

INFORMED BUDGETEER

RECONCILIATION SAVINGS INSTRUCTIONS					
Amount of Outlay Reduction Required					
(in \$ billions)					
Senate Committees	2006	2006-2010	House Committees	2006	2006-2010
Agriculture, Nutrition & Forestry	0.173	3.000	Agriculture	0.173	3.000
Banking, Housing & Urban Affairs	0.030	0.470	Education & Workforce	0.992	12.651
Commerce, Science & Transportation	0.010	4.810	Energy & Commerce	0.002	14.734
Energy & Natural Resources	--	2.400	Financial Services	0.030	0.470
Environment & Public Works	0.004	0.027	Judiciary	0.060	0.300
Finance	--	10.000	Resources	--	2.400
Health, Education, Labor, & Pensions	1.242*	13.651	Transportation	0.012	0.103
Judiciary	0.060	0.300	Ways & Means	0.250	1.000
Total 5-yr. savings		34.658	Total 5-yr. savings		34.658

* can be in 2005 and/or 2006

RECONCILIATION: AN ENFORCEMENT MEASURE TO MEET THE BUDGET GOALS OF CONGRESS

- The Budget Act of 1974 requires Congress to adopt at least one budget resolution each year. A key enforcement procedure that is sometimes, but not always, included in the budget resolution is budget reconciliation. The reconciliation process gives Congress the means to achieve revenue, mandatory spending and debt limit levels assumed in the current budget resolution.
- The 2006 Budget Resolution is premised on a concern that our future economic security is threatened by the projected growth of mandatory spending in the coming years. Mandatory spending, excluding interest on the debt, now represents 57 percent of all federal spending. Left unchecked, that percentage is predicted to rise to more than 64 percent in ten years, which would force the government to raise taxes, borrow more, or cut out other necessary expenditures.
- The 2006 Budget Resolution includes instructions for both the House and Senate to achieve specific amounts of spending reduction for certain authorizing committees (see chart above). The budget resolution sets forth reconciliation directives to the committees regarding the aggregate dollar amount of savings for fiscal year time periods only. The committees maintain the authority to determine specific policy reforms that will result in the directed savings.
- Specifically, the budget resolution set forth reconciliation instructions for savings of \$34.7 billion over a five-year period (fiscal years 2006-2010). This is the first time since 1997 that Congress has used the reconciliation process to reduce mandatory spending.
- Since the Budget Act was enacted in 1974, Congress has passed 19 reconciliation bills. Sixteen were signed into law while three have been vetoed. Over the past 15 years, three reconciliation bills have been enacted: the 1990 bill reduced the deficit by \$324 billion, the 1993 bill reduced the deficit by \$192 billion, and the 1997 bill reduced the deficit by \$152 billion (all these bills covered a five-year period).
- This year, in addition to the spending reduction reconciliation bill, there will be two other reconciliation bills – a tax-relief reconciliation bill and a public debt reconciliation bill. The Senate Finance Committee and the House Ways and Means Committee are instructed to change laws to reduce the tax burden by up to \$11 billion in fiscal year 2006 and by up to \$70 billion during fiscal years 2006-2010. The same committees also are instructed to report a reconciliation bill that requires increases in the limit on the statutory debt by \$781 billion. ###

NUTS AND BOLTS OF THE RECONCILIATION PROCESS

- Now that the reconciliation instructions have been set by the budget resolution, the authorizing committees can go to work on determining how to best meet their specific directives. The committees have full authority to make policy reforms and write legislative language regarding those reforms, providing they successfully meet their numerical instructions.
- However, committees are required to follow certain guidelines. For example, changes must be made exclusively in programs that provide direct spending, which is budget authority and outlays provided by law other than appropriation acts.
- In their spending reduction legislation, committees may include a variety of provisions within their title – some reducing spending, some increasing it – as long as the net effect meets the savings target. Offsetting receipts, often in the form of fees or premiums, may also be changed and are equivalent to outlay reductions. A committee may not change revenue in order to comply with its outlay reconciliation instruction. This is important because in the Senate, there may be only one reconciliation bill that affects spending and one bill that affects revenue.
- In addition, committees should be wary about violating the Senate’s “Byrd Rule.” A Byrd Rule point of order can be raised against any extraneous provisions that do not have a direct budgetary impact. If the point of order is not waived by a required 60 votes on the floor, it would cause the provision to be dropped from the bill. The Byrd Rule also prohibits any changes in Social Security and prohibits any provisions that would increase the deficit in the years following the time period covered by the budget resolution (i.e. years after 2010).
- For the spending reduction reconciliation bill, the committees must submit legislative text and report language, subject to reporting requirements under Senate Rule XXVI (which sets out rules for committee procedure and markups), to their respective Budget Committees by September 16, 2005. In addition, a cost estimate from the Congressional Budget Office and a transmittal letter signed by the chairman of the committee making the submission should be provided.
- Committees’ compliance with reconciliation instructions is required under section 310 of the Budget Act of 1974. The Budget Committee assesses whether each instructed committee meets each of its individual reconciliation directives. It should be noted, each aggregate amount of change for a committee for a fiscal year time period is considered an individual directive.

