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MORNING REPORT

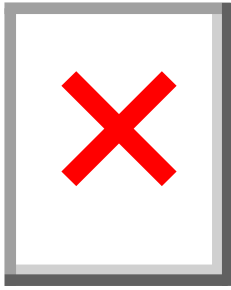
Tuesday, July 1 | By Alexis Simendinger & Kristina Karisch

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In today's issue:

- Senate GOP slogs through megabill changes
- What do Tillis, Bacon retirements spell for 2026?
- Trump targets Fed's board, chair and Musk
- Netanyahu to visit White House



The Associated Press | J. Scott Applewhite

Senate pulls all-nighter searching for megabill votes

The fate of the Senate's mammoth tax and spending bill this morning turns on nailing down final support from senators who have lingering misgivings.

"We're close," Senate Majority Leader **John Thune** (R-S.D.) told reporters early this morning while entering his office as the GOP's vote-a-rama inched toward the 21-hour mark.

On the Senate floor, Democrats have worked hour after hour to amend the sprawling bill that champions **President Trump's** agenda — or to force Republicans to take tough votes.

In some cases, Democrats have attracted support from multiple GOP colleagues while failing to substantially change the 940-page measure. At

one point, [18 Republicans](#) voted to raise taxes on the nation's wealthiest Americans to help fund rural hospitals that would be hit hard by the bill's Medicaid cuts. The Medicaid changes are aimed at helping offset the tax cuts Trump is determined to extend beyond this year.

At the White House, Trump and his advisers have been [lobbying senators](#), making clear that the goal remains a bill signing ceremony by Friday, July 4. And waiting on the other side of the Capitol are House Republicans, who have been fuming about the Senate-bill-in-progress.

Conservatives in the House on Monday criticized the "One Big Beautiful Bill Act" as vastly inferior to the legislation they passed by a single vote in May. The House is expected to return as soon as Wednesday to act on the legislation, assuming the Senate wraps up its work.

Thune's focus overnight turned to Sen. **Lisa Murkowski** (R-Alaska), whose vote one senator described as a "coin flip." She wants to exempt her state from some Medicaid cuts in the bill.

Late Monday, a group of [conservatives huddled with the Senate GOP leader](#) as it became clear an amendment they backed to further reduce Medicaid spending did not have the votes to pass.

Republicans can lose a maximum of three votes, and Sens. **Thom Tillis** (R-N.C.) and **Rand Paul** (R-Ky.) are already expected to vote "no" over their opposition to proposed Medicaid cuts and the inclusion of a \$5 trillion debt ceiling hike, respectively. Thune spent some time overnight talking privately with his Kentucky colleague.

At least a half-dozen Republican senators said Monday they were undecided, and several issues that could make or break their decisions churned in flux.

- [Follow The Hill's live blog](#) for the latest Senate coverage.
- [NBC News](#): *Who would win and who would lose in Republicans' "big, beautiful bill."*

West Virginia Republican Sen. **Jim Justice** on Monday joined Tillis in expressing doubts about the political wisdom of Senate changes to Medicaid proposed by Sen. **Rick Scott** (R-Fla.), who wants to stop able-bodied adults without dependent children [from receiving the 9-to-1 federal Medicaid matching share](#), a proposal that would reduce federal Medicaid spending by an additional \$313 billion on top of what's already in the GOP megabill.

"And now we're taking it to another level," Justice said of Scott's proposal to bar new enrollees into Medicaid in states that expanded the program

from getting the generous 90 percent federal match. [Thirty-three percent](#) of West Virginians benefit from Medicaid coverage, a fact Justice knows well as the state's former governor.

Democrats have made clear where their political messaging is heading after any bill signing. *"It's bad legislation,"* Sen. **Mark Kelly** (D-Ariz.) told MSNBC on Monday. *"If this passes, this is a political gift for Democrats."*

- [The Hill](#): *Senate defeats Maine Sen. **Susan Collins**' (R) proposal to raise taxes on highest earners to help rural hospitals.*
- [The New York Times](#): *Here's a list of nearly everything in the Senate GOP bill and how much it would cost or save.*
- [Bloomberg News](#): *Senate GOP on Monday removed a tax bill provision limiting state AI regulation.*

Next, the megabill must return to the House, where it passed before Memorial Day with a one-vote margin. House Republicans have expressed skepticism of the Senate's bill, but the upper chamber GOP is squeezing the timeline to try to force their colleagues to vote on their version of the legislation.

