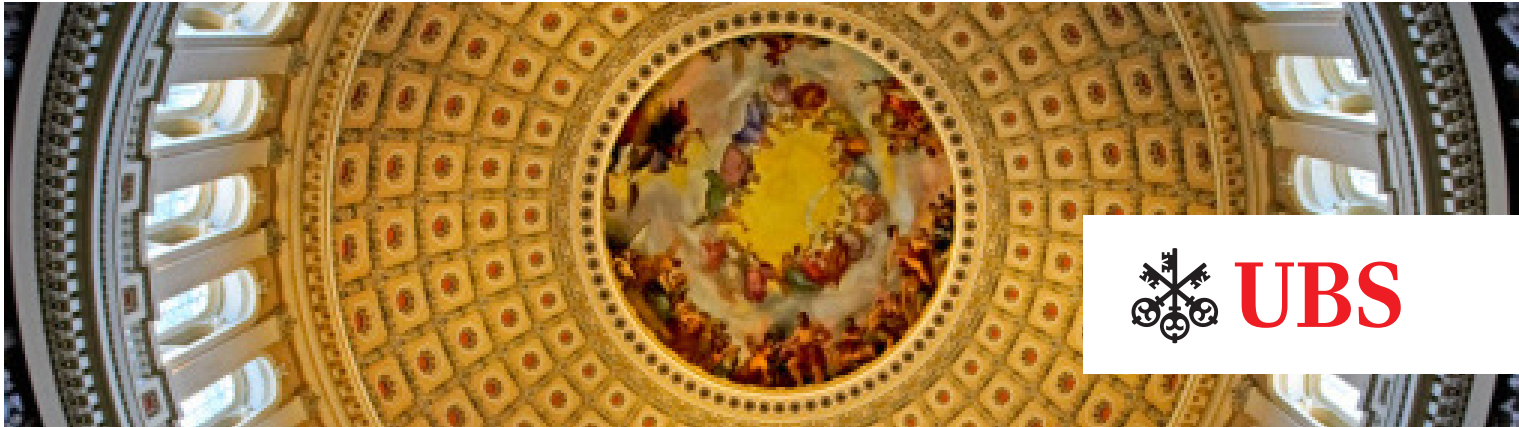


Washington Weekly

Under the Dome: The Week in Review

24 April 2026



This Week: The **Senate** confirmed Trump administration nominees and approved a budget resolution that sets up a reconciliation bill to fund ICE and Customs and Border Protection (see below). The **House** passed bills related to air quality as well as repealing energy efficiency standards for new and major renovations of federal buildings.

Next Week: The **Senate** will continue to confirm Trump administration nominees. The **House** plans to vote on the Senate-passed budget resolution. It also plans to vote on bills to fund agriculture and food programs and to extend FISA surveillance authority (see below).

The Lead

Precarious Ceasefire. President Trump earlier this week extended the current ceasefire with Iran. Nevertheless, the Strait of Hormuz (a key conduit for more than 20% of global oil and gas flows) continues to be effectively shut down because of blockades by the two sides despite an announcement late last week that the Strait would reopen for all commercial vessels. President Trump would like to have momentum towards some sort of resolution before his visit with China's leader Xi Jinping in mid-May (he rescheduled the late March summit due to the Iran conflict). Another motivation is political. The current dynamics mean higher gas prices well into the summer, which could make the economic impact of the war in Iran a central issue in the midterm elections. However, negotiations remain stalled with an even more hardline Iran that has newfound leverage in its ability to choke traffic in the Strait. Hence, the current uneasy truce offers as much opportunity for escalation as a diplomatic breakthrough. And even progress on reopening the Strait of Hormuz would be subject to backsliding and implementational challenges, as last week's false dawn showed. *Finally, as challenging as it will be to address the current top priority (a durable reopening of the Strait of Hormuz), addressing concerns about Iran's nuclear capabilities (the original justification for the war) will be even more difficult and time-consuming.*

DHS Funding and Reconciliation. The shutdown for the Department of Homeland Security (DHS) is now on its 69th day. After a lengthy voting session that extended into the early morning hours on Thursday, the Senate passed a budget resolution, a procedural step in allowing Republicans to use the party-line reconciliation process to fund Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP). The resolution, which would provide \$70 billion in funding for ICE and CBP over three years, now moves to the House. House Republican leadership is aiming for a vote on the resolution next week. With only a two-vote majority, passing it will not be an easy task. Some House Republicans are interested in expanding the scope of the reconciliation bill beyond ICE and CBP funding. Republican leadership has promised a third reconciliation bill that can focus on other Republican priorities, including more tax policy changes, defense funding, additional funding for the Iran war, and spending cuts across social programs. However, it will be very hard to develop sufficient consensus on any such effort. If the House is able to pass the Senate-passed budget resolution next week, the Senate plans on voting on the immigration enforcement funding bill the week of May 11. The House also needs to pass the Senate-passed bill to fund the rest of DHS (House Speaker Mike Johnson (R-LA) made the reconciliation effort a precondition of passing this bill). *Congress has a deadline of June 1 when the Trump administration has said DHS will have run out of its emergency funds to pay for TSA employees.*

