



# Budget Reconciliation and Appropriations Update

March 13, 2025

# Agenda

## **Budget Reconciliation Overview**

- Reconciliation Background
- Reconciliation vs. Appropriations
- Process for Reconciliation
- Priorities of President Trump and Congressional Republicans

## **Government Funding Update**

- Fiscal Year 2025 Annual Appropriations
- Department of Government Efficiency

## **Federal Funding Outlook**

- Fiscal Year 2026 timeline
- Challenges and opportunities



# Budget Reconciliation Background

## What is Budget Reconciliation?

- Congressional procedure that allows for expedited consideration of certain fiscal legislation, particularly tax and mandatory spending matters.
- Reconciliation bills are not subject to the Senate filibuster therefore allowing passage by a simple majority.
- Reconciliation legislation tends to be highly partisan (in the modern era).

LEGISLATION	DESCRIPTION
<b>Health Care and Education Reconciliation Act of 2010</b> <i>Signed into law by President Obama</i>	Modified the Affordable Care Act by closing the gap in Medicare prescription drug coverage, allowing children to stay on parent's insurance until 26, among various other provisions
<b>Tax Cuts and Jobs Act of 2017</b> <i>Signed into law by President Trump</i>	Lowered the tax rate for top income earners, cut the corporate tax rate from 35% to 21%, gave families a higher child tax credit, decreased the estate tax, and repealed the individual mandate of the Affordable Care Act
<b>American Rescue Plan Act of 2021</b> <i>Signed into law by President Biden</i>	Made \$1.9T of relief available to schools, families, and communities during the COVID-19 pandemic
<b>Inflation Reduction Act of 2022</b> <i>Signed into law by President Biden</i>	Directed the Centers for Medicare and Medicaid Services to negotiate the prices of certain drugs, incentivized clean energy production and utilization, funded USDA conservation and energy programs



# Budget Reconciliation v. Annual Appropriations

## Distinct Federal Budget Processes

- Purpose
  - Appropriations: annual allocation of funds to federal agencies and programs.
  - Reconciliation: procedural pathway for certain budget-related legislation.
- Process
  - Appropriations: requires passage of 12 appropriations bills subject to the Senate filibuster.
  - Reconciliation: bypasses the Senate filibuster.
- Coverage
  - Appropriations: discretionary spending for the federal government.
  - Reconciliation: mandatory spending, tax revenues, the debt ceiling.



# Budget Reconciliation Process

## How Reconciliation Gets Done

- House and Senate adopt an identical budget resolution.
- Budget resolution provides instructions to congressional committees.
- Committees draft legislation meeting their instructions.
- House and Senate pass identical omnibus reconciliation legislation.
- President signs the bill into law.

### BUDGET RESOLUTION



The House and Senate convene to pass a **joint budget resolution**, broadly outlining federal revenue, spending, and debt over a specified time frame; these budget resolutions are **not subject to presidential sign-off**



### BUDGET RECONCILIATION



The budget resolution includes instructions that mandate committees to create policies matching the budget; these bills can pass with a simple majority and have a 20-hour debate limit in the Senate



### APPROVAL



Reconciliation measures are usually combined into **one omnibus bill** and sent to the president for approval; if vetoed, Congress must pass a new budget resolution to start over

# Budget Reconciliation—Byrd Rule

## Byrd Rule Overview

- Senate rule that defines which policies can be considered under budget reconciliation.
- “Extraneous” provisions, particularly those with no effect on the budget, cannot be included.
- Senate Parliamentarian determines a provision’s compliance with the rule.

## Byrd Rule Examples

- 2017 TCJA: Mandatory lease sales in the Arctic National Wildlife Refuge deemed not extraneous.
- American Rescue Plan: minimum wage increase deemed extraneous.

### Types of “extraneous” provisions:

HAVE NO EFFECT ON THE BUDGET

UP SPENDING OR CUT REVENUE  
OUTSIDE INSTRUCTIONS

BEYOND COMMITTEE JURISDICTION

CAUSE BUDGETARY CHANGE  
INCIDENTAL TO POLICY GOALS

ADD TO NATIONAL DEBT BEYOND  
THE TIME WINDOW

CHANGES SOCIAL SECURITY

# Budget Reconciliation Update

## President Trump and Congressional Republican Priorities

- Tax Reform
  - Extension of expiring 2017 Tax Cut and Jobs Act individual and estate provisions (cost: over \$4 trillion)
  - Repeal Inflation Reduction Act energy tax credits
  - Eliminate taxes on Social Security Benefits
  - Cut taxes on tips and overtime pay
  - Cut taxes on domestic manufacturing
- Non-Tax Priorities
  - Immigration enforcement and border security
  - Domestic energy production and new lease sales
  - Military readiness and spending



# Budget Reconciliation Update

## House and Senate Differing Strategies

- House is pursuing a “one-bill strategy” that would include all President Trump and congressional Republican priorities.
- Senate pursued a “two-bill strategy” that would separate tax reform from immigration, energy, and military priorities.
- President Trump has endorsed the concept of “One Big, Beautiful Bill.”

