

Program Descriptions and General Budget
Information for

Fiscal Year 1995

Prepared by the Staff for the Use of the

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

Daniel Patrick Moynihan, *Chairman*



MAY 1994

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1994

76-892-CC

S362-7

COMMITTEE ON FINANCE

DANIEL PATRICK MOYNIHAN, New York, *Chairman*

MAX BAUCUS, Montana

DAVID L. BOREN, Oklahoma

BILL BRADLEY, New Jersey

GEORGE J. MITCHELL, Maine

DAVID PRYOR, Arkansas

DONALD W. RIEGLE, JR., Michigan

JOHN D. ROCKEFELLER IV, West Virginia

TOM DASCHLE, South Dakota

JOHN B. BREAUX, Louisiana

KENT CONRAD, North Dakota

BOB PACKWOOD, Oregon

BOB DOLE, Kansas

WILLIAM V. ROTH, JR., Delaware

JOHN C. DANFORTH, Missouri

JOHN H. CHAFEE, Rhode Island

DAVE DURENBERGER, Minnesota

CHARLES E. GRASSLEY, Iowa

ORRIN G. HATCH, Utah

MALCOLM WALLOP, Wyoming

LAWRENCE O'DONNELL, JR., *Staff Director*

LINDY L. PAULL, *Minority Staff Director and Chief Counsel*

PREFACE

Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974 provides that after the President submits a Budget for a fiscal year, "each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all [budgetary matters to be included in the concurrent resolution on the budget]... which relate to matters within the jurisdiction or functions of such committee." The Views and Estimates Report of the Committee on Finance with respect to the Fiscal Year 1995 budget is set forth in "Chart 1" of this Volume.

This volume began as a compilation of charts used by the Committee in its annual budget deliberations. The "blue book" has gradually evolved into its present format and now serves as a general budget resource book for the Committee as it proceeds with its legislative agenda for the year. Budgetary matters are particularly important to the Finance Committee, which has jurisdiction over all Federal revenues and more than four-fifths of the Federal Government's entitlement spending.

In addition to general budget data, this volume also includes an explanation of the budget process (Appendix A); explanations of spending and revenue programs under the Finance Committee's jurisdiction; summaries of the President's proposals for those programs; explanations of parliamentary points of order and other budgetary rules on new spending and revenue legislation; and a summary of the Committee's jurisdiction.

The staff wishes to express its deep appreciation to the Finance Committee printers, the Congressional Budget Office, and the Congressional Research Service for their invaluable assistance with this publication.

Any questions about this volume may be directed to Chuck Konigsberg, General Counsel, Senate Committee on Finance, Washington, DC 20510.



CONTENTS

| | Page |
|---|------|
| Preface | III |
| FY 95 Budget Process Timetable | 1 |
| Charts and Descriptions: | |
| Chart 1. Views and Estimates Letter to Budget Committee | 4 |
| Chart 2. Economic assumptions | 12 |
| Chart 3. The budget outlook | 14 |
| Chart 4. Finance Committee Spending Programs: Percentage of Total FY 1995 Budget (CBO Baseline) | 20 |
| Chart 5. Major Mandatory Spending Programs under Finance Committee jurisdiction (by Budget Function) | 22 |
| Chart 6. Old Age and Survivors Insurance and Disability Insurance (OASDI): Financial status and relationship to the budget | 30 |
| Chart 7. Unemployment compensation | 37 |
| Chart 8. Welfare programs for families | 42 |
| Chart 9. Earned income tax credit | 52 |
| Chart 10. Social services (Block grant; empowerment zones/enterprise communities) | 56 |
| Chart 11. Child care | 60 |
| Chart 12. Supplemental security income | 66 |
| Chart 13. Health programs: Current law spending | 70 |
| Chart 14. Health programs: CBO reestimates of Administration propos- als | 76 |
| Chart 15. Interest on public debt | 92 |
| Chart 16. Trade adjustment and Customs user fee: Administration propos- als | 96 |
| Chart 17. Tax revenues under current law | 100 |
| Chart 18. Administration proposals on receipts | 102 |
| Chart 19. Tax expenditures | 113 |
| Chart 20. Public Debt and the Statutory Limit | 118 |
| Chart 21. Entitlement Spending Controls: Review of Direct Spending and Receipts | 120 |
| Appendix A—The Congressional Budget Process | 123 |
| Appendix B—Excerpts from Statutes Setting Forth Budget Procedures: The Congressional Budget and Impoundment Control Act of 1974, the Balanced Budget and Emergency Deficit Control Act of 1985, the Budget Enforcement Act of 1990, and Budget Scorekeeping Rules (from the BEA) | 143 |
| Appendix C—Direct Spending Review: Executive Order 12587 and House Res. 235 | 265 |
| Appendix D—Budget Points of Order and other Budget restrictions relating to New Entitlement Spending, Revenue Changes, and Social Security Legis- lation; §23 of the Fiscal Year 1995 Budget Resolution (10-yr Rule); and Fiscal Year 1995 Reserve Clauses | 275 |
| Appendix E—Tax expenditures by Function (Excerpt from the Budget of the United States Government for Fiscal Year 1995) | 287 |
| Appendix F—Perspectives on Federal Receipts, Budget of the United States Government—Analytical Perspectives, Fiscal Year 1995 | 311 |
| Appendix G—Historical Trends in the Federal Debt, from: Historical Tables, Budget of the United States Government, Fiscal Year 1995 | 315 |
| Appendix H—CBO Baseline Outlays from Finance Committee Spending Pro- grams for Fiscal Years 1995–1999 | 321 |
| Appendix I—Outlays by Category: 1962–1999, from: Historical Tables (section 8), Budget of the United States Government, Fiscal Year 1995 | 331 |
| Appendix J—Entitlement Cap Proposals: Impact on Finance Programs | 339 |
| Appendix K—Glossary of Budget Terms | 345 |
| Appendix L—Jurisdiction of the Finance Committee | 367 |

VI

| | Page |
|--|-------------|
| Appendix M—Income, Outgo, and Surpluses of the Social Security and Medicare Trust Fund, from: Historical Tables, Budget of the United States Government, Fiscal Year 1995 | 373 |
| Appendix N—CBO Summary of The Omnibus Budget Reconciliation Act of 1993 | 387 |
| Appendix O—User Fees vs. Revenues | 397 |
| Appendix P—Fiscal Year 1995 Finance Committee Spending Allocations | 409 |

FY 95 BUDGET PROCESS TIMETABLE

JANUARY 1994: CBO released "Economic and Budget Outlook: Fiscal Years 1995-1999."

FEBRUARY 7: President released FY 95 Budget.

FEBRUARY 23: OMB Director Panetta testified at Finance Committee hearing on FY 95 Budget.

EARLY MARCH: Senate and House committees submitted their "Views and Estimates" on the FY 95 budget to the Senate and House Budget Committees.

MARCH: Senate and House Budget Committees marked-up and reported the Concurrent Resolution on the Budget for Fiscal Years 1995-1999; Floor action by the House and the Senate followed.

[The Concurrent Resolution on the Budget is a concurrent resolution of the Congress which does not require presidential approval. It is primarily composed of numbers and does not specify programs. The numbers which are included in the Resolution are revenue and spending aggregates and spending allocated among budget functions. The numbers reflect baseline assumptions about taxes and spending, adjusted for proposed policy changes. The budget levels constrain subsequent action on spending and revenue legislation. If tax and entitlement changes are reflected in the numbers, the Budget Resolution may include Reconciliation instructions to committees to raise specified amounts of revenue and cut specified amounts of entitlement spending, in order to implement the proposed policy changes. The Budget Resolution for Fiscal Years 1995-1999 did not include Reconciliation instructions because the Resolution does not call for major changes in taxes or entitlements.]

APRIL: House-Senate Conference on the Budget Resolution followed by House and Senate adoption of the Conference Report. CBO released "An Analysis of the President's Budget Proposals for Fiscal Year 1995."

MAY-SEPTEMBER: Appropriations action—which this year is constrained by spending caps set forth in the Budget Reconciliation Act of 1993 and the FY 95-99 Budget Resolution.

[Also during this time: action on health care reform and other deficit-neutral initiatives.]

JULY 15: President's Mid-session Budget Review; CBO Budget Update.

OCTOBER: Fiscal Year 1995 begins; PAY-GO sequester if required.

[SEE APPENDIX A FOR AN EXPLANATION OF THE BUDGET PROCESS.]



CHARTS AND DESCRIPTIONS

Chart 1

Views and Estimates Letter to Budget Committee

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, March 9, 1994.**

**Hon. JIM SASSER,
Hon. PETE V. DOMENICI,
*Committee on the Budget,
U.S. Senate,
Washington, DC.***

Dear Mr. Chairman and Senator Domenici:

Section 301(d) of the Congressional Budget Act of 1974 requires each committee, "within 6 weeks after the President submits a budget," to transmit to the Committee on the Budget its "views and estimates" with respect to all budgetary matters which relate to its jurisdiction. The President's Budget for Fiscal Year 1995 was transmitted to Congress on February 7, 1994.

Attached are the views and estimates of the Committee on Finance with respect to matters in the President's Budget within this Committee's jurisdiction, as well as other budgetary matters relating to fiscal years 1995-1999.

In addition, we will forward at a later date our annual Committee print entitled "Data and Materials for the Fiscal Year 1995 Finance Committee Report Under the Congressional Budget Act."

If you have any questions about the attached document, please feel free to call us at your convenience or have a member of your staff contact Chuck Konigsberg of the Majority Staff at 4-4515 or Roy Ramthun of the Minority Staff at 4-5315.

Sincerely,

**DANIEL PATRICK MOYNIHAN,
Chairman.
BOB PACKWOOD, *Ranking
Minority Member.***

Attachment.

Chart 1

March 9, 1994

Views and Estimates of the Senate Committee on Finance With Respect to the Budget of the United States Govern- ment for Fiscal Years 1995-1999

In accordance with section 301(d) of the Congressional Budget Act of 1974, the Committee on Finance hereby transmits our "views and estimates" on those aspects of the Budget of the United States for fiscal years 1995-1999 which fall within this Committee's legislative jurisdiction.

I. FINANCE COMMITTEE JURISDICTION

The Finance Committee has broad jurisdiction over the nation's tax policies, health and income security programs, trade policies, and debt management. Following is a summary of initiatives proposed in the President's Budget for Fiscal 1995, and elsewhere, which may be considered by the Committee during the second session of the 103d Congress.

The Finance Committee recommends that these initiatives be considered apart from Budget Resolution spending and revenue levels, on a deficit-neutral basis. A Reconciliation Bill to implement the Budget Resolution will therefore be unnecessary.

Deficit-neutral reserve fund language, which is necessary to accommodate these and other initiatives, is set forth in section II of this document.

A. Health and Income Security Jurisdiction

1. *Health Care Reform.*—Several health care reform bills, representing different approaches to health insurance coverage and cost containment, are pending before the Senate. The Committee is currently reviewing these alternatives and plans legislative action this session on a deficit-neutral basis. (See the deficit neutral reserve fund language in section II of this document.)

2. *Welfare Reform.*—The Director of the Office of Management and Budget, testifying before the Committee on Finance on February 23, 1994 indicated the Administration would shortly transmit its welfare reform legislation to Congress. According to the Administration's FY 1995 budget, this legislation will be a comprehensive, deficit-neutral welfare reform plan.

The Committee's consideration will focus broadly on reforming the nation's welfare system to promote self-sufficiency through improvements in job training and employment programs and to assure increased parental support for children through improvements in the child support enforcement program. Legislation will be developed on a deficit-neutral basis. (See the deficit neutral reserve fund language in section II of this document.)

3. *Reemployment and Workforce Security Initiative.*—The Administration is expected to transmit shortly a Reemployment program to fold existing dislocated worker programs into one comprehensive training, job search and income support program—including Trade Adjustment Assistance which falls under this Committee's jurisdiction. In addition, the proposed legislation would implement changes in the Unemployment Compensation program, which falls under the jurisdiction of the Finance Committee. This legislation will be developed on a deficit-neutral basis. (See the deficit neutral reserve fund language in section II of this document.)

4. *Social Security.*—It is the Committee's view that the Budget Resolution should include CBO baseline levels for Social Security budget authority and outlays; but the levels for Social Security revenues should assume the enactment of legislation providing for simplified collection of employment taxes on domestic services.

The Committee may also consider legislation to reallocate receipts from the Old-Age and Survivors Insurance Trust Fund to the Disability Insurance Trust Fund in order to address the impending deficit in that Trust Fund. However, since the Budget Resolution displays combined totals for these two Trust Funds, this legislation will not impact the drafting of the Budget Resolution.

In addition, the Committee reiterates its concern about the sufficiency of resources available to the Social Security Administration to maintain adequate services to the public, particularly with regard to the disability program. The Budget should accommodate sufficient resources to address this situation.

B. International Trade Jurisdiction

1. *GATT-Uruguay Round Implementing Legislation.*—The Uruguay Round represents the largest, most comprehensive set of trade agreements since the inception of the General Agreement on Tariffs and Trade (GATT) in 1947. The Round will reduce tariffs, cover trade in agriculture for the first time, provide new coverage of trade in services and intellectual property, and reduce other non-tariff barriers to trade. The reduction of revenues associated with tariff reductions will be financed on a deficit-neutral basis. (See the deficit neutral reserve fund language in section II of this document.)

2. *GSP Extension.*—The Generalized System of Preferences (GSP) program provides duty-free entry to certain imports from beneficiary developing countries. The program will expire September 30, 1994. The Administration has indicated that it intends to seek a long-term extension of the program. Any extension of the program will entail reduced revenues associated with tariff reductions and will be financed on a deficit-neutral basis. (See the deficit neutral reserve fund language in section II of this document.)

C. Federal Revenue Jurisdiction

1. *Reforms Relating to the Pension Benefit Guaranty Corporation.*—The Administration transmitted legislation in 1993 to amend ERISA and the Internal Revenue Code to provide security for workers, to improve pension plan funding, to limit growth in insurance exposure, and to protect the single-employer plan termination insurance program. The legislation has been referred to the Com-

mittee on Finance and will be considered on a deficit-neutral basis. (See the deficit neutral reserve fund language in section II of this document.)

2. *Tax Simplification.*—The Committee is continuing its efforts to simplify the administration of the tax system. While some of the specific proposals under review may have revenue effects, we anticipate the overall budget effect of any such legislation to be revenue neutral.

3. *Expiring Tax Provisions.*—The Committee will continue its review of expiring tax provisions. Extension of expiring provisions involves revenue losses and will be considered on a deficit-neutral basis. (See the deficit neutral reserve fund language in section II of this document.)

4. *Financing Superfund Reforms.*—The Administration transmitted to Congress February 2, 1994 legislation to amend the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) to make reforms in the Superfund program. Under a unanimous consent agreement, when the measure is reported by the Environment and Public Works Committee, it will be referred to the Finance Committee for consideration of financing provisions. The proposed financing provisions will raise revenues to offset the costs of the Superfund program. The Administration estimates that overall, the proposed legislation would decrease the deficit for fiscal years 1995–99.

D. Public Debt Limit

The present statutory limit on the public debt is \$4.9 trillion, a level currently estimated by the Department of the Treasury to be sufficient to accommodate Federal borrowing through late Spring or early Summer of 1995. The Committee will act on legislation to increase the statutory limit at an appropriate time during Fiscal Year 1995.

The Committee would note that growth of the debt has been slowed by progress on the short-term deficit outlook. One year ago, the Congressional Budget Office (CBO) projected a fiscal year 1995 total deficit of \$284 billion, amounting to 4.1 percent of Gross Domestic Product (GDP). In January of this year, CBO projected a fiscal year 1995 deficit of \$171 billion, amounting to 2.4 percent of GDP.

Nevertheless, significant work remains to be done to bring under control annual deficits which are projected by CBO to turn upward again, reaching \$365 billion—3.3 percent of GDP—by fiscal year 2004.

II. DEFICIT-NEUTRAL RESERVE FUNDS PROPOSED TO BE INCLUDED IN THE BUDGET RESOLUTION

Concurrent Resolutions on the Budget establish spending ceilings for each committee and for the total budget; they also impose revenue floors for the budget years. These spending ceilings and revenue floors are enforced through parliamentary points of order.

Notwithstanding this framework of ceilings and floors, section 301(b)(7) of the Budget Act permits a special mechanism whereby spending and revenue constraints may be breached, provided the

overall bill is deficit neutral. This mechanism is called a "deficit-neutral reserve fund."

The Committee on Finance proposes that deficit-neutral reserve fund language be included in the Budget Resolution for fiscal years 1995-99 to accommodate the initiatives described above. Only the title and first portion of each reserve clause are set forth below.

As in the past, the Committee wishes to emphasize that revenue measures are the responsibility of the Finance Committee. Therefore, the Budget Resolution should not implicitly allow other committees to offset their spending provisions with revenue provisions in the guise of "user fees" which are outside their jurisdiction. For example, the Committee would note that the President's proposal to increase Securities and Exchange Commission fees is being scored by CBO as a revenue increase.

A. Health and Income Security Jurisdiction.

1. Continuing Improvements in Ongoing Health Care Programs and Comprehensive Health Care Reform.—

(1) In general.—Budget authority and outlays may be allocated to a committee or committees and the revenue aggregates may be reduced for legislation to reform the health care system or to make reforms in ongoing health care programs or to accomplish other reforms within such a committee's jurisdiction if such a committee or the committee of conference on such legislation reports such legislation, if, to the extent that the costs of such legislation are not included in this concurrent resolution on the budget, the enactment of such legislation will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution . . .

2. Initiatives To Improve the Well-Being of Families Through Welfare and Other Reforms and to Provide for Services To Support and Protect Children.—

(1) In general.—Budget authority and outlays may be allocated to a committee or committees and the revenue aggregates may be reduced for legislation to reform the nation's welfare system including promoting self-sufficiency through improvements in job training and employment programs, assuring increased parental support for children through improvements in the child support enforcement program, and otherwise enhancing the welfare of families and children through tax credits and improvements in child care and other welfare-related programs within such a committee's jurisdiction if such a committee or the committee of conference on such legislation reports such legislation, if, to the extent that the costs of such legislation are not included in this concurrent resolution on the budget, the enactment of such legislation will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution . . .

3. Initiatives to Provide Comprehensive Training and Job Search Assistance and to Reform Unemployment Compensation.—

(1) In general.—Budget authority and outlays may be allocated to a committee or committees and the revenue aggregates

gates may be reduced for legislation to provide comprehensive training and job search assistance, including reemployment or job training programs and dislocated worker programs, and to reform unemployment compensation, or other related programs within such a committee's jurisdiction if such a committee or the committee of conference on such legislation reports such legislation, if, to the extent that the costs of such legislation are not included in this concurrent resolution on the budget, the enactment of such legislation will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution . . .

B. International Trade Jurisdiction.

1. Trade-Related Legislation.—

(1) In general.—Budget authority and outlays may be allocated to a committee or committees and the revenue aggregates may be reduced for legislation to implement the Uruguay Round of the GATT, to extend the Generalized System of Preferences and any other trade-related legislation within such a committee's jurisdiction if such a committee or the committee of conference on such legislation reports such legislation, if, to the extent that the costs of such legislation are not included in this concurrent resolution on the budget, the enactment of such legislation will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution . . .

C. Federal Revenue Jurisdiction.

1. Reforms Relating to the Pension Benefit Guaranty Corporation (PBGC), Extension of Expiring Tax Provisions and other Revenue-Related Legislation.—

(1) In general.—Budget authority and outlays may be allocated to a committee or committees and the revenue aggregates may be reduced for legislation to improve the funding of government-insured pension plans, limit growth in PBGC's exposure, and protect plan participants, and for any other employee benefit-related legislation, and for legislation to extend expiring tax provisions or other revenue-related legislation within such a committee's jurisdiction if such a committee or the committee of conference on such legislation reports such legislation, if, to the extent that the costs of such legislation are not included in this concurrent resolution on the budget, the enactment of such legislation will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution . . .

III. AMENDING SECTION 12(c) ON DEFICIT NEUTRALITY

Section 12(c) of the FY 94 Budget Resolution established a point of order in the Senate which has the effect of requiring that the projected costs of all direct spending and revenue-losing legislation be fully offset for each fiscal year during the five-year budget window, and also for fiscal years beyond, through 2003. Waiver of this point of order requires 60 votes.

The Committee on Finance—with jurisdiction over all Federal revenues and more than four-fifths of direct spending—has a significant interest in the operation of Section 12(c).

The application of this rule to each fiscal year is stricter than the PAY-GO rules enacted by the Budget Enforcement Act of 1990. This is too constraining. Requiring year-by-year deficit neutrality unnecessarily hinders legislative options. Achieving deficit neutrality over a specified budget window, should adequately serve fiscal objectives.

We urge the Committee on the Budget to consider ways to address this issue and urge the staff of the Budget Committee to consult closely with Finance Committee staff during these deliberations.



Chart 2.—ECONOMIC ASSUMPTIONS
 [Calendar years; in billions of current dollars]

| | 1994 | | 1995 | | 1996 | | 1997 | | 1998 | | 1999 | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | CBO | OMB | CBO | OMB | CBO | OMB | CBO | OMB | CBO | OMB | CBO | OMB |
| Gross Domestic Product: | | | | | | | | | | | | |
| Current dollars | 6,730 | 6,736 | 7,099 | 7,118 | 7,483 | 7,522 | 7,880 | 7,950 | 8,287 | 8,400 | 8,700 | 8,870 |
| Percent change | 5.6 | 5.8 | 5.5 | 5.6 | 5.4 | 5.7 | 5.3 | 5.7 | 5.2 | 5.7 | 5.0 | 5.6 |
| Percent change real GDP | 2.9 | 3.0 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.6 | 2.6 | 2.6 | 2.5 | 2.5 |
| Personal income | 5,714 | 5,691 | 6,067 | 6,016 | 6,413 | 6,365 | 6,775 | 6,746 | 7,146 | 7,148 | 7,523 | 7,551 |
| Wages and salaries | 3,287 | 3,261 | 3,482 | 3,442 | 3,668 | 3,636 | 3,857 | 3,849 | 4,049 | 4,071 | 4,244 | 4,293 |
| Corporate profits ¹ | 491 | 508 | 491 | 531 | 508 | 555 | 526 | 573 | 547 | 595 | 567 | 631 |
| Percent change in CPI | 2.7 | 2.8 | 3.0 | 3.2 | 3.1 | 3.3 | 3.1 | 3.3 | 3.1 | 3.4 | 3.1 | 3.4 |
| Unemployment rate, total (percent) ... | 6.4 | 6.5 | 6.1 | 6.1 | 5.9 | 5.9 | 5.8 | 5.7 | 5.7 | 5.5 | 5.7 | 5.5 |
| Treasury bill rate, 91-day (percent) .. | 3.5 | 3.4 | 4.3 | 3.8 | 4.6 | 4.1 | 4.6 | 4.4 | 4.7 | 4.4 | 4.7 | 4.4 |

¹ Book, not economic, profits are reported by OMB.

Chart 2

Economic Assumptions

Both the overall budget totals and the budgetary impact of legislative proposals can be significantly affected by various economic factors concerning which there reasonably may be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and as to the type of legislation that may be enacted and its effect on the operations of the economy.

Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under Social Security are sensitive to the Consumer Price Index (CPI) since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment.

Revenues, similarly, are strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. In addition, trends in interest rates, the rate of inflation, and the size of the budget deficit affect the cost of interest on the public debt.

In developing the Congressional Budget Resolution, the Congress has in the past used CBO economic assumptions, OMB economic assumptions, or a combination of the two. This chart displays the major economic assumptions produced by CBO, which underlie the fiscal year 1995 Budget Resolution. Also displayed are OMB's assumptions which underlie the President's budget as submitted February 7, 1994.

Chart 3.—THE BUDGET OUTLOOK

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2004 |
|--|---------------------------------|-------|-------|-------|-------|-------|-------|
| Outlays: | (In Billions of Dollars) | | | | | | |
| <i>Discretionary:</i> | | | | | | | |
| CBO Baseline | 547 | 546 | 551 | 549 | 549 | 566 | 660 |
| CBO Reestimate of President's Budget | 547 | 549 | 546 | 545 | 550 | 555 | n/a |
| <i>Mandatory:</i> | | | | | | | |
| CBO Baseline | 730 | 758 | 810 | 880 | 942 | 1,012 | 1,433 |
| CBO Reestimate of President's Budget | 730 | 758 | 812 | 833 | 945 | 1,017 | n/a |
| <i>Net Interest:</i> | | | | | | | |
| CBO Baseline | 201 | 214 | 230 | 241 | 252 | 264 | 345 |
| CBO Reestimate of President's Budget | 201 | 214 | 230 | 241 | 252 | 264 | n/a |
| Total Outlays: | | | | | | | |
| CBO Baseline | 1,478 | 1,518 | 1,591 | 1,670 | 1,743 | 1,843 | 2,439 |
| CBO Reestimate of President's Budget | 1,478 | 1,521 | 1,587 | 1,669 | 1,747 | 1,836 | n/a |
| Total Revenues: | | | | | | | |
| CBO Baseline | 1,251 | 1,338 | 1,411 | 1,479 | 1,556 | 1,630 | 2,054 |
| CBO Reestimate of President's Budget | 1,251 | 1,339 | 1,411 | 1,479 | 1,556 | 1,630 | n/a |
| Consolidated Deficit: | | | | | | | |
| CBO Baseline | 228 | 180 | 180 | 192 | 187 | 213 | 385 |
| CBO Reestimate of President's Budget | 227 | 182 | 177 | 190 | 192 | 206 | n/a |
| Outlays: | (As a Percentage of GDP) | | | | | | |
| <i>Discretionary:</i> | | | | | | | |
| CBO Baseline | 8.2 | 7.8 | 7.5 | 7.1 | 6.7 | 6.6 | 6.0 |
| CBO Reestimate of President's Budget | 8.2 | 7.8 | 7.4 | 7.0 | 6.7 | 6.5 | n/a |
| <i>Mandatory:</i> | | | | | | | |
| CBO Baseline | 11.0 | 10.8 | 11.0 | 11.3 | 11.5 | 11.8 | 13.1 |
| CBO Reestimate of President's Budget | 11.0 | 10.8 | 11.0 | 11.3 | 11.5 | 11.8 | n/a |
| <i>Net Interest:</i> | | | | | | | |
| CBO Baseline | 3.0 | 3.0 | 3.1 | 3.1 | 3.1 | 3.1 | 3.2 |
| CBO Reestimate of President's Budget | 3.0 | 3.0 | 3.1 | 3.1 | 3.1 | 3.1 | n/a |
| Total Outlays: | | | | | | | |
| CBO Baseline | 22.3 | 21.7 | 21.5 | 21.5 | 21.3 | 21.4 | 22.3 |
| CBO Reestimate of President's Budget | 22.3 | 21.7 | 21.5 | 21.5 | 21.3 | 21.4 | n/a |
| Total Revenues: | | | | | | | |
| CBO Baseline | 18.8 | 19.1 | 19.1 | 19.0 | 19.0 | 19.0 | 18.8 |
| CBO Reestimate of President's Budget | 18.8 | 19.1 | 19.1 | 19.0 | 19.0 | 19.0 | n/a |
| Consolidated Deficit: | | | | | | | |
| CBO Baseline | 3.4 | 2.6 | 2.4 | 2.5 | 2.3 | 2.5 | 3.5 |
| CBO Reestimate of President's Budget | 3.4 | 2.6 | 2.4 | 2.4 | 2.3 | 2.4 | n/a |

SOURCE: Congressional Budget Office.

n/a = not applicable.

Chart 3

The Budget Outlook

Explanation of Chart. In considering its legislative agenda for the upcoming year, the Committee may find it useful to look at the overall budget totals under a continuation of current tax and spending policies and also under the budget proposed by the President.

The CBO baseline represents a projection, under CBO's economic and technical assumptions, of the income and outgo of the budget over the coming five fiscal years (FY95-FY99). The baseline shown in this table does not reflect CBO's traditional approach to estimating discretionary spending levels which is to increase the prior year levels by the assumed rate of inflation. Instead, the baseline projection has been constrained by an assumption that the discretionary spending caps enacted for FY95-98 (as set forth in the Omnibus Budget Reconciliation Act of 1993) will be observed.

The President's budget totals provide estimates of the budgetary impact of the Administration's proposals using CBO's economic assumptions and technical estimating methods.¹

The Budget Enforcement Act of 1990 redefined the official budget so as to eliminate the use of Social Security outlays and revenues (Old-Age, Survivors, and Disability Insurance) in any budgetary calculations, including the Gramm-Rudman-Hollings process. The postal service income and outgo is also in an "off-budget" classification. The outlay and revenue totals in this chart reflect that change in the budgetary treatment of these items. However, the budget documents submitted by OMB and CBO continue to present the budget primarily in terms of a "consolidated" budget which includes both on-budget and off-budget items. The "consolidated deficit" on this chart reflects both on-budget and off-budget items.

Long-term budget outlook. Following are excerpts from recent statements by the Administration and the Congressional Budget Office on the budget outlook.

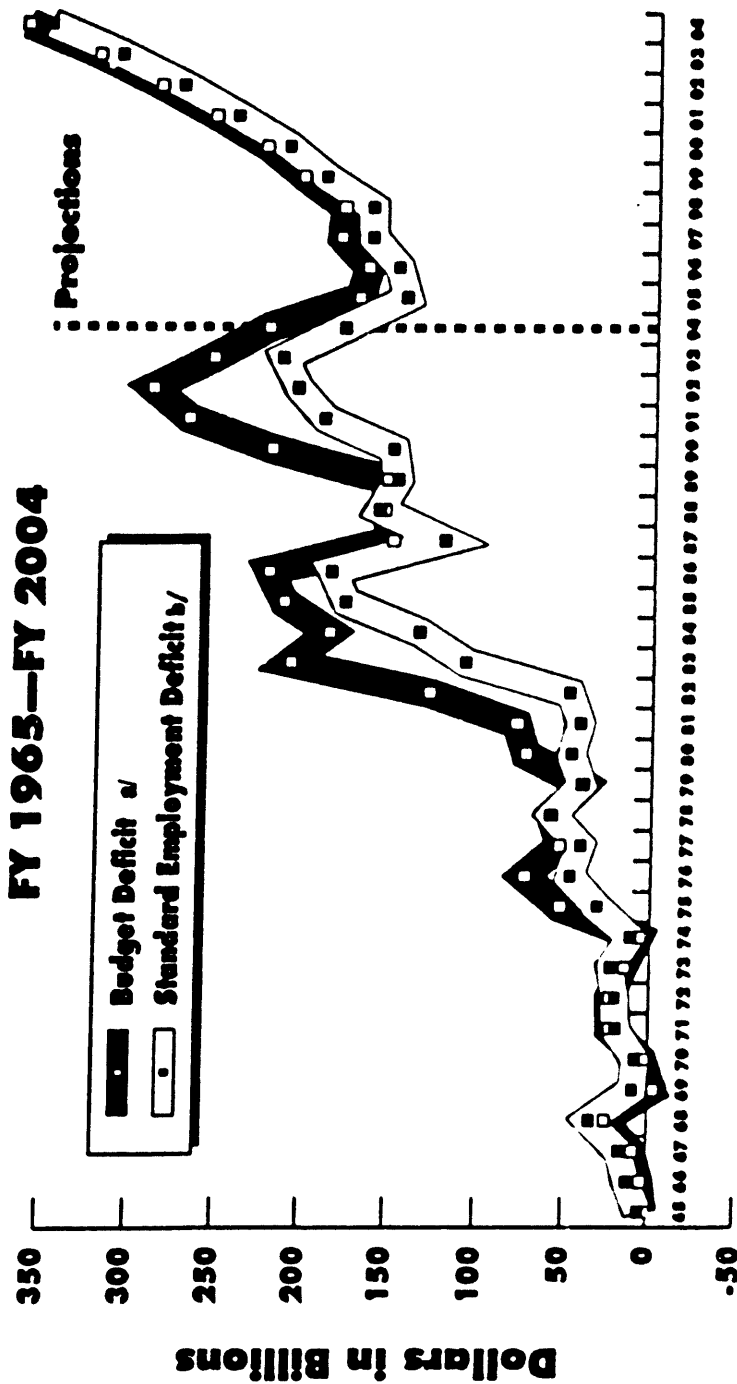
Excerpt from CBO's, "The Economic and Budget Outlook: Fiscal Years 1995-1999" (January 1994): "The deficit picture is significantly brighter than it appeared one year ago when the Congressional Budget Office projected that the deficit would soar above \$350 billion by fiscal year 1998. CBO now projects that the federal deficit will fall from \$223 billion in the current year to below \$170 billion in 1996, then creep up to around \$200 billion in 1999 . . . Yet despite that improvement, deficits have not been put on the road to extinction. They begin to grow again as a percentage of gross domestic product (GDP) after 1998, pushed up by continued

¹ Reestimates of the President's Budget in this chart exclude the Health Security Act. For estimates including the Health Security Act see "An Analysis of the President's Budgetary Proposals for Fiscal Year 1995" (CBO: April 1994).

rapid growth in spending for Medicare and Medicaid and by expiration of the tight caps on discretionary spending. . . ." (See figures 3.1 and 3.2, below.)

Excerpt from OMB, Budget of the United States Government, Fiscal Year 1995: "The deficit is projected to decline in 1995 to \$176 billion, from the 1994 level of \$235 billion. If this projection is realized, it will be the first sub-\$200 billion deficit since 1989 . . . More reflective of the impact of the deficit, however, is its size relative to the economy. The 1995 deficit is a projected 2.5 percent of the GDP, down from an estimated 3.5 percent for 1994, and an actual 4.9 percent for 1992. At 2.5 percent of GDP, the 1995 deficit is the lowest since 1979 . . . Without health reform, the deficit is projected to fall to 2.3 percent of GDP for the remainder of the decade. With health reform, the deficit as a percentage of GDP fluctuates in a narrow range as costs and savings from the plan phase in; but by 1999, the deficit falls to 2.1 percent of GDP. . . ."

Figure 3.1 TOTAL BUDGET DEFICIT AND STANDARDIZED-EMPLOYMENT DEFICIT



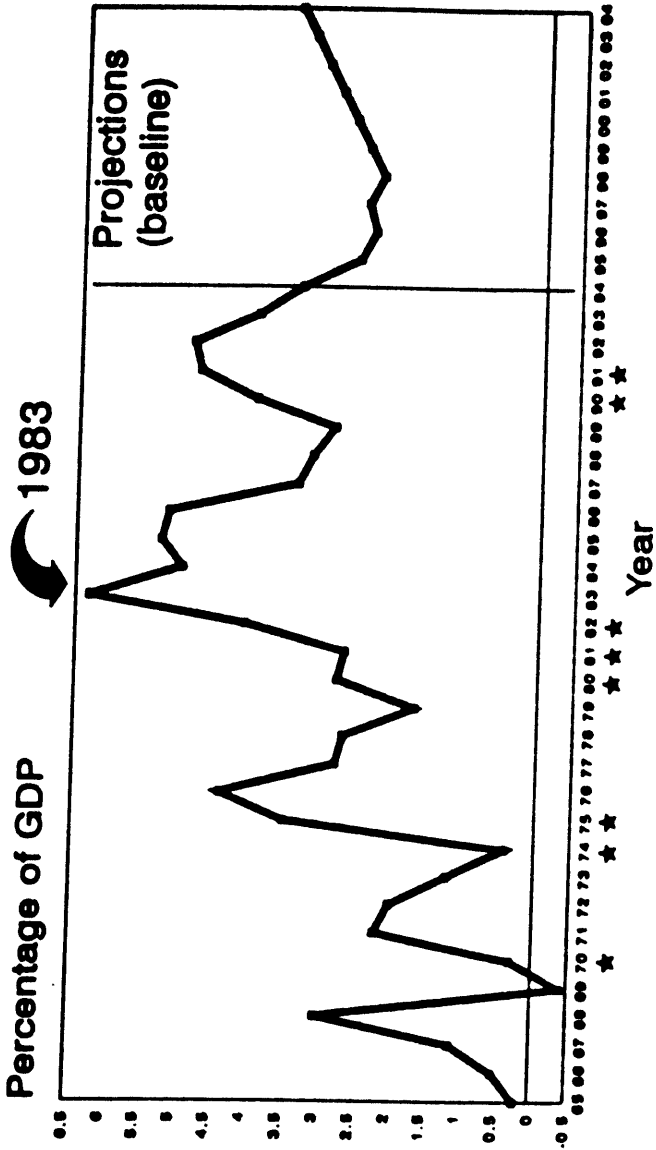
Source: Congressional Budget Office; The Economic and Budget Outlook: Update, January 1994.

a/ Total unified Federal Budget Deficit includes off-budget Federal entities deficits.

b/ The level of the Federal Government budget deficit that would occur under current law if the economy were operating at potential GDP. It produces measures of underlying fiscal policy by removing the influence of cyclical factors from the budget deficit.