FISA. Last week, the House and Senate passed a 10-day extension for an intelligence-gathering authority, Section 702 of the Foreign Intelligence Surveillance Act (FISA). FISA gives the government authority to surveil foreign nationals located overseas, which sometimes can result in the collection of communications of Americans interacting with those targets. Speaker Johnson has been working on a negotiated compromise after some conservative House Republicans joined House

Democrats in voting against a clean 18-month extension. Speaker Johnson released a bill this week to extend FISA for three years. It includes new penalties and oversight of FBI searches, as well as prohibitions on targeting US citizens. The bill, however, does not include some provisions (warrants to search for information and the inclusion of a ban on central bank digital currency) that some conservative Republicans were demanding. *While it will be no easy lift, the House plans to vote on the bill next week, with the Senate to follow suit ahead of the April 30 deadline.*

Other Issues

Continued Fed Uncertainty. With Federal Reserve Chairman Jerome Powell's term as chair set to expire in mid-May, the Senate Banking Committee this week held its hearing for Kevin Warsh, President Trump's choice to replace Powell. Democrats pressed Warsh (a former Fed governor from 2006 to 2011) on his personal finances (and potential conflicts) and on his independence from President Trump. He would have a clear path to approval in the Republican-controlled Senate were it not for an ongoing criminal investigation by the Justice Department in connection with Powell's testimony last year on the Fed's renovation of its facilities. A federal judge already has ruled against the DOJ in no uncertain terms. Senator Thom Tillis (R-NC) generally supports Warsh's nomination, but he has said that he will not clear any Fed nominees until the threat of the DOJ's investigation is lifted. His support within the Senate Banking Committee is crucial assuming all Democrats are opposed to Warsh's nomination. Senator Tillis tried to give the Trump administration an off-ramp by indicating that questions about the renovation could be taken up by a congressional investigation. While the Trump administration initially showed interest in continuing to pursue the effort, the DOJ announced this morning that it plans on closing the investigation. *Assuming quick follow through, this late breaking development could allow for the Senate to clear Warsh's nomination by the expiration of Powell's term.*

Crypto Compromise Efforts. After the Senate Banking Committee needed to pull the plug on a planned mark-up of a crypto market structure bill in January, the administration held meetings with various industry stakeholders to try to find a way forward on a key remaining sticking point - whether interest can be paid on payment stablecoins (digital assets backed by dollars or other fiat currencies). A stablecoin bill signed into law last year has a nominal prohibition, but it does not prohibit payment of interest or other rewards programs paid by affiliates and partners. Banks would like to tighten this restriction because of the loophole's potential implications for bank deposits. Senators Tillis and Angela Alsobrooks (D-MD) have worked on a potential compromise, but it remains to be seen whether there will be sufficient consensus on it. There also are other remaining issues left to resolve, in particular ethics provisions aimed at addressing potential conflicts of interest from the Trump family's and administration officials' crypto ventures. *There remains interest*

in having a mark-up of a bipartisan bill in the coming weeks, but efforts to pass a crypto market structure bill face headwinds and complications in a legislative calendar that continues to get shorter.

Indexing Capital Gains. Two months ago, we wrote about efforts to push the Trump administration to act via executive authority to index capital gains for inflation, leading to lower taxes on realized capital gains. Senator Ted Cruz (R-TX) is jumping into the fight for this policy by advocating for its inclusion in the budget reconciliation bill. Republican leaders are trying to keep this reconciliation bill narrowly focused on funding for ICE and CBP. If leaders open the door to indexing capital gains, they will be faced with dozens, if not hundreds, of other requests for provisions to be included in the reconciliation bill. Such an exercise will take months and doom passage of the bill. *As a result, it is unlikely that indexing for capital gains will be included in the forthcoming bill, and we will continue to monitor potential action by the Trump administration.*

Political Dynasties. We recently had an interesting conversation with a reader about political dynasties and whether US voters have moved beyond names like Clinton and Bush. A number of dynasties live on in the halls of Congress. Someone with the last name Dingell (John, John Jr., and now Debbie) has been in Congress for almost 100 years. Former Rep. Michael Bilirakis and now his son Rep. Gus Bilirakis have represented the Tampa Bay area of Florida in Congress for over 43 years now. In Illinois, two sons of Jesse Jackson have served in Congress as have former Rep. Ray LaHood and his son Rep. Darin LaHood. *Political dynasties may be out of fashion on the national stage, but we still see it in Congress.*

The Final Word

Virginia is for Redistricting. Virginia voters this week narrowly approved (51.5% to 48.5%) a measure to redraw the state's congressional map ahead of the November midterms. It was a big win for Democrats and another boost to their efforts to reclaim control of the House. If permitted to go into effect, it could give Democrats an opportunity to pick up as many as four additional House seats this fall. The new map would reshape the state's House delegation, which currently includes six Democrats and five Republicans. Under the new redistricting lines, Democrats would be favored in 10 out of Virginia's 11 congressional districts. The Virginia legislature began redrawing the map last fall, joining a number of states that have altered their congressional lines ahead of the midterms (e.g. California and Texas). While voters have approved the new plan during this week's special election, the Supreme Court of Virginia is expected to have the final say. The court allowed the special election to move forward, but a challenge to the referendum remains pending. *If upheld, the Virginia map would improve Democrats' already good chances of flipping the House.*

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