The Reconciliation Process: Congress's Budget Tool

Center Forward Basics

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Overview

The House and Senate often use the annual budget process to communicate their broad visions for the size and role of the federal government and set their priorities for federal revenues and spending. This annual budget process provides a pathway free of some procedural obstacles that limit significant changes to tax policy and entitlement spending. One of the main budget features is "reconciliation" with its long history of enabling major legislative accomplishments.

Budget reconciliation is a legislative procedure made available by the 1974 Congressional Budget and Impoundment Control Act. It allows for expedited consideration of certain and specified changes in law to align spending, revenue, and the debt limit with agreed-upon budget targets. Over the Act's 50-year history, 23 budget reconciliation bills have been enacted.

Far from the textbook legislative process most learn in school, reconciliation can seem like a maze of steps and restrictions. In this Basic, we answer some of the most common questions about the reconciliation process.

How Does Reconciliation Work?

Reconciliation is a powerful tool that Congress has used to enact major deficit-increasing and deficit-reducing legislation, such as the Clinton deficit reduction package, multiple rounds of the Bush tax cuts, the second part of the Affordable Care Act (ACA), the Trump tax cuts, the American Rescue Plan Act, and the Inflation Reduction Act. In today's era, reconciliation is used exclusively as a mechanism to avoid the filibuster in the Senate and pass partisan legislation, usually with a slim majority.

Center Forward Basics

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.

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The process begins with the adoption of a budget resolution which carries instructions to House and Senate committees. Each instructed committee, such as the House Ways and Means Committee, drafts recommendations for spending and/or revenue changes in a manner subject to its committee rules and the rules of the House. To meet its reconciliation instructions, a committee can choose to increase spending in some areas and cut spending in others, as long as the overall budget impact of its proposals stays within the limits set by the instructions.

Committees submit their spending and/or revenue change recommendations to the House Budget Committee, where the separate measures are packaged and reported to the floor. When only one committee has instructions, it 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. In the House, the Committee on Rules prepares a rule making the Budget Committee product on the floor in order.

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. For example, in 2017, Republicans passed a Tax Cuts Act using the budget reconciliation process despite having no support from Democrats. While there are limitations on what can be included in a reconciliation bill, a 60-vote majority in the Senate can override these constraints and advance provisions that might otherwise be excluded. For example, in 2017, Republicans passed a Tax Cuts Act using the budget reconciliation process despite having no support from Democrats.

The "Byrd Rule"

Reconciliation is intended to allow Congress to implement budget decisions; it is about getting federal dollars in and out the door. Provisions in a reconciliation bill that do not change spending or revenues, or are not terms and conditions necessary to define the contours of a provision in the bill that produces budgetary effects, are subject to the Byrd rule or "Byrdable."

In its early years, the reconciliation process was used to pass unrelated policies or amendments that barely resembled the instructions laid out by the budget resolution. To prevent future abuses, in 1985, the Byrd Rule was introduced. The Byrd Rule was not included in the Senate rules package at the beginning of a Congress but was included in the Congressional Budget Act through a separate legislative process in 1990 as part of the Omnibus Budget Reconciliation Act of 1990 (OBRA). Named after former Sen. Robert Byrd (D-WV), a proposed provision can be stricken from the reconciliation bill if a senator raises a Byrd Rule point of order unless 60 senators vote to waive that point of order.

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, leading to a repeated congressional debate about how or whether to extend them further.

The reconciliation bill is generally, though not always, organized in titles, with each title containing the recommendations of one committee. Titles of a reconciliation bill may not increase deficits or reduce surpluses in any year beyond the 10-year budget window, so any costs beyond the 10-year window must be offset with at least a commensurate amount of savings beyond the 10-year window. If a title does produce deficits, then any provision within that title that increases out-year costs is Byrdable. This is why the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and portions of the Tax Cuts and Jobs Act (TCJA) expire. Because the bills' supporters were unwilling to find offsets beyond the 10-year window, the legislation needed to sunset its provisions to avoid having any costs in the out-years.

While the Byrd Rule applies only in the Senate, it can also discourage the House from attempting to include anything in their version of the reconciliation bill or the final conference committee bill that could be struck down in the Senate, thereby sending the bill back to the House to be voted on a second time.

