



## WHAT IS BUDGET RECONCILIATION AND WHY SHOULD YOU CARE ABOUT IT?

Every couple of years, Congress uses a special procedure known as "reconciliation" to package and quickly pass changes to tax laws and/or entitlement programs. Tax laws influence the amount of money government earns from various taxes on businesses and individuals. Entitlement programs provide benefits to everyone who meets certain criteria, such as a certain income level. Here is how the reconciliation procedure works - and how it might negatively effect vulnerable populations.

Each spring, Congress puts together a budget known as the budget resolution. This document is ordinarily just a blueprint that sets limits on taxes or program costs. But sometimes the budget resolution includes additional guiding rules known as reconciliation instructions. These instructions consist of:

- A list of congressional committees that are required to make cuts in their entitlement programs;
- How much each committee must cut over a five or ten-year period; and
- A deadline for the committees to create legislation containing these cuts.

For example, last year's House budget resolution included a reconciliation instruction to the Ways & Means Committee to make \$8 billion in cuts over the next five years in the entitlement programs in its jurisdiction, by no later than July 15. The reconciliation instructions were dropped after collective and coordinated activities by several large coalitions supporting these programs targeted and weighed in with key Congressional members.

If the House and Senate agree to include reconciliation instructions in this year's budget resolution, the committees affected by the instructions must then 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 a yes-or-no vote. The opportunity for amendment is very limited. The House and Senate then hammer out a final agreement which, once approved by both chambers, is then sent to the President for his signature.

Here is why this reconciliation process is so dangerous, and could pose such risks for the families served by entitlement programs:

- **Reconciliation instructions are binding and cannot be ignored.** There are very few ways to force Congress to take action, but this is one of them. *Every single time in the last 25 years that the final budget resolution has included reconciliation instructions to cut spending, Congress has followed those instructions and produced legislation making those cuts.* The only exception was once in the 1980s, when President Reagan publicly declared that he would veto the bill (because it also included some tax increases).
- **A reconciliation bill cannot be filibustered** on the Senate floor. (A filibuster is an extended discussion and debate designed to prevent a vote. Sixty votes are required to stop a filibuster.) This means that unlike almost every other bill, only 51 votes – not 60 votes – are needed to pass a reconciliation bill. 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 and 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, if the Agriculture Committee is told to cut \$10 billion, its only choices are how to spread that pain around – 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 their assigned cuts, the Budget Committee will take steps to further reduce spending in that committee’s program areas to meet their targeted cuts.
- **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 time limit of just 20 hours on debate, and in order to offer an amendment to restore funding for one program, you have to find another program to cut more deeply instead.

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

There is one committee with the power to spend money that is *not* affected by reconciliation, and that is the Appropriations Committee. Reconciliation can only be used to cut “entitlement” (or “mandatory”) programs, not “discretionary” programs, which are subject to annual appropriations. Here are the committees that are potentially affected by reconciliation instructions in the budget resolution, and a list of the major programs in their jurisdiction.

Senate Finance / House Ways & Means

Child care  
 Child Support  
 Earned Income & Child Tax Credits  
 Foster care and adoption assistance  
 Medicaid (*Senate only*)  
 Medicare  
 Social Services Block Grant (SSBG)  
 State Children’s Health Insurance Program (SCHIP) (*Senate only*)  
 Supplemental Security Income (SSI)  
 TANF  
 Unemployment Insurance (UI)

Agriculture

Crop subsidies  
 Food Stamps  
 Child Nutrition programs  
 (school lunch and breakfast, summer meals, day care meals) (*Senate only*)

Veterans’ Affairs

Veterans’ disability compensation  
 Veterans’ pensions  
 Other Veterans’ benefits

Armed Services

Military retirement and disability  
 TRICARE for Life (Health care for military retirees)

Senate Commerce / House Energy & Commerce

Universal Service Fund - Medicaid (*House only*)  
 SCHIP (*House only*)

Senate Government Affairs / House

Government Reform

Federal civilian retirement and disability

Senate Health, Education, Labor, and Pensions

(HELP) / House Education & the Workforce

Student Loans

Child nutrition programs (school lunch and breakfast, summer meals, day care meals) (*House only*)