For Your Information

What is Budget Reconciliation and How Does it Work?

By Lauri Strauss

The Biden administration has made its $1.9 trillion COVID relief package a top priority hoping to provide more relief to Americans during the pandemic. In an ideal situation, the U.S. Senate and House would negotiate a relief package that both chambers would approve. Although the Biden administration still hopes Congress will compromise on a relief package, legislators are preparing to get it approved another way — through budget reconciliation.

Most legislation needs 60 votes to pass in the U.S. Senate, but with our current Senate evenly divided among 50 Democrats and 50 Republicans, finding enough votes for legislation to pass may be a challenge for this administration – especially for something as costly as the COVID relief package. In the Budget Act of 1974, Congress created a rule that allows legislators to pass budget reconciliation with only a majority.

To start reconciliation, both chambers of Congress — the House and the Senate — need to pass a joint budget resolution. Budget resolutions set guidelines for Congress to make changes to the budget through reconciliation. The budget resolution provides cost and spending parameters as well as how much additional debt the government can take on for the new expenditures. Once both chambers of Congress have agreed on a joint budget resolution, the legislators are then able to move forward creating new legislation. In this case, the legislation will focus on some form of President Biden’s COVID relief package.

Budget reconciliations do have limits on what they can include. Many of these limits are included in the “Byrd Rule,” named after former Senator Robert Byrd (D-WV). One of the rules states reconciliation legislation must have fiscal impact and cannot include legislation that does not impact the budget. The Byrd Rule also sets limits on the length of time changes can be made to the budget through reconciliation. Budget reconciliation can only be used once for changes in revenue, spending and debt limit. So, if a COVID relief package passes through reconciliation, Congress won’t be able to use this form of governing again during this budget period.

Budget reconciliation is considered to be “fast-tracking” legislation. There are limits to how many hours Congress can debate reconciliation, and as stated above, it only requires a majority of votes to pass. The joint budget resolution already has been approved, so Congress can start working on the details of the package. We’ll see how quickly new legislation is drafted and ready for a vote.
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Although it’s not used often, legislatures have done budget reconciliations more than 20 times since 1980. The last time it was used was in 2017 for the Republican’s tax reform bill.

Sources for this article and for more information on budget reconciliation:

- Brookings Institute – [What is Reconciliation in Congress?](#)
- Committee for a Responsible Federal Budget – [Reconciliation 101](#)
- The Government Affairs Institute - [What the budget resolution is, and isn’t](#)

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