

## What is Budget “Reconciliation”?

Congress is planning to use a special procedure known as “reconciliation” this year to package and quickly pass tax cuts and cuts in entitlement programs. Here is how this procedure works. The budget resolution put together by Congress this spring (H. Con. Res. 95) includes special language known as a *reconciliation directive*. This directive consists of:

- a list of congressional committees required to make cuts in entitlement programs;
- how much each committee must cut over the next five years; and
- a deadline of September 16 for the committees to report out legislation containing these cuts.

This year’s budget also contains two other reconciliation directives — one telling the tax-writing committees to produce a bill cutting taxes by \$70 billion over five years by September 23, and the other telling them to produce a bill raising the federal debt ceiling by September 30.

In September, the committees must produce their parts of what becomes a *reconciliation bill*. This bill is packaged together by the Budget Committee and sent directly to the House or Senate floor for an up-or-down vote. The opportunity for amendment is very limited. The House and Senate then hammer out a final conference agreement which, once approved by both chambers, is sent to the President for his signature.

Here is why the reconciliation process is so powerful:

- **Reconciliation directives are binding and cannot be ignored.** There are very few ways to force Congress to take action, but this is one of them. *Virtually every time in the last 25 years* that the final budget resolution has included a reconciliation directive to cut spending, Congress has followed the directive and produced legislation making those cuts. The main exception was once in the 1980s, when President Reagan publicly declared he would veto the bill (because it also included some tax increases).
- **A reconciliation bill cannot be filibustered** on the Senate floor. That means that unlike almost every other bill, only 51 votes – not 60 votes – are needed to pass it. There are 55 Republicans in the Senate, and Vice President Cheney is available to break a tie. So even if five Republicans and all Democrats oppose the reconciliation bill, it can still pass.
- **Constituencies and programs get pitted against one another.** Once a committee gets assigned a dollar amount to cut in reconciliation, its only choices are *which* benefits and services to cut – not whether or how much to cut. For example, the Agriculture Committee has been told to cut \$3 billion, and its only choices are how to allocate that pain – will it cut cotton subsidies? Eliminate milk price supports? Cut food stamp benefits? One way or another, the committee has to patch together a set of program cuts that produce the necessary budget savings. If the committee falls short of the target, the Budget Committee gets first crack at offering amendments to make the necessary cuts when the bill reaches the floor.
- **Many controversial provisions that would not pass on their own get packaged together, and it is difficult to amend the bill on the floor.** A majority in the House or Senate may oppose many of the individual provisions in the reconciliation bill, but be essentially powerless to stop it. There is a 20 hour time limit on Senate debate, and amendments face various restrictions, including that they must be germane to the underlying bill.

## What is Budget “Reconciliation”?

### Which congressional committees (and programs) are affected by reconciliation?

Reconciliation is aimed at “entitlement” (or “mandatory”) programs, not “discretionary” programs, which are subject to annual appropriations. The content of a reconciliation bill is also limited in the Senate by something known as the Byrd Rule. Two key features of the Byrd Rule are that a *reconciliation bill cannot affect Social Security, and all provisions must have a budgetary impact* – so, for example, Congress cannot use a reconciliation bill to rewrite civil rights or labor laws.

Here are the committees that are affected by reconciliation instructions in this year’s budget resolution, how much they have been assigned to cut (or save), and a list of the major entitlement programs or other sources of savings in their jurisdiction. A star (\*) indicates that the budget resolution assumes that this program or fee will be included in reconciliation. However, the committees have full discretion to cut whichever programs they like. They also can exceed their mandate, and cut more deeply than required. House Ways & Means Committee Chairman Bill Thomas has indicated that he may take this approach.

#### House/Senate Agriculture (\$3 billion)

- Agricultural subsidies\*
- Child Nutrition Programs (school lunch and breakfast, summer meals, day care meals) (*Senate only*)
- Food Stamps\*

#### Senate Commerce (\$4.81 billion)

- Receipts from the sale of spectrum rights\*
- St. Lawrence Seaway Development Corporation user fees\*

#### House Energy & Commerce (\$14.734 billion)

- Income from the sale of spectrum rights\*
- Medicaid\*
- Power Marketing Administration charges
- SCHIP
- Universal Service Fund

#### Senate Finance (\$10 billion)/House Ways & Means (\$1 billion)

- Child care
- Child support
- Earned Income & Child Tax Credits
- Foster care and adoption assistance
- Medicaid (*Senate only*)\*
- Medicare
- Pension Benefit Guaranty Corporation policy changes\*
- Social Services Block Grant
- State Children’s Health Insurance Program (SCHIP) (*Senate only*)
- Supplemental Security Income (SSI)
- TANF
- Unemployment insurance

#### House Financial Services/Senate Banking (\$470 million)

- Mortgage, banking, or insurance fees\*

#### Senate Health, Education, Labor, and Pensions (\$13.651 billion)/House Education & the Workforce (\$12.651 billion)

- Child Nutrition Programs (school lunch and breakfast, summer meals, day care meals) (*House only*)
- Pension Benefit Guaranty Corporation premium increases\*
- Reforms to workers’ compensation for federal employees (FECA)\*
- Student loans\*

#### House/Senate Judiciary (\$300 million)

- Regulatory fees\*

#### House Resources/Senate Energy & Natural Resources (\$2.4 billion)

- Rents & royalties from drilling in the Arctic National Wildlife Refuge\*

#### House Transportation/Senate Environment & Public Works (\$27 million)

- Army Corps of Engineers recreation fees\*
- St. Lawrence Seaway Development Corporation user fees\* (*House only*)