



Committee for a
Responsible Federal Budget



Reconciliation 101

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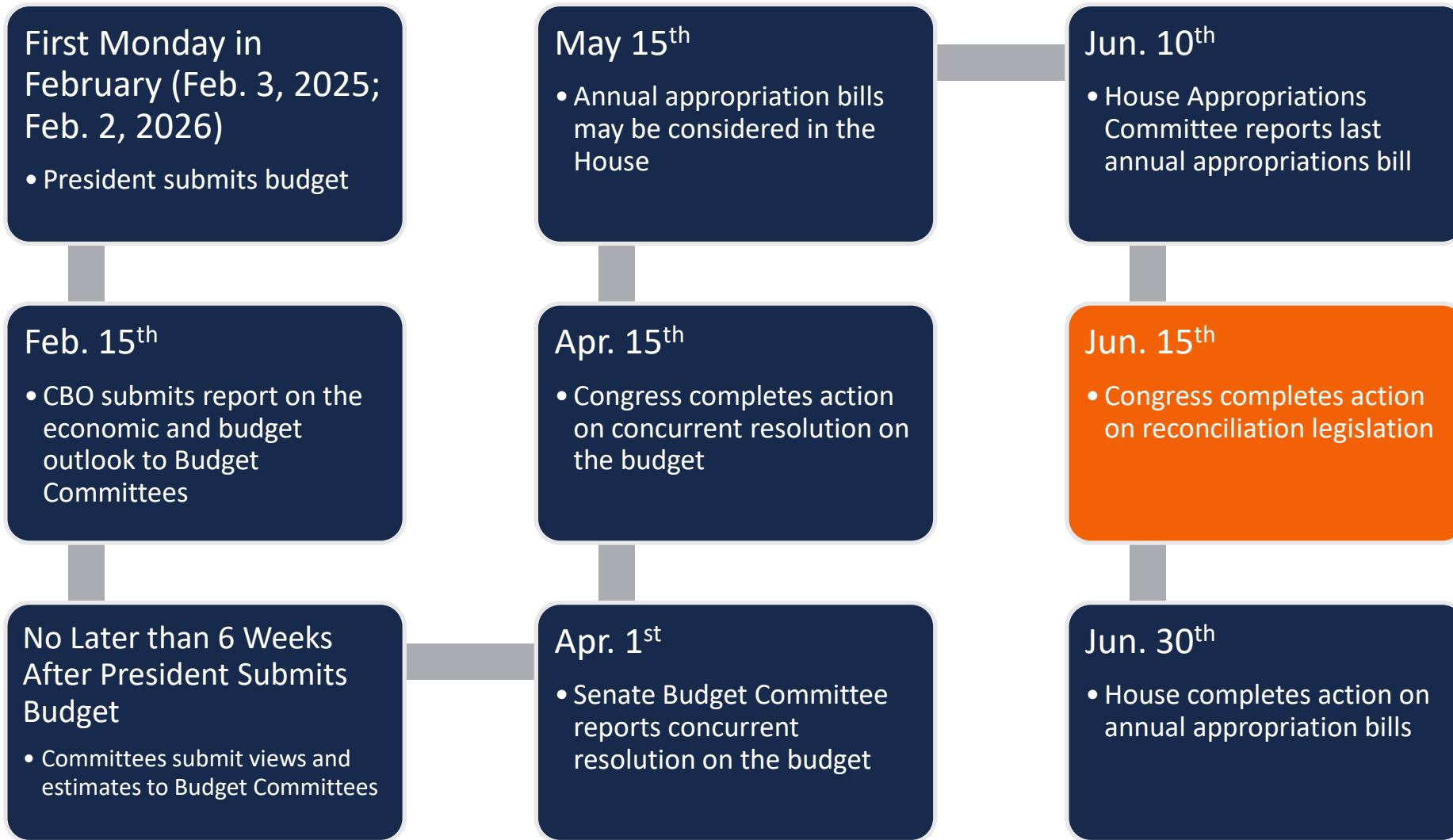