Still, Speaker **Mike Johnson** (R-La.) — tasked once again with pulling a rabbit out of a legislative hat to push the bill through with his razor-thin majority — opened the door last week to blowing past the holiday.

"We're going to pass this bill one way or the other," Johnson [said leaving the Capitol](#) on Monday evening. *"And I have prevailed upon my Senate colleagues to please, please, please, put it as close to the House product as possible. I have been very consistent from the very beginning."*

That extra time could be crucial, [reports The Hill's Mychael Schnell](#). At least six moderate House Republicans are planning to vote "no" on the Senate bill in its current form, The Hill has learned, as they air concerns about changes to Medicaid and the rollback of green-energy tax credits. Hard-line conservatives, meanwhile, have raised sharp objections to the legislation over the impact it will have on the deficit.

- [Politico](#): *The Senate megabill is on a collision course with House fiscal hawks.*

"On the text chains, on the phone calls, everyone is complaining," one moderate House Republican told The Hill. *"There's a few little provisions people will say something positive about, but no one is happy with the Senate version."*

"It's amazing to a lot of us," the member added. "How did it get so much f---ing worse?"



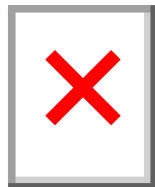
Smart Take
with **Blake**
Burman

Is the political evolution surrounding **Elon Musk** about to continue? The world's wealthiest man [threatened to primary](#) those who campaigned on reducing government spending but vote for the One, Big Beautiful Bill Act. I spoke with two lawmakers on different sides of the aisle shortly after the post.

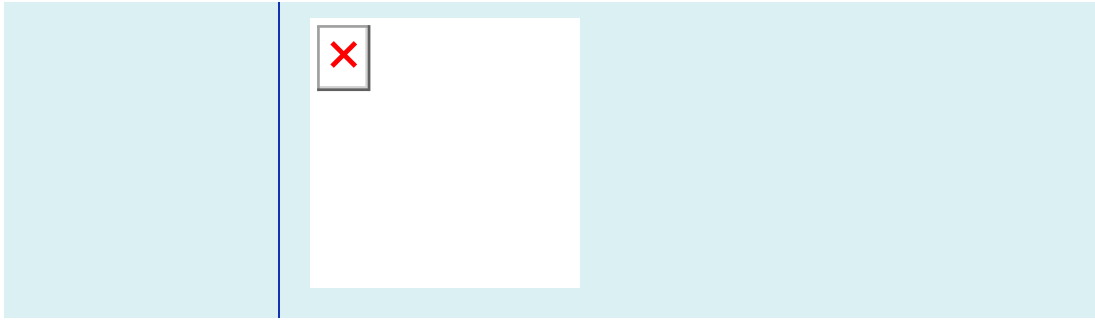
"I don't always agree with Elon Musk. I do agree with him on this," Rep. **Ami Bera** (D-Calif.) [told me](#). *"Elon Musk should do what Elon Musk wants to do."*

"It's certainly interesting him making those types of claims when he's made a significant amount of money off subsidies from the federal government in the form of electric vehicle subsidies, and those are the types of things that need to be cut in this bill," Rep. **Greg Steube** (R-Fla.) told me.

A much different tone from just a month ago when Musk was in the White House — revered by the right and a foe to the left.



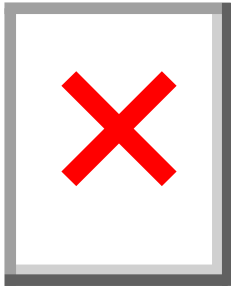
Burman hosts "The Hill" weeknights, 6p/5c on NewsNation.



3 Things to Know Today

1. **Federal officials hailed Operation Gold Rush**, calling it the largest [health care fraud takedown](#) in U.S. history. Officials say they were able to stop Medicare [from paying out \\$10 billion](#), but perpetrators still collected about \$1 billion from other insurers.
2. **Trump today heads to "Alligator Alcatraz"** for [the opening](#) of the temporary migrant detention and deportation center set up at a small airport in the Everglades. Florida Rep. Byron Donalds, a Republican gubernatorial candidate backed by Trump who will attend the event, [told the Miami Herald](#) that the U.S. needs more legal immigration.
3. **Americans have trouble sleeping.** Why is [insomnia on the rise](#)?

