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## Budget Reconciliation: The Basics

### Executive Summary

#### What is “reconciliation”?

Reconciliation is a tool – a special process – that makes legislation easier to pass in the Senate.

#### How is it different from a regular bill?

Instead of needing 60 votes, a reconciliation bill only needs a simple majority in the Senate.

Reconciliation starts with the congressional budget resolution. The budget cannot be stalled in the Senate by filibuster, and it does not need the President’s signature.

If the budget calls for reconciliation, it tells certain committees to change spending, revenues, or deficits by specific amounts. Each committee writes a bill to achieve its target, and if more than one committee is told to act, the Budget Committee puts the bills together into one big bill.

That bill has special status in the Senate. Like the budget, it cannot be filibustered, and only needs a simple majority to pass.

#### Why not use it for everything?

Other special rules, which are designed to protect the rights of the minority party, apply to reconciliation bills. Only policies that change spending or revenues can be included. Senate debate time is limited, and only certain kinds of amendments can be offered. For example, the Social Security program cannot be changed in reconciliation.

### The Basics

Budget reconciliation provides a fast-track process for consideration of bills to implement the policy choices embodied in the annual congressional budget resolution. During the 115th Congress, for example, Republicans used this tool twice to pursue their policy goals. This report summarizes the reconciliation process and the recent history of its use.

### Overview

In its annual budget resolution, Congress sets total spending, revenues, the surplus or deficit, and the public debt. The budget may also include reconciliation instructions. These instructions direct one or more committees to recommend changes to existing law to achieve specified changes in spending, revenues, deficits, and/or the debt limit. Instructed committees can comply with their targets by making changes to any of the programs under their jurisdiction.<sup>[1]</sup>

In the Senate, the resulting reconciliation bill incorporating those proposals is considered under expedited procedures that limit debate and amendments. Like the budget resolution, a reconciliation bill cannot be filibustered in the Senate and therefore needs only a simple majority to move to a final vote. However, there are limitations on the substance of what can be included in a reconciliation bill, although a 60-vote majority in the Senate can override any objections.

## **How Reconciliation Works in the House**

Each instructed committee drafts recommendations for spending and/or revenue changes in a manner subject to its committee rules and the rules of the House. For example, the House rule on germaneness is enforceable in committees. Committees may not adopt rules only allowing consideration of deficit-neutral or deficit-reducing amendments, even pursuant to a unanimous consent request. In meeting its reconciliation instructions, a committee may choose to increase costs in some areas as well as reduce costs in others, so long as the net budgetary effect of a committee's proposals complies with its instruction.

Committees submit their recommendations for spending and/or revenue changes to the Budget Committee, where the separate measures are packaged and reported to the floor (when only one committee has instructions, that committee reports its measure directly to the floor). The Budget Committee cannot make substantive changes to the recommendations, even if the committees fail to meet the targets specified in the reconciliation directive.

## **Amendments to Reconciliation on the House Floor**

Any House Member may ask the Rules Committee to allow amendments to the reconciliation package on the House floor. The Rules Committee historically has been receptive to amendments proposed by the Chair of the Budget Committee, which generally reflect leadership views. The Budget Committee markup of the reconciliation recommendations generally includes non-binding motions offered by the minority to instruct the Committee Chair to ask the Rules Committee to make specific amendments in order on the floor. In the past, the Rules Committee has made the Budget Committee Chair's amendment in order, sometimes incorporating it into the measure through a self-executing rule.

Under the Congressional Budget Act, there is a point of order against amendments that worsen the deficit relative to the underlying bill.<sup>[2]</sup> All amendments must also be germane to the underlying bill.

## **If House Committees Do Not Comply with Reconciliation Instructions**

While there are no penalties or points of order for failing to comply with the fiscal targets in the reconciliation directives, instructed committees generally do make the required changes. If they do not, the House Rules Committee could make in order an amendment that achieves the target in a way that is counter to the wishes of the instructed committee. Note that the budget resolution's reconciliation targets apply to the initial recommendations from the committees and not to the reconciliation

conference agreement, which may contain larger or smaller changes in spending or revenues.

### **Benefits of Reconciliation in the Senate**

The reconciliation procedures in Senate committees are similar to those in the House. In the Senate, however, reconciliation bills are subject to expedited procedures during floor consideration, as well as specific limits imposed by the so-called “Byrd rule” (described further below).

The first major benefit is that debate on a reconciliation bill or reconciliation conference report is limited to 20 hours, so it cannot be filibustered on the Senate floor. The practical effect is that the bill can be passed with a simple majority vote, in contrast to most legislation, which requires a 60-vote supermajority to invoke cloture and limit debate. After time for debate has expired, Senators may continue to offer amendments, but they are not debatable. This is colloquially referred to as “vote-a-rama.” Second, amendments to a reconciliation bill must be germane, which is normally not the case in the Senate.