Objective.
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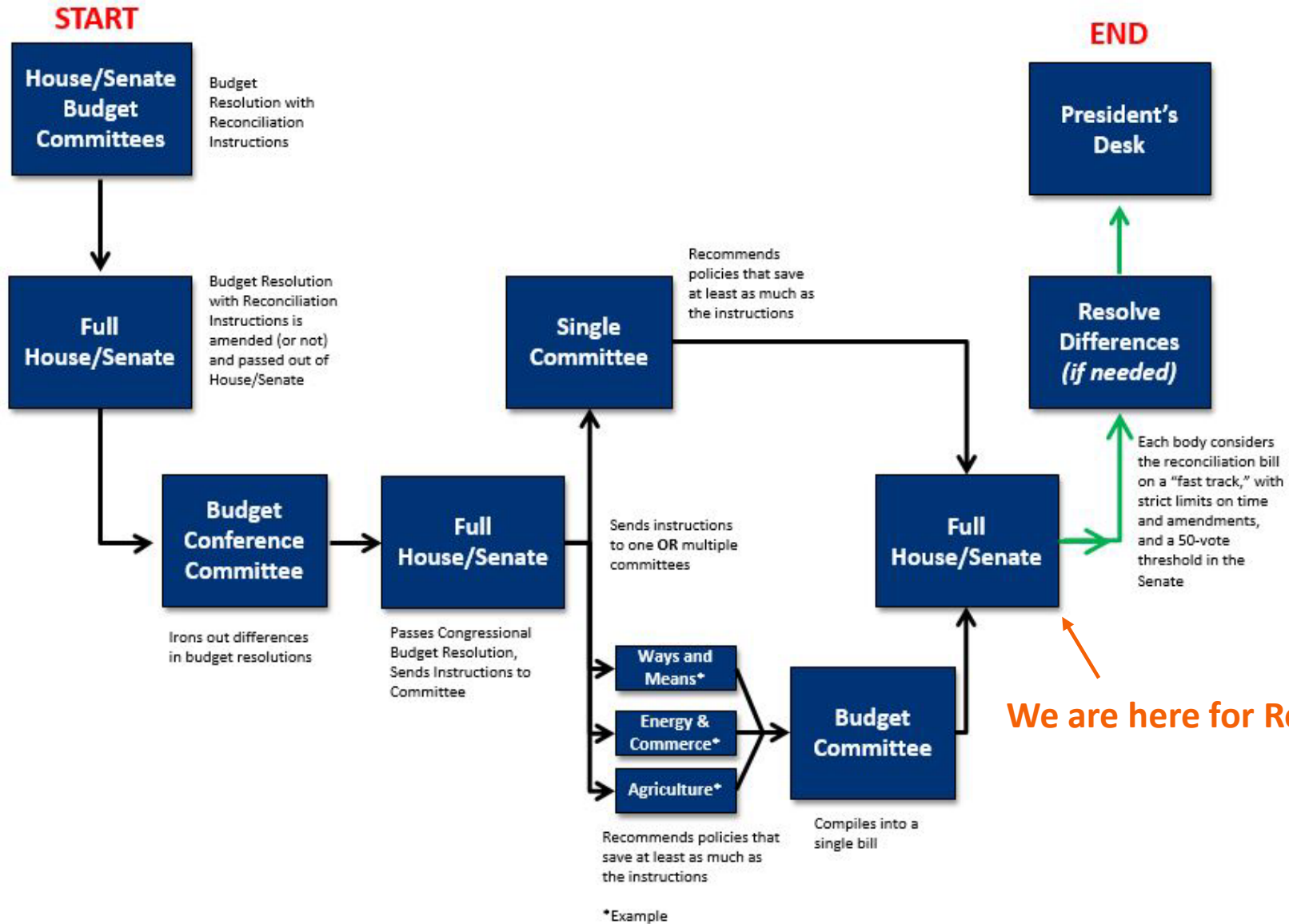
Reconciliation 101

