

EPIC MEMORANDUM



To: House & Senate Conservatives
From: Paul Winfree, Brittany Madni, Matthew Dickerson
Date: June 27, 2024
RE: 2025 Reconciliation Plan

Seizing the Opportunity

The 119th Congress, beginning in January 2025, could present an incredible opportunity for conservatives to tackle some of the most important challenges facing the nation. In preparation, the Economic Policy Innovation Center (EPIC) is developing a policy plan to take advantage of the budget reconciliation process for the American people.

Reconciliation is, first and foremost, a budgetary tool that enables fast-tracking legislation in the Senate, requiring only a simple majority to advance. The original intent was to harmonize current law with Congress's budget resolution. In the mid-1980s, the Senate modified its rules to prohibit reconciliation bills from increasing the deficit relative to the congressional budget resolution's baseline. The intent of these changes, called the "Byrd Rule," was to reserve the use of reconciliation to "budgetary" legislation and limit how it could be used to increase the deficit. A reconciliation bill may include policies that result in changes to (1) outlays (*i.e.*, spending rather than budget authority), (2) revenues, or (3) the debt limit. One reconciliation bill may include one or multiple of these categories depending on instructions provided in the budget resolution.

While reconciliation is part of the budgetary process, it can be – and has been – used to enact major policy reforms given that most policy is budgetary.

Congress successfully used reconciliation to enact the Tax Cuts and Jobs Act of 2017, but this came only after the failure of Obamacare repeal and replace through reconciliation earlier the same year. ***To truly seize this unique opportunity, conservatives must begin developing policy options now.*** Congress cannot let this chance to deliver positive change for the American people slip through their grasp because they fail to plan for success.

The remainder of this memo outlines EPIC's recommendations for a conservative reconciliation bill.



Working in Tandem with the Administration

The intent of this work is not to get ahead of the next administration. Putting forth a menu of reconciliation policy options early is a way of ensuring future success for the next Congress and the next President. It is about offering fiscally responsible economic policies that can be achieved through the budget reconciliation process.

The vast majority of Americans support fiscally conservative policies and 2025 will begin with a mandate to bring fiscal sanity back to Washington. Congress can anticipate and incorporate that mandate into a reconciliation bill – a mandate that can reflect the priorities of the forthcoming administration.

A conservative reconciliation plan will not be siloed from the next administration's other critical work. Reconciliation flows directly from the budget resolution, reflecting Congress's fiscal priorities, not the entirety of the necessary work to be done during the next administration.

Drafting the reconciliation bill(s) for 2025 is essential at the start of the 119th Congress. This exercise is about presenting Congress with a policy playbook they can use on Day 1.

Five Priorities for a Reconciliation Bill

Part of the challenge with reconciliation is identifying an objective and remaining focused on achieving it. Congress must be specific with what they are trying to achieve through budget reconciliation. It is tempting to throw policy options at the wall to see what sticks, particularly given the constraints of the reconciliation process. Without a tailored list of goals, the reconciliation process may spin out of control, either failing or worse, becoming another bloated big government bill stuffed with special interest carveouts and budget gimmicks.

The 2025 reconciliation process must pair commonsense perspectives with practical policy solutions in five core areas.

EPIC's five priorities for a reconciliation bill are:

1. **Secure the Border**
2. **Reduce Inflation**
3. **Preserve & Expand the 2017 Tax Cuts**
4. **Make Work Pay**
5. **Drain the Swamp**



These five priorities can serve as the foundation of any reconciliation plan, allowing Congress to fend off shiny object distractions, sidestep incentives for irresponsible spending, and make legitimate progress toward government-wide reform.

Each of the five priorities also has the benefit of solid, conservative budgetary policy at its heart.

By **securing the border**, reconciliation can address the government spending brought on by mass illegal immigration. Beyond just being a basic aspect of our nation's security and sovereignty, securing the border will have major budgetary implications. Border security is also a core constitutional responsibility of the federal government and budget reconciliation is a way for Congress to ensure necessary and responsible funding.