- Once the Senate and House Budget Committees receive all of the spending reduction submissions from the authorizing committees, they each combine their chamber's bills into a single reconciliation package, which is reported by the appropriate Budget Committee and then goes for consideration before the full Senate or House.
- An important feature of the reconciliation procedure is that it cannot be filibustered in the Senate. Debate is limited to 20 hours in the Senate, all amendments must be germane, and it can pass that body with a simple majority. If a committee fails to meet its instructions, then once the reconciliation package is on the floor, any Senator may move to bring that committee into compliance by offering an amendment on the floor (with matter that is germane or non-germane to the underlying legislation).
- Upon the passage of both spending reconciliation bills, a conference committee made up of Senate and House members convenes and irons out the differences between the Senate and House versions. Two types of conferees are appointed: members of the House and Senate Budget Committees as general conferees and members of the committees that received instructions. The conferees from reconciled committees are responsible for resolving differences within their committee's jurisdiction, and the conferees from the Budget Committees facilitate the production of a reconciliation conference report that must be passed by both chambers before going to the President to be signed into law. ###

APPROPRIATIONS UPDATE

- In February and March, respectively, the House and Senate Committees on Appropriations significantly reorganized themselves for the first time since the late 1960s. Unfortunately, but perhaps not surprisingly given the differing pressures and dynamics of the two bodies, they chose to reorganize in an inconsistent manner, creating great difficulty in comparing the status of appropriation bills in the Senate and House.
- The Senate went from 13 subcommittees and bills to 12, while the House shrunk to 10 subcommittees (although the House has 11 bills – the Legislative Branch bill is handled by the full committee). Of the 12 Senate bills, six have corresponding bills in the House with identical jurisdictions (Agriculture, Energy/Water, Homeland, Interior, Labor/HHS, and Legislative Branch).
- The contents of the other six Senate subcommittee bills (CJS, Defense, DC, State/Foreign Ops, Military Construction/Veterans, and Transportation/Treasury) do not match up with the bills in the House that cover the same programs, so comparisons between the two chambers are difficult.
- Since the House has passed its 11 appropriation bills, this is an appropriate time to consider all the House-passed spending in light of the subcommittee structure of the Senate. While this allows a more straightforward comparison to the Senate's 302(b) allocations, there are some differences to be resolved that are not evident in this comparison.
- For example, while it appears that the House has allowed for more Labor-HHS spending, this is only because the Senate bill

takes advantage of a budgetary gimmick – the SSI pay date shift – which scores as “saving” \$3.3 billion in fiscal year 2006. (Of course, the spending will still occur; it is simply pushed into fiscal year 2007, creating an advance appropriation and subjecting the bill to a 60-vote point of order.)

Comparison of 2006 Appropriations in Senate and House			
(Budget Authority, billions of \$, Senate subcommittee structure)			
Subcommittee	Senate 302(b) 1/	House- passed	Difference
Agriculture	17.3	16.8	0.5
CJS	48.6	48.0	0.7
Defense	400.7	404.7	-4.0
DC	0.6	0.6	0.0
E&W	31.2	29.7	1.5
State, Foreign Ops	31.7	29.8	1.9
Homeland	30.8	30.8	0.0
Interior	26.2	26.1	0.1
Labor, HHS	141.3		
<i>Expected 302(b) adjustment 2/</i>	<i>0.3</i>		
Subtotal Labor, HHS	141.7	142.5	-0.9
Leg. Branch	3.9	3.7	0.2
MilCon, VA	44.4	43.9	0.5
Trans, Treas	65.4		
<i>Expected 302(b) adjustment 2/</i>	<i>0.4</i>		
Subtotal Trans, Treas	65.8	66.3	-0.5
Total	843.0	843.0	0.0
Memo:			
Program integrity cap adjustments 2/	0.8	-	

Note: Totals and differences may not add due to rounding.

1/ The Senate has passed or reported all appropriation bills except defense. In all cases, the 302(b) is nearly identical to the current status.

2/ The budget resolution included four Senate-only program-integrity adjustments to the 302(a) appropriations allocation and discretionary spending limits. The Budget Committee filed these adjustments on July 28, 2005. Now, the 302(a) allocations to the Senate and House appropriators are identical (\$843 billion). It is expected that the Senate Appropriations committee will adjust the 302(b) allocations for Labor-HHS and Transportation-Treasury accordingly.

- Another pressure point is likely to be defense, where neither the House nor the President is likely to agree to the Senate's level (\$4 billion below the House and \$7 billion below the President's request). The Senate shifted spending from defense, relative to the House and the President's request, to non-defense spending in other appropriation bills.
- If the House and Administration are unwilling to accept the Senate's lower defense number, then to stay under the cap non-defense accounts will have to be reduced from the Senate's preferred levels to make up the difference.
- Veterans funding has brought additional challenges to the Appropriations Committee. The President has indicated that his initial request for veterans medical care was inadequate and has submitted a budget amendment requesting an additional \$2 billion, bringing the President's total discretionary request for 2006 to \$845 billion.
- However, the Senate-reported Military Construction-Veterans appropriations bill provided the additional veterans funding as an emergency even though the President did not request it as such. Alternatively, the Congress could act to increase the budget resolution's 302(a) allocation to the Appropriations Committee by \$2 billion to reflect the full amount that it actually plans to spend in fiscal year 2006. ###