The Budget Process and Reconciliation

Congressional Budget Process Timeline



Reconciliation Process Timeline



What is Reconciliation?

- ★ A special legislative process to help lawmakers make the tax and mandatory spending changes necessary to meet the levels proposed in the Congressional budget resolution
- ★ Budget resolution contains instructions for authorizing committees covering changes in mandatory spending, revenue, and/or debt limit
- ★ Committees identify specific policies to meet these goals in the form of a reconciliation bill, which can be enacted on a fast-track basis
- ★ A reconciliation bill is privileged in several ways, including a 20-hour limit on debate in the Senate, a non-debatable motion to proceed to the bill, and a germaneness test for amendments
- ★ Reconciliation bills **cannot be filibustered and can pass the Senate with a simple majority**

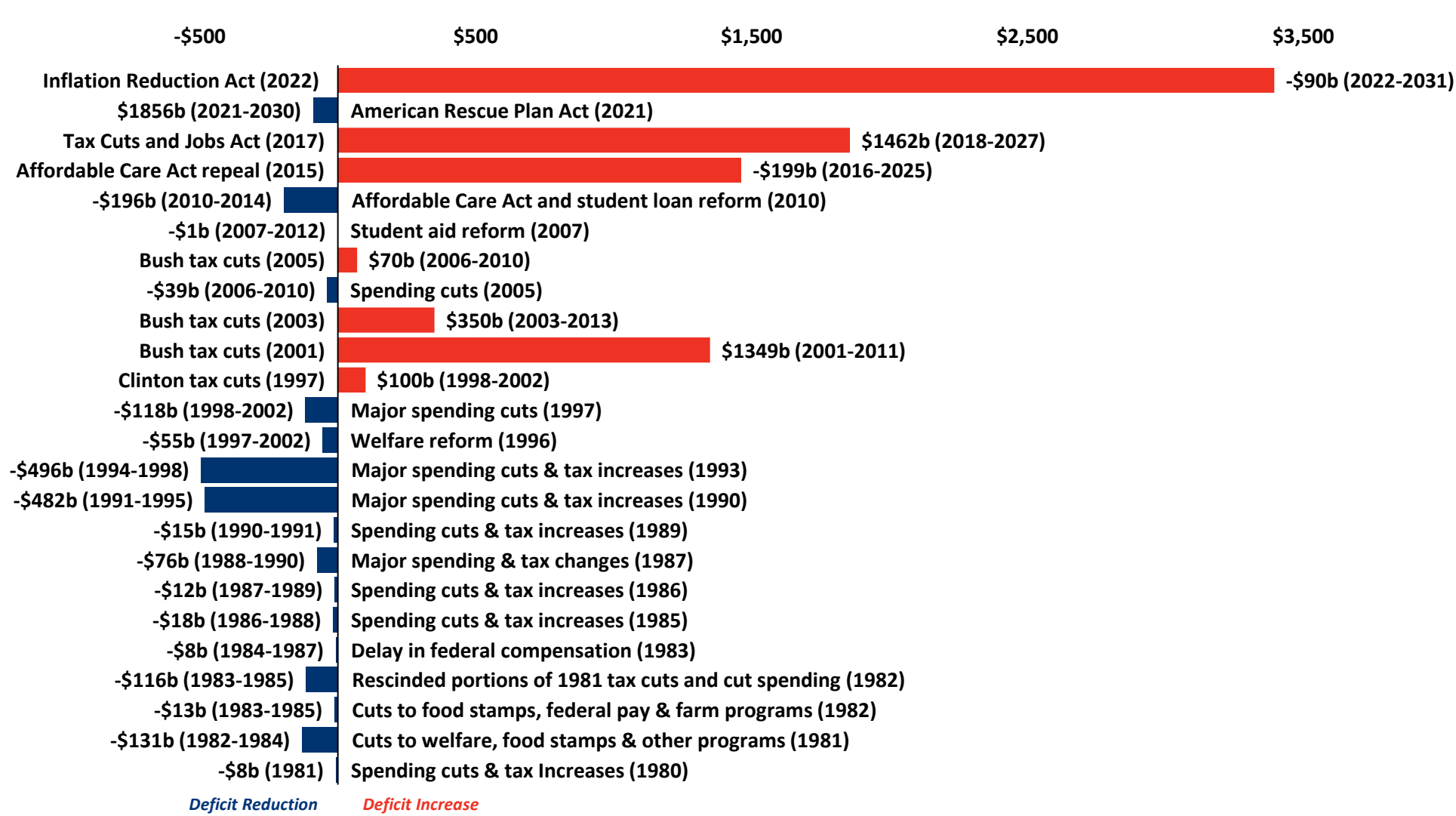


Rules for Reconciliation

- ★ Instructions can reduce or increase deficits (or spending or revenue) for any given committee
- ★ Instructions are ***only top-line numbers*** (max cost/min savings)
- ★ Committees must report legislation with at least as much savings or at most as much costs as in the instructions
- ★ Reconciliation bills must abide by the “Byrd Rule”
 1. Can only include budget-related changes – no provisions without fiscal impact or with “merely incidental” impact
 2. No change to Social Security spending or revenues
 3. Cannot increase deficits outside the budget window



How Has Reconciliation Been Used in the Past?