Figure 3.2

Total Budget Deficit ^{a/} (As a Percentage of Gross Domestic Product) FY 1965 - FY 2004

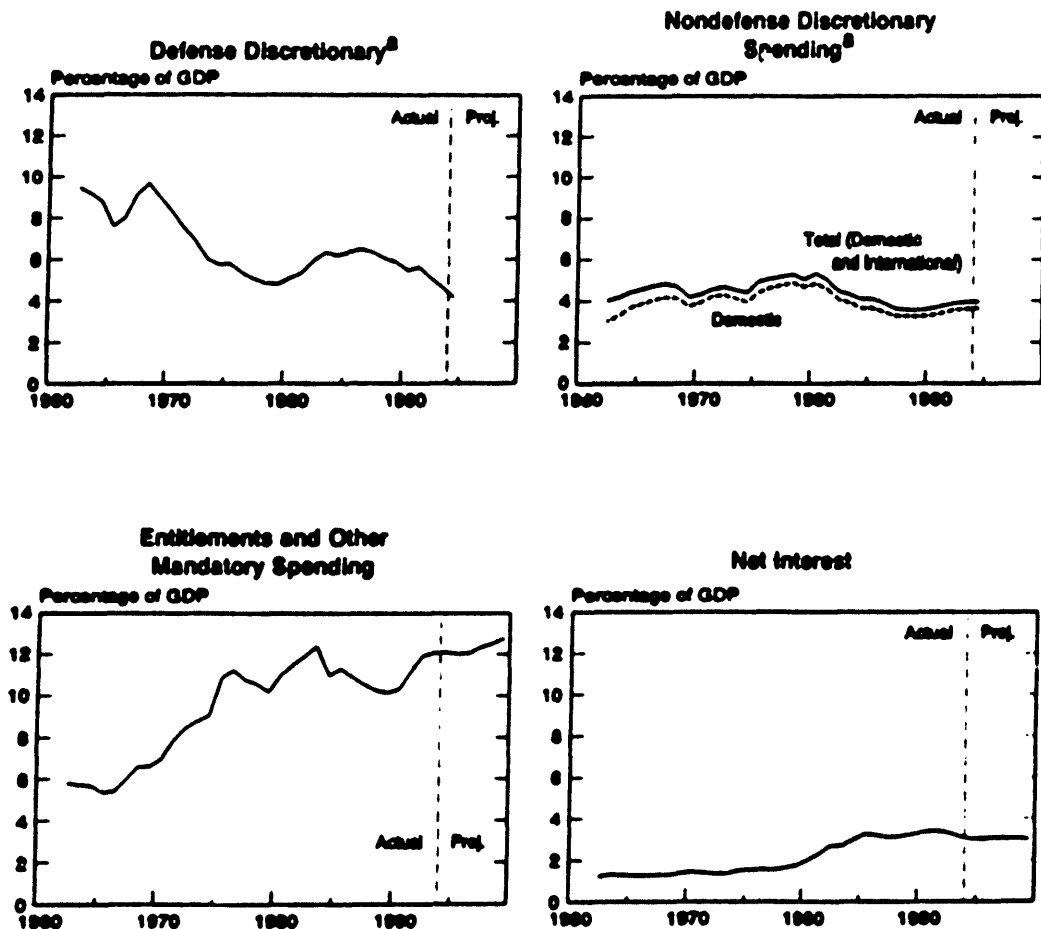


★ Indicates periods of recession (decline in real gross domestic product)
Source: Congressional Budget Office: Baseline Budget Projections, April 1994
a/ Includes off-budget Federal entities (Social Security)

Figure 3.3

OUTLAYS BY CATEGORY AS A SHARE OF GDP

[See Appendix Q for budget categories in dollars; as percentages of outlays; and as percentages of GDP.]



SOURCE: Congressional Budget Office.

a. Assumes compliance with discretionary spending caps.

**Chart 4—FINANCE COMMITTEE SPENDING PROGRAMS: PERCENTAGE
OF TOTAL FY 1995 BUDGET (CBO BASELINE)**

| | |
|--|------------|
| Entitlements and other mandatory: | |
| Social Security | 22.1% |
| Medicare | 11.7 |
| Medicaid | 6.3 |
| Supplemental Security Income | 1.6 |
| Unemployment Compensation | 1.6 |
| Family Support (AFDC, Child Support) | 1.1 |
| EITC | 1.0 |
| Social Services Block Grant | 0.2 |
| Foster Care and Adoption Assistance | 0.2 |
| AFDC Work Programs (JOBS) | 0.1 |
| Trade Adjustment Assistance | (1) |
| Other Finance Mandatory | (1) |
| Non-Finance Mandatory | 9.8 |
| Net total² | 50 |
| Defense discretionary | 18 |
| International discretionary | 1 |
| Domestic discretionary | 17 |
| Net interest | 14 |
| Total baseline spending in fiscal year 1995 | 100 |

¹Less than .1%.

²Total mandatory is 56%, but is reduced by 1% for deposit insurance and 5% for offsetting receipts.

Source: Congressional Budget Office.

**Chart 4.1—FINANCE COMMITTEE PROGRAMS AS A PERCENTAGE
OF FY 1995 MANDATORY SPENDING (CBO BASELINE)**

| | |
|--|------------------|
| Social Security | 39.5% |
| Medicare | 20.9 |
| Medicaid | 11.4 |
| Supplemental Security Income | 2.9 |
| Unemployment Compensation | 2.9 |
| Family Support (AFDC, Child Support) | 2.0 |
| EITC | 1.8 |
| Social Services Block Grant | 0.4 |
| Foster Care and Adoption Assistance | 0.4 |
| AFDC Work Programs (JOBS) | 0.1 |
| Trade Adjustment Assistance | (¹) |
| Other Finance Mandatory | (¹) |
| Subtotal, Finance Mandatory | 82.4 |
| Non-Finance Mandatory² | 17.6 |
| Total entitlements and other mandatory spending ... | 100 |

¹ Less than .1%.

² Includes such programs as Food Stamps, Veterans' Benefits and Pensions, Civilian and Military Retirement, and Farm Price Supports.

Source: Congressional Budget Office.

**Chart 5.—MAJOR MANDATORY SPENDING PROGRAMS UNDER FINANCE
COMMITTEE JURISDICTION (BY BUDGET FUNCTION)**

| | |
|--|--------------|
| Function 500—EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES: | Chart |
| Trade Adjustment Assistance | 16 |
| Payments to States for AFDC Work Programs (JOBS) | 8 |
| Title XX Social Services Block Grant | 10 |
| Payments to States for Foster Care and Adoption Assistance | 10 |
| Family Preservation and Support Services Program | 8 |
| Function 550—HEALTH: | |
| Grants to States for Medical Assistance (MEDICAID) | 13 |
| Function 570—MEDICARE: | |
| Federal Hospital Insurance (Medicare Part A) | 13 |
| Supplemental Medical Insurance (Medicare Part B) | 13 |
| Function 600—INCOME SECURITY: | |
| Unemployment Compensation | 7 |
| Supplemental Security Income (SSI) | 12 |
| Aid to Families with Dependent Children | 8 |
| Child Support Enforcement | 8 |
| Payment Where Earned Income Tax Credit (EITC) Exceeds Liabil- ity for Tax | 9 |
| Function 650—Social Security [off-budget]: | |
| Old-Age and Survivors Insurance | 6 |
| Disability Insurance | 6 |
| Function 900—Net Interest: | |
| Interest on the Public Debt | 15 |
| Refunding Internal Revenue Collections, Interest | 17 |

Chart 5

Major Programs Under Finance Committee's Mandatory Spending Jurisdiction¹ (by budget function²)

[*CBO classifies these accounts as entitlements funded by annual appropriations.]

[Page references are to the fiscal year 1995 Budget Appendix.]

Function 500—EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

**Trade Adjustment Assistance (16-0326-0-1-999, pg. 612)* [Adjustment assistance, including cash weekly benefits, training, job search and relocation allowances is paid to workers as authorized by the Trade Act of 1974, as amended—see chart 16.]

**Payments to States for AFDC Work Programs (JOBS) (75-1509-0-1-504, pg. 451)* [The Family Support Act of 1988 established in Title IV of the Social Security Act an employment, education and training program for recipients of AFDC. This program called the job opportunities and basic skills (JOBS) training program, replaced the earlier work incentive (WIN) program—see chart 8.]

**Title XX Social Services Block Grant (75-1534-0-1-506, pg. 452)* [Social Services Block Grants, set forth in Title XX of the Social Security Act, allocates grants to States (based on population) for social services to: (1) prevent, reduce, or eliminate dependency; (2) prevent neglect, abuse, or exploitation of children and adults; (3) prevent or reduce inappropriate institutional care; (4) secure admission or referral for institutional care when other forms of care are not appropriate; and (5) provide services to individuals in institutions—see chart 10.]

**Payments to States for Foster Care and Adoption Assistance (75-1545-0-1-506, pg. 453)* [Title IV of the Social Security Act provides for the foster care, independent living, and adoption

¹This chart does not include Finance Committee's authorizing jurisdiction; rather, it includes only direct (i.e. "mandatory" or "entitlement") spending jurisdiction.

²Budget functions are a system of classifying budget resources so that budget authority, outlays, offsetting receipts, and tax expenditures can be related to the national needs being addressed. Each concurrent resolution on the budget divides budget authority and outlays among the various functional categories. Based on this distribution, the joint statement of managers accompanying each budget resolution allocates budget authority and outlays among the various committees of jurisdiction in the House and the Senate.

Numbers in parentheses are budget account identification codes. Each account has an 11-digit identification code. The first two digits designate the agency; the third through sixth digits designate the account number; the seventh digit indicates the nature of timing of the budget request (0=regular; 1=supp; 2=proposed for later transmittal under proposed leg; 3=proposed for later transmittal under existing leg; 4=supp, additional authorizing required; 5=recursion proposal; 7=leg. action required); and the eighth digit indicates the type of fund (1=general; 2=special; 3=public enterprise; 4=intragovernmental; 7=nonrevolving trust; 8=revolving trust; see fiscal year 1995 Budget, Analytical Perspectives, pg. 425 for explanations). The last three digits are the sub-function.

assistance programs which support maintenance and other assistance for children who are placed in foster care or are adopted—see chart 10.]

***Family Preservation and Support Services Program (75-1512-0-1-506, pg. 451)** [OBRA-93 added a new Title IV-B to the Social Security Act to provide grants to the States to be used for family support programs; for programs to help children return to or remain with their own families or be placed for adoption; to provide respite care; to improve parenting skills and for other purposes—see chart 8.]

Function 550—HEALTH

***Grants to States for Medical Assistance (MEDICAID) (75-0512-0-1-551, pg. 443)** [Medicaid assists States in providing medical care to their low-income population by granting Federal matching payments under title XIX of the Social Security Act to States w/ approved plans—see chart 13.]

Function 570—MEDICARE

Federal Hospital Insurance (Medicare Part A) (20-8005-0-7-571, pg. 445) [The Hospital Insurance Program (HI) funds the costs of hospital and related care for individuals age 65 or older and for eligible disabled people. It is financed primarily through FICA and SECA payroll deductions. The program is off-budget; see appendix A for a discussion of off-budget programs—see chart 13.] [see also *Payments to Health Care Trust Funds, 20-0580-0-1-571, pg. 443*]

Supplemental Medical Insurance (Medicare Part B) (20-8004-0-7-571, pg. 446) [SMI is a voluntary program which affords protection against the costs of physician and certain other medical services. The program also covers treatment of end-stage renal disease for eligible enrollees. Approximately three-quarters of SMI costs are financed by contributions from general revenues and the other quarter from premium payments from enrollees—see chart 13.] [see also *Payments to Health Care Trust Funds, 20-0580-0-1-571, pg. 443*]

Function 600—INCOME SECURITY

Unemployment Compensation (20-8042-0-7-999, pg. 615) [The Unemployment Compensation systems is set forth in Titles III, IX, and XII of the Social Security Act. The system provides temporary and partial wage replacement to involuntarily unemployed workers who were recently employed. The Dept of Labor oversees the system, but each State administers its own program. The system is funded by a 6.2 percent gross tax rate on the first \$7000 paid annually by covered employers to each employee; 0.8% is a Federal tax which finances administration and half of the extended benefits. State payroll taxes finance regular benefits and the other half of extended benefits—see chart 7.]

***Supplemental Security Income (SSI) (75-0406-0-1-609, pg. 448)** [SSI is a means-tested, federally administered income assistance program authorized by title XVI of the Social Security Act. It

provides monthly cash payments in accordance with uniform eligibility requirements to poor elderly, blind and disabled persons providing benefits to 6 million people—see chart 12.]

***Aid to Families with Dependent Children (excluding repatriation which is not mandatory) (75-1501-0-1-609, pg. 449)** [Established in Title IV of the Social Security Act, AFDC provides cash welfare payments for needy families with children who have been deprived of parental support or care because their father or mother is absent from the home continuously, is incapacitated, is deceased or is unemployed. Federal funds pay 55% of benefit costs on average and 50% administrative. States define eligibility—with limits—and administer the programs—see chart 8.]

***Child Support Enforcement (75-1501-0-1-609, pg. 449)** [Added in 1975 to Title IV of the Social Security Act, this program authorizes Federal matching funds to be used for enforcing the support obligations owed by noncustodial parents to their children and the custodial parent, locating absent parents, establishing paternity, and obtaining child and spousal support. Basic responsibility for administration is left to the States, but the Federal Government plays a major role in funding and oversight—see chart 10.]

Payment Where Earned Income Tax Credit (EITC) Exceeds Liability for Tax (20-0906-0-1-609, pg. 741) [The EITC (Code §32) was enacted in 1975 as a means of targeting tax relief to working low-income taxpayers with children, providing relief from the Social Security payroll tax for these taxpayers, and improving incentives to work. The tax credit is refundable, i.e., if the amount of the credit exceeds tax liability, the worker receives a government payment. The program was substantially expended in OBRA-93. Fiscal year 1994 outlays, i.e. the portion exceeding tax liability, is a projected \$10 billion; fiscal year 1995 outlays is a projected \$15 billion—see chart 9.]

Function 650—SOCIAL SECURITY [off-budget]

Old-Age and Survivors Insurance (20-8006-0-7-651, pg. 459) [The old-age and survivors insurance (OASI) program provides monthly benefits to retired workers and their dependents and to survivors of insured workers. Old-age retirement benefits were provided for retired workers by the original Social Security Act of 1935, and benefits for dependents and survivors were provided by the 1939 amendments. The program is off-budget; see appendix M. Fiscal year 1994 outlays are a projected \$281 billion providing benefits to 37.4 million people—see chart 6.] [See also *Payments to Social Security Trust Funds*, 75-0404-0-1-651, pg. 447.]

Disability Insurance (20-8007-0-7-651, pg. 460) [The disability insurance program (DI) provides monthly cash benefits for disabled workers under age 65 and their dependents. Benefits were provided to disabled workers age 50 or older by the 1956 Social Security Amendments; benefits for their dependents were provided by the 1958 Social Security Amendments; and benefits to disabled workers under age 50 were provided by the 1960 amendments. The program provides benefits to 5.7 million people—see chart 6.]

Function 900—NET INTEREST

Interest on the Public Debt (20-0550-0-1-901, pg. 746) [This account includes "gross" interest which for fiscal year 1994 is \$298 billion (outlays); net interest, a more useful, accounting, is projected at \$201 billion for fiscal year 1994—see chart 15.]

Refunding Internal Revenue Collections, Interest (20-0904-0-1-908, pg. 742) [Under specified circumstances, interest is paid on Internal Revenue collections that must be refunded. Net fiscal year 1994 outlays are a projected \$2.2 billion.]

Other Mandatory Spending Accounts Assigned to Finance Committee

Pension Benefit Guaranty Corporation (16-4204-0-3-601, pg. 617) [This wholly owned government corporation administers programs of mandatory insurance to prevent loss of pension benefits under covered private, defined-benefit pension plans if single-employer plans terminate or if multiemployer plans are unable to pay benefits. Terminated plans are taken over by the Corporation. The Corporation also provides repayable assistance to insolvent multi-employer plans when necessary to pay benefits and to forestall termination and subsequent Corporation responsibility to pay benefits. The primary source of financing is a per capita annual premium paid by sponsors of ongoing covered plans, which varies according to the plans' funding level.]

Black Lung Disability Trust Fund (20-8114-0-7-601, pg. 622) [The trust fund consists of all moneys collected from the coal mine industry under the provisions of the Black Lung Benefits Revenue Act of 1981, as amended by the Consolidated Omnibus Budget Reconciliation Act of 1985, in the form of an excise tax on mined coal. These moneys are expended to pay compensation, medical, and survivor benefits to eligible miners and their survivors, where mine employment terminated prior to 1970 or where no mine operator can be assigned liability.]

Railroad Retirement Board—Dual Benefits Payments Account (60-0111-0-1-601, pg. 954) [The mandatory portion of this account is a "Federal windfall subsidy" to the rail industry for pension costs not financed by the railroad sector.]

Federal Payments to the Railroad Retirement Accounts (60-0113-0-1-601, pg. 954) [This account funds temporary direct Federal subsidies to the rail pension fund, and other payments to the railroad social security equivalent benefit fund.]

Railroad Social Security Equivalent Benefit Account (60-8010-0-7-601, pg. 958) [All railroad retirees receive the equivalent of a social security benefit, and they may also receive other add-ons including rail industry pension payments, windfall payments, and supplemental annuities. Social security benefits for former railroad employees are funded by the social security trust funds, and rail industry pension payments are the responsibility of the rail sector.]

Tax Court Judges Survivors Annuity Fund (23-8115-0-7-602, pg. 34) [This fund is used to pay survivorship benefits to eligible surviving spouses and dependent children of deceased judges of the U.S. Tax Court.]

Payments to the Unemployment Trust Fund (16-0178-0-1-0603, pg. 613) [This account was initiated as a result of the amendments to the Emergency Unemployment Compensation law which provides for general fund financing for benefits and administrative costs.]

