

Reconciliation Process vs. Annual Appropriations Process

Over the next few months, Congress will be using a few “budgetary” procedures to move legislation forward. NACWA members may hear about the “reconciliation process” or the annual budget or “appropriations process” and not fully understand the difference. Here’s a short explainer to help demystify these processes.

Reconciliation requires *two steps*:

First, the House and Senate must adopt the same budget resolution containing reconciliation “instructions” for select Committees ([for the current reconciliation process, this happened in April](#)).

Second, the House and Senate Committees identified in the budget resolution will provide recommended changes that are consistent with the directives in the adopted budget resolution ([markups are happening this month on these recommended changes](#)). These changes are then submitted to the Budget Committee of their respective chamber. The Budget Committees will then assemble and report out a final reconciliation bill that the full House and Senate will vote on.

Reconciliation Process:

Reconciliation is an expedited process for passing major fiscal policy legislation. Under reconciliation, the Senate’s usual cloture process requiring a 3/5 majority vote (60 votes) is eliminated, and only a simple majority in the Senate is required for passage. But reconciliation legislation can only change existing revenue, direct spending, or debt-limit laws and can typically be done just once per year.

Because reconciliation allows bills to pass that can muster 51, but not 60, votes in the Senate, Congress will use reconciliation especially when there is one party control of both chambers. It will allow the majority party to move forward major fiscal policy legislation with less need for bipartisan support. Recent examples of legislation passed through reconciliation include the *Inflation Reduction Act* signed into law by the Biden Administration in 2021 and the *Tax Cut and Jobs Act* signed into law by the first Trump Administration in 2017. However, there are important restrictions in the Senate that limit what provisions can be included in a final reconciliation bill – only policies that change spending or revenues can be included.

NACWA is keeping a close eye on provisions that affect the clean water sector that could be impacted by reconciliation, such as any provisions to eliminate tax-exempt municipal bonds and the elimination of the *Inflation Reduction Act* green energy and electric vehicle-related credits that some utilities have been leveraging. At the current moment, the municipal bond tax exemption appears safe, but as negotiations persist NACWA and its coalition partners are staying vigilant. In contrast, the green energy and electric vehicle provisions will likely be paired back through reconciliation although the extent is to be seen, because while the House seeks to broadly curtail green energy provisions they enjoy some bipartisan support in the Senate.

Republican leaders in the House and Senate have expressed a desire to complete the reconciliation process and send an approved bill to the president for his signature by July 4th – however, it remains unclear if they will be able to meet this deadline.

Reconciliation is *in addition to* the annual appropriations provisions that Congress must pass every year to keep the federal government funded.

Appropriations Process:

The appropriations process is an annual process by which Congress uses its Constitutional “power of the purse” to provide funding and budget authority to agencies and itself (aka ‘funding the government’) for the fiscal year. Most recently, Congress enacted a continuing resolution, which is a form of an appropriations bill that continues funding for the activities funded by last year’s regular appropriations act. This continuing resolution (CR) will end on September 30, 2025. Congress must then enact a new appropriations bill by October 1, 2025 for Fiscal Year 2026.

Typically, the appropriations process begins with the President sending budget request for the coming Fiscal Year to Congress in spring, and then the House and Senate Appropriations Committees will start the legislative process for the appropriations bills. This is why, around late spring/summer, Appropriations Committees will have hearings and markups over the next fiscal year’s appropriations legislation. While some of the appropriations legislation may pass one of the chambers in the summer, it has become rare for Congress to send a bill to the president by the start of the fiscal year – there will often be multiple CRs before the entire appropriations package is passed into law.

On May 2, 2025, the White House released its Fiscal Year 2026 Budget Request, officially starting the appropriations process. NACWA put out a strong [statement](#) opposing its proposed cuts to clean water funding and will be working closely with Congress in the coming months to push back on the reductions. Congress will ultimately determine federal spending levels for Fiscal Year 2026 and NACWA will be aggressively advocating to ensure that funding stays at least level for water infrastructure while also pushing for increases. But strong advocacy from public clean water utilities will also be critical during this process and NACWA urges all members to consider engaging – [click here](#) for template letters and more information to help you reach out and defend clean water investment.



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