Advantages and Limitations

One of the most significant advantages of reconciliation is its ability to fast-track legislation through both the House and Senate. Reconciliation allows key fiscal policies and budget changes to pass more quickly by sidestepping the usual 60-vote Senate threshold that a filibuster could block. This is especially important during fiscal crises or national emergencies, such as recessions, when immediate action is required to stabilize the economy or address urgent needs.

Reconciliation also provides fiscal policy flexibility. It enables Congress to make comprehensive budget changes, including spending and tax adjustments. This flexibility allows lawmakers to tackle pressing issues like deficit reduction, tax reform, and debt management efficiently. It's an essential tool for addressing long-term budgetary imbalances, helping align fiscal policies with the current administration's or Congress's priorities.

In addition, reconciliation helps reduce political gridlock in the Senate, where filibusters and prolonged debates often halt legislation. Reconciliation ensures that these important issues are addressed promptly by providing a streamlined path for critical budgetary decisions, such as changes to mandatory spending programs like Social Security and Medicare. It allows Congress to avoid delays caused by extended partisan disputes, helping keep fiscal matters on track.

While reconciliation provides fast-track procedures to avoid some procedural hurdles that might otherwise stall legislation, limits do exist on when and how it can be used. One of the most significant is its restricted scope. Reconciliation can only address three primary areas: changes to revenues, adjustments to mandatory spending, and modifications to the debt limit. This limitation excludes discretionary spending programs, such as funding for defense and education, which must go through the regular appropriations process. As a result, areas of federal spending not directly related to the budget cannot be addressed through reconciliation, reducing its overall effectiveness.

Another limitation arises from the Byrd Rule, which ensures that reconciliation bills remain focused solely on fiscal matters. Under this rule, non-budgetary provisions cannot be included in the reconciliation process. If a provision does not directly affect the budget, it can be removed from the bill. While this prevents the reconciliation process from being used for unrelated policy changes, it also requires legislators to craft bills that strictly adhere to fiscal constraints, limiting their ability to pursue broader policy objectives.

Finally, because reconciliation bills are often passed through partisan means, they are vulnerable to repeal or modification in the future. If the political landscape changes, a new administration or shift in Congressional control could undo the provisions enacted through reconciliation. For example, the opposing party could reverse tax cuts passed through reconciliation when they regain power, making these types of policy changes potentially unstable in the long term.

Recent History and Use

Since 1980, Congress has sent 27 reconciliation measures to the President – 4 bills were vetoed and 23 enacted – primarily legislation that reduced the deficit through cuts in mandatory spending or increases in revenues. However, in the early 2000s, Republican Congresses began routinely using reconciliation to increase the deficit, enacting major tax cuts without offsetting the revenue loss in 2001, 2003, and 2006.

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 to cut taxes, mostly for the wealthy and corporations, and to eliminate the penalty for not having health insurance. The Congressional Budget Office estimated 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 that same year, Republicans attempted to use reconciliation to dismantle the Affordable Care Act. The House approved a reconciliation measure to repeal major provisions of the healthcare law and cap federal funding for Medicaid but the Senate failed to get the needed votes to advance a bill.

In the 117th Congress, Democrats used reconciliation in 2021 to defeat the COVID-19 pandemic and provide critical, immediate assistance to families and businesses. In 2022, Democrats used reconciliation to lower the cost of prescription drugs and health care and invest in cleaner, cheaper energy for American families. In the 119th Congress, reconciliation lets lawmakers pass budget-related bills with a simple majority, skipping the usual 60 votes needed to break a filibuster in the Senate. This makes it a key tool for pushing through significant policies, like tax reforms or climate actions, even if they don't have bipartisan support. With the current split control of Congress, reconciliation helps the majority party move its agenda forward more easily.

Links to Other Resources

- BPC - [Budget Reconciliation, Simplified | Bipartisan Policy Center]
- Georgetown University - [The Budget Resolution and Reconciliation Process Explained]

- House Committee on Budget - Budget Reconciliation Explainer.
- Tax Policy Center - What is reconciliation? | Tax Policy Center
- U.S. Chamber - Reconciliation Letterhead
- U.S. Chamber - Understanding Reconciliation