## Timeline To-Date

- On February 21, the Senate adopted a budget resolution enabling the “two-bill strategy.”
- On February 25, the House adopted a budget resolution enabling the “one-bill strategy.”
- Senate expected to amend House budget resolution and vote by late March or early April on adoption.





# House Budget Resolution Overview

## BUDGET STRUCTURE AND GOALS



On February 25, the House advanced the budget resolution to the Senate in a 217-215 vote.

The House resolution outlines significant spending reductions to allow for tax reform, which has sparked debate over the programs getting cut, control of the federal debt, and the overall economic impact.

## KEY PROVISIONS



Up to **\$4.5 trillion in tax cuts** over the next decade, including an extension of Trump's 2017 tax cuts.



At least **\$1.5 trillion in mandatory spending cuts**, with a \$2 trillion target, with targets placed at Medicaid and SNAP.



**\$4 trillion increase** to the debt limit.

## REPUBLICAN FISCAL STRATEGY

**Conservative influence:** The House Freedom Caucus secured a provision requiring a dollar-for-dollar reduction in the \$4.5 trillion tax cuts if spending cuts fall short of the \$2 trillion target.

**Leadership coordination:** GOP lawmakers reached agreements with key party leaders to ensure alignment on deficit and tax priorities.

## DEMOCRATIC RESPONSE

Democrats argue the budget plan undermines critical programs, including \$230 billion in cuts to food assistance programs and \$880 billion in cuts from Medicaid and Affordable Care Act benefits.

# House Budget Resolution Committee Instructions

## Increase the Deficit Instruction

Committee of Jurisdiction	Instruction
Ways & Means	<i>Up to +\$4.5 Trillion</i>
Judiciary	<i>Up to +\$110 Billion</i>
Armed Services	<i>Up to +\$100 Billion</i>
Homeland	<i>Up to +\$90 Billion</i>

## Decrease the Deficit Instruction

Committee of Jurisdiction	Instruction
Energy & Commerce	<i>At least -\$880 Billion</i>
Education & Workforce	<i>At least -\$330 Billion</i>
Agriculture	<i>At least -\$230 Billion</i>
Oversight	<i>At least -\$50 Billion</i>



### H. CON. RES. 14

[Report No. 119-4]

Establishing the congressional budget for the United States Government for fiscal year 2025 and setting forth the appropriate budgetary levels for fiscal years 2026 through 2034.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 18, 2025

Mr. ARRINGTON, from the Committee on the Budget, reported the following concurrent resolution; which was committed to the Committee of the Whole House on the State of the Union and ordered to be printed

### CONCURRENT RESOLUTION

Establishing the congressional budget for the United States Government for fiscal year 2025 and setting forth the appropriate budgetary levels for fiscal years 2026 through 2034.

Small Business	<i>At least -\$10 Billion</i>
Financial Services	<i>At least -\$1 Billion</i>
Natural Resources	<i>At least -\$1 Billion</i>

# Senate Budget Resolution Overview

## BUDGET STRUCTURE AND GOALS



On February 21, the Senate adopted the budget resolution in a 52-48 vote.

The Senate resolution outlines spending increases for immigration enforcement and military readiness.

## KEY PROVISIONS



**\$175 billion** for border security and **\$150 billion** for military funding.



**\$342 billion deficit increase** allowed for under the proposal.



**Does not** mandate specific spending reductions, but goal is to reduce spending to cover cost of the legislation.

## SENATE REPUBLICAN FISCAL STRATEGY

**Two-Bill Approach:** Senate Republicans are proposing to address tax reform priorities in a future budget reconciliation process after border, military, and energy priorities are addressed.

**House Coordination on One-Bill Approach:** With the House adoption of a budget resolution, the Senate is now considering potential amendments to the House's budget resolution.

# Senate Budget Resolution Committee Instructions

## Increase the Deficit Instruction

Committee of Jurisdiction	Instruction
Homeland Security	<i>Up to +\$175 Billion</i>
Judiciary	<i>Up to +\$175 Billion</i>
Armed Services	<i>Up to +\$150 Billion</i>
Commerce	<i>Up to +\$20 Billion</i>
Environment & Public Works	<i>Up to +\$1 Billion</i>

## Decrease the Deficit Instruction

Committee of Jurisdiction	Instruction
Agriculture	<i>At least -\$1 Billion</i>
Energy & Natural Resources	<i>At least -\$1 Billion</i>
Finance	<i>At least -\$1 Billion</i>
Health, Education, Labor	<i>At least -\$1 Billion</i>



119TH CONGRESS  
1ST SESSION

## S. CON. RES. 7

### CONCURRENT RESOLUTION

*Resolved by the Senate (the House of Representatives concurring),*

#### SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2025.

(a) DECLARATION.—Congress declares that this resolution is the concurrent resolution on the budget for fiscal year 2025 and that this resolution sets forth the appropriate budgetary levels for fiscal years 2026 through 2034.

