



Budgets and Revenue

STANDING COMMITTEE

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House Passes Budget Resolution, Senate Budget Resolution Passes Committee

The House of Representatives passed a budget resolution yesterday while the Senate Budget Committee passed a competing budget plan, setting the stage for a contentious conference committee in several weeks. Assuming both chambers can ultimately agree upon and pass a budget, it is unlikely that most of the spending outlays and policy goals included in the House budget resolution will actually materialize in an appropriations package able to pass both chambers. However, passage of a budget resolution will be vital for tax reform, as it will both outline the fiscal parameters of a tax bill and allow tax reform to pass through [budget reconciliation](#), thus negating the Senate's filibuster rules.

House Budget Resolution

After months of intra-party debate, House Republicans secured the necessary votes to pass their Fiscal Year 2018 resolution, [H. Con. Res. 71](#), on a 219-206 vote. Eighteen Republicans joined Democrats in voting against the measure, with rumors that several Republicans who joined were specifically taking a stand against the GOP's plans to eliminate the state and local tax deduction. While conservative and moderate Republicans alike voiced their concerns with the budget package, they shelved their objections to advance their collective interest in enacting tax reform later this year. In general, the budget resolution reduces spending over 10 years and directs lawmakers to find at least \$203 billion in extra savings from entitlement programs, such as food stamps, agricultural subsidies and housing assistance. However, the budget increases defense spending by proposing a Pentagon budget of \$620 billion, which was a compromise figure between the \$640 billion desired by defense hawks and the \$603 billion request from the White House. Finally, among other provisions, the budget proposal includes provisions that would allow for: the repeal and/or replacement of the Affordable Care Act (ACA), the commercialization of air traffic control, investments in national infrastructure, and the extension of the State Children's Health Insurance Program (CHIP).

House Republicans have already acknowledged that their budget resolution will likely differ drastically from the Senate budget plan and understand that the differences will need to be reconciled in conference.

Senate Budget Resolution

Yesterday evening, the Senate Budget Committee passed their version of a [budget resolution](#) along a party-line vote of 12-11 after an all-day markup. As was the case in the House, the primary purpose of the Senate proposal is to pave the way for tax reform. To do so, the Senate Committee's budget

would give legislators the leeway to add \$1.5 trillion to the deficit over a decade to allow for an overhaul of the tax code. The plan reduces spending for domestic departments including agriculture, transportation and energy, while creating a record 10-year \$695 billion budget for the Pentagon. One of the largest cuts would hit the nation's transportation programs, reducing funding \$11.29 billion over 10 years, while the department's mandatory funding would be reduced even further, from \$55.4 billion to \$37.6 billion during that same period. Besides defense spending, the biggest spending increases target health programs with ballooning costs like Medicare. A more contentious issue that was unveiled during the markup was when the panel rejected an amendment in a party-line vote to strike instructions in the budget to allow Congress to find \$473 billion in savings from Medicare over a decade. Democrats say that this amounts to cuts in Medicare, while Republicans argue it would simply allow Congress to slow the program's rate of growth. While there are similarities between the two plans, the slim majority of Republicans in the Senate will force concessions and you can bet that this Senate plan will more likely resemble the final compromise package.

Next Steps

The full Senate is currently planning to vote on the Senate Budget Committee's budget resolution on the floor the week of October 16th. Assuming it passes, House and Senate negotiators will form a conference committee to develop a final compromise plan, but that process will probably not begin until November. Budget writers will then need to reconcile the differing packages during conference negotiations to reach an agreement on a plan that will serve as the framework for tax reform. Both chambers will then need to pass the conference committee budget resolution, which is by no means guaranteed, before they can begin the budget reconciliation process, which will serve as the vehicle for tax reform.