Policies aimed at **reducing inflation** are also budgetary. This priority should focus on cutting spending to reduce the federal deficit. President Biden's reckless spending – much of which was enacted via reconciliation – caused inflation to spike at rates not seen in decades. The FY 2023 deficit topped \$1.7 trillion – we are on an unsustainable path, and reconciliation is the most efficient way to stop this spending spree. Rolling back harmful spending (*e.g.*, welfare reform to reduce government dependency and combatting waste, fraud, and abuse) should be a key component of this priority, as well as addressing runaway healthcare costs. Promoting American energy dominance will lower costs for families. Not only is this a priority that conservatives may pursue on its own merits, but it is also a set of provisions that will help offset any increases to the deficit caused by other sections of the reconciliation plan (*e.g.*, tax cut extensions).

The 2017 tax reform bill positively impacted American workers and families. However, because it was enacted using reconciliation, many key provisions expire in 2025 and will need to be extended. **Preserving and expanding the 2017 tax cuts** should be a component of the 2025 reconciliation process to safeguard and build on the improvements made in 2017. The lower individual rates, more competitive corporate rate, and other hallmark provisions can be preserved. This is also an opportunity to promote pro-growth policies that would further benefit working families. Continuing and expanding the 2017 tax cuts will be a legacy priority.

As the economy crawls out from under the Biden Administration's best attempts to stifle growth, reinvigorating the workforce will be central. The fourth priority



we recommend focuses on finding ways to **make work pay** again. Congress should tap into Americans' industrious spirit and pursue policies that will bolster the labor market, reform high-cost education policies (e.g., countering Biden's student loan bailout, supporting technical education), prevent the degeneration of individual responsibility, reform welfare to promote opportunity, and enable a flexible workforce. Getting people back into the labor force is an essential piece of this proposal given that there are 2.9 million missing workers as of May 2024. In budgetary terms, policies encouraging labor force participation will reduce spending and increase revenue as more people will be in the workforce. These policies will have many positive effects on families and society including the reduction of poverty, increasing the marriageability of young men, and reducing antisocial behavior. Meaningful work can also provide a sense of purpose and fulfillment.

Finally, a conservative 2025 reconciliation plan can include a strategy to downsize the massive administrative state and sprawling federal bureaucracy. The final priority in EPIC's proposal is to **drain the Swamp**. This could be achieved through significant administrative reforms, restoring state and local control of public lands, privatizing unused government buildings, and controlling the federal bureaucracy (e.g., limiting excessive benefits for bureaucrats), to name a few policy areas. This priority could also require greater accountability and tracking of federal grant dollars and contracts, including bloated overhead costs. These measures to limit government would result in a direct reduction in spending.

The Proof Is in the Polling

In constructing a reasonable set of policies that would improve the country's fiscal situation, EPIC accounted for the interests and perspectives of the American people.

As our nation faces serious challenges in the coming year, reconciliation represents a singular opportunity to tackle some of those challenges. It is important to underscore that the American people are engaged and anxious about this very set of issues.

They feel strongly that Congress needs to act, and quickly, to secure the border, bring down the cost of living by fighting inflation, address expiring tax cuts, get Americans back to work, and reduce wasteful spending by shrinking the federal government.



The results from the poll demonstrate Americans' overwhelming support for EPIC's five reconciliation priorities (you can find details of the poll [here](#) and [here](#)). We surveyed 1,000 likely voters about these issues and found that:

1. 66% are more likely to support an elected official who prioritizes securing the southern border.
2. 88% are more like to support an elected official who prioritizes reducing inflation.
3. 61% are more likely to support an elected official who prioritizes extending the TCJA.
4. 82% are more likely to support an elected official who prioritizes getting Americans back to work.
5. 79% agree that "it's time for Congress to reduce spending back to pre-COVID levels so that the government can afford to deal with the next disaster."

Moreover, when this set of policies was presented as a package ("securing the border, lowering inflation, extending tax cuts, getting Americans back to work, and reducing the federal government to pre-COVID size"), 70% responded it is important to them this is prioritized in the first year by the next Congress.

Reconciliation is likely the only tool to enact so many critical fiscal policies in such short order.

Time to Take the Advantage

Ultimately, good conservative policy *is* good budgetary policy. These five priorities demonstrate that conservatives can advance a budget resolution and reconciliation plan that is fiscally responsible and responsive to the American people's mandate for their elected representatives.

We know that the opportunity is approaching rapidly. The time to take advantage of the reconciliation opportunity *is now*.

In 2025, we can deliver.