LEADING THE DAY



The Hill | Greg Nash

A PAIR OF GOP RETIREMENTS is throwing up new challenges for Republicans heading into the 2026 midterms, as the party seeks to defend its House and Senate majorities.

Key GOP moderate Rep. **Don Bacon** (Neb.) announced he will retire next year, teeing up a battle for one of the [most competitive districts](#) in the country, based in Omaha.

Former **President Biden** won Nebraska's 2nd Congressional District [in 2020](#) and former Vice President **Kamala Harris** captured the district in last year's presidential election.

Bacon suggested he grew weary of trying to stay in Trump's good graces without alienating his increasingly Democratic district. The 61-year-old said he was proud of his bipartisan approach amid bitter partisanship in Washington.

"It is disconcerting to get attacked from the right," [Bacon told reporters](#).

Democrats have had eyes on the "blue dot" district for years, after Bacon first won it in 2016, and [renewed their pledge](#) to target the seat next year.

- [Nebraska Examiner](#): *Who's eyeing Bacon's seat?*
- [The Wall Street Journal](#): *Bacon said he's not necessarily a "yes" on the Senate version of Trump's "big, beautiful bill."*

Meanwhile, North Carolina Sen. **Thom Tillis** (R), who opposes the Trump megabill because of proposed Medicaid changes and has been pilloried by the president for wandering off the GOP reservation, announced over the weekend that he won't seek reelection.

Former Senate Majority Leader **Mitch McConnell** (R-Ky.) called his colleague's decision a "[big setback](#)" for Senate Republicans and [The Hill's Jared Gans](#) reports the turmoil scrambled the 2026 field.

The Tar Heel State race was already prepped to be one of the most high-profile contests of the midterms and one of the two main targets for Democrats hoping to at least narrow the Republican majority.

Even if Democrats were able to flip the seat, they'd have their work cut out for them to win back the majority: Democrats would need to net three more seats, including in multiple deep-red states—viewed as unlikely.

Still, with Tillis out, the North Carolina open seat is expected to become more hotly contested. The president's daughter-in-law **Lara Trump** is [weighing a bid](#), among multiple other Republicans floated in recent days, while popular former Gov. **Roy Cooper** (D) is eyeing jumping into the race.

Trump's endorsement in the Republican primary will carry outsize weight. Tillis told Trump during a phone call before announcing his retirement that the president should "[start thinking about my replacement](#)."

- [Wall Street Journal editorial board](#): *Trump is putting "his presidency at risk" by driving Tillis into retirement.*
- [The Hill](#): *Sen. Tillis: Bolo for YOLO, by Chris Stirewalt.*

ELSEWHERE:

New York City: Few Democratic Party leaders have endorsed progressive upstart Zohran Mamdani, 33, a democratic socialist campaigning against Mayor Eric Adams (I), [reports The Hill's Amie Parnes](#).

South Dakota: Rep. **Dusty Johnson** (R) [announced](#) his candidacy for governor.

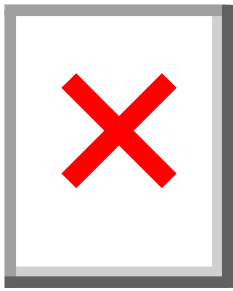
Pennsylvania: Rep. **Dwight Evans** (D-Pa.), 71, [announced](#) he will retire at the end of 2026 rather than seek reelection to his Philadelphia-based seat. He's the third House Democrat this year to announce an exit without plans to seek higher office. All were older than 70.

WHEN & WHERE

- **Welcome to July!** ☼
- **Just announced:** The Hill and NewsNation host their inaugural Hill Nation Summit in Washington on July 16. [Request to attend.](#)
- **The president** today travels to Florida for the opening of a state-federal detention facility at the [Dade-Collier Training and Transition Airport](#).
- **The Senate** is in session.
- **The House** will meet on Wednesday at 9 a.m.

□ ***Don't miss a beat:** Catch up on the morning's top moments & more in The Hill's 12:30 Report. [Click here to sign up & get it in your inbox.](#)*

ZOOM IN



The Associated Press | Alex Brandon

INTEREST RATES: Trump criticized Federal Reserve Chair **Jerome Powell** again on Truth Social [along with the entire Fed board](#), urging benchmark interest rates of 1 percent “or better.” The president on Monday also shared a handwritten note to Powell urging him to lower interest rates, his latest attempt to push the central bank to do so.

