HOUSE BUDGET COMMITTEE
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Chairman Diane Black

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ADOPTION OF SENATE-PASSED BUDGET RESOLUTION PAVES WAY FOR TAX REFORM

On October 19, the Senate approved their version of the Fiscal Year [FY] 2018 budget resolution by a vote of 51-49. Concurrence by the House with Senate amendments to H. Con. Res. 71 will pave the way for a reconciliation process to allow Congress to move tax reform legislation without the threat of a Democratic filibuster in the Senate. The Senate-passed budget resolution includes the following:

Identical Reconciliation Instructions for Tax Reform: The Senate-passed budget provides reconciliation instructions to both the House Ways and Means Committee and the Senate Finance Committee to increase the deficit up to $1.5 trillion over the ten-year budget window. This number is needed because the Senate's reconciliation rules do not permit the use of the current policy baseline for tax reform. The Senate also cannot use dynamic scoring for tax cuts, which takes into account real world economic changes. The higher number also provides flexibility to finalize tax reform, and increased economic growth fostered by comprehensive tax reform will generate additional revenues to lessen any deficit impact.

Permits Higher Defense Spending Contingent on a BCA Cap Revision: The Senate-passed budget creates a mechanism that permits both the House and Senate Budget Committee chairmen to adjust budget allocations and other spending levels if there is future legislation signed into law that revises the Budget Control Act [BCA] discretionary spending caps for defense and national security.

Sets the Stage for Mandatory Spending Reforms in the Future: The Senate-passed budget resolution includes the House-passed budget resolution's call to reform mandatory spending programs, as they both assume more than $4 trillion in mandatory savings over the next ten years.

Improved Budget Enforcement Provisions in the House: The Senate adopted an amendment to include most of the House-passed budget enforcement provisions designed to strengthen fiscal discipline. For example, it further restricts legislation to dramatically increase spending outside the ten-year budget window; permits more accurate budget scoring of loan and loan-guarantee programs; and provides a process to plug loopholes through which advance appropriations and uncertain mandatory savings can be used for higher spending.

Pro-Growth Economic Assumptions: The Senate-passed budget echoes the House-passed budget's focus on pro-growth policies of tax reform, regulatory reform, welfare reform, and health care reform. The Senate budget, just as the House budget, assumes real Gross Domestic Product [GDP] growth will average 2.6 percent over the next ten years. Under the Senate's budget, this macroeconomic effect will result in $1.8 trillion in deficit reduction over the budget window.

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