

Budget Reconciliation 101

What Is Reconciliation?

- The House and Senate must each pass a budget resolution every year. Reconciliation is the name for a **fast-track legislative process Congress uses to address certain budget issues**.
- Reconciliation **addresses areas of the Congressional budget in which revenue (money the government brings in), spending, and federal debt levels need to be adjusted – or reconciled – for Congress’ final budget to work**. Reconciliation is not the only process used for the federal budget, but it is an important one!
- Congress can spend money in two ways: discretionary spending and mandatory spending. Mandatory spending is required (or “mandated”) by laws Congress has already passed. **Reconciliation only deals with mandatory spending**. Discretionary spending is managed by a different legislative process, called “appropriations.”
- **Mandatory spending consists mostly of social and benefits programs like Social Security, Medicare, Medicaid, and SNAP**. Social Security is the only mandatory program whose funding cannot be touched in reconciliation.
 - The Earned Income Tax Credit and Child Tax Credit, unemployment insurance, federal foster care funds, programs to help military veterans retire, and required payments towards the federal debt (specifically, payments towards interest on the debt) are also part of mandatory spending. In 2023, mandatory spending was roughly 60% of the federal budget.
- The Senate has a special set of separate rules for reconciliation bills. These Senate rules include less debate time, they can only add amendments to the bill that are considered relevant to the bill’s topics, and Senators cannot filibuster. Filibustering is when someone uses an official process to speak for a long time to delay, block, or protest a law from moving forward in Congress.
 - The most significant difference in the rules for reconciliation and regular legislative processes is that **reconciliation bills only need a simple majority in the Senate to pass, instead of a 2/3 majority (60 votes)**.



History and Use of Reconciliation

- The reconciliation process was created 51 years ago by the Congressional Budget Act of 1974. Over the last 51 years, reconciliation has been used 28 times: 23 bills have been signed into law, four were passed by Congress but vetoed by the President, and one passed in the House but not the Senate.
 - Sometimes, one party in Congress is working on proposed legislation they intend to push through the reconciliation process, but ultimately, the reconciliation process does not happen. Those instances are not counted as part of the 28 times reconciliation has been used. One recent example of this is the Build Back Better Act of 2022.
- As the United States and Congress have become increasingly partisan in recent decades, it has become much harder for legislation to receive 60 votes in the Senate. When one party has a slim majority in the Senate, they will sometimes use reconciliation to pass legislation that would otherwise never receive 60 votes. Both Democrats and Republicans have used the rules of reconciliation to their advantage to pass significant legislation.
- Reconciliation has been used to reform benefit programs, create new ones, balance the federal budget, and enact significant tax reform.
- Most reconciliation processes have focused on reducing the federal deficit, but in some years, most recently in 2017 and 2021, reconciliation legislation has increased the federal deficit.
 - The federal deficit is the amount of money the government spends in a year that is greater than the revenue the government brings in that year. Increasing the deficit requires the government to take on more debt.
- Examples you may remember of major legislation passed in recent years under reconciliation include the Tax Cuts and Jobs Act of 2017, the American Rescue Plan of 2021 (COVID-19 stimulus package), and the Inflation Reduction Act of 2022.



What is the Budget Reconciliation Timeline?

Step 1: Concurrent Budget Resolution

Before a reconciliation bill can be considered, the House and Senate must each pass a “concurrent budget resolution” (concurrent means they happen at the same time). The budget resolution is a kind of first draft or framework that sets the big priorities for that year’s budget. **When the budget resolution is passed, it does not go to the President for signature and does not carry the force of law.**

Passing the budget resolution establishes the framework of the budget. The budget resolution contains many instructions to various congressional committees. Sometimes, it instructs committees to spend more money on a particular program or issue. Other times, it instructs committees to find savings, which means cutting programs or expenses.

The instructions provide specific dollar amounts – fiscal targets – of how much money should be spent, saved, or repaid. However, the resolutions do not contain any instructions or suggestions about how to meet those targets. Decisions about how to meet those targets are then made in committees.

Step 2: Committee Work

After passing the Concurrent Budget Resolution, committees in the House and Senate begin drafting legislation outlining how they will meet the fiscal targets set by the resolution. Committees that don’t receive any specific instructions in the budget resolution are not involved in developing the reconciliation bill.

The committees that receive specific instructions will respond with recommended changes to the law that would meet the budget resolution instructions. This stage involves a lot of negotiation and discussion. Committees may also respond with proposed changes to the targets they’ve been given.

Once the committee has determined their response and written their portions of the bill, the committee votes to submit their reconciliation recommendations to the Budget Committee.

The Budget Committees in the House and Senate then combine all the legislation passed by the committees into one single (usually very long) reconciliation bill. At this stage, the Budget Committee cannot make substantive changes to the legislation drafted by the other committees. Then, the Budget Committees send the reconciliation bill to the House and the Senate to consider it for a vote.



Step 3: Debate and Passage

The House and Senate then debate the content of the reconciliation bill and vote on it.

The reconciliation debate process is subject to different rules than other bills.

In the House, the House Rules Committee establishes guidelines for debate (like how many hours they can debate) and whether representatives are allowed to submit amendments. After the time allotted by the Rules Committee for debate has passed, the House will vote on the bill. If the bill receives a simple majority, it passes.

In the Senate, floor debate is limited to 20 hours, and only 51 votes are needed to pass the bill. Even after the 20 hours of debate, senators are allowed to offer amendments and make other motions. This is usually called “vote-a-rama.” During vote-a-rama, amendments are voted on one after another without debate, until no more amendments are offered. Once vote-a-rama is concluded, the Senate will vote on the bill’s final passage.

Step 4: Conference Between Chambers

If both the House and Senate have passed the reconciliation bill, the next step is for the House and Senate to resolve any differences in the bills passed by their respective chambers of Congress. Resolving these differences to finalize one unified bill is a requirement before the President can sign the reconciliation bill.

Amendments made in the Senate can create significant policy differences between the two bills. Members of both chambers usually form what is called a “conference committee” to negotiate policy differences between the House bill and the Senate bill. The conference committee must finalize one unified bill that both chambers can agree upon.

After the conference committee delivers the text of one final, unified bill, the Senate and the House must vote one more time to pass the unified bill. During this final vote, no changes or amendments may be made to the bill.

Step 5: Final Approval

After both the House and Senate pass the unified bill with no changes or amendments, it goes to the President to sign it into law.