U.S. Customs Service—Refunds, Transfers, Expenses; Unclaimed and Abandoned Goods (20-8789-0-7-751, pg. 731) [Unclaimed and abandoned goods are held in storage under Customs custody for one year from the date of importation. At the end of that period, all merchandise upon which duties, storage, and other charges have not been paid is appraised and sold at public auction. The proceeds of such sales are deposited into this account. The salaries and expenses account is reimbursed for expenses of such sales and the balance is transferred to the general fund.]

U.S. Customs Service—Salaries and Expenses (20-0602-0-1-751, pg. 726) [This account is funded, in part, from customs user fees collected on arriving passengers and vehicles. These funds are permanently available to fund the costs of providing inspectional overtime, agency contributions for certain retirement expenses, preclearance operations and other costs.]

Dept. of the Treasury Forfeiture Fund (Replaced the Customs Forfeiture Fund) (20-5697-0-2-751, pg. 714) [Available to pay for or reimburse certain costs and expenses related to seizures and forfeitures that occur pursuant to the Treasury Department's law enforcement activities. The Coast Guard also participates in the program.]

Tax Court Independent Counsel (23-5023-0-2-752, pg. 34) [This fund is established pursuant to 26 USC 7475. The fund is used by the Tax Court to employ independent counsel to pursue disciplinary matters involving practitioners admitted to practice before the Court.]

Internal Revenue Collections for Puerto Rico (20-5737-0-2-806, pg. 726) [Excise taxes collected under the Internal Revenue laws on articles produced in Puerto Rico and either transported to the US or consumed on the island are paid to Puerto Rico.]

U.S. Treasury—Gifts and Bequests (20-8790-0-7-803, pg. 716) [The Secretary of the Treasury is authorized to utilize gifts and bequests of property for the purpose of aiding or facilitating the work of the Department.]



Chart 6.—SOCIAL SECURITY CASH BENEFIT (OASDI) TRUST FUNDS

[In billions of dollars]

| | Fiscal year— | | | | | | |
|---|--------------|-------|-------|-------|-------|-------|-------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Present law: ¹ | | | | | | | |
| Income to trust funds | 351.4 | 377.5 | 401.6 | 424.1 | 450.4 | 478.0 | 505.7 |
| Outgo from trust funds | 304.6 | 320.3 | 337.4 | 355.3 | 374.6 | 394.8 | 416.1 |
| Difference | 46.8 | 57.2 | 64.2 | 68.8 | 75.9 | 83.2 | 89.6 |
| End of year balance in trust funds | 365.9 | 423.1 | 487.4 | 556.1 | 632.0 | 715.2 | 804.8 |
| Trust fund ratio (percent) ² | 105 | 114 | 125 | 137 | 148 | 160 | 172 |

¹ These are projections under current law based on the economic and demographic assumptions used in the fiscal year 1995 budget submitted by President Clinton.

² Start-of-year assets as a percent of outgo for the year.

Source: SSA Office of the Actuary, memorandum dated January 31, 1994.

Chart 6

Old Age and Survivors Insurance and Disability Insurance (OASDI): Financial Status and Relationship to the Budget

[Note: For a discussion of Social Security's off-budget status, see Appendix A, part II(K); for a historical table displaying the trust fund balances, see Appendix M.]

The Social Security cash benefit programs, Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI), provide income protection to people who work in employment covered by Social Security and earn a certain minimum number of "quarters of coverage." The OASI program pays benefits to eligible workers age 62 or older and their spouses and children, and to surviving spouses and children of deceased workers. The DI program pays benefits to disabled workers and to their spouses and children.

The Administration estimates that on average in fiscal year 1995 a total of 37.4 million individuals will receive benefits from the OASI Trust Fund as retired workers or their dependents, or as survivors of deceased workers. In addition, some 5.7 million individuals will receive benefits from the DI Trust Fund as disabled workers or as dependents of disabled workers. In total, some 43.1 million people will be receiving some type of monthly Social Security cash benefit in fiscal year 1995.

The income and outgo of the Social Security OASI and DI Trust Funds are, by law, removed from all calculations of the Federal budget, including the budget deficit or surplus. This exclusion applies to the budgets prepared by the President, to the Federal budgets formulated by the Congress, and to budget process provisions designed to reduce and control the budget deficits. Social Security benefits are not subject to sequestration, and the amounts of Social Security Trust Fund income and outgo cannot cause sequestration in other programs. However, the Office of Management and Budget has interpreted the Budget Enforcement Act to include the administrative expenses of the Social Security Administration as a program subject to domestic discretionary spending limits and sequestration. (See Appendix A for a further discussion of when and how the OASDI trust funds were removed from the budget; see Appendix M for historical tables displaying the income, outgo, and balance of the trust funds.)

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

(In percent)

| | Calendar year— | | | | | | |
|-------------------------------------|------------------|------------------|------|------|------|------|------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Percent change in CPI | 2.8 | 2.8 | 3.2 | 3.3 | 3.4 | 3.4 | 3.4 |
| Benefit Increase ¹ | 2.6 | 3.0 | 3.2 | 3.3 | 3.3 | 3.4 | 3.5 |
| Real wage differential | (²) | (²) | 1.2 | 0.8 | 1.3 | 0.9 | 0.7 |
| Civilian unemployment rate | 6.9 | 6.5 | 6.1 | 5.9 | 5.7 | 5.5 | 5.5 |

¹ Benefit increase payable in January of the following year.² Between -0.05 and 0.05 percent.

PROPOSED LEGISLATION

The budget submitted by President Clinton for fiscal year 1995 includes several legislative proposals that directly affect the Old-Age, Survivors, and Disability Insurance programs.

Removing the Social Security exemption from the Debt Collection Act of 1982. The President's budget includes legislation (which is in H.R. 3400, a bill that was passed by the House of Representatives in 1993) to enable SSA to use several debt collection procedures that it currently cannot use. These procedures are: (1) at the option of the Secretary of HHS, to notify credit bureaus when individuals refuse to pay a debt and to contract with private debt collection agencies to recover delinquent debt; and, (2) mandatorily, to charge interest on all outstanding debts and to charge delinquent debtors for the administrative costs associated with recovering the past-due debt. These procedures would apply to debts owed by both Social Security and Supplemental Security Income (SSI) beneficiaries. Only debts owed by former recipients could be referred to collection agencies. CBO estimates OASDI savings from this proposal to be \$120 million for the 5-year period fiscal year 1995 through fiscal year 1999.

Reallocate Social Security Tax Revenue from the OASI Trust Fund to the DI Trust Fund. In 1992 the Board of Trustees of the Old-Age, Survivors and Disability Insurance Trust Funds notified the Congress that, under the Trustees intermediate assumptions, the DI Trust Fund could be exhausted as early as 1995. More recent estimates continue to indicate that the DI fund could be exhausted in 1995.

In response, the Board of Trustees recommended in its 1993 and 1994 reports that Social Security taxes currently allocated to the OASI Trust Fund be reallocated to the DI Trust Fund. (Under a reallocation proposal, the overall tax rate, which is 7.65 percent for both employers and employees, would remain unchanged. Only the allocation of the tax among the trust funds would change.) Because this proposal would make no change in current tax rates, it has no budgetary effect.

Continuing Disability Reviews. Under current law, recipients of Social Security disability benefits are required to undergo periodic reviews to determine whether they continue to be disabled. In recent years, however, few continuing disability reviews, or CDRs, have been performed. The Administration's budget includes a pro-

posal (in H.R. 3400) to dedicate a portion of the Social Security Administration's budget for the purpose of conducting CDRs. The amounts to be dedicated under this proposal would be \$47.2 million for fiscal year 1995; \$48.5 million for fiscal year 1996; \$49.8 million for fiscal year 1997; \$51.1 million for fiscal year 1998; and \$52.5 million for fiscal year 1999. CBO projects no program savings for this provision, because the amounts it would dedicate are smaller than the amounts currently budgeted for the purpose of conducting CDRs. Moreover, CBO has taken the position that it will not score budgetary savings from provisions that earmark spending for the purpose of complying with existing statutory requirements.

Workers' Compensation Data Exchange Pilot Projects. Under this proposal, also included in H.R. 3400, the Secretary of Health and Human Services would be authorized to conduct pilot projects in up to three States for the purpose of studying various means of obtaining timely and accurate information on State workers' compensation benefits that are paid to people who receive Social Security disability benefits. The Secretary would be authorized to pay the States' costs for participating in these demonstrations. CBO estimates the budget effect of this proposal to be negligible in each year from fiscal year 1995 to 1999.

Federal Clearinghouse on Death Information. This proposal (included in H.R. 3400) would amend the clearinghouse provision that was included in the 1993 Omnibus Budget Reconciliation Act, which requires most States, as a condition for receiving Federal tax return information for the purpose of administering State tax laws, to agree to furnish the death information they gather to the Secretary of HHS without restriction on redisclosure, for the purpose of ensuring that Federal benefits or other payments are not erroneously paid to deceased beneficiaries. Under the Administration's amendment, all States would be covered by the 1993 OBRA provision. CBO estimates that this provision will have a negligible effect on OASDI outlays in fiscal years 1995 through 1999.

OASDI—BUDGET EFFECT

(In millions of dollars)

| | Fiscal Year— | | | | | 5-year total |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | |
| Debt collection | -35 | -25 | -20 | -20 | -20 | -120 |
| Set-aside of administrative funds for CDRs ... | 0 | 0 | 0 | 0 | 0 | 0 |
| Worker's compensation data exchange pilot.. . | (¹) | (¹) | (¹) | (¹) | (¹) | (¹) |
| Death information clearinghouse | (¹) | (¹) | (¹) | (¹) | (¹) | (¹) |

¹ Indicates less than \$500,000.

Source: Congressional Budget Office.

PROPOSED REGULATIONS

The Administration will propose regulations affecting the determination of disability in both the DI program and the SSI program (described in chart 12). These regulations will establish revised

standards for determining whether individuals are disabled due to cardiovascular, respiratory, or mental impairments.

SOCIAL SECURITY DISABILITY REGULATIONS—ADMINISTRATION ESTIMATE OF BUDGET IMPACT

(Outlays in millions of dollars)

| | Fiscal Year— | | | | | | 1994-99 total |
|-------------------|--------------|------|------|------|------|------|------------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | |
| DI Program | -34 | -73 | -121 | -163 | -211 | -211 | -813 |
| SSI Program | -19 | -43 | -62 | -81 | -100 | -100 | -405 |

LIMITATION ON ADMINISTRATIVE EXPENSES

(Budget authority in millions of dollars)

| | Fiscal year— | | |
|----------------------------------|--------------|---------|---------|
| | 1993 | 1994 | 1995 |
| Limitation | \$4,899 | \$5,497 | \$5,825 |
| Full-time equivalent staff | 64,028 | 64,514 | 64,847 |

The limitation on administrative expenses (LAE) provides resources for SSA to administer all of its programs, including the SSI program and certain health insurance functions. The LAE also provides funds for annual reporting of earnings, construction of office space, and operation and improvement of SSA's automated data processing systems.

The Administration proposes an increase of 5.6 percent in the LAE for fiscal year 1995. The Administration's LAE request would fund an additional 333 FTEs and, in addition, includes \$280 million to be applied to the processing of disability and hearing case-loads. Notwithstanding these increases, the Administration forecasts continued degradation during fiscal year 1995 in the processing of Social Security and SSI disability applications.

According to the Administration, DI and SSI disability claims continued to increase dramatically in fiscal year 1993 and are projected to continue to increase in fiscal year 1994 and fiscal year 1995. SSA projects that in fiscal year 1995 2.9 million initial disability claims will be forwarded to the State Disability Determination Services (DDSs). This represents a 69 percent increase over the number of claims received as recently as fiscal year 1990.

Funding available in prior years has not been sufficient to allow SSA to keep pace with this growth, nor will funding requested for fiscal year 1995 allow for a reduction in the number of disability claims pending in the DDSs. About 550,000 disability claims were pending in the DDSs at the end of fiscal year 1993. This number is expected to grow to 720,000 by the end of fiscal year 1994 and reach over 1.1 million claims by the end of fiscal year 1995. At the same time, large backlogs have developed in SSA's hearing offices.

By the end of 1992, 218,000 cases were backlogged in these offices. By the end of fiscal year 1993, this backlog had risen to 358,000 cases, and the Administration projects that by the end of fiscal year 1995 500,000 hearing cases will be backlogged.

These growing backlogs translate into a lengthening of the average time required to process a disability claim. The Administration forecasts that the average processing time for a disability claim will be about 113 days in fiscal year 1994 and will reach 154 days in fiscal year 1995. For cases requiring a hearing, the average processing time is projected to be about 430 days in fiscal year 1994 and 519 days in fiscal year 1995. In contrast, processing times for disability claims averaged 2½ to 3 months in fiscal year 1990 and fiscal year 1991 while the average processing time for a hearing case was about 300 days.

PROVISIONS IN THE 1993 OBRA

The following OASDI provisions were enacted in the 1993 Omnibus Budget Reconciliation Act:

- Increases the percentage of Social Security benefits that may be subject to income taxes from 50 percent to 85 percent for single taxpayers with incomes over \$34,000 and for married taxpayers filing jointly with incomes over \$44,000. Retains present law, under which no more than 50 percent of benefits may be subject to income taxes for single taxpayers with incomes from \$25,000 to \$34,000 and for married taxpayers filing jointly with incomes from \$32,000 to \$44,000. Revenues from the additional taxation of benefits will be credited to the Hospital Insurance Trust Fund. The provision is effective for taxable years beginning after 1993.

- Prohibits disclosure of Federal tax return information to any State that does not have in effect a contract with the Secretary of Health and Human Services under which the State provides death certificate information, without restriction on redisclosure, for the purpose of ensuring that Federal benefits or other payments are not erroneously paid to deceased beneficiaries. The provision does not apply to a State which on July 1, 1993, was not, pursuant to a contract, providing the Secretary of HHS with death certificate information. Generally, the provision is effective 1 year after the date of enactment.

- Provides a business tax credit for food and beverage establishments equal to the amount of the employer's Social Security tax attributable to covered tips in excess of the tips needed to bring the employee's wages up to the minimum wage. The provision applies to taxes paid after December 31, 1993.



Chart 7.—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

[Note: See Appendix H for 5-year baseline estimates.]

| Unemployment trust fund | Fiscal year— | |
|---|--------------|-------------|
| | 1994 | 1995 |
| Status of State accounts: | | |
| Income: | | |
| State taxes | 21.6 | 22.0 |
| Interest | 1.7 | 1.5 |
| Loans | 0.5 | 0.4 |
| Total | 23.8 | 23.9 |
| Outgo: | | |
| State benefits | 22.8 | 22.6 |
| Federal loans repaid | 0.5 | 0.2 |
| Total | 23.3 | 22.8 |
| Balance at end of year | 29.5 | 30.5 |
| Less outstanding Federal loans | 0.3 | 0.4 |
| Net balance | 29.2 | 30.1 |
| Status of extended benefit account: | | |
| Income: | | |
| Federal taxes/interest | 1.2 | 1.3 |
| General revenue advances | 3.1 | 0.4 |
| Transfer from or to (—) other account | 0.8 | 1.8 |
| Total | 5.1 | 3.5 |
| Outgo | 5.3 | 0.1 |
| Balance at end of year | 0.7 | 4.0 |
| Status of administration account: | | |
| Income: | | |
| Federal taxes and interest | 5.6 | 5.6 |

Chart 7.—UNEMPLOYMENT COMPENSATION—Continued
 [In billions of dollars]

| Unemployment trust fund | Fiscal year— | |
|---|--------------|------------|
| | 1994 | 1995 |
| Transfer from or to (—) other account | - 1.1 | - 1.1 |
| Total | 4.5 | 4.5 |
| Outgo: | | |
| State unemployment insurance service | 2.5 | 2.4 |
| State employment service | 1.1 | 1.1 |
| Federal administration | 0.1 | 0.2 |
| Total | 3.7 | 3.7 |
| Balance at end of year | 2.3 | 2.3 |
| Status of Federal unemployment (loan) account: | | |
| Income: | | |
| Federal taxes and interest | 0.3 | 0.3 |
| State loan repayments | 0.5 | 0.2 |
| Transfer from other account | 1.6 | 0.0 |
| Total | 2.4 | 0.6 |
| Outgo: | | |
| Loans to States | 0.5 | 0.4 |
| Repayments to general fund | 0.0 | 0.0 |
| Total | 0.5 | 0.4 |
| Balance at end of year | 6.8 | 6.0 |
| Less outstanding loans from general fund | 0.0 | 0.0 |
| Net balance | 6.8 | 6.0 |

Chart 7

Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 6.2 percent on the first \$7,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 5.4 percent credit against the 6.2 percent Federal unemployment tax. Thus, the effective Federal tax rate in a State which has an approved program is 0.8 percent. The effective tax rate may be higher in States having outstanding unemployment insurance loans from the Federal Government. The tax rate and the net effective tax rate were scheduled to drop by 0.2 percentage points (to 6.0 and 0.6) as of January 1, 1991, but were extended through 1995 by the Budget Reconciliation Act of 1990 (P.L. 101-508), through 1996 by the Emergency Unemployment Compensation Act of 1991 (P.L. 102-164), and through 1998 by the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66).

The Federal tax is used to pay State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Unemployment Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow when it lacks funds to pay State unemployment compensation benefits. In addition, the Federal tax supports the payment of Federal emergency unemployment compensation benefits.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund, which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues. Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit (EB) program is intended to go into effect, providing up to 13 additional weeks of benefits. The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect two optional triggers: (1) a trigger permitting the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years, and (2) a trigger permitting the payment of extended benefits when the State total unemployment rate (TUR), seasonally adjusted, for the period consisting of the most recent 3 months for which data are published equals or exceeds 6.5 percent, and is at least 10 percent higher than the rate prevailing on average during the comparable period in one (or both) of the 2 preceding years. Under this second optional trigger, if the State TUR equals or exceeds 8 percent rather than 6.5 percent, the number of weeks of benefits provided in the State is 20 rather than 13. This second optional trigger was enacted as part of the Unemployment Compensation Amendments of 1992 (P.L. 102-318).