Third, with only a few exceptions, amendments to a reconciliation bill on the Senate floor cannot increase the deficit; they must either lessen the deficit or be deficit-neutral. One exception is that amendments striking an entire provision are always in order, even if the provision being removed saves money. In the Senate, if the reconciliation bill fails to comply with a committee’s target, there is a procedure to allow non-germane floor amendments to bring the bill into compliance with the reconciliation instructions.

### **Limitations of Reconciliation in the Senate – The Byrd Rule**

Named for Senator Robert Byrd, the Byrd rule (Section 313 of the Congressional Budget Act) was first adopted in the mid-1980s to limit extraneous provisions from inclusion in reconciliation bills. Because reconciliation bills are considered using expedited procedures in the Senate, the Byrd rule is aimed at preventing the use of reconciliation to move a legislative agenda unrelated to spending or taxes, and to some extent it limits Congress’ ability to use reconciliation to increase deficits – at least over the long-term. The Byrd rule prohibits the inclusion of “extraneous” measures in reconciliation, defining “extraneous” as follows:

- measures with no budgetary effect (i.e., no change in outlays or revenues);
- measures that worsen the deficit when a committee has not achieved its reconciliation target;
- measures outside the jurisdiction of the committee that submitted the title or provision;
- measures that produce a budgetary effect that is merely incidental to the non-budgetary policy change;
- measures that increase deficits for any fiscal year outside the reconciliation window;
- and
- measures that recommend changes in Social Security.

Any Senator may raise a point of order against an extraneous provision in the reconciliation bill, amendments, or the conference agreement. The Senate Parliamentarian decides whether there is a Byrd rule violation, and provisions struck through a Byrd rule point of order cannot be offered later as amendments. However, Byrd rule points of order can be waived by a vote of 60 Senators.

In addition to reconciliation-specific points of order, reconciliation bills are subject to other Senate points of order, like the Senate PAYGO rule, that apply to all legislation.

## **Reconciliation Conference Agreement Procedures**

As noted above, a reconciliation conference agreement is not bound by the original reconciliation instructions. Technically, neither the House reconciliation bill nor the Senate bill is bound by the targets, but the threat that the Budget Committees – or someone else – could propose floor amendments bringing the bills to their targets has historically given instructed committees the incentive to meet the targets themselves. That threat does not apply to conference agreements, which cannot be amended on the floor.

However, even though a conference agreement cannot be amended, it is still subject to Byrd rule requirements in the Senate. Thus, although the Byrd rule does not apply in the House, it constrains what can be included in the reconciliation conference agreement. A provision violating the Byrd rule can be struck from the conference agreement on the Senate floor unless 60 Senators vote to waive the point of order. Stripping a provision due to a Byrd rule violation does not mean the conference agreement is defeated, just that the agreement will be sent to the House without the stripped provision.

## **Recent History**

Since 1980, Congress has sent 25 reconciliation measures to the President – 4 bills were vetoed and 21 enacted – primarily legislation that reduced the deficit through cuts in mandatory spending or increases in revenues. However, beginning in the early 2000s, Republican Congresses began to routinely use reconciliation to increase the deficit, enacting major tax cuts without offsetting the revenue loss in 2001, 2003, and 2006.<sup>[3]</sup> When Democrats took control of the House in 2007, House rules were changed to allow reconciliation to be used only for deficit reduction. Republicans changed that rule in 2011 to disallow spending increases but permit revenue losses. That rule change allowed Congress to again use the reconciliation process to increase deficits, which the Republican majority did in 2017.

In the 115th Congress, Republicans used reconciliation to enact their tax law. In the final months of 2017, the House and Senate approved a reconciliation measure (H.R. 1) to cut taxes mostly for the wealthy and corporations and to eliminate the penalty for not having health insurance. The Congressional Budget Office estimated at the time that the legislation would add \$1.5 trillion to federal deficits over 10 years, which has been revised to \$1.9 trillion. President Trump signed this legislation into law on December 22, 2017. Earlier in that same year, Republicans attempted to use reconciliation to dismantle the Affordable Care Act. The House approved a reconciliation measure (H.R. 1628) to repeal major provisions of the health care law

and cap federal funding for Medicaid, but the Senate failed to get the needed votes to advance a bill.

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[1] The Congressional Budget Act defines reconciliation bills that include changes to Social Security as out of order, however.

[2] Even if the underlying bill achieves greater savings than the budget resolution instructed, amendments that worsen the deficit are not permitted in the House.

[3] See Congressional Research Service Report R40480, "*Budget Reconciliation Measures Enacted into Law: 1980-2017.*"