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This update reflects facts as of Monday morning, June 15, 2026. The situation is fluid and may change.

Congress passed and the President signed last week the reconciliation bill to complete funding for the Department of Homeland Security. It failed, however, to pass an extension of a critical provision of the Foreign Intelligence Surveillance Act (FISA). That leaves the issue unaddressed for at least another week, as the House is in recess until the week of June 22. Other pending business includes bipartisan housing affordability legislation and a House-passed measure to provide aid to Ukraine, although it isn't yet clear whether the latter will be taken up in the Senate. Serious work is also underway on appropriations for the 2027 fiscal year beginning October 1, but with the parties seemingly far apart. Discussion continues of another reconciliation bill—the third for this Congress—prospects for which remain uncertain, at best.

Reconciliation legislation. Eight months into the 2026 fiscal year, Congress finally completed action on the last piece of the discretionary budget. It narrowly passed the bill to provide \$70 billion to fund Immigration and Customs Enforcement and Customs and Border Protection through the rest of the President's term. Passage clears the way for other pending legislation. Notably, however, the House passed the bill 214-212 without a single Democratic vote, foreshadowing difficulty in addressing more controversial legislation.

FISA extension. The most pressing issue for Congress is an extension of section 702 of FISA, the authority for warrantless foreign surveillance. That authority expired last week. Apparent agreement had been reached on reforms to section 702 to address concerns that U.S. citizens could potentially be ensnared. The appointment of a controversial acting Director of National Intelligence (DNI) temporarily derailed the legislation.

A new DNI was nominated late last week, but only after Congress had adjourned. The House has recessed for the week, creating a gap in the authority. Given the international situation, this is a matter Congress will want to address quickly. The Senate Select Committee on Intelligence has scheduled a hearing this week on the nomination of Jay Clayton as DNI, hoping his rapid confirmation will clear the way for extension of section 702.

Housing legislation. Affordability is an important election issue, and it certainly includes housing, given rising prices and higher mortgage rates. That explains the strong bipartisan

support for legislation to ease regulation of homebuilding and financing. House and Senate each overwhelmingly passed versions of housing legislation, and negotiations continue to reconcile significant differences, such as institutional ownership of single-family dwellings. The bipartisan desire to address affordability issues, though, makes the prospect of eventual agreement seem reasonable.

Reconciliation 3.0. Passage of reconciliation legislation last week clears the way for at least the possibility of another reconciliation bill. The President has urged immediate action on his budget request for \$350 billion for defense spending, which is over and above the increased annual appropriation he has also sought. Democratic opposition should be expected, given opposition to the amount requested for the annual appropriation. The addition to the debt would also elicit resistance from deficit hawks in both parties, if not offset by spending cuts or revenue increases, either of which would similarly meet resistance.

Republican members have also called for spending reductions in nondefense programs, including further reductions in mandatory health and nutrition programs. The One Big Beautiful Bill Act included about \$1.5 trillion in cuts for those programs, resistance to which resulted in the 50-50 vote in the Senate. The addition of more such cuts would therefore seem likely to meet considerable resistance.

The obstacles to reconciliation 3.0 are therefore considerable. Members on both sides of the aisle have expressed pessimism about the prospects.

The Ways and Means Chairman has indicated his desire to include tax changes in any reconciliation bill. A considerable list of tax proposals is under consideration, including both extensions on expired and expiring tax incentives like the Work Opportunity Tax Credit, substantive adjustments to recent legislation like the limitation on deductibility of gambling losses, and a bipartisan bill to address treaty-type issues vis-à-vis Taiwan. Most have a degree of bipartisan support. These tax proposals do not seem sufficiently compelling, either individually or together, to serve as a basis for a reconciliation bill, but could become part of any reconciliation discussion.

Appropriations. With completion of funding for the 2026 fiscal year last week, attention now turns to funding the government for the 2027 fiscal year. Progress has so far been slow on the 12 needed bills. The House has passed two, and though these are usually among the easiest, it passed one—Agriculture—by only a 213-210 vote. The other 10 are in various stages of development in the House, mostly being developed on a partisan basis.

More importantly, in the Senate where 60 votes will be needed for passage (absent resort to budget reconciliation), the Appropriations Committee seems still far from the needed bipartisan agreement. Work on the individual bills has been stymied by the lack of agreement at the outset over the top-line numbers, the usual starting point.

The most difficult of these is the division of defense and non-defense spending. The parties ordinarily insist on relative parity. The President's budget request for defense, however, is for a substantial increase in defense spending, accompanied by a reduction in non-defense

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spending. The gap sets up the current debate in the Appropriations Committee. The gap is large enough to cause concern for completion of funding by October 1.

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