Beginning in November 1991, a temporary program of Federal emergency unemployment compensation (EUC) benefits for unemployed workers who had exhausted their regular benefits went into effect (P.L. 102-164, the Emergency Unemployment Compensation Act of 1991, amended by P.L. 102-182). At the time the EUC program became effective, there were no States that met the criteria for paying EB even though the total unemployment rate (TUR) nationally and in many States was high. The emergency benefit program was originally scheduled to expire on June 13, 1992, but was modified and extended by enactment of P.L. 102-244, P.L. 102-318, and P.L. 103-6. The most recent extension, to February 5, 1994, was made by P.L. 103-152, the Unemployment Compensation Amendments of 1993.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. They must be repaid to the general fund with interest.

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board. The EUC legislation provided a temporary increase in

the extended benefits payable to unemployed railroad workers to make them comparable to the benefits available to non-railroad workers.

There is also a special unemployment benefits program for trade-impacted workers. This is described in chart 16.

The target budget deficits under the Gramm-Rudman-Hollings law reflect the impact of unemployment taxes and spending (including both Federal and State accounts). If, however, the target deficits are not met or if there is a pay-as-you-go sequester, the automatic "across-the-board" spending reductions are applied to unemployment benefits according to special rules. Regular State benefits and benefits for former Federal employees and ex-service-men are exempt from any reduction. Extended benefits, as such, are not reduced, but the Federal share of the funding for these benefits is subject to reduction. States have the option of reducing or not reducing the actual benefit payments to reflect the reduction in Federal funding.

PROPOSED LEGISLATION

The Administration is proposing to introduce legislation to establish a new program of job training and income support for dislocated workers, replacing a number of existing programs aimed at providing assistance to long-term unemployed workers. One of the programs to be folded into the new comprehensive program is Trade Adjustment Assistance, which provides services and income support for workers who have lost their jobs for trade-related reasons. The legislation will also include changes in the unemployment compensation program. The Administration has not yet submitted a bill to the Congress.

Chart 8.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

[Note: See Appendix H for 5-year baseline estimates.]

| | Fiscal year— | |
|---|--------------|------|
| | 1994 | 1995 |
| Aid to families with dependent children: | | |
| Welfare payments | 12.5 | 12.8 |
| Administration | 1.6 | 1.6 |
| JOBS program | 0.8 | 0.9 |
| Child care: | | |
| JOBS | 0.5 | 0.5 |
| Transitional assistance | 0.1 | 0.2 |
| Families at risk | 0.3 | 0.3 |
| Child support: | | |
| Non-AFDC collections ¹ | 5.4 | 6.1 |
| AFDC collections ¹ | 2.2 | 2.4 |
| Gross Federal share of AFDC collections | 1.2 | 1.3 |
| Total AFDC/non-AFDC administrative costs | 2.6 | 2.9 |
| Federal share | 1.8 | 2.0 |
| Incentive payments | 0.4 | 0.4 |
| Title IV-B (child welfare services/training) | 0.3 | 0.3 |
| Title IV-E (foster care, adoption assistance, independent living) | 2.6 | 2.8 |

¹ Administration estimate.

Source: Estimates by the Congressional Budget Office except as otherwise noted. Includes Federal outlays only. Current law baseline.

Chart 8

Welfare Programs for Families

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. In addition, a provision in the Family Support Act of 1988 required all States to provide benefits to two-parent families in which dependency arises from the unemployment of the principal earner, beginning with fiscal year 1991.

Prior to enactment of the Family Support Act, States had the option of providing benefits to unemployed two-parent families, and about half the States had elected to do so. The Family Support Act gave States that had previously not elected to provide benefits to unemployed two-parent families the option of providing these benefits on a time-limited basis. However, benefits must be provided for at least 6 months in a 12-month period.

Under the AFDC program, each State establishes its own income eligibility and benefit levels.

The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 55 percent. The AFDC program is not subject to reduction under the P.L. 101-508 sequestration procedures.

Prior to enactment of the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66), States were entitled to enhanced Federal matching rates for certain administrative expenditures relating to: the verification of the immigration status of aliens; the planning, design, development and installation of data information systems; and expenditures to control fraud. P.L. 103-66 reduced the Federal matching rate for these three categories of expenditures to 50 percent, effective April 1, 1994.

In addition, P.L. 103-66 increased the amount of a stepparent's earnings that a State must disregard in determining the eligibility and benefit amounts of AFDC applicants and recipients. The amount of the standard disregard for work expenses of a stepparent was raised to \$90 a month, up from the previous amount of \$75 a month.

According to the Congressional Budget Office, under present law the average number of families and recipients receiving monthly payments is as follows:

[In thousands]

| | Fiscal year— | | |
|-------------------|--------------|-----------|-----------|
| | 1993 | 1994 est. | 1995 est. |
| Families | 4,974 | 5,080 | 5,151 |
| Individuals | 14,128 | 14,430 | 14,630 |

According to CBO, estimates for Federal program costs under present law are as follows:

[In millions of dollars]

| | Fiscal year— | | |
|---|---------------|---------------|---------------|
| | 1993 | 1994 est. | 1995 est. |
| AFDC benefits ¹ | 11,456 | 11,680 | 11,908 |
| Emergency assistance | 225 | 460 | 530 |
| Other assistance payments | 23 | 24 | 16 |
| State and local administration and training | 1,520 | 1,564 | 1,597 |
| Child care: | | | |
| JOBS | 471 | 490 | 540 |
| Transitional Assist. | 110 | 145 | 170 |
| Families at risk | 310 | 325 | 310 |
| Total | 14,115 | 14,688 | 15,071 |

¹ Includes reductions for child support enforcement collections of \$777 million in 1993, \$820 million in 1994, and \$884 million in 1995.

B. JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM (JOBS)

The Family Support Act of 1988 provided for replacement of the Work Incentive (WIN) program with a new Job Opportunities and Basic Skills Training program (JOBS). The legislation provides Federal matching funds to the States through a capped entitlement mechanism aimed at assuring each State its share of Federal dollars equal to \$600 million in 1989, \$800 million in 1990, \$1 billion in 1991, 1992, and 1993, \$1.1 billion in 1994, and \$1.3 billion in 1995. States were required to implement the JOBS program by October 1, 1990, but had the option of doing so as early as July 1, 1989. Currently, all States are operating a JOBS program.

The Federal match for the JOBS program is 90 percent for expenditures up to the amount allotted to the State for WIN in fiscal year 1987. Of additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal match of 60 percent for non-administrative costs and for personnel costs for full-time staff working on the JOBS program. The match for other administrative costs (including evaluation) is 50 percent. State matching for amounts above the 1987 WIN allocation must be in cash. States receive an amount equal to their WIN allotment for fiscal year

1987 (\$126 million for all States). Additional funds are allocated on the basis of each State's relative number of adult recipients.

States are required to enroll an increasing percentage of welfare recipients in the JOBS program. In fiscal year 1991, 7 percent of those who are not exempt from the participation requirement were required to be enrolled in the program. In fiscal years 1992 and 1993 a total of 11 percent were required to be enrolled; in 1994, 15 percent must be enrolled; and in 1995, 20 percent must be enrolled. The Administration estimates that currently more than 500,000 individuals are participating in a JOBS program each month.

State JOBS programs must include a range of services and activities, including educational activities, job skills training, job readiness activities, job development and job placement, and specified supportive services, including child care. States must also offer at least two of the following four activities: group and individual job search, on-the-job training, work supplementation, and community work experience or other work experience program.

Responsibility for administration of the program lies with the welfare agency at both the Federal and State levels. At the Federal level, the Family Support Act created a new position of Assistant Secretary for Family Support in the Department of Health and Human Services who has responsibility for administering the JOBS program, as well as the child support and AFDC programs.

C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to locate absent parents, establish paternity, obtain child and spousal support, and assure that assistance in obtaining support is available to all children (whether or not eligible for AFDC) for whom such assistance is requested.

As a condition of eligibility for AFDC, each applicant or recipient must assign the State any right to support which she may have in her own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC upon their application for services.

The Federal Government pays 66 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-ended entitlement basis. In addition, 90 percent Federal matching is available on an open-ended entitlement basis to States for the costs of establishing an approved automated data processing and information retrieval system.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. However, the first \$50 per month of such collections is passed through to the family. The amounts retained by the government are distributed between the Federal and State governments according to the proportional matching share which each has under the State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a basic incentive payment equal to a minimum of 6 percent of collections

made on behalf of AFDC families plus 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment could reach a high of 10 percent of AFDC collections plus 10 percent of non-AFDC collections depending on the cost-effectiveness of the State's program. In fiscal year 1989 the incentive payments for non-welfare collections could not exceed 110 percent of the incentive payments for welfare collections. This percentage increased to 115 percent in 1990 and years thereafter. (These incentive payments are financed from the Federal share of collections.) Child support collections and expenditures under present law are as follows:

[In millions of dollars]

| | Fiscal year— | | |
|--|--------------|-----------|-----------|
| | 1993 | 1994 est. | 1995 est. |
| Total administrative costs: ¹ | | | |
| (Federal and State) | 2,216 | 2,616 | 2,881 |
| (Federal share) | 1,500 | 1,790 | 1,971 |
| Federal incentive payments to States | 339 | 382 | 413 |
| Total collections ¹ | 6,812 | 7,607 | 8,483 |
| AFDC collections ² | 1,954 | 2,174 | 2,416 |
| Non-AFDC collections | 4,858 | 5,433 | 6,067 |

¹ Estimates for collections are by the Administration. Estimates for administrative costs are by CBO.

² The Federal share of collections is included in the AFDC appropriation as an offset to AFDC benefits.

The program made collections on behalf of 872,579 AFDC cases and 1,953,580 non-AFDC cases in fiscal year 1993.

The Child Support Enforcement Amendments of 1984 required States to adopt numerous procedures to collect overdue child support payments, including mandatory wage withholding, liens against property, and withholding of State income tax refunds, and to permit establishment of paternity until a child's 18th birthday. The 1984 amendments also made more generous the formula for Federal incentive payments to States for child support collections and extended those incentives to collections made on behalf of non-AFDC children. The amendments provided for reducing the Federal matching share for State and local administrative costs from 70 percent to 68 percent in 1988, and to 66 percent in 1990 and years thereafter. This Act also modified the audit and penalty provisions under which the Federal agency monitors State program effectiveness.

The 1984 Act also required States to continue to provide services to AFDC families after they leave the rolls; authorized the Secretary of Health and Human Services to make project grants to States for developing new methods of support establishment and collection in interstate cases; extended the Federal income tax return intercept program to non-AFDC families; required each State to establish guidelines for child support awards within the State; extended Medicaid eligibility for 4 months to families that lose eligibility for AFDC as a result of child support collections; and en-

couraged States to focus on the issues of child support, child custody, visitation rights, and other related domestic issues through the establishment of special State commissions.

Major amendments to the child support enforcement program were also included in the Family Support Act of 1988. Under these amendments, judges and other officials making child support awards are required to use State-developed guidelines in setting award amounts as a rebuttable presumption. In addition, States are required to establish a mechanism to update awards on a regular basis; implement immediate mandatory wage withholding procedures; implement approved statewide automated tracking and monitoring systems; inform AFDC families of the amount of support collected on their behalf on a monthly basis (rather than annually as required under prior law); and meet minimum paternity establishment performance standards. The capacity of States to establish paternity is further enhanced by providing higher (90 percent) Federal matching for laboratory testing.

The 1988 law also required the Secretary of HHS to set standards specifying time limits in which a State must respond to requests for services, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect support. A new Commission on Interstate Enforcement was established to recommend improved procedures for enforcement in interstate cases.

The Omnibus Budget Reconciliation Act of 1993 (P. L. 103-66) increased the paternity establishment performance standards that States must meet, and also provided that States have in effect laws requiring use of certain procedures designed to increase States' ability to establish paternity, including laws:

(1) providing for a simple civil process for voluntarily acknowledging paternity (which must include a hospital-based program for the voluntary acknowledgment of paternity during the period immediately preceding or following the birth of a child), and the inclusion of signature lines on applications for official birth certificates which, once signed by the father and the mother, constitute a voluntary acknowledgment of paternity;

(2) under which the voluntary acknowledgment of paternity creates a rebuttable, or at the option of the State, conclusive presumption of paternity, and under which such voluntary acknowledgments are admissible as evidence of paternity;

(3) under which the voluntary acknowledgement of paternity must be recognized as a basis for seeking a support order without first requiring any further proceedings to establish paternity;

(4) which provide that any objection to genetic testing results must be made in writing within a specified number of days prior to any hearing at which such results may be introduced in evidence, and if no objection is made the test results are admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy;

(5) which create a rebuttable or, at the option of the State, conclusive presumption of paternity upon genetic testing results indicating a threshold probability of the alleged father being the father of the child;

(6) which require default orders in paternity cases upon a showing that process has been served on the defendant and whatever additional showing may be required by State law; and

(7) which require States to have expedited processes for paternity establishment in contested cases and to require that a State give full faith and credit to determinations of paternity made by other States.

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

The child welfare services program, authorized under title IV-B of the Social Security Act, is a 75 percent Federal matching grant program for States for the provision of child welfare services to children and their families without regard to the family's income. The State allocations are based on the State's per capita income and the size of its population under age 21 compared to all the States. The fiscal year 1994 appropriation for child welfare services was \$294.6 million; for child welfare training, \$4.4 million; and for child welfare research, \$6.5 million.

The foster care program, authorized under title IV-E of the Social Security Act, provides matching funds on an entitlement basis to States for maintenance payments for AFDC-eligible children in foster care. The Federal matching rate for a given State is that State's Medicaid matching rate (which may vary from 50 to 83 percent, depending on State per capita income). Federal matching at a 50 percent rate is available for costs of child placement services and administration. The fiscal year 1994 appropriation for foster care was \$2.6 billion (including both maintenance payments and administration).

In addition, there was an appropriation of \$70 million in fiscal year 1994 for grants to States to help title IV-E foster care children age 16 and over prepare for independent living. These funds are allocated to the States on the basis of each State's relative number of children receiving title IV-E foster care maintenance payments in 1984. The independent living program was originally authorized for 2 years, 1987 and 1988. It was extended twice, and was made permanent by an amendment in the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66). P.L. 101-239 increased the entitlement ceiling for the program from the original level of \$45 million to \$50 million in fiscal year 1990; \$60 million in fiscal year 1991; and \$70 million in fiscal year 1992. The \$70 million funding level was made permanent by P.L. 103-66. A State match of 50 percent is required on amounts above \$45 million.

The Omnibus Budget Reconciliation Act of 1990 included a provision to allow States to provide independent living services to youths up to age 21, rather than age 18, as under prior law.

The adoption assistance program, also authorized under title IV-E, provides Federal matching funds to States on an entitlement basis, at the Medicaid matching rate, for payments to parents who adopt an AFDC- or SSI-eligible child with "special needs." Special needs are defined as a condition, such as ethnic background, age, membership in a sibling group, or mental or physical handicap, which prevents the placement of the child without assistance payments. The amount of assistance provided to parents varies, depending on the circumstances of the family and the child's needs.

The fiscal year 1994 appropriation for this program was \$317.4 million (including both maintenance payments and administration).

The Omnibus Budget Reconciliation Act of 1993 amended title IV-B of the Social Security Act to provide authority for Federal grants to the States to be used to develop and establish, or expand, and to operate programs of family preservation services and family support services. The legislation provided capped entitlement funding of \$60 million in fiscal year 1994, \$150 million in fiscal year 1995, \$225 million in fiscal year 1996, \$240 million in fiscal year 1997, and \$255 million in fiscal year 1998 (or, if greater, \$240 million increased by an inflation factor).

The term "family preservation services" is defined to mean services for children designed to help families at risk or in crisis, including services to help children return to their own families or be placed for adoption; preplacement preventive services, such as intensive family preservation services, designed to help children at risk of foster care placement remain with their families; services to provide followup care to families to whom a child has been returned after a foster care placement; respite care; and services designed to improve parenting skills.

The term "family support services" is defined to mean community-based services designed to increase the strength and stability of families, to increase parents' confidence and competence in their parenting abilities, to afford children a stable and supportive family environment, and otherwise to enhance child development.

Of the total funds provided, the Secretary of Health and Human Services is required to reserve \$2 million in fiscal year 1994, and \$6 million in each of fiscal years 1995, 1996, 1997, and 1998, for evaluation of family preservation and family support programs, and for research, training, and technical assistance. Funds are also reserved for grants for State court assessments of the effectiveness of State courts in carrying out their responsibilities related to the child welfare, foster care, and adoption assistance programs. The amounts reserved for this purpose are \$5 million in fiscal year 1995, and \$10 million in fiscal years 1996, 1997, and 1998.

The 1993 Act also provided enhanced matching of 75 percent to enable States to plan, design, develop, and install Statewide data collection and information retrieval systems to administer their child welfare, foster care, and adoption assistance programs.

A provision of prior law (which expired at the end of fiscal year 1992) provided 75 percent Federal matching funds to the States for training of personnel employed or preparing for employment by the State or local child welfare agency, and for the training of foster and adoptive parents. P.L. 103-66 extended this authority on a permanent basis, effective beginning with fiscal year 1994.

P.L. 103-66 also prohibited the Secretary of Health and Human Services, prior to October 1, 1994, from reducing or withholding payment, or seeking repayment, from any State as a result of compliance reviews related to requirements of title IV-B or reviews or audits related to requirements of title IV-E.

