American Hospital Association™
Advancing Health in America

Fact Sheet: Budget Reconciliation 101

The Issue

Budget reconciliation is an optional process under the Congressional Budget Act of 1974 that allows for expedited consideration of certain fiscal legislation that makes changes to mandatory spending, revenues and/or the debt limit. This special fast-track procedure is designed to reconcile current law with assumptions contained in the annual budget resolution adopted by Congress. Reconciliation legislation is privileged and cannot be filibustered in the Senate, meaning it requires only a simple majority, instead of a three-fifths majority, to pass. The contents of a reconciliation bill are tightly controlled because the process restricts the Senate's right to unlimited debate that exists for most other legislation. The Senate's "Byrd rule" aims to prevent the inclusion of matter considered "extraneous" to the budgetary goals of the legislation. In recent years, reconciliation has been used to enact landmark fiscal legislation on a party line basis. The most recent examples include the Tax Cuts and Jobs Act (2017), the American Rescue Plan (2021) and the Inflation Reduction Act (2022).

Understanding the Basics

Step 1: Budget Resolution

- Before Congress can begin work on a reconciliation bill, it must first pass a concurrent budget resolution in the House and Senate. A budget resolution serves as a roadmap to guide fiscal decision-making in Congress. Unlike other bills, it does not go to the President's desk for signature and does not have the force of law. A budget resolution that is being used for reconciliation will contain a series of "reconciliation instructions" to various committees of jurisdiction directing them to report legislation that meets a specified fiscal target, such as requiring a committee to reduce mandatory spending by no less than a certain amount or reduce revenue by no more than a certain amount. The numerical instructions provide the fiscal goals of the legislation and cannot dictate the substance of how the committees are to meet their instructions. Nevertheless, which committees are given instructions, and the magnitude of those instructions, can be indicative of potential areas of focus.
    - **Example:** Instructions to the Energy & Commerce Committee directing them to reduce mandatory spending by a large amount opens the door to spending cuts within health programs.

Step 2: Committees Begin Work on Reconciliation Bill

- The instructed committees begin drafting legislation consistent with their instructions from the budget resolution and then move legislation through the committee process. The Budget Committee takes each committee-reported measure and combines them into a single reconciliation bill to prepare for consideration before the House or Senate.
    - **Clarifying Point:** Committees that did not receive reconciliation instructions in the budget resolution are not involved in the process. Committees cannot include subject matter outside of their jurisdiction.

Step 3: Debate and Passage

- The House and Senate have different rules that govern how legislation is considered by the full chamber. In the House, the Rules Committee will establish guidelines for debate on the bill and decide whether members will be allowed to make amendments to the bill. A reconciliation bill is passed in the House with a simple majority consistent with their typical process.
- In the Senate, debate is limited to 20 hours and only 51 votes are needed to pass the bill instead of the usual 60 votes.
  - **Clarifying Point:** Even after the 20 hours of debate has expired, senators are allowed to offer amendments and make other motions on the bill. These extra votes are often referred to as "vote-a-rama." Amendments are voted on without debate until no more amendments are offered. At that point, the Senate will vote on final passage of the reconciliation bill.

Step 4: Resolving Differences & Final Approval

- Before the reconciliation bill can be sent to the President for signature or veto, Congress must work out any remaining differences between the House and Senate bills. Once both chambers of Congress have passed an identical bill, the bill heads to the President's desk.
  - **Example:** The House passes the reconciliation bill first and sends it to the Senate. The Senate passes amendments making changes to the bill. The House will need to vote on this new version before sending it to the President's desk.

Diving Deeper: The Byrd Rule

The Byrd Rule sets six criteria to determine whether a provision can be included in a reconciliation bill or whether it is considered extraneous.

- A provision that violates any one of the six Byrd rule tests can be removed from the bill if a senator raises a Byrd rule point of order, unless 60 senators vote to waive the point of order to allow that provision to stay in the bill.
  - **Clarifying Point:** The Presiding Officer in the Senate makes the determination whether provisions are consistent with the rules, based on advice from the Senate Parliamentarian.
  - **Clarifying Point:** The Byrd Rule only applies to consideration in the Senate. However, the House must be careful in crafting their bill to ensure it follows the Byrd Rules parameters otherwise it will put the bill at risk in the Senate.

Six Criteria Used to Determine Whether a Provision is "Extraneous":

1. **No Budgetary Effect:** Provision does not change mandatory spending or revenues.
2. **Not in Accordance with Instructions:** Provision increases mandatory spending or reduces revenues, and the committee is not in compliance with its instructions.
3. **Outside Committee Jurisdiction:** Provision falls outside the jurisdiction of the instructed committee.

4. **Incidental Budgetary Effect:** Provision produces a change in mandatory spending or revenues that is merely incidental to its other components.
5. **Increases Deficit Beyond the Budget Window:** Provision would increase the deficit in any year beyond the period covered by a committee's reconciliation instruction (usually 10 years).
6. **Changes to Social Security:** Provision makes changes to Title II of the Social Security Act.