(b) TABLE OF CONTENTS.—The table of contents for this concurrent resolution is as follows:

[Sec. 1. Concurrent resolution on the budget for fiscal year 2025.](#)

[TITLE I—RECOMMENDED LEVELS AND AMOUNTS](#)

# FY25 Annual Appropriations Update

## Background: Federal Fiscal Year

- Runs from October 1 to September 30.
- Congress is 5 months into FY25 with no full-year bill enacted.

## Government funded through March 14

- Republicans released a full-year, “clean” continuing resolution on March 8<sup>th</sup>.
- The House passed the CR on March 11<sup>th</sup>.
- The Senate seems likely to pass the CR.
- Congressional Democrats had sought protections against Trump Administration actions: pausing funds, canceling contracts, and reducing federal workforce.



**Donald J. Trump** ✓  
@realDonaldTrump

The House and Senate have put together, under the circumstances, a very good funding Bill (“CR”)! All Republicans should vote (Please!) YES next week. Great things are coming for America, and I am asking you all to give us a few months to get us through to September so we can continue to put the Country’s “financial house” in order. Democrats will do anything they can to shut down our Government, and we can’t let that happen. We have to remain UNITED — NO DISSENT — Fight for another day when the timing is right. VERY IMPORTANT. MAKE AMERICA GREAT AGAIN!



# House Republican Full-Year Continuing Resolution

## Continues Funding at FY24 Levels to September 30<sup>th</sup>

- For most agencies, funding is continued at the levels included in the FY24 appropriations acts.

## FY25 Earmarks not Included

- CR does not include House and Senate proposed earmarks.
- Communities will have to reapply in FY26 for earmarks.
- Competition for FY26 earmarks will be significant, if they are allowed at all.

## Defense vs. Non-Defense Spending

- Compared to FY24, CR increases defense spending by \$6 billion and decreases non-defense spending by \$13 billion.

## “DOGE” Cuts not Included

# Department of Government Efficiency

## Led by Elon Musk

### Aims of DOGE

- Reduce federal spending.
- Optimize the federal workforce and overall size of government.
- Increase transparency of federal spending.
- Modernize federal technology systems.

### DOGE Teams at Federal Agencies

### Four Executive Orders Implementing DOGE Initiatives

- Jan. 20: Establishing DOGE
- Feb. 11: DOGE Workforce Optimization Initiatives
- Feb. 19: DOGE Regulatory Initiative
- Feb. 26: DOGE Cost Efficiency Initiative



# DOGE Alaska Impacts

## DOGE Federal Office Lease Cancellations in Alaska

- Impacted agencies: U.S. Geological Survey, U.S. Forest Service, Small Business Administration, USDA Natural Resources Conservation Service, USDA Rural Housing Service, National Oceanic Atmospheric Administration.

## Firing of Federal Employees

- Targeting of “probationary employees.”
- Alaska has approximately 1,378 probationary employees.

## Federal Funding Pause

- OMB Memo M-25-13 directed a pause of most Federal financial assistance programs.
- Memo was rescinded on January 29<sup>th</sup> after litigation.

## Senate Indian Affairs Committee Funding Pause Oversight

- Sen. Murkowski and the Committee are seeking input on how the pause impacted Native communities.
- Email: [oversight@indian.senate.gov](mailto:oversight@indian.senate.gov)



# Federal Funding Outlook

## FY26 Appropriations Process Delayed by FY25 Negotiations and New Administration

- President Trump has not yet submitted an FY26 Budget Request to Congress.
- Sen. Murkowski's request portal closed on February 28.
- Sen. Sullivan's request portal is not yet publicly available.
- Rep. Begich's request portal is not yet publicly available.
- Appropriations Committees cannot turn to FY26 until FY25 is finished.

## Federal Funding Opportunities

- Draft and pursue an FY26 appropriations request.
- Pursue federal grants and contracts funded by previously enacted appropriations bills.
- Expect more uncertainty in the federal budget process and in federal agency grant implementation than normal.



# Questions?

If we don't get to your question, our contact info is below.

## Contact information:

- Mindy Meade Meyers: [mmeademeyers@vnf.com](mailto:mmeademeyers@vnf.com)
- Jaeleen Kookesh: [jkookesh@vnf.com](mailto:jkookesh@vnf.com)
- Lucas Agnew: [lagnew@vnf.com](mailto:lagnew@vnf.com)

