The Reconciliation Process: Congress' Favorite Budget Tool

Center Forward Basic
December 2016

Overview

The House and Senate often use annual budget bills to communicate their broad visions for the size and role of the federal government. Even so, the rules governing the budget process can remove some of the procedural obstacles that stand in the way of significant changes to tax policy and entitlement spending. One of these rules –called "reconciliation" –has a history of helping the passage of milestone legislation, including historic legislation like the Bush tax cuts and health care reform.

What is the budget reconciliation?

The Congressional Budget Act of 1974 established a two-stage process to assist in achieving budget reduction policies. In the first stage, the House and the Senate must both pass a joint budget resolution instructing Congressional committees to identify specific changes that impact spending and revenue. After the joint budget is approved, the second stage requires the Budget Committee to combine the proposals into a single legislative package. If Congress successfully maneuvers this process, the package of spending and revenue changes receives special protection from procedural obstacles. Most importantly, the bill cannot be filibustered, which allows it to pass the Senate with a simple majority rather than 60 votes.

How does the "Byrd Rule" limit reconciliation?

In its early years, the reconciliation process was used to pass unrelated policies that barely resembled the instructions laid out by the budget resolution. To prevent future abuses, in 1985, the Senate adopted the Byrd rule. Passed into law in 1990, this rule essentially prohibits Senators from including provisions in reconciliation bills that are unrelated to the deficit reduction goals. The Byrd rule prevents reconciliation bills from increasing the deficit beyond the years covered by the budget resolution, making any changes to Social Security, or enacting policies that only incidentally affect the budget. The Byrd rule shapes key decisions for every reconciliation bill. For instance, the Bush tax cuts were designed to sunset in 10 years to avoid increasing the deficit beyond the budget resolution's time horizon, which has led to an annual Congressional debate about how or whether to extend them further.

Key Facts

- "Reconciliation" has a history of helping the passage of milestone legislation, including historic legislation like the Bush tax cuts and health care reform.
- The Byrd rule prevents reconciliation bills from increasing the deficit beyond the years covered by the budget resolution, making any

Links to Other Resources

- Congressional Research Service (CRS) — The Budget Reconciliation Process: House & Senate Procedures (RL33030)
- Congressional Research Service (CRS) — The Senate's "Byrd Rule" (RL30862)
- Committee for a Responsible Federal Budget — Past Uses of Reconciliation (1980-2007)
- Brookings Institute — Reconciliation Bills Signed into Law (1980-2008)
- House of Representatives — Compilation of Laws & Rules on the Congressional Budget Process

About Center Forward

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How has Congress used reconciliation in the past?

Since the first passage of a reconciliation bill in 1980, Congress has used this process 24 times, with 20 laws enacted and four bills vetoed. In 1981, President Ronald Reagan relied on the reconciliation process to enact several agenda items and reduce the deficit by a $130.6 billion over three years. In the early 1990s, reconciliation bills signed by Presidents George H.W. Bush and Bill Clinton led to almost one trillion in budget savings. In the late 1990s and early 2000s, four separate reconciliation bills led to over $1.8 trillion in tax cuts over ten years. More recently, Congress used the reconciliation process to amend the Affordable Care Act in order to make key changes to an earlier version of the bill passed in the Senate.