Sources: Congressional Budget Office, Congressional Research Service.



Reconciliation 101

The FY 2026 Budget Resolution & Reconciliation Bill ("Recon 2.0")

What's in the FY 2026 Concurrent Budget Resolution?

★ In summary, the FY 2026 budget resolution:

- Allows the House and Senate to write reconciliation legislation that adds *up to \$140 billion* to primary deficits through FY 2035, with up to \$70 billion allowed each for the Judiciary and Homeland Security Committees
- Calls for \$1.2 trillion of additional defense spending over a decade, growing defense budget authority by more than \$250 billion (27%) between 2026 and 2027
- Puts the projected deficit on a path toward 3% of Gross Domestic Product (GDP) by FY 2029 and beyond, relying more than entirely on \$9.7 trillion of completely unspecified savings through FY 2035 to achieve this target
- Waives various budget enforcement tools, including Senate Pay-As-You-Go (PAYGO) rules and budgetary points of order against increasing deficits



Reconciliation Instructions in the FY 2026 Budget Resolution

	Senate	House
Judiciary Committee	\$70 billion	\$70 billion
Homeland Security Committee	\$70 billion	\$70 billion
Total Amount of Deficit Increase Allowed	\$140 billion	\$140 billion

Source: Senate Budget Committee.



Comparing the Budgetary Figures in the FY 2026 Budget Resolution

Ten-Year Totals (FY 2026-2035)

Defense Spending Increases	-\$1.2 trillion
Unspecified Spending Reductions (“Allowances”)	\$9.7 trillion
Baseline Differences	\$0.6 trillion
Interest Savings	\$1.6 trillion
Total Claimed Deficit Reduction Relative to CBO Baseline	\$10.7 trillion

Source: Congressional Budget Office and Senate Budget Committee. Figures may not sum due to rounding.



What's in the FY 2026 Reconciliation Bill?

- ★ Prior to the “Byrd Bath,” the FY 2026 reconciliation bill complied with the instructions in dollar amounts
- ★ Majority and Minority staff for the Senate Budget Committee have met with the Senate Parliamentarian to scrub the bill for Byrd violations – “Byrd droppings”
- ★ Things that didn’t make the cut:
 - CBP funding as written (text violated HSGAC jurisdictional issues)
 - “Ballroom Project” U.S. Secret Service funding (text violated HSGAC jurisdictional issues)
 - Technical provisions in CBP, DHS funding also fell outside HSGAC jurisdiction
- ★ Expectation that all items will make it into the bill (ballroom funding TBD)



Pre-“Byrd Bath” Funding Provided in the FY 2026 Reconciliation Bill

	Funding
Homeland Security & Governmental Affairs Committee	\$32.5 billion
Customs and Border Protection	\$22.3 billion
Immigration and Customs Enforcement	\$7.5 billion
Homeland Security Department	\$2.5 billion
Judiciary Committee	\$39.2 billion
Immigration and Customs Enforcement	\$30.7 billion
Customs and Border Protection	\$3.5 billion
Homeland Security Department	\$2.5 billion
Justice Department	\$1.5 billion
U.S. Secret Service	\$1.0 billion
Total	\$71.7 billion
<i>Memo: Deficit Increase with Interest (2026-2035)</i>	<i>\$94.1 billion</i>
<i>Memo: Deficit Increase with Interest, assuming appropriations offset (2026-2035)</i>	<i>\$9.3 billion</i>

Source: Congressional Budget Office & CRFB estimates.





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FY 2027 Reconciliation (“Recon 3.0”)

What Do We Know About Recon 3.0?

- ★ Few public details about a potential third shot at reconciliation
- ★ President Trump's FY 2027 budget request called for \$350 billion for defense in a new reconciliation bill
- ★ Other potential items in Recon 3.0:
 - Gas tax holiday?
 - Policies to reduce health insurance premiums?
 - Tax cuts? (Extension of OBBBA cuts, inflation-indexing capital gains, increase to primary residence capital gains exemption)
 - Anti-fraud measures?
 - ***Deficit reduction?***

