Insight

The FY2022 Budget Resolution – The Big One

GORDON GRAY | AUGUST 9, 2021

Executive Summary

- Today, Senate Budget Committee Chairman Bernie Sanders released the text of the fiscal year 2022 budget resolution, the first step for Senate Democrats to pursue budget reconciliation – a powerful legislative tool that can be invoked to override Senate filibusters.
- The budget resolution includes reconciliation instructions directing 11 Senate committees to report legislation that would increase the deficit by no more than $1.75 trillion over the next 10 years.
- The budget resolution assumes, compared to the Congressional Budget Office's baseline, that spending, debt, and deficits will increase by more than $4 trillion over the next 10 years, but this does not necessarily reflect the budget effects of the Democrats' forthcoming reconciliation bill.

Introduction

This week, the Senate will consider a budget resolution that will allow congressional Democrats to pursue the enactment of a $3.5 trillion domestic spending bill consistent with the Biden Administration's Build Back Better plan.

Assuming the Senate and House pass the resolution, it will provide congressional Democrats with an important tool – reconciliation – to allow for expedited consideration of their spending bill in the fall over any potential opposition from Republicans. While the reconciliation process has important limitations, as the recent enactment of the Tax Cuts and Jobs Act and the American Rescue Plan Act make clear, it is increasingly the preferred route for advancing the Biden Administrations' legislative priorities through Congress.

Reconciliation in the House and Senate

A reconciliation bill is legislation that changes laws affecting mandatory spending and/or tax revenue to achieve a specific budget outcome.[1] Reconciliation is among the most powerful procedural tools available to policymakers because bills passed through the reconciliation process are considered under expedited rules that limit the time allotted for debate, the scope of amendments, and the number of votes needed for passage. In the House, simple majorities can attach similar conditions to most legislative matters, so the unique parliamentary characteristics of reconciliation legislation are largely intended to override otherwise prevailing Senate rules.

In the Senate, a reconciliation measure is privileged, which means it requires only a simple majority to be brought to the Senate floor rather than the usual 60 votes. Thereafter, floor debate is limited to 20 hours, with further limitation on the scope and time that may be devoted to amendments. A simple majority is required for passage without the usual supermajority vote needed to advance to a vote on final passage.

Reconciliation and the FY2022 Budget Resolution

For reconciliation measures to even be taken up by the House or Senate, an identical budget resolution must be agreed to by both chambers.[2] To initiate the budget reconciliation process, a budget resolution must include instructions to committees to achieve specific budget outcomes through legislation. These instructions must include four key elements:

1. the committee to which the instruction is directed;
2. the deadline by which the relevant committee or committees must comply;
3. the specified dollar amount change to either revenues, outlays, the deficit, or the public debt; and
4. the time period over which those budgetary changes must be achieved.

Further, it is important to note that a reconciliation instruction does not prescribe how the specified budgetary changes must be met. Those changes remain the purview of the instructed committee.

It is also important to note that this budget resolution does not include instructions to increase the debt limit, which means that congressional Democrats will require at least 10 Republican Senators to support a suspension or increase in the federal borrowing limit.

The fiscal year (FY) 2022 budget includes reconciliation instructions to 11 Senate committees and 12 House committees. In the Senate, the instructions direct 10 committees to report changes in laws within their jurisdictions that *increase* the deficit by a combined $1.75 trillion over the next decade, while the Senate Finance Committee is directed to *reduce* the deficit by $1 billion over the next decade. Similarly, in the House, 11 committees are instructed to report changes in laws within their jurisdictions that *increase* the deficit by a combined $1.98 trillion over the next decade, while the Ways and Means Committee is directed to *reduce* the deficit by $1 billion over the next decade. The difference in deficit effects is a function of differences in committee jurisdictions between the two chambers.