PROPOSED LEGISLATION

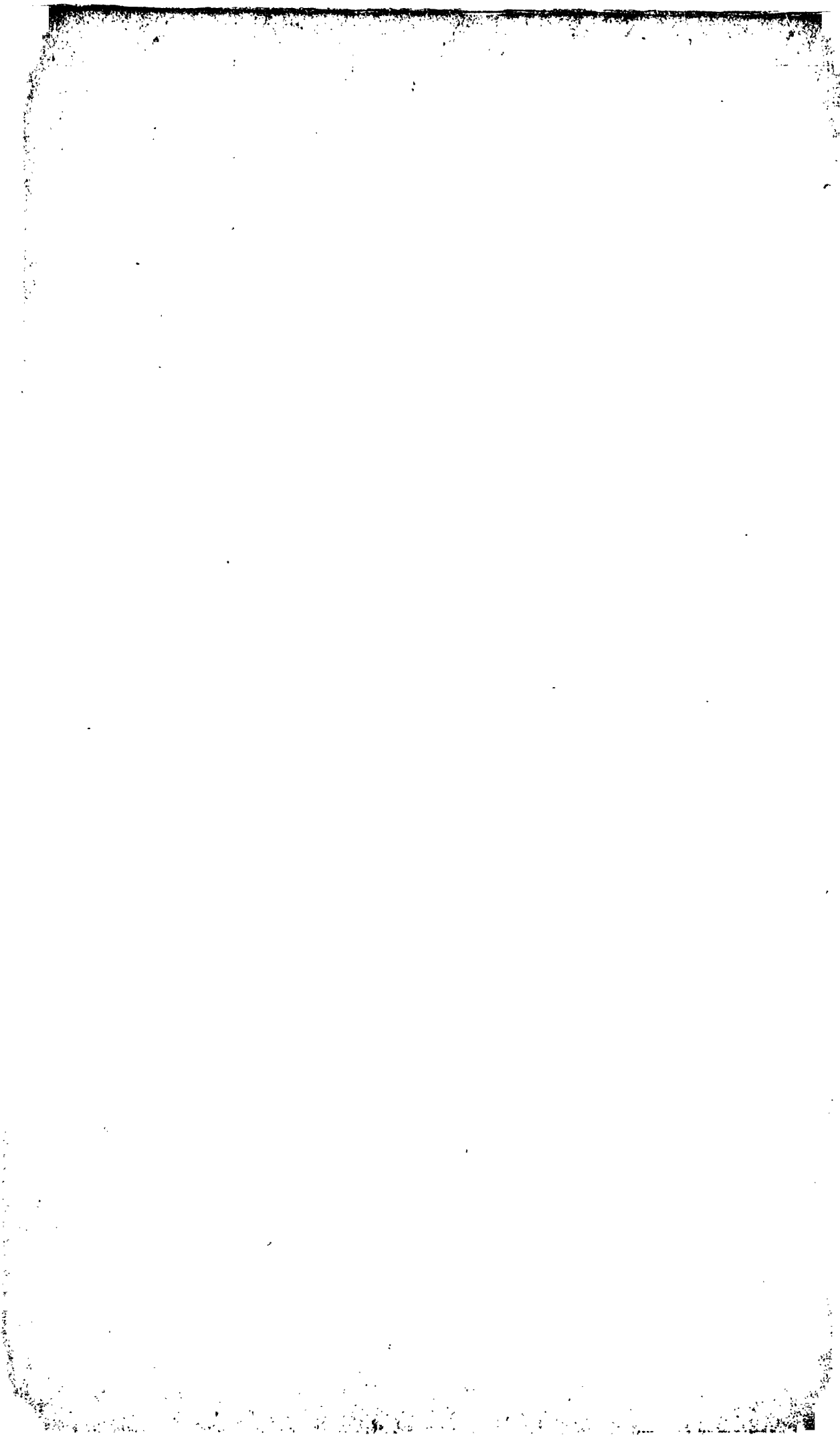
A. WELFARE REFORM

The Administration's budget includes no specific outlays or funding for welfare reform. However, it includes a discussion of the steps that reform of the welfare system will require, and states:

"The Administration will forward to Congress in late spring a detailed, comprehensive, deficit-neutral welfare reform plan. In the interim, the Administration will consult extensively on a bipartisan basis to finalize the plan and the entitlement reforms which finance it."

As described in the budget, the proposed legislation will include amendments relating to Aid to Families with Dependent Children, Child Support Enforcement, and the Job Opportunities and Basic Skills Training Program (JOBS).

The Administration's budget includes no provisions relating to the child welfare, foster care, and adoption assistance programs.



**Chart 9.—ESTIMATED AMOUNTS OF THE EARNED INCOME
TAX CREDIT, FISCAL YEARS 1994–1995**

[In millions of dollars]

[Note: See Appendix H for 5-year baseline estimates.]

| Current-law provision | Fiscal year— | |
|---|---------------|---------------|
| | 1994 | 1995 |
| Earned Income Tax Credit: | | |
| Amount in excess of tax liability | 16,549 | 19,222 |
| Offset against tax liability | 3,098 | 3,585 |
| Totals | 19,647 | 22,807 |

Note: Details may not add to totals due to rounding.

Source: Staff of the Joint Committee on Taxation, March 7, 1994.

Chart 9

Earned Income Tax Credit

The earned income tax credit (EITC) is a refundable tax credit, that is, it can cause a tax refund to be paid even when an individual tax filer has no income tax liability for the year in question. The EITC is available to low income families that include at least one qualifying child. The child must meet a relationship test with respect to the taxpayer, have the same principal place of abode as the taxpayer for more than one-half of the taxable year, and be under the age of 19 as of the close of the year, or be a student who is under age 24 as of the close of the year. A smaller credit is also available to certain taxpayers without a qualifying child.

Under a revision in the congressional budget procedures adopted in the 95th Congress, refundable tax credits are treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. For this reason, the earned income tax credit is shown here as an expenditure program.

The law allows individuals who have no tax liability to claim the credit either as an annual tax refund or to have the credit added to their paychecks throughout the year through reverse withholding. However, the amount of the credit that may be received on an advance basis is limited to 60 percent of the credit that the taxpayer could receive if the taxpayer had only one qualifying child. In the past, very few individuals have used the reverse withholding procedure. (Individuals without children are not eligible to claim the credit on an advance payment basis.)

Amendments in the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) modified and substantially expanded the earned income tax credit.

In 1994, for taxpayers with one qualifying child, the EITC is 26.3 percent of the first \$7,750 of earned income. The maximum credit in 1994 is \$2,038 and is reduced by 15.98 percent of earned income (or adjusted gross income, if greater) in excess of \$11,000. For 1995 and years thereafter, the credit rate increases to 34 percent. The maximum amount of earned income on which the credit could be claimed is (an estimated) \$6,160 (this is a \$6,000 base in 1994, adjusted for inflation). The phaseout rate for 1995 and years thereafter is 15.98 percent.

In 1994, for taxpayers with two or more qualifying children, the EITC is 30 percent of the first \$8,425 of earned income. The maximum credit for 1994 is \$2,527 and is reduced by 17.68 percent of earned income (or adjusted gross income, if greater) in excess of \$11,000. The credit rate increases over time and equals 36 percent for 1995 and 40 percent for 1996 and years thereafter. The phaseout rate is 20.22 percent for 1995 and 21.06 percent for 1996 and years thereafter.

P.L. 103-66 also extended the EITC to individual taxpayers with no qualifying children who (1) are over age 25 and below age 65; and (2) who may not be claimed as a dependent on another taxpayer's return. For these taxpayers, the EITC is 7.65 percent of the first \$4,000 of earned income (for a maximum credit of \$306 in 1994). The maximum credit is reduced by 7.65 percent of the first \$4,000 of earned income (or adjusted gross income, if greater) above \$5,000. In 1994 the credit is completely phased out for taxpayers with earned income (or adjusted gross income, if greater) over \$9,000. This credit is not available on an advance payment basis.

The EITC may not be taken into account as income, and may not be taken into account as resources for the month of receipt and the following month, for purposes of the AFDC, SSI, Medicaid, food stamp, and low income housing programs.

The EITC was originally developed by the Committee on Finance as a part of an overall guaranteed employment program which the Committee proposed in 1972 as a replacement for the existing welfare program. It was approved by the Committee as a way of assuring that private employment would be more attractive than the public jobs that were also proposed in the 1972 Committee bill, and as a way of offsetting the impact of payroll taxes for lower income working families. The credit was called a "work bonus" in 1972, because the Committee viewed it as a way of enhancing the value of work, inasmuch as it was payable only to those with earned income, and, at least up to the phase down point, the amount of the credit increased as earnings from work increased. The Committee's 1972 proposals were not enacted, but the Senate passed the EITC as a separate provision on several occasions, and it became law in 1975.

The credit percentages and phase-out rates for the EITC for families with children and for individuals with no children for calendar years 1994-1999, are shown in the following table.

DATA ON EARNED INCOME TAX CREDIT,¹ 1994-1999 ESTIMATES

| Year | Credit rate (percent) | Earnings up to ¹ | Reduced by (percent) | Income over ¹ | Maximum credit ¹ | Phase out point ¹ |
|----------------------------|-----------------------|-----------------------------|----------------------|--------------------------|-----------------------------|------------------------------|
| 1994 | | | | | | |
| One child | 26.30 | \$7,750 | 15.98 | \$11,000 | \$2,038 | \$23,753 |
| Two or more children | 30.00 | 8,425 | 17.68 | 11,000 | 2,528 | 25,299 |
| No children | 7.65 | 4,000 | 7.65 | 5,000 | 306 | 9,000 |
| 1995 | | | | | | |
| One child | 34.00 | 6,160 | 15.98 | 11,290 | 2,094 | 24,394 |
| Two or more children | 36.00 | 8,650 | 20.22 | 11,290 | 3,114 | 26,691 |
| No children | 7.65 | 4,110 | 7.65 | 5,130 | 314 | 9,235 |

DATA ON EARNED INCOME TAX CREDIT,¹ 1994-1999 ESTIMATES—Continued

| Year | Credit rate (percent) | Earnings up to ¹ | Reduced by (per- cent) | Income over ¹ | Maximum credit ¹ | Phase out point ¹ |
|-------------------------------|--------------------------|--------------------------------|------------------------------|-----------------------------|--------------------------------|---------------------------------|
| 1996 | | | | | | |
| One child | 34.00 | 6,340 | 15.98 | 11,620 | 2,156 | 25,112 |
| Two or more children | 40.0 | 8,900 | 21.06 | 11,620 | 3,560 | 28,524 |
| No children | 7.65 | 4,230 | 7.65 | 5,280 | 324 | 9,515 |
| 1997 | | | | | | |
| One child | 34.00 | 6,530 | 15.98 | 11,970 | 2,220 | 25,862 |
| Two or more children | 40.00 | 9,170 | 21.06 | 11,970 | 3,668 | 29,387 |
| No children | 7.65 | 4,350 | 7.65 | 5,440 | 333 | 9,793 |
| 1998 | | | | | | |
| One child | 34.00 | 6,730 | 15.98 | 12,340 | 2,288 | 26,658 |
| Two or more children | 40.00 | 9,450 | 21.06 | 12,340 | 3,780 | 30,289 |
| No children | 7.65 | 4,490 | 7.65 | 5,610 | 343 | 10,094 |
| 1999 | | | | | | |
| One child | 34.00 | 6,940 | 15.98 | 12,730 | 2,360 | 27,498 |
| Two or more children | 40.00 | 9,750 | 21.06 | 12,730 | 3,900 | 31,249 |
| No children | 7.65 | 4,630 | 7.65 | 5,790 | 354 | 10,417 |

¹ Parameters are estimated based on Congressional Budget Office forecasts.

Source: Joint Committee on Taxation, February 23, 1994.

Proposed Legislation

The Administration's budget includes no proposals for changes in the earned income tax credit.

Chart 10.—SOCIAL SERVICES

[In billions of dollars]

[Note: See Appendix H for 5-year baseline estimates.]

| | Fiscal year— | |
|--|--------------|------|
| | 1994 | 1995 |
| Current law: ¹ | | |
| Title XX block grant | 2.8 | 2.8 |
| Empowerment zones/ Enterprise communities | 1.0 | 0.0 |

¹ Budget authority.

Source: Congressional Budget Office.

Chart 10
Social Services
(Block Grant; Empowerment Zones/Enterprise
Communities)

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. At one time, title XX legislation authorized matching funds for State social services programs on an open-ended entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States, including the requirement of a 25 percent non-Federal match, were removed, and funding levels were reduced.

The program is an appropriated entitlement, with each State eligible to receive its share of a ceiling amount specified in the law. The statutory ceilings have been: \$2.4 billion in fiscal year 1982; \$2.575 billion in fiscal year 1983 (with \$225 million of this amount available for use in either 1983 or 1984); \$2.7 billion in 1984; \$2.725 billion in 1985 (with \$25 million earmarked for training of child care providers, licensing officials and parents, including training in the prevention of child abuse); \$2.584 billion in 1986 (the \$2.7 billion ceiling was reduced by \$116 million because of sequestration of funds under the Gramm-Rudman-Hollings legislation); \$2.7 billion in 1987; \$2.750 billion in 1988 (\$50 million was never appropriated); and \$2.7 billion in 1989. An amendment included in the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) increased the ceiling to \$2.8 billion for fiscal year 1990 and years thereafter. (The \$2.8 billion ceiling was reduced to \$2,763 million for 1990 as a result of sequestration required by P.L. 101-239.)

Allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no Federal family income requirements, and no fee requirements. Income standards and fees may be imposed at State discretion.

The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) authorized a total of \$1 billion through the title XX social services program for grants to empowerment zones and enterprise communities, which were established under that legislation. Each urban empowerment zone will be eligible to receive grants totaling \$100 million; each rural empowerment zone will be eligible to receive grants totaling \$40 million; and each of 95 enterprise communities will be eligible to receive a grant of \$2.95 million.

Grants may be used to provide a wide variety of services, including: services to prevent and remedy the neglect and abuse of chil-

dren through comprehensive drug and alcohol prevention and treatment programs for pregnant women and mothers, and their children; services to assist disadvantaged adults and youths in achieving and maintaining self-sufficiency through training and employment; activities designed to promote and protect the interests of children and families, outside of school hours, including keeping schools open during evenings and weekends for mentoring and study; services designed to promote community and economic development, such as skills training, job counseling, transportation services, and financial management and business counseling; and others.

The law requires each State to remit to the Secretary of Health and Human Services any amount paid to the State under this legislation that is not obligated by the end of the 2-year period that begins on the date that the State receives its first payment.

PROPOSED LEGISLATION

The fiscal year 1995 budget request for the title XX social services block grant program is \$2.8 billion, the permanent entitlement level.

The Administration's budget includes no proposals for changes in the title XX program.

Chart 11.—CHILD CARE

[In billions of dollars]

[Note: See Appendix H for 5-year baseline estimates.]

| | Fiscal year— | |
|--|--------------|------------|
| | 1994 | 1995 |
| Current law: | | |
| Title XX ¹ | .6 | .6 |
| Services for welfare families ² | .6 | .7 |
| Services for families at risk of welfare ... | .3 | .3 |
| Child welfare services | NA | NA |
| Dependent care tax credit | 2.7 | 2.8 |
| Exclusion for employer-provided dependent care | .7 | .7 |
| Total | 4.9 | 5.1 |

Source: Congressional Budget Office.

¹ Because of reporting deficiencies, it is not possible to determine how much of Federal title XX funding is used for child care. These numbers reflect a commonly used estimate (based on data from the late 1970's and early 1980's) that over 20 percent of title XX funds are used for this purpose.

² Includes amounts for child care provided to participants in employment and training programs and child care for recipients making the transition from welfare to work. Data are not available for expenditures under the AFDC child care disregard provisions.

NA: Not available.

Chart 11

Child Care

Legislation under the jurisdiction of the Committee on Finance is the source of funding for most of the child care paid for by the Federal Government. This includes child care provided under the title XX social services program; several AFDC-related programs; child care for families at risk of welfare dependency; the title IV-B child welfare services program; and two provisions of the Internal Revenue Code: the dependent care credit and the exclusion for employer-provided dependent care. (Other major Federal programs not under the jurisdiction of the Committee are Head Start, funded at \$3.3 billion in 1994, and the child care and development block grant, funded at \$893 million in 1994).

Child care under title XX.—The Omnibus Budget Reconciliation Act of 1981 replaced the former Federal-State social services matching program with a new social services block grant program that provides Federal entitlement funds (without a State matching requirement) for a wide range of social services. Although States are not required to provide data showing how their title XX funds are spent, available information indicates that 47 States use part of these funds to provide child care services.

States have broad flexibility under the block grant authority to decide who is eligible for services, the amount of any child care subsidy, how the care is to be provided (for example, through vouchers, reimbursement, or direct provision of care), and whether to charge fees for services. (See the section on Social Services for more information on this program.)

Child care for welfare recipients.—There are three ways in which recipients of Aid to Families with Dependent Children may receive assistance with child care needs.

(1) *Child care for individuals in education, employment, and training programs.*—The Family Support Act of 1988 replaced the work incentive and other work-related programs with a new JOBS program, which States were required to implement by October 1, 1990, and were allowed to implement as early as July 1, 1989. Under JOBS, State welfare agencies must guarantee child care to the extent that it is determined by the agency to be necessary for an individual's employment. Agencies must also guarantee child care needed by caretakers engaged in education and training activities (including participation in JOBS) if the agency approves the activity and determines that the individual is satisfactorily participating in the activity.

Federal matching is at the Medicaid rate (50 to 83 percent, depending on the State's per capita income, on an open-ended entitlement basis). The State may provide care by use of contract, vouchers, direct provision of care, or any other arrangement of its choos-

ing. Reimbursement for the cost of care with respect to a family is the lesser of (a) the actual cost of care; and (b) the dollar amount of the child care disregard for which the family is otherwise eligible; or (if higher) an amount established by the State. In no case may reimbursement exceed applicable local market rates. Child care must meet applicable standards of State and local law. CBO estimates that States will spend \$490 million in Federal matching funds for child care for JOBS participants in 1994 and \$540 million in 1995.

(2) *Transitional child care services.*—Under the Family Support Act of 1988, beginning April 1, 1990, the State welfare agency must guarantee child care to the extent the care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive AFDC as a result of increased hours of, or increased income from employment, or as a result of the loss of earnings disregards. Federal matching rates, dollar limitations, standards and methods of providing care are the same for transitional assistance as under the JOBS program. Care is limited to 12 months after the last month for which the family received assistance. The family must contribute to the cost of care in accordance with a sliding scale formula based on ability to pay, established by the State. CBO estimates that States will spend \$145 million in Federal matching funds for transitional child care services in 1994 and \$170 million in 1995.

(3) *Child care disregard.*—Under prior law, in determining eligibility for and amount of AFDC benefits, a State was required to disregard from income actual expenses up to \$160 a month per child for day care. The Family Support Act of 1988 provided for an increase in the amount of the child care disregard to \$175 a month (\$200 in the case of a child under age 2), and also provided that the child care disregard must be calculated after other disregard provisions have been applied. These changes became effective October 1, 1989. Estimated expenditures under the child care disregard provisions are unavailable.

Child Care for families at risk of welfare.—The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) amended title IV of the Social Security Act to provide \$300 million a year for each fiscal year starting with 1991 to enable States to provide child care to low-income, non-AFDC families that the State determines: (1) need such care in order to work; and (2) would otherwise be at risk of becoming dependent upon Aid to Families with Dependent Children (AFDC). If a State does not use all of the funds allotted to it in one year it may use them the following year.

