



The Reconciliation Process: Congress's Favorite Budget Tool

Center Forward Basics
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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 limit significant changes to tax policy and entitlement spending. One of these rules – called “reconciliation” – has a history of playing a role in the passage of legislative accomplishments, including bills such as the Bush tax cuts and Affordable Care Act. President Biden and Democratic leaders in the House and Senate have discussed using the popular budget reconciliation process to address budgetary needs related to the COVID-19 pandemic and the economy.

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, revenues, or deficits by a specific amount. 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.

Why use budget reconciliation?

Budget reconciliation is a powerful and popular tool used to enact legislation related to spending and the federal deficit. Historically, it has been used to pass important, yet sometimes more controversial or partisan legislation that could not be passed with 60 votes in the Senate. For example, without any support from Democrats, Republicans passed a Tax Cut Act in 2017 using the budget reconciliation process.

Congressional Democrats have promised to pass a COVID-19 relief bill in the first few months of the 117th Congress. If Democrats do not get bipartisan support for their legislation, they plan to pass it through budget reconciliation. While Democrats are in the Senate majority, they only have 50 votes - with Vice President Kamala Harris being the tie-breaking 51 vote.

How does the “Byrd Rule” limit reconciliation?

In its early years, the reconciliation process was used to pass unrelated policies or amendments that barely resembled the

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Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

Key Facts

- 21 bills have become law through reconciliation. Recent legislation includes portions of the Affordable Care Act of 2010 and the 2017 tax cuts.
 - Additionally, 4 reconciliation bills have passed both chambers of Congress but were vetoed by presidents.
- 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.

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.

The Senate Parliamentarian and the Byrd Bath

Under the Byrd Rule, provisions in reconciliation bills must be directly budget related - meaning they can only change spending and revenue. Senators can raise objections through a "point of order" against any provision of a bill or amendments that they believe are extraneous under the Byrd Rule. The Senate parliamentarian then decides if it fits the rules. Additionally, material that violates the Byrd Rule can remain in reconciliation legislation if no Senator makes an objection. In the past, Congress has used this process to enact budget process changes such as appropriations caps or PAYGO rules, even though they are considered extraneous under the Byrd Rule. Democrats are currently proposing increasing the federal minimum wage to \$15 through the reconciliation process, although some lawmakers fear it will be considered extraneous and not be allowed by the Senate parliamentarian.

How has Congress used reconciliation in the past?

Since the first passage of a reconciliation bill in 1980, Congress has used this process 25 times, with 21 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 \$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. In 2017, the House and Senate approved a reconciliation measure to enact tax cuts and eliminate the penalty for not having health insurance.

Links to Other Resources

- Brookings Institute — [Reconciliation Bills Signed into Law](#)
- Committee for a Responsible Federal Budget — [Past Uses of Reconciliation](#)
- Committee for a Responsible Federal Budget — [Reconciliation 101](#)
- Congressional Research Service — [The Budget Reconciliation Process: Stages of Consideration](#)
- Congressional Research Service — [The Budget Reconciliation Process: The Senate's "Byrd Rule"](#)
- Forbes — [What is Budget Reconciliation Anyway?](#)
- House Committee on the Budget — [Budget Reconciliation: The Basics](#)
- NPR — [What Is 'Reconciliation'? Democrats Face Hurdles To Use It For COVID Relief](#)
- New York Times — [Effort to Include \\$15 Minimum Wage in Relief Bill Poses Test for Democrats](#)