



## Q&A: Everything You Need to Know About a Budget Conference April 16, 2015

This year, Congress made it a priority to pass a concurrent budget resolution. Both the House of Representatives and Senate passed their own budget plans at the end of March, and now they must work through the differences in the two budgets through a budget conference committee. This week, both chambers began the process and appointed conferees to serve on the committee. Below, we explain how this budget conference will work, and what it intends to accomplish.

### What is a budget conference?

A budget conference is a process by which the House and Senate iron out the differences in the budget resolutions they each passed separately to arrive at a unified “concurrent budget resolution” that each chamber will then adopt. The leaders of each party and budget committee in both houses choose members to participate in the conference committee.

### Over what time period will the conference negotiate?

According to the Budget Act of 1974, which created the current budget process, a budget conference is supposed to be completed and the resolution passed by both chambers by April 15<sup>th</sup>. Obviously, Congress has not met this deadline – and indeed it is routinely missed. However, Senate Budget Committee Chairman Mike Enzi (R-WY) and House Budget Committee Chairman Tom Price (R-GA) have already been negotiating ahead of a formal conference, and formal negotiations will begin shortly now that conferees have been named. A formal meeting of the conference committee will occur on April 20<sup>th</sup>, after which a timeline for completion may become clearer.

### Who is in the budget conference?

The budget conference committee will consist of 30 lawmakers – 22 from the Senate and 8 from the House of Representatives. Of the Senate members, 12 are Republicans and 10 are Democrats (including two independents caucusing with Democrats). Of the House members, 5 are Republicans and 3 are Democrats. The conference committee is chaired by Representative Tom Price (R-GA) and Senator Mike Enzi (R-WY), and includes Representatives Diane Black (R-TN), Mario Diaz-Balart (R-FL), John Moolenaar (R-MI), Gwen Moore (D-WI), Todd Rokita (R-IN), Chris Van Hollen (D-MD), and John Yarmuth (D-KY) and Senators Kelly Ayotte (R-NH), Tammy Baldwin (D-WI), Bob Corker (R-TN), Mike Crapo (R-ID), Tim Kaine (D-VA), Angus King (I-ME),

Lindsey Graham (R-SC), Chuck Grassley (R-IA), Ron Johnson (R-WI), Jeff Merkley (D-OR), David Perdue (R-GA), Rob Portman (R-OH), Bernie Sanders (I-VT), Jeff Sessions (R-AL), Debbie Stabenow (D-MI), Pat Toomey (R-PA), Mark Warner (D-VA), Sheldon Whitehouse (D-RI), Roger Wicker (R-MS), and Ron Wyden (D-OR).

## How many people have to agree to the recommendations?

In order for the conference committee to offer recommendations, the proposal must be agreed upon by a majority of each chamber's representatives to the conference. From a practical standpoint, that probably means all Republican members of the conference committee will need to support the package. Once agreed upon, the budget resolution is sent to the House and Senate for a vote, where a simple majority will be required for passage.

## What is a concurrent budget resolution?

A budget resolution is a blueprint outlining intended revenue levels and spending by category for the coming fiscal year as well as future years. It does so by setting the top-line spending and revenue numbers along with various processes to achieve those numbers, but it does not specify exactly how the funds should be spent nor mandate any specific policy changes.

A *concurrent* budget resolution is a budget resolution agreed to by both chambers of Congress. Importantly, while both the House and Senate must vote in support of this resolution, it is not signed by the President and thus not legally binding.

While a budget resolution does not, by itself, carry the force of law, it can establish rules in both chambers of Congress in ways that make future laws easier to enact. A budget resolution can be an important component of any ultimate budget agreement for at least four reasons. First, budget resolutions set the top-line spending levels and establish safeguards preventing those levels from being exceeded. Second, budget resolutions can establish rules governing debate over legislation that impacts the budget. Third, budget resolutions can include a process known as reconciliation that requires the various committees to achieve a certain amount of deficit reduction and removes legislative hurdles (such as the filibuster in the Senate) for legislation that meets the given targets and other criteria. And finally, concurrent budget resolutions can represent an important political agreement between the chambers on future fiscal policy.

## What cannot be decided in a budget resolution?

While a budget resolution sets spending limits for committees of jurisdiction and may include instructions for savings that must be achieved, it does not determine the allocation of funds within that limit or dictate how any assumed savings can be achieved. With regards to annual

appropriated funds, the budget resolution can set top-line numbers but not determine where money is allocated within agencies. With regard to mandatory spending and revenue, the resolution can set targets but cannot specify what policies would achieve these targets.

In addition to not being able to set specific policies, a budget resolution cannot set even top-line numbers when it comes to Social Security or the Postal Service, both of which are considered “off-budget.”

Finally, and perhaps most importantly, budget resolutions cannot change actual tax or spending policy nor otherwise change the law.

### **What happens after the budget conference?**

If the conference committee is able to reach an agreement on spending levels, revenue levels, and any reforms or instructions, the final resolution would receive expedited, or “fast track,” consideration in Congress. It can pass with only a majority of votes in the Senate as opposed to the 60-vote margin typically needed to overcome a filibuster. After the resolution has been approved by both chambers, the respective appropriations committees may work on funding bills to fit within the spending caps laid out in the budget resolution. In addition, if the budget resolution includes reconciliation instructions, the instructed committees must report legislation that complies with the instructions by the date specified in the budget resolution.