Capped entitlement funds are allocated on the basis of child population. Statutory requirements relating to Federal matching rates and fee schedules are the same as under other title IV programs that provide child care for AFDC recipients. All child care providers that receive funds under this provision (excluding individuals who provide care solely to members of their family) must be licensed, regulated, or registered with the State. CBO estimates that States will spend \$325 million in Federal matching for child care provided under this program in 1994, and \$310 million in 1995.

Grants for improving licensing and training.—The Family Support Act of 1988 authorized \$13 million for grants to States in fis-

cal years 1990 and 1991 to be used to improve licensing and registration requirements and procedures, and to monitor child care provided to children of AFDC recipients. A provision in the Omnibus Budget Reconciliation Act of 1990 increased the authorization to \$50 million for fiscal years 1992–1994. One-half of these funds are earmarked for training child care providers. The remainder must be used for improving licensing and registration requirements and procedures, and for enforcement. Activities under the grant apply to all children receiving services under title IV–A, not just those receiving AFDC benefits. The Administration requested no funding for these grants for fiscal year 1994. The authority for these grants has now expired.

Child welfare services.—States may use a limited amount of their child welfare services funds to provide child care services. Funds may also be used to pay for activities relating to the establishment and monitoring of child care standards. (Estimates for expenditures for child care under this program are not available.)

Dependent care credit and exclusion for employer-provided care.—A nonrefundable income tax credit is allowed for up to 30 percent of a limited dollar amount of employment related child or dependent care expenses (Internal Revenue Code sec. 21). Eligible employment expenses are limited to \$2,400 in the case of one qualifying individual (\$4,800 in the case of two or more qualifying individuals). The 30 percent credit rate is reduced by one percentage point for each \$2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between \$10,000 and \$28,000. The credit rate is 20 percent of dependent care costs for taxpayers with AGI in excess of \$28,000.

The term "qualifying individual" means (1) a dependent of the taxpayer who is under age 13 and with respect to whom the taxpayer is entitled to claim a dependent exemption, (2) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or (3) a spouse of the taxpayer if the spouse is physically or mentally incapable of caring for himself.

Section 129 of the code also provides a dependent care exclusion which is intended to provide an incentive for employers to provide dependent care benefits to their employees. Amounts paid or incurred by an employer for dependent care assistance provided to an employee generally are excluded from the employee's gross income if the assistance is furnished under a program meeting certain requirements. These include requirements that the program is in writing and satisfies certain nondiscrimination rules, and that reasonable notification of the program is provided to eligible employees. With respect to any taxpayer (including a married couple filing a joint return), the dependent care exclusion is limited to \$5,000 a year (\$2,500 in the case of a separate return by a married individual).

The Family Support Act of 1988 included an amendment providing that the dollar amount of expenses eligible for the dependent care credit of any taxpayer will be reduced, dollar for dollar, by the amount of expenses excludable from that taxpayer's income under the dependent care exclusion.

For example, assume that a taxpayer with one child incurs \$6,000 of child care expenses during a taxable year, \$3,000 of

which is excluded from the taxpayer's income because the expenses are reimbursed under an employer-provided dependent care assistance program. Under the law as amended in 1988, the amount of expenses otherwise eligible for the dependent care credit (\$2,400 in the case of one qualifying individual) is reduced, dollar for dollar, by the amount excluded under the dependent care assistance program. Because the amount excluded under the dependent care assistance program (\$3,000) exceeds the expenses eligible for the dependent care credit (\$2,400), no dependent care credit could be claimed for the taxable year. On the other hand, if the amount of excludable dependent care reimbursed by the employer was \$1,000, then \$1,400 of expenses (\$2,400 minus \$1,000) would be eligible for the dependent care credit. This provision is effective for taxable years beginning after December 31, 1988.

PROPOSED LEGISLATION

The Administration's budget includes no legislative proposals relating to child care.

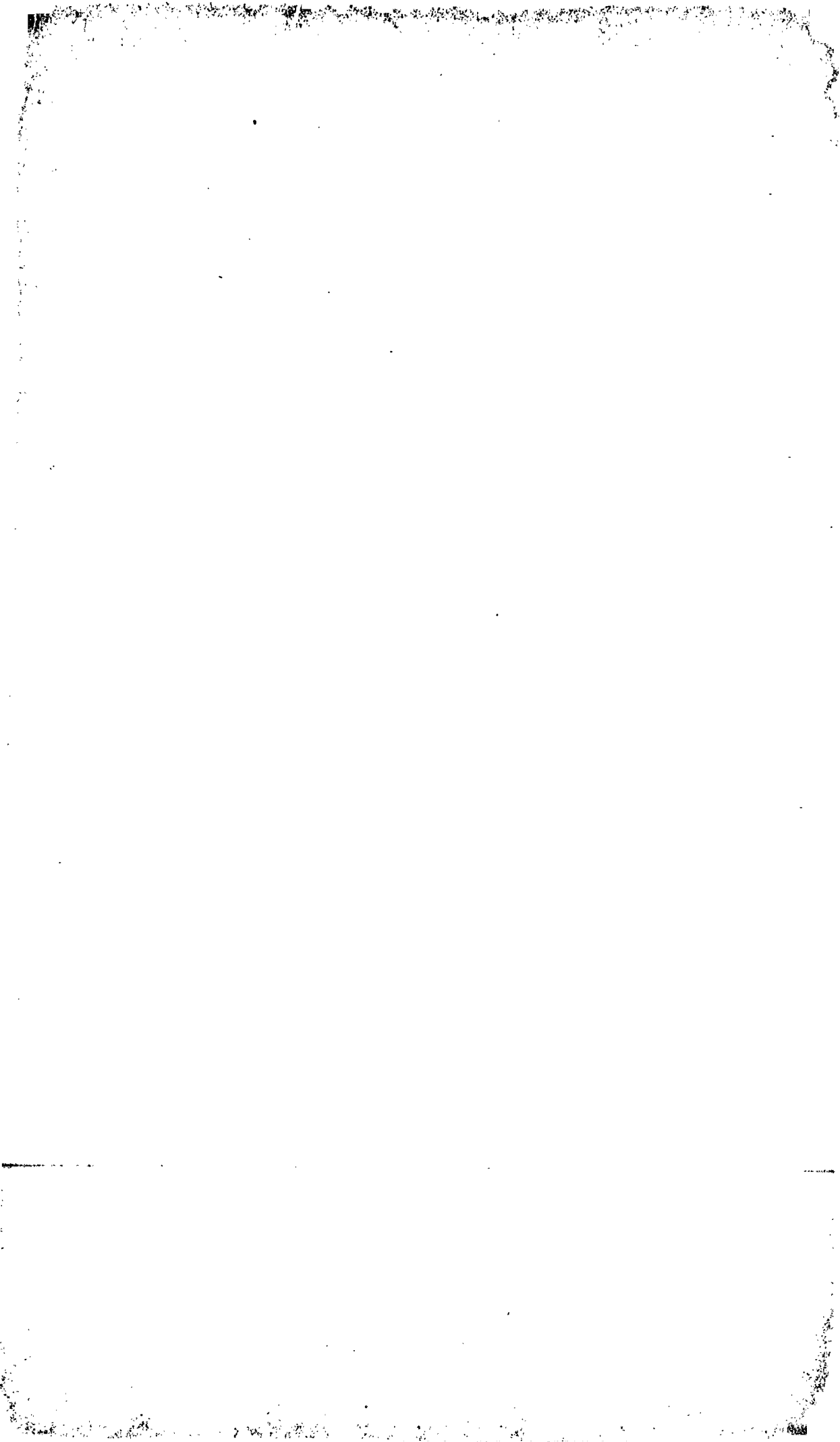


Chart 12.—SUPPLEMENTAL SECURITY INCOME**[In billions of dollars]****[Note: See Appendix H for 5-year baseline estimates.]**

| | Fiscal year— | |
|--------------------------------|-------------------------|-------------|
| | 1994 | 1995 |
| Present law: | | |
| Total SSI outlays | 26.4¹ | 26.3 |

¹ Because of provisions governing delivery of checks around holidays, payment of 13 months' benefits will be made in fiscal year 1994.

Source: Estimates by the Congressional Budget Office.

Chart 12

Supplemental Security Income

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general revenues. The law establishing the SSI program permits the temporary use of Social Security trust funds to meet the administrative costs of the program, but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by appropriation from general revenues.

The costs of administering the SSI program are included in the total limitation of administrative expenses (LAE) for the Social Security Administration (See chart 6). For fiscal year 1995, the Administration has requested \$2.4 billion for the purpose of administering SSI.

Under present law, the average number of recipients receiving federally-administered SSI payments is estimated by the Congressional Budget Office to be as follows:

[In thousands]

| | Fiscal year— | | |
|---|--------------|-----------|-----------|
| | 1993 | 1994 est. | 1995 est. |
| Aged | 1,311 | 1,334 | 1,354 |
| Blind and Disabled | 4,037 | 4,477 | 4,835 |
| Total Federal | 5,348 | 5,811 | 6,189 |
| State supplementation only ¹ | 362 | 345 | 360 |
| Total SSI recipients | 5,710 | 6,156 | 6,549 |

¹Administration estimate.

The maximum Federal monthly payment in calendar year 1994 is \$446 for an individual and \$669 for a couple. Annual adjustments are made in January to reflect increases in the cost of living. CBO estimates a January 1995 COLA of 2.9 percent.

CBO estimates Federal program outlays as follows:

[In millions of dollars]

| | Fiscal year— | | |
|----------------------------------|---------------|---------------|---------------|
| | 1993 | 1994 est. | 1995 est. |
| Federal benefits | 21,043 | 24,480 | 24,322 |
| Beneficiary services | 32 | 52 | 70 |
| Administration | 1,554 | 1,864 | 1,936 |
| Research and Demonstration | 12 | 19 | 7 |
| Total | 22,642 | 26,415 | 26,335 |

As indicated in the above chart, outlays for the SSI program have grown rapidly in recent years. The disability portion of the SSI program is expected to continue to grow rapidly in years to come, for reasons that are not entirely understood. The Administration projects that expenditures for payment of benefits to SSI recipients from fiscal year 1990 to fiscal year 1999 will increase by over 300 percent.

PROPOSED LEGISLATION

The Administration's budget includes one provision related to SSI, which is a provision concerning collection of debt. This provision is described in chart 6.

SUPPLEMENTAL SECURITY INCOME—SAVINGS

[In millions of dollars]

| | Fiscal year— | | | | | 5-year total |
|-------------------------------|--------------|------|------|------|------|--------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | |
| Debt collection: | | | | | | |
| Administration estimate | - 18 | - 13 | - 9 | - 9 | - 9 | - 58 |
| CBO estimate | - 15 | - 10 | - 5 | - 5 | - 5 | - 40 |

PROVISIONS IN THE 1993 OBRA

The following SSI provisions were enacted in the 1993 Omnibus Budget Reconciliation Act:

- The Secretary of HHS is required to charge States fees for the cost of administering State supplementary payments to SSI beneficiaries. The fee will rise gradually from \$1.67 for each supplementary payment made in fiscal year 1994 to \$5.00 for each payment made in fiscal year 1996. Thereafter, the Secretary will determine the rate appropriate for each State (which cannot be less than \$5.00).

- The OBRA makes permanent a provision in the Omnibus Budget Reconciliation Act of 1990 that excludes from income and resources any State or local relocation assistance received by an SSI beneficiary.

- The rules for computing SSI benefits are modified so that children no longer will lose their eligibility for SSI or incur a reduction in benefits because a parent who is in the military service is required to be absent from the home by reason of active military service, or receives hostile fire pay.

- Children who are U.S. citizens will remain eligible for SSI when they accompany their parents on U.S. military assignments to Puerto Rico or the territories or possessions of the U.S.

- The Act eliminates an unintended increase in benefits that is received by certain SSI beneficiaries who receive "in-kind" support while living in another person's home. The increase occurred due to the manner in which SSI benefits were adjusted for the cost-of-living increase in January, and how that increase was considered in calculating benefits in subsequent months.

- Under current law, income received by Indians from tribally-owned trust lands is excluded from income for SSI purposes. However, income derived from leases on individually-owned trust or restricted Indian lands and paid to an individual is included in countable income when determining eligibility for SSI. The 1993 Act excludes up to \$2,000 of such income in determining a person's eligibility for SSI.

PROVISION IN THE UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1993

- Provides that, for the period from January 1994 through September 1996, the income and resources of an alien's sponsor would be "deemed" to the alien for 5 years, rather than 3 years, as was provided in prior law.

Chart 13.—HEALTH PROGRAMS: CURRENT LAW SPENDING

[In billions of dollars]

| | Fiscal year— | | | | | 5-year total 1995-1999 |
|--|--------------|--------------|--------------|--------------|--------------|---------------------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 |  | 1999 |
| MEDICARE OUTLAYS | | | | | | |
| Part A | 102.0 | 111.8 | 120.8 | 131.4 | 143.1 | 156.9 |
| Part B | 60.9 | 68.7 | 77.5 | 87.5 | 98.2 | 110.1 |
| Less beneficiary premiums | -17.4 | -19.9 | -19.9 | -22.5 | -25.7 | -27.4 |
| Total outlays | 145.4 | 160.6 | 178.5 | 196.5 | 215.6 | 239.7 |
| Hospitals | 81.0 | 87.9 | 94.3 | 102.2 | 111.3 | 122.4 |
| Physicians | 30.2 | 33.4 | 36.8 | 40.6 | 44.3 | 47.8 |
| Other | 51.6 | 59.1 | 67.2 | 76.1 | 85.8 | 96.8 |
| Less beneficiary premiums | -17.4 | -19.9 | -19.9 | -22.5 | -25.7 | -27.4 |
| Total outlays | 145.4 | 160.6 | 178.5 | 196.5 | 215.6 | 239.7 |
| MEDICAID OUTLAYS | | | | | | |
| Federal expenditures | 85.9 | 96.2 | 108.1 | 120.9 | 135.4 | 151.1 |
| State costs | 64.8 | 72.6 | 81.5 | 91.2 | 102.1 | 114.0 |
| Total Outlays | 150.7 | 168.8 | 189.6 | 212.1 | 237.5 | 265.1 |
| MATERNAL AND CHILD HEALTH BLOCK GRANT | | | | | | |
| Federal expenditures | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 |
| State costs ¹ | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 |
| Total outlays | 1.2 | 1.2 | 1.3 | 1.3 | 1.4 | 1.4 |

¹State costs are estimated by CBO based on the state matching requirement.
Source: Congressional Budget Office estimates.

Chart 13

Health Programs: Current Law Spending

MEDICARE

Medicare is a nationwide health insurance program for 35 million aged and disabled individuals. It is authorized by title XVIII of the Social Security Act and consists of two parts. Part A, the Hospital Insurance Program, provides protection against the costs of inpatient hospital services, skilled nursing facility services, home health care and hospice care. Part B, the Supplementary Medical Insurance program, is a voluntary program that provides protection against the costs of physicians' services and other medical services.

The Congressional Budget Office (CBO) estimates that under current law, gross Medicare spending in fiscal year 1995 will be \$170.5 billion, of which \$111.8 billion is for part A and \$68.7 billion is for part B. The CBO estimates that net Medicare spending in fiscal year 1995 will be \$160.6 billion, and that premiums collected from Medicare participants in fiscal year 1995 will total \$19.9 billion. Spending for program administration will be approximately \$3.1 billion for fiscal year 1995, or about 1.9 percent of the program total.

MEDICAID

Medicaid is a Federally-aided, State-designed and administered program, authorized by title XIX of the Social Security Act, which provides medical assistance for certain low-income individuals. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. The Federal government's share of Medicaid expenditures is tied to a formula inversely related to the per capita income of the State. Under this formula, Federal matching for services varies from 50 percent to about 80 percent. Administrative costs are generally matched at 50 percent although certain items are subject to higher matching rates.

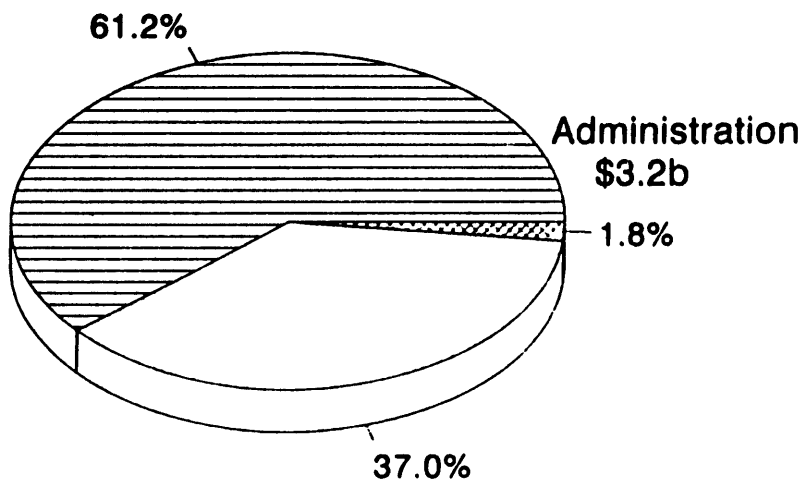
Budget reconciliation acts of 1989 and 1990 (P.L. 101-239 and P.L. 101-508, respectively) expanded Medicaid's coverage for pregnant women and young children. States are required to cover all pregnant women and children up to age six with family incomes up to 133 percent of the Federal Poverty Level (\$16,390 for a family of three in 1994) and, at their option, States may cover pregnant women and infants (up to age one) with family incomes up to 185 percent of the Federal Poverty Level (\$22,790 for a family of three in 1994). States are also required to cover all children, up to age 19, born after September 30, 1983 in families with incomes below the Federal poverty level (\$12,320 for a family of three in 1994). Under this provision all children under 19 in families with incomes below the Federal poverty level will be covered by 2002. Most re-

cently, the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) focused on deficit reduction by requiring all States to recover the costs of certain Medicaid expenditures from the estates of certain deceased Medicaid recipients, tightening the rules governing transfers of assets for purposes of Medicaid eligibility, limiting payments to Disproportionate Share Hospitals and clarifying that personal care services are optional under the Medicaid program. In addition, OBRA 93 created a new federal childhood vaccine purchase program to make immunizations available for low-income and uninsured children.

