



# Budget Reconciliation Legislation: Development and Consideration

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**B**udget reconciliation is an optional two-step process, provided by the Congressional Budget Act of 1974 (Titles I-IX of P.L. 93-344, 2 U.S.C. 601-688), as amended, that Congress may use to assure compliance with the direct spending, revenue, and the debt-limit levels set forth in a budget resolution agreed to by Congress.<sup>1</sup> First, Congress includes reconciliation instructions in a budget resolution directing one or more committees to recommend changes in statute to achieve the levels of direct spending, revenues, and the debt limit agreed to in the budget resolution. Second, the legislative language recommended by committees is packaged “without any substantive revision” into one or more reconciliation bills, as set forth in the budget resolution, by the House and Senate Budget Committees. In some instances, a committee may be required to report its legislative recommendations directly to its house. Once reported, reconciliation legislation is considered under special procedures on the House and Senate floor.

Rules adopted in the House and Senate in the 110<sup>th</sup> Congress effectively prohibit the use of the budget reconciliation process to consider legislation that would increase the deficit.<sup>2</sup>

## Development of Reconciliation Legislation

The reconciliation process begins with the inclusion in a budget resolution of directives to one or more committees, in each chamber, to change spending and revenue laws. The directives typically indicate the committee(s) instructed to recommend changes and a date by which each committee must report reconciliation legislation or submit legislative recommendations to its respective Budget Committee. Reconciliation directives may also specify the amount by which the statutory limit on the public debt is to be changed and instruct the House Ways and Means Committee and the Senate Finance Committee to recommend such a change.

The dollar amounts in reconciliation directives are based on assumptions about existing policies and the budgetary impact of certain policy changes. In some instances, the assumed changes in existing laws are printed in the committee or conference report accompanying a budget resolution. Committees, however, are not bound by these assumptions or suggestions.

If only one committee is required to recommend legislative changes, the committee reports its recommended legislation directly to its chamber. If more than one committee is directed to report legislative changes, which has often been the case, those recommendations are submitted to the Budget Committees. The House and Senate Budget Committees are responsible for assembling the committee recommendations into one or more omnibus bills. The Budget Act does not allow the Budget Committees to make any substantive changes to these recommendations, even when they do not comply with the reconciliation instructions. Any lack of compliance, however, may be addressed during floor action, usually by an amendment offered to achieve compliance.

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<sup>1</sup> For further information on the reconciliation process, see CRS Report RL33030, *The Budget Reconciliation Process: House and Senate Procedures*, by Robert Keith and Bill Heniff Jr.

<sup>2</sup> In the House, Rule XXI, clause 7, prohibits the consideration of a budget resolution that contains reconciliation directives instructing committees to change existing law to increase the deficit in either of two time periods: (1) the six-year period consisting of the current fiscal year, the budget year, and the four ensuing fiscal years; and (2) the 11-year period consisting of the current year, the budget year, and the ensuing nine fiscal years. In the Senate, Section 202 of S.Con.Res. 21, the FY2008 budget resolution, prohibits the consideration of any reconciliation legislation that would increase the deficit in either of the same two time periods.

## Consideration of Reconciliation Legislation

Once reported, consideration of reconciliation legislation is governed by special procedures established in the Budget Act. These procedures serve to limit what may be included in reconciliation legislation, to prohibit certain amendments, and to encourage its completion in a timely fashion.

First, Section 310(g) of the Budget Act prohibits the consideration of any reconciliation legislation, or any amendment to a reconciliation bill, recommending changes to the Social Security program. In the Senate, Section 313 of the Budget Act, commonly referred to as the Byrd rule, prohibits extraneous matter in a budget reconciliation bill. Under the Byrd rule, extraneous matters include, among others, those that would have no direct budgetary effect, that would increase spending or decrease revenue when a committee is not in compliance with its reconciliation instructions, or that would increase the deficit (or reduce the surplus) for a fiscal year beyond those covered by the reconciliation legislation.<sup>3</sup>

In both the House and Senate, amendments to a reconciliation bill must be germane. In addition, Section 310(d) of the Budget Act bars the consideration of any amendment to a reconciliation bill that would increase the deficit. In the House, an amendment that would increase spending above or reduce revenues below the projected amounts *in the bill* must be offset by an equivalent amount of spending reductions, revenue increases, or a combination of both; in the Senate, an amendment that would increase spending above or reduce revenues below the level set forth *in the reconciliation directives contained in the budget resolution* must be offset by an equivalent amount of spending reductions, revenue increases, or a combination of both, except that an amendment to strike out a provision in the bill is always in order.

During floor action on reconciliation legislation, the Senate and House follow different procedures and practices. In the Senate, debate on a budget reconciliation bill, and on all amendments, debatable motions, and appeals, is limited to not more than 20 hours. After the 20 hours of debate has been reached, consideration of amendments, motions, and appeals may continue, but without debate. The Senate often will consider a substantial number of amendments in this situation. The Budget Act does not provide any debate limitations on a reconciliation bill in the House. The House, however, regularly adopts a special rule establishing the time allotted for debate and what amendments will be in order. The House special rule typically has allowed for consideration of only a few major amendments.

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<sup>3</sup> For more detailed information on the Senate's Byrd rule, see CRS Report RL30862, *The Budget Reconciliation Process: The Senate's "Byrd Rule,"* by Bill Heniff Jr.