers on a proposal to prohibit the use of federal dollars from the Treasury's Judgment Fund for such payouts. Discharge petitions require 218 signatures to succeed, effectively forcing leadership to schedule a vote. In this case, the effort is expected to draw unified support from Democrats along with a notable bloc of Republicans concerned about congressional authority over spending and the precedent of these payouts. With the election less than five months away, there will be a broader coalition of Republicans willing to break with the president. *If successful, the maneuver would not only block the current fund but also amend underlying law to limit future use of the Judgment Fund, underscoring how procedural tools like discharge petitions can become flashpoints in broader fights over separation of powers and fiscal oversight.*

Kids' Online Safety and AI. The Trump administration and Senate Republicans have increased efforts to advance federal AI legislation that would pair children's online safety measures with limits on certain state AI regulations. Senator Marsha Blackburn (R-TN) is leading negotiations on a package that would combine age verification requirements and protections against AI-generated deepfakes with provisions that could preempt certain state AI laws. The latest push follows several failed attempts to issue a proposed moratorium on state AI regulations that was ultimately removed from last year's reconciliation bill and that failed to make it into the annual defense bill. *Still unresolved is whether the Trump administration and Senate Republicans would seek to block a wide swath of state AI rules or would focus on preempting state action on narrow issues such as verifying social media users' ages.*

Cyber Force. In response to a vast number of unfilled cyber security positions within the US government, Senator Kirsten Gillibrand (D-NY) is working on the creation of a "Cyber Force" as a new military service branch. The proposal is an amendment to a pending defense bill. It would house the entity under the Army, mirroring how the Space Force sits within the Air Force. Proponents argue that escalating cyber threats and the fragmented structure of current cyber operations require a dedicated organization responsible for recruiting, training, and equipping cyber personnel. Still, significant questions remain around implementation, cost, and structure, with details of the proposal still emerging and some experts cautioning against whether a new branch is the most effective solution. *The debate underscores a broader shift in defense policy toward treating cyberspace as a distinct warfighting domain, though consensus on how to operationalize that vision remains elusive.*

The Final Word

Democrats' Day-One Agenda. House Democrats are already sketching out a "first bill" for 2027 that would anchor their agenda if they retake the majority. The broad outline is for a sweeping affordability package focused on lowering costs across health care, housing, energy, and child care. The effort reflects a deliberate shift toward kitchen-table economics as the party's unifying message, with leadership emphasizing a single, cohesive bill designed to deliver tangible relief and resonate across swing districts. At the same time, the agenda is expected to include rolling back key Trump-era policies like tariffs and cuts to safety-net programs, alongside restoring health care subsidies and expanding core benefits. Democrats are likely to pair those policy moves with an aggressive oversight posture aimed at the Trump administration. *The proposal at this point is mostly an attempt to message their platform to 2026 voters, but it also serves as a road map for where their priorities lie if they retake the House this November.*

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