

THE CHILDREN'S BUDGET COALITION

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BUDGET RECONCILIATION IN THE 117TH CONGRESS

With unified Democratic control of both chambers of Congress and the presidency, it is likely that lawmakers will seek to employ the budget reconciliation process in the 117th Congress. Below is a fact sheet on how budget reconciliation works and could proceed over the coming two years.

- **Budget reconciliation offers a fast-track process for considering changes to direct spending, revenue, and the debt limit.** This process allows privileged consideration of such legislation, requiring only a simple majority vote to start debate on the legislation as well as for passage. This is particularly important for the Senate, which usually requires a 60-vote threshold for starting and ending debate. Reconciliation will allow the Senate majority to consider and pass legislation with just 51 votes (or, in the likely event of a 50-50 tie, with Vice President Harris's tiebreaking vote).
- **Reconciliation is intended to reconcile the differences between current law and a concurrent budget resolution of both chambers.** This means that reconciliation legislation first requires a budget resolution to be passed concurrently with both the House of Representatives and Senate, setting designated spending, revenues, and public debt levels over a given time period (usually ten years). The budget resolution does *not* require the president's signature, and it can contain (but is not required to) instructions for reconciliation legislation directed to the respective authorizing committees of jurisdiction for a set dollar amount of changes in spending and/or revenues (or deficits as a whole).
- **Only one reconciliation bill per measure (spending, revenue, and debt limit) can be passed in a given fiscal year.** This means the 117th Congress will have three possible attempts at legislation with budget reconciliation: Fiscal Year (FY) 2021, FY 2022, and FY 2023. FY 2021 has already begun, but no concurrent budget resolution has been passed yet, allowing lawmakers to use one for the present fiscal year. Reconciliation for FY 2022 can begin in earnest as soon as the FY 2022 budget process begins, which is generally when the president submits their budget on the first Monday in February. Any reconciliation for FY 2023 would not begin until at least February 2022.
- **Reconciliation has specific content limitations and rules for amending it on the floor.** The Budget Act of 1974 governs how reconciliation can be used; it was generally set up as a mechanism for deficit reduction to comply with the budget resolution, but it has been used in recent years to increase deficits. The most significant limitation on this is known as the "Byrd rule," described below. Apart from the Byrd rule, reconciliation cannot change the regular annual budget process because it is limited to direct (or mandatory) spending and revenues, so it cannot change discretionary appropriations or set them. It also cannot be used to pass changes to the Senate's rules (like by creating fast-track process for consideration of legislation).
- **The Byrd rule is the largest barrier to what reconciliation can and cannot achieve.** The Byrd rule has several components that limit the scope of reconciliation bills. First, and most simply, changes to Social Security cannot be made by reconciliation. Second, it requires that the bill not increase deficits in any year outside of the period governed by the budget resolution (usually ten years). Third, any provision in the bill must directly change spending and/or revenue – its effect on spending and/or revenue cannot be "merely incidental," which is determined by the Senate parliamentarian. Finally, reconciliation can only make changes recommended by the proper committee of jurisdiction within the dollar limit set by the budget resolution; i.e. if the Senate Finance Committee tried to increase direct spending on higher education, it would be ruled out of order. Provisions that violate the Byrd rule can be "surgically" removed, where only the provision is struck from the bill but the rest of the bill remains intact.

This is not an exhaustive explanation of reconciliation; more details remain. For more information, contact Christopher Towner, First Focus on Children, at christophert@firstfocus.org.