### **When was the last time we had a budget conference?**

The last time a budget conference met was in the fall of 2013, after the agreement ending the government shutdown initiated a conference between the House and Senate budgets. The House budget under Chairman Paul Ryan (R-WI) was substantially different than the Senate budget by Chairman Patty Murray (D-WA). While the conference committee met publicly only once and did not conference a budget resolution, it did result in negotiations between the two chairs. The resulting Bipartisan Budget Act, also referred to as Ryan-Murray, successfully set spending levels for fiscal years 2014 and 2015.

### **When was the last time we had a conferenced concurrent budget resolution?**

The last budget conference that resulted in a concurrent budget resolution passing both chambers took place in April 2009 (the budget resolution for Fiscal Year 2010). At that time, Democrats held majorities in both the House and Senate, so the resolutions were relatively similar. Among other things, the resolution provided reconciliation instructions for what would become the Health Care and Education Reconciliation Act, which was part of the Affordable Care Act.

## Where are the two sides starting from as we enter the new budget conference?

The budgets passed by the House and Senate are similar in many ways, but there are differences that must be worked out. Some of these differences relate to the proposed spending levels. For example, starting in FY 2017 the House spends much less on non-defense discretionary spending than the Senate and also spends much more on defense discretionary spending. Meanwhile, the House saves less from the Medicare program than the Senate. All told, the House includes \$5.5 trillion of deficit reduction compared to the Senate's \$4.9 trillion, and the House reaches balance in 2024, one year earlier than the Senate's 2025. See "[Debt and Deficits Under the FY 2016 Budgets](#)" for more information.

Arguably much more important than the top-line numerical differences, however, are a number substantive differences between each budget. For example, the Senate budget includes a Deficit-Neutral Reserve Fund for sequester relief whereas the House budget uses Overseas Contingency Operations funding—a type of emergency spending—to provide defense [sequester relief](#). In addition, the House budget provides [reconciliation instructions](#)—a fast track process for savings bills—for every committee with mandatory spending oversight whereas the Senate only gives these instructions to the Finance and Health, Education, Labor, and Pensions (HELP) committees. As a final example, both resolutions contain a variety of [different budget process reforms](#) that will also have to be agreed upon.

## What is budget reconciliation?

Budget reconciliation is a process of expedited consideration for changes to mandatory spending programs or federal revenue. The budget resolution can provide reconciliation instructions to committees to achieve a certain level of savings. Lawmakers can pass a reconciliation bill with only a simple majority in the Senate without the threat of a filibuster. A special rule, known as the "Byrd Rule," places limits on what can be considered in the reconciliation process. It prohibits provisions that are not related to mandatory spending or revenues, increase deficits beyond the timeframe covered by the resolution, or have no budgetary effect, among other limitations.

In total, 20 bills have been passed into law through reconciliation, including the 1990 Omnibus Budget Reconciliation Act, the Balanced Budget Act of 1997, the 2001 and 2003 tax cuts, and portions of the Affordable Care Act. Some of these efforts, such as the 1990 and 1993 Omnibus Budget Reconciliation Acts, have produced significant deficit reduction (each saved nearly \$500 billion over five years) while others, such as the 2001 and 2003 tax cuts, have increased deficits. See a full comparison [here](#).

## How does the budget conference relate to the debt limit?

The budget resolution passed in the Senate included a provision prohibiting the Senate from considering any proposal from the conference committee that provides for an increase in the statutory debt limit. If this provision is kept in conference it would prevent a debt ceiling increase being approved through the reconciliation process under the 51-vote threshold. This means that the debt limit will have to be dealt with on a separate track. However, an agreement on a plan to reduce deficits as part of the budget conference may facilitate action on separate legislation increasing the debt limit.

## What should policymakers do now?

The budget conference is a perfect place to instruct the relevant committees to find long-lasting solutions to our long-term fiscal challenges and to diminish the frequency and intensity of the showdowns the country has become accustomed to in the last few years. Both the House and Senate budget resolutions this spring called for putting debt on a downward path as a share of the economy, and the same should be expected from the conference committee recommendations and any subsequent action.

A conferenced concurrent resolution on the budget should allow authorizing committees to develop reconciliation legislation to meet the prescribed instructions for deficit reduction. Under the statutory time frame, the House may begin to consider Fiscal Year 2016 appropriations legislation on May 15<sup>th</sup> with a soft deadline of June 10<sup>th</sup> to pass all twelve appropriations bills through committee and complete all action in the House by the end of June. The Senate would, in theory, work on appropriations legislation on a similar time frame and the House and Senate would conference each bill. A hard deadline and major [Fiscal Speed Bump](#) exists on October 1<sup>st</sup> when the federal government's discretionary funding runs out. All appropriations bills will need to be passed identically by both chambers and signed by the President to keep the government open and avoid a shutdown similar to the one in October of 2013.