“Jerome — You are, as usual, ‘too late.’ You have cost the USA A fortune — and continue to do so — you should lower the rate — by a lot!” Trump wrote. *“Hundreds of billions of dollars being lost! No inflation.”*

Fed officials kicked off the year expecting to continue cutting interest rates as inflation drifted back toward its ideal annual level of 2 percent. But the bank has held off through the first half of 2025 amid the uncertainty driven by Trump’s tariff plans. The president has for months railed against Powell, and mused about firing the Fed chair, whom he appointed to the job in 2017. Powell’s term ends in 2026.

TRUMP TARGETS MUSK: The president in an overnight social media post [suggested](#) that the Department of Government Efficiency, which his former adviser **Elon Musk** led, "take a good, hard" look at subsidies to the Tesla CEO's companies.

Trump renewed his threat to go after Musk's businesses after the tech billionaire [amped up his calls Monday](#) for a new political party as he lodged sharp criticism against Trump's megabill.

The tech billionaire, whose close relationship with Trump quickly devolved into a public clash last month, has blasted the bill as "utterly insane" and "political suicide" for the GOP. Amid his tiff with Trump, Musk floated the idea of "The America Party" to "*represent the 80% in the middle.*"

TRADE: The Trump administration on Monday [welcomed Canada's about-face on a digital services tax](#) amid trade negotiations with the United States as a victory. But for Ottawa, it may have just been a calculated tactical retreat.

After Trump on Friday said he would halt trade talks with Canada over the tax, the Canadian government announced Sunday it would be scrapped. Prime Minister **Mark Carney** said the decision [was meant to allow the resumption](#) of trade talks with the U.S.

A number of European nations also have such tax policies in place, which Trump has called "very nasty." The **European Union** [is also locked in trade talks](#) over Trump's tariffs.

- [The Hill](#): ***António Costa**, president of the European Council, said he expects NATO members' new 5 percent defense spending pledge to help pave the way for a trade agreement between the U.S. and EU.*
- [The Hill](#): *The trade deal lowering U.S. tariffs on some **U.K.** imports took effect Monday.*

Other countries' [attempts at trade negotiations](#) aren't faring well.

Trump has said he will send letters to trading partners to establish tariff rates ahead of the July 8 expiration on the pause on his hefty "reciprocal" tariffs. Officials, though, have insisted for months that talks are progressing with trading partners, including with Japan, as well as with **India** and **Vietnam**.

"To show people how spoiled Countries have become with respect to the United States of America, and I have great respect for Japan, they won't take our RICE, and yet they have a massive rice shortage," Trump said on Truth Social, referring to Japan's rice crisis that has elevated prices.

- [Reuters](#): *Officials from India will extend their Washington visit to try to reach agreement on a trade deal with the Trump administration and address lingering concerns on both sides.*
- [The Associated Press](#): *The U.S. and **China** announced a trade agreement — again. Here's what it means.*
- [The New York Times](#): *As America's largest trading partners race toward deals, they are increasingly worried about being hit with future tariffs on their critical industries.*

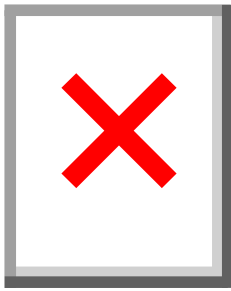
Meanwhile, **African leaders** are torn in their dealings with the Trump administration, [The Hill's Laura Kelly reports from Angola](#), seeking to balance their desperate need for investment with deep frustrations over the U.S. president's rhetoric and actions toward the continent.

COURTS: The Supreme Court on Monday [agreed to take up Vice President Vance](#) and GOP committees' bid to strike down federal limits on political parties' spending made in coordination with campaigns. It sets the stage for a major campaign finance battle during the court's next annual term, which begins in October.

The Supreme Court's [ruling in a case on birthright citizenship](#) gave an ominous warning to those challenging other Trump policies by curbing the use of a nationwide injunction that barred the order from being implemented all across the country.

