



POLICY ALERT

CONGRESS ADVANCING LONG-TERM BUDGET PLANS FOR SPENDING REDUCTIONS, TAX CUTS

October 9, 2017

Overview

House and Senate leaders are advancing budget resolutions that outline proposals for reducing the federal deficit over the next 10 years by cutting trillions of dollars in spending. More than 70 percent of the proposed spending reductions would apply to Medicare, Medicaid and other entitlement programs.

The proposed spending reductions are intended to help offset the future cost of broad-based tax reform, which is also proposed in the budget resolutions. Tax reform is likely to include reductions to individual and corporate tax rates, among other changes.

While the long-term figures and proposals in the budget plan are largely aspirational, the resolutions also contain binding reconciliation instructions requiring congressional committees to immediately develop legislation that would: (1) identify the first tranche of spending cuts (deficit reduction), and (2) achieve comprehensive tax reform. The resulting reconciliation legislation would require 51 votes in the Senate, rather than usual 60 votes, to pass.

The House approved its budget resolution on Thursday, October 5. The Senate is expected to debate and vote on its bill during the week of October 16. After that, the differences will need to be resolved to produce one bill for a final vote by both chambers. The congressional committees will also be working to develop legislation providing for the spending cuts and tax reforms required by the reconciliation instructions.

Understanding Budget Resolutions

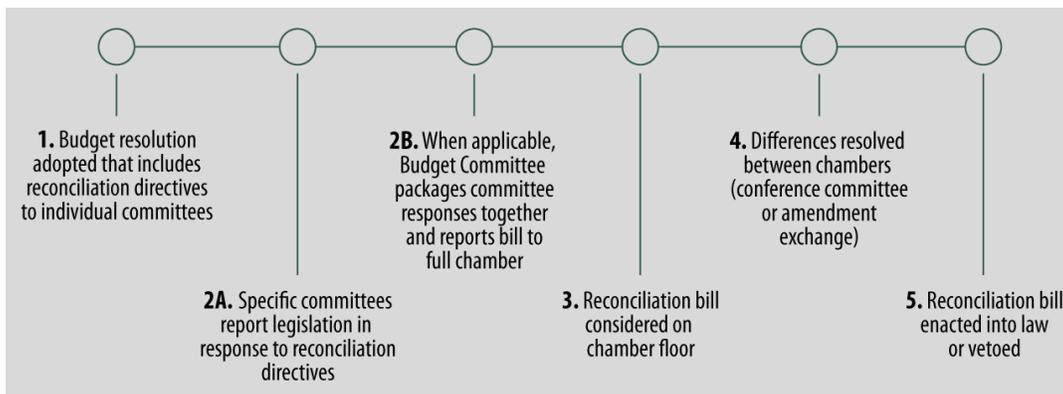
Important things to know:

- A non-binding agreement between the House and Senate on the overall size of the federal budget, for at least the following five years.
- Sets spending limits, and offers policy options for future legislative activity, designed to achieve goals of the budget agreement.
- Predicts how the budget agreement would impact future budget deficits (or surpluses).

Major Components:

- Discretionary Spending Caps – allocates funding levels that the appropriation committees must follow when developing the annual appropriations bills.
- Policy options for entitlement reform and other mandatory spending – provides committees with policy recommendations to reform mandatory programs (e.g. Medicare, Medicaid, and Social Security) to achieve goals of the budget agreement.
- Reconciliation Instructions (optional component of budget resolution) - directs committees to develop legislation with changes to entitlement programs and other mandatory spending and tax policy that help achieve the overall spending targets in the budget resolution.

Major Legislative Stages:



Source: Congressional Research Service

OVERALL OBJECTIVES

Congressional Budget Resolutions for the Fiscal Years: 2018-2027

BUDGET OBJECTIVES	HOUSE RESOLUTION	SENATE RESOLUTION
TOTAL FEDERAL SPENDING	\$46.3 trillion	\$35.1 trillion
PROJECTED DEFICIT REDUCTION	-\$6.5 trillion	-5.1 trillion
DISCRETIONARY SPENDING REDUCTIONS (NON-DEFENSE)	-458 billion	-534 billion
MANDATORY SPENDING REDUCTIONS	-4.9 trillion	\$-4.3 trillion
Medicare	(-487 billion)	(-473 billion)
Medicaid & Other Health	(-1.504 trillion)	(-\$1.3 trillion)
Other Mandatory Spending	(-\$2.5 trillion)	(-2.5 trillion)

RECONCILIATION INSTRUCTIONS

Congressional Budget Resolutions for the Fiscal Years: 2018-2027

HOUSE RESOLUTION

Deficit Reduction/Spending Cuts

- 11 House committees must develop legislation that reduces the deficit by *at least* \$203 billion over 10 years
- Committees should find “substantially more [savings] wherever possible”.
- Spending reductions should focus on “reform of the government’s major benefit programs”

Tax Reform

- The House Ways & Means Committee must develop “comprehensive, deficit-neutral tax reform”.

SENATE RESOLUTION

Deficit Reduction/Spending Cuts

- The Senate Energy & Natural Resources Committee must develop legislation that reduces the deficit by \$1 billion over 10 years.

Tax Reform

- The Senate Finance Committee must develop tax reform that increases the deficit by \$1.5 trillion.