Senate Committee	Instruction	House Committee	Instruction
Agriculture, Nutrition, and Forestry	-135,000	Agriculture	-89,100
Banking, Housing, and Urban Affairs	-332,000	Education and Labor	-779,500
Commerce, Science, and Technology	-83,076	Energy and Commerce	-486,500
Energy and Natural Resources	-198,000	Financial Services	-339,000
Environment and Public Works	-67,264	Homeland Security	-500
Finance	1,000	Judiciary	-107,500
Health, Education, Labor, and Pensions	-726,380	Natural Resources	-25,600
Homeland Security and Governmental Aff	-37,000	Oversight and Reform	-7,500
Indian Affairs	-20,500	Science, Space, and Technology	-45,510
Judiciary	-107,500	Small Business	-17,500
Small Business and Entrepreneurship	-25,000	Transportation and Infrastruct	-60,000
Veterans Affairs	-18,000	Veterans Affairs	-18,000
		Ways and Means	1,000

The most significant, and opaque, instructions are those to the Senate Finance and House Ways and Means Committees. Observers could be forgiven for assuming that these committees' relatively modest deficit reduction instruction implies similarly modest policies. But that assumption belies the fact that these committees have the tax code and Medicare, among other programs, within their jurisdiction. It is likely that these committees will report legislation in the fall with gross budgetary flows on the order of several trillion in gross expenditures and gross tax increases.

The committees were instructed to report legislation to their respective chambers no later than September 15. Upon reporting the legislation, the recommendations will be packaged together by the Budget Committees into an omnibus reconciliation bill.

Reserve Funds and Other Matters

The budget resolution is, notionally, a fiscal blueprint for the Congress but does not change any laws. Rather, it is an agreement between the Senate and House on levels of major budgetary flows such as aggregate spending, revenue, and deficit levels. These levels only apply to *on-budget*- programs, which covers most federal programs, but excludes Social Security and the Postal Service. The budget resolution jumps off from the budget baseline set forth by the Congressional Budget Office (CBO). Compared to CBO's baseline, the FY2022 budget resolution assume no additional -*on---budget* revenues are collected over the next decade; rather, the budget resolution assumes revenues are consistent with the revenues CBO projects will be collected over the next decade. With respect to spending and deficits, however, the budget resolution departs significantly from current law. Over the next decade, the budget resolution assumes *on-budget* spending and deficits will be $4.2 trillion higher.

Does this mean that the forthcoming reconciliation bill won't increase taxes, but will just be borrowed? Not necessarily, and not likely. Rather, those higher spending levels can accommodate the effects of other legislation, such as appropriations bills, in addition to the forthcoming reconciliation bill. Of note, the budget resolution includes a "reserve fund" which provides the Senate Budget Committee chair with the authority to revise the budget resolution's revenue, spending, and other budget levels to accommodate the budget effects of reconciliation legislation. This tool has already been used by Senate Budget Committee Chairman Bernie Sanders to accommodate the American Rescue Plan Act in March.

Budget resolutions do not change laws, which means they don't change federal policies. Again, one could be forgiven for assuming otherwise, given that supporters and detractors of a given budget resolution typically ascribe significant policy changes to the budgets. This budget is no different, with congressional Democrats providing a long list of domestic priorities the resolution enables. To be sure, the reconciliation instructions to the committees of jurisdiction *assume* much of the budget effects of the many policies in the Build Back Better agenda, but no more than that. The committees of jurisdiction and ultimately the legislative process will determine what policies will be included in the reconciliation bill in the fall. The budget resolution simply enables that bill, to the extent it complies with the instructions, to be considered without the threat of filibuster.

Conclusion

Reconciliation is a powerful legislative tool that provides for expedited consideration of budget-related legislation in Congress. To employ this tool, Congress must first agree to a budget resolution with reconciliation instructions, which can only produce a maximum of three reconciliation bills. The Senate will likely pass a budget resolution this week, providing reconciliation instruction to multiple committees in each chamber and provide for expedited consideration of a reported $3.5 trillion spending bill over the likely objection of Senate Republicans.

[1] https://www.americanactionforum.org/research/budget-reconciliation-primer/

[2] https://www.americanactionforum.org/research/the-congressional-budget-process-what-a-budget-resolution-is-and-what-it-is/