- [USA Today](#): *The Supreme Court said lower courts must reconsider their decisions that government-sponsored insurance plans must pay for gender-affirming care. The order comes after the justices' recent landmark ruling upholding Tennessee's ban on gender-affirming care for minors.*
- [The Hill](#): *Supreme Court Justice **Amy Coney Barrett** lands back in MAGA's good graces.*
- [CBS News](#): *A federal magistrate judge said Monday that **Kilmar Abrego Garcia**, the Salvadoran man who was mistakenly deported and then returned to the U.S. to face criminal charges of human smuggling, will remain in federal custody until at least mid-July.*
- [The Washington Post](#): *Immigration and Customs Enforcement is arresting migrants during worksite raids at small businesses and employers are largely escaping charges.*

ELSEWHERE



The Associated Press | Jack Guez, AFP

MIDDLE EAST: As the fragile ceasefire between Israel and Iran nears one week, there's little clarity on what comes next in U.S.-Iran relations and whether Iran remains a near-term nuclear threat.

Trump and Iran's leaders have sent mixed signals on resuming nuclear talks, while new evidence called into further question Trump's claims that U.S. strikes obliterated Iran's nuclear threat. Trump on Monday denied reports that he is weighing a \$30 billion deal with Iran that would allow for the development of civilian nuclear facilities. [The Hill's Ellen Mitchell breaks down](#) five new developments in the ceasefire.

Meanwhile, [Trump will host](#) Israeli Prime Minister **Benjamin Netanyahu** for talks at the White House next Monday. The visit comes after Israeli officials headed to Washington [for a new ceasefire push](#) led by Trump. A day after Trump called to *"Make the deal in Gaza, get the hostages back,"*

Israel's strategic affairs minister, **Ron Dermer**, a confidant of Netanyahu, headed to Washington for talks on Iran and Gaza.

In addition to an end to the war in Gaza, Israel now appears more interested in formalizing diplomatic relations with some of its long-standing adversaries following its attacks on Iran.

"This victory presents an opportunity for a dramatic widening of peace agreements," Netanyahu [said in a statement](#) last week. *"We are working on this with enthusiasm."*

Iran's deputy foreign minister [told the BBC](#) that Tehran's leaders would be willing to resume diplomatic talks over the country's nuclear program if the U.S. agrees it will not launch any additional military strikes.

- [The Associated Press](#): *A week into the fragile Israel-Iran peace agreement, here's what we still don't know.*
- [The Hill](#): *The Trump administration revoked U.S. visas for members of punk-rap duo **Bob Vylan** after the group's inflammatory remarks about Israel during a performance at the U.K.'s Glastonbury Festival.*

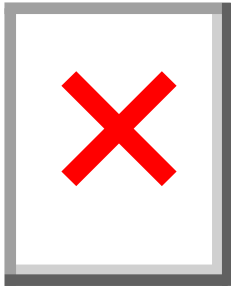
UKRAINE: Russia has unleashed its summer offensive in eastern Ukraine and is slowly moving forward. Moscow has the advantage in manpower, artillery shells and missiles, and the next months are crucial in President **Vladimir Putin's** bid to force Kyiv's capitulation. But experts [warn The Washington Post](#) that the army is mired in problems, experiencing weaknesses in intelligence, corruption, logistical failures and poor training.

- [Al Jazeera](#): *In Ukraine, most back negotiations over more fighting to end Russia's war.*
- [The Wall Street Journal](#): *Holding the Russians off has become a game of whack-a-mole for outnumbered Ukrainian troops, with Russia frequently opening new lines of attack.*

OPINION

- **The great budget baseline con**, by [The Wall Street Journal](#) editorial board.
- **Trump's America is beginning to look more like China**, by Jacob Dreyer, guest essayist, [The New York Times](#).

THE CLOSER



The Associated Press | Joe Burbank, Orlando Sentinel

And finally ... □ Child overboard! The fast-acting crew aboard a Disney Dream cruise ship that was returning to Fort Lauderdale, Fla., from the Bahamas on Sunday [rescued a young girl](#) who [fell from the ship into the sea](#). Her father, who reportedly leaped into the water after his daughter fell from the [fourth deck](#), treaded water with her for many minutes ahead of a dramatic rescue [captured on video](#) by other passengers.

“We commend our crew members for their exceptional skills and prompt actions, which ensured the safe return of both guests to the ship within minutes,” Disney said in a statement. *“We are committed to the safety and well-being of our guests, and this incident highlights the effectiveness of our safety protocols.”*

[The Miami Herald](#): *“Nothing short of a miracle.”*

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