Fiscal Year 1995 Medicare Outlays

Current Law

Part A benefits \$110.5b



Part B benefits \$66.8b

SOURCE: CBO estimates

NOTE: Figures do not reflect offsetting income from beneficiary premiums

CBO estimates total Federal-State Medicaid costs for fiscal year 1995 under current law to be \$168.8 billion. Of this amount, the Federal share is \$96.2 billion. The States' share of total Medicaid expenditures for fiscal year 1995 is estimated at \$72.6 billion.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorizes the Maternal and Child Health Services Block Grant, which provides funding to States for the following programs: maternal and child health and services for children with special health care needs, rehabilitation for disabled children receiving supplemental security income, lead-based paint poisoning prevention, genetic disease, sudden infant death syndrome, hemophilia, and adolescent pregnancy. Under the Title V block grant, States determine the level of services provided.

Typically, States have supported health services such as well-child checkups and services in maternity clinics. The Omnibus Budget Reconciliation Act of 1981 created the block grant by adding the functions listed above to maternal and child health and crippled children's services. The Federal/State matching requirements were also changed and now require the States to spend 75 cents to receive a dollar from the Federal government.

In the Omnibus Budget Reconciliation Act of 1989, the Title V block grant program was amended to authorize appropriations up to \$686 million in fiscal year 1991 and each year thereafter, an increase of \$125 million over the previous authorization level. For appropriations not in excess of \$600 million, the Secretary of Health and Human Services is to retain 15% to carry out various projects and programs, including "Special Projects of Regional and National Significance" ("SPRANS"), and screening of newborns for sickle cell anemia and other genetic disorders. The remainder of amounts not in excess of \$600 million is available for allotment to the States. Of the amounts appropriated above \$600 million, the Secretary is to retain 12.75 percent to support infant mortality projects and outpatient and community-based services for children with special health care needs. The remainder is available to the Secretary and the States in accordance with the current formula (15 and 85 percent, respectively). States are required to use at least 30% of their funds for preventive and primary care services for children, and at least 30% for children with special health care needs.

HISTORICAL SPENDING TRENDS

CBO estimates that between 1988 and 1993, Medicare spending grew at an average annual rate of 10.8 percent, from \$85.7 billion to \$143.0 billion. Spending for part A services grew more rapidly during this period, increasing at an average annual rate of 11.7 percent compared with 9.3 percent for services under part B of the program.

Federal Medicaid spending since 1988 has increased at an average annual rate of 20 percent, from \$30.5 billion to \$75.8 billion in fiscal year 1993. Funding for the Maternal and Child Health Block Grant has grown at an average annual rate of 5.9%. The current appropriation for fiscal year 1994 is \$687 million.

HEALTH PROGRAMS: HISTORICAL SPENDING

[In billions of dollars]

| | Fiscal year | | | | | Average annual growth rate 1988-1993 |
|-----------------------------------|-------------|--------|---------|---------|---------|--|
| | 1988 | 1989 | 1990 | 1991 | 1992 |  | 1993 |
| MEDICARE | | | | | | |
| Part A | \$52.0 | \$57.4 | \$65.9 | \$68.7 | \$80.8 | \$90.5 |
| Percent change | 4.1 | 10.4 | 14.8 | 4.2 | 17.6 | 12.0 |
| Part B | \$33.7 | \$36.9 | \$41.5 | \$45.5 | \$48.6 | \$52.6 |
| Percent change | 12.5 | 9.5 | 12.6 | 9.7 | 6.8 | 8.1 |
| Total | \$85.7 | \$94.3 | \$107.4 | \$114.2 | \$129.4 | \$143.0 |
| Percent change | 5.0 | 10.0 | 13.9 | 6.3 | 13.3 | 10.5 |
| MEDICAID | | | | | | |
| Total | \$54.1 | \$61.2 | \$72.5 | \$92.4 | \$118.8 | \$132.4 |
| Percent change | 9.7 | 13.2 | 18.4 | 27.4 | 28.6 | 11.5 |
| Federal share | \$30.5 | \$34.6 | \$41.1 | \$52.5 | \$67.8 | \$75.8 |
| Percent change | 11.0 | 13.6 | 18.8 | 27.8 | 29.1 | 11.7 |
| MATERNAL AND CHILD HEALTH | | | | | | |
| Total | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 |
| Percent change ¹ | 6.0 | 5.3 | -0.1 | 6.1 | 10.1 | 2.9 |

¹ Percent change is based upon amounts actually appropriated, while totals in the table have been rounded.
Source: Congressional Budget Office estimates.

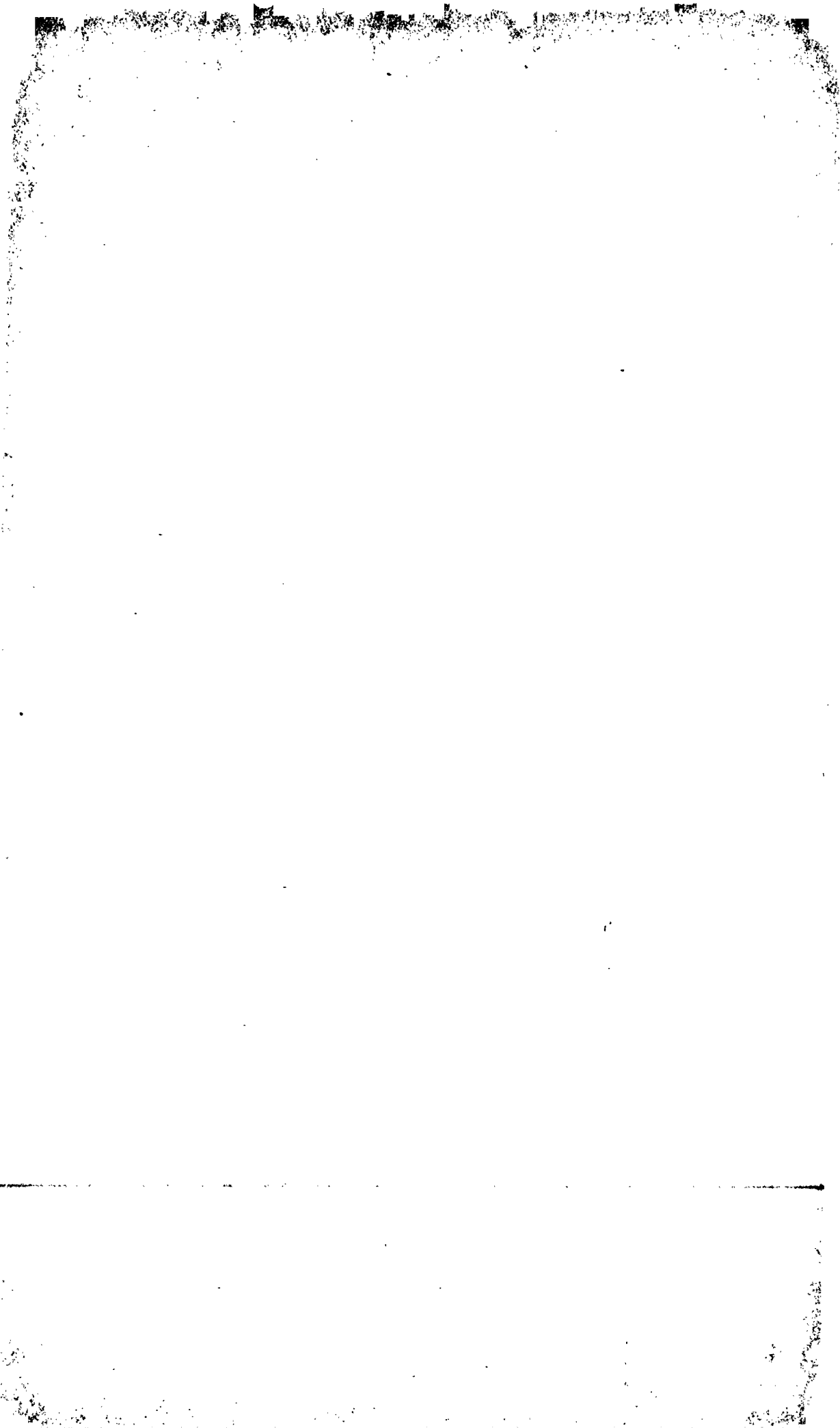


Chart 14.—HEALTH PROGRAMS: CBO REESTIMATES OF ADMINISTRATION PROPOSALS¹

[In millions of dollars]

| | Fiscal year— | | | | | 6-Year total |
|--|--------------|---------------|---------------|----------------|----------------|----------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 |  | 2000 |
| MEDICARE SAVINGS | | | | | | |
| Part A | | | | | | |
| Reduction in PPS Update Factor | 0 | 0 | -829 | -2,347 | -4,220 | -6,400 |
| Accelerate Graduate Medical Education | 0 | -61 | -92 | -191 | -264 | -336 |
| Transfer and Reduction in Indirect Medical Education | 0 | -1,812 | -2,479 | -2,885 | -3,274 | -3,693 |
| Reduction in PPS Payments for Capital-Related Costs | 0 | -808 | -977 | -1,216 | -1,598 | -2,097 |
| Reductions in PPS Disproportionate Share Payments | 0 | -393 | -1,295 | -3,521 | -3,839 | -4,186 |
| Moratorium on Designation of Additional Long-Term Care Hospitals | -20 | -40 | -70 | -100 | -130 | -170 |
| Extension of Update Freeze for Skilled Nursing Facilities | 0 | -63 | -150 | -188 | -204 | -218 |
| Part A Interactions | 0 | 0 | 45 | 189 | 353 | 541 |
| Total Part A | -20 | -3,177 | -5,847 | -10,259 | -13,176 | -16,560 |
| Part B | | | | | | |
| Cumulative Growth Targets | 0 | 0 | -1,660 | -3,289 | -4,423 | -5,948 |
| | | | | | | -15,320 |

| | | | | | | | | | |
|--|-----|--------|--------|--------|--------|---------|---------|---------|--|
| Changes in Volume Performance Standard | CBO | 0 | 0 | -258 | -803 | -1,606 | -2,477 | -5,144 | |
| Reduction in the Conversion Factor for 1995 | CBO | -252 | -416 | -458 | -499 | -540 | -583 | -2,748 | |
| Payments for High Cost Medical Staffs | CBO | 0 | 0 | 0 | -524 | -804 | -763 | -2,091 | |
| Elimination of Formula-Driven Overpayments for Hospital Outpatient Services | CBO | -765 | -1,012 | -1,333 | -1,760 | -2,346 | -3,181 | -10,397 | |
| Imposition of Coinsurance for Clinical Labora- tory Services | CBO | -685 | -1,145 | -1,288 | -1,444 | -1,616 | -1,810 | -7,988 | |
| Competitive Bidding for Selected Part B Items and Services | CBO | -31 | -155 | -172 | -189 | -206 | -224 | -977 | |
| Competitive Bidding for Clinical Laboratory Services | CBO | -47 | -236 | -266 | -298 | -333 | -373 | -1,553 | |
| Mandatory Assignment for All Part B Services .. | CBO | 0 | 118 | 195 | 213 | 230 | 248 | 1,004 | |
| Part B Premiums | CBO | 0 | 542 | 1,432 | 2,116 | 1,504 | 154 | 5,748 | |
| Total Part B | CBO | -1,781 | -2,304 | -3,808 | -6,478 | -10,139 | -14,957 | -39,467 | |
| Parts A and B | | | | | | | | | |
| Medicare as Secondary Payer | CBO | 0 | 0 | 0 | -176 | -1,455 | -2,091 | -3,722 | |
| Health Maintenance Organization Payments | CBO | -30 | -90 | -165 | -250 | -350 | -400 | -1,285 | |
| Reduction in Routine Cost Limits for Home Health Services | CBO | 0 | 0 | -292 | -551 | -669 | -732 | -2,244 | |
| Imposition of Ten Percent Copayment for Home Health Services | CBO | -104 | -1,156 | -1,375 | -1,550 | -1,674 | -1,815 | -7,674 | |
| Expansion of Centers of Excellence Concept | CBO | 0 | -100 | -110 | -90 | -80 | -60 | -440 | |
| Total Parts A and B | CBO | -134 | -1,346 | -1,941 | -2,617 | -4,227 | -5,098 | -15,363 | |

Chart 14.—HEALTH PROGRAMS: CBO REESTIMATES OF ADMINISTRATION PROPOSALS¹—Continued
 [In millions of dollars]

| | Fiscal year— | | | | | | 6-Year total |
|---|--------------|---------------|---------------|----------------|----------------|----------------|-----------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | |
| Revenue Provisions | | | | | | | |
| Extension of HI Tax to all State and Local Government Employees | | | | | | | |
| Income Related SMI Premium | CBO | 0 | 5 | 10 | 15 | 30 | 40 |
| | CBO | 0 | -10 | -30 | -130 | -260 | -310 |
| Total Revenue Provisions | CBO | 0 | -5 | -20 | -115 | -230 | -270 |
| Total Medicare | | -1,935 | -6,832 | -11,616 | -19,469 | -27,772 | -36,885 |
| | | | | | | | -104,509 |
| MEDICAID | | | | | | | |
| Liberalize Institutional Long-Term Care Eligibility | CBO | 0 | 400 | 740 | 910 | 1,070 | 1,150 |
| Payment Lag Liability | CBO | 0 | 643 | 1,505 | 3,734 | 0 | 0 |
| Cost Sharing Relief for the Low-Income | CBO | 0 | 51 | 162 | 425 | 520 | 540 |
| Offset for New Community Based Long-Term Care Program | CBO | 0 | -1,100 | -2,000 | -2,820 | -3,200 | -3,500 |
| Discontinue Medicaid Eligibility for Non-Cash Recipients | CBO | 0 | -1,342 | -5,122 | -14,854 | -21,981 | -25,422 |
| Loss of Supplemental Services for Non-Cash Adults | CBO | 0 | -141 | -519 | -1,489 | -2,194 | -2,540 |
| | | | | | | | -6,883 |

| | | | | | | | | |
|---|-----|---|--------|---------|---------|---------|---------|----------|
| Wrap-Around, Supplemental Services for Medicaid Children | CBO | 0 | -53 | -197 | -565 | -832 | -964 | -2,611 |
| Elimination of Medicaid Disproportionate Share Hospital Program | CBO | 0 | -1,189 | -4,086 | -11,383 | -15,100 | -16,912 | -48,670 |
| New Vulnerable Populations Hospital Payment Supplement | CBO | 0 | 100 | 300 | 800 | 800 | 800 | 2,800 |
| Prospective Capitated Payments for Medicaid Cash Recipients | CBO | 0 | -102 | -741 | -3,412 | -5,778 | -7,887 | -17,920 |
| Administrative Savings | CBO | 0 | -82 | -240 | -675 | -742 | -815 | -2,554 |
| Offset from Medicare Prescription Drug Coverage | CBO | 0 | -721 | -1,510 | -1,643 | -1,793 | -1,967 | -7,634 |
| Total Medicaid | CBO | 0 | -3,536 | -11,708 | -30,972 | -49,230 | -57,517 | -152,963 |
| NEW FEDERAL PROGRAMS | | | | | | | | |
| Medicare Drug Benefit | | | | | | | | |
| Benefits, Administration, and Pharmacists Rebate | CBO | 0 | 7,184 | 17,103 | 18,667 | 20,341 | 22,315 | 85,610 |
| ..... | CBO | 0 | -1,223 | -2,564 | -2,808 | -3,073 | -3,363 | -13,031 |
| Medicare New Drug Benefit Total | CBO | 0 | 5,961 | 14,539 | 15,859 | 17,268 | 18,952 | 72,579 |
| Academic Health Centers and Medical Education | | | | | | | | |
| Total Spending | CBO | 0 | 4,875 | 6,838 | 7,888 | 9,325 | 9,775 | 38,701 |
| Medicare Payments | CBO | 0 | -3,600 | -3,600 | -3,600 | -3,708 | -3,819 | -18,327 |
| 1.5 percent Premium Set-Aside | CBO | 0 | -771 | -2,429 | -6,440 | -7,866 | -8,205 | -25,711 |

Chart 14.—HEALTH PROGRAMS: CBO REESTIMATES OF ADMINISTRATION PROPOSALS ¹—Continued
 [In millions of dollars]

| | Fiscal year— | | | | | 6-Year total | |
|--|--------------|-------|--------|--------|--------|--------------|---------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | | 2000 |
| Net of Medicare Payments and Premium Set-Aside | CBO 0 | 504 | 809 | -2,152 | -2,249 | -2,249 | -5,337 |
| Other Programs | | | | | | | |
| Children's Wrap-Around Program | CBO 0 | 201 | 706 | 1,873 | 2,303 | 2,393 | 7,476 |
| Long-Term Care Program | CBO 0 | 6,000 | 10,300 | 14,600 | 18,700 | 23,100 | 72,700 |
| Interaction with Other Programs: Department of Defense, Department of Veterans Affairs, Office of Personnel Management, New Premiums from Former FEHB Annuitants, Offsets for Employed Beneficiaries | CBO 0 | 410 | -1,093 | -4,622 | -5,827 | -6,062 | -17,194 |
| Total other programs | | 6,611 | 9,913 | 11,851 | 15,176 | 19,431 | 62,982 |

¹ Using CBO's economic assumptions and technical estimating methods.

Chart 14

Health Programs: CBO Reestimates of Administration Proposals

MEDICARE

All the proposals included in the President's fiscal year 1995 budget are the same as those included in the President's health reform proposal, the Health Security Act.

The Administration budget proposes to reduce outlays and increase premiums under the Medicare program for fiscal year 1995 by \$1.9 billion. This amount includes \$20 million in reduced payments to providers under part A; \$1.8 billion payment reductions and increased beneficiary contributions under part B; and an additional \$134 million under parts A and B. All estimates cited in the text were prepared by CBO. Chart 14 displays CBO's estimates of Medicare savings proposals.

Of the \$1.9 billion in Medicare reductions, \$785 million (about 40 percent of the total) would come from reducing payments to hospitals. Payments to physicians would be reduced by \$252 million, or about 13 percent of the total. Higher out-of-pocket payments by beneficiaries (not including the income-relating Part B premium) would result in savings of \$789 million—41 percent of the total.

The Omnibus Budget Reconciliation Act of 1993 (OBRA-93) included provisions to reduce Medicare spending by \$56 billion from fiscal years 1994-1998. In fiscal year 1994, these provisions were intended to reduce Medicare outlays by \$2.1 billion. Reductions in payments to institutions under Part A totaled \$1.2 billion. A lower update factor for hospital payments accounted for \$826 million. Reductions in payments for skilled nursing facilities of \$127 million and home health services of \$201 million were the other major provisions.

In Part B, payments to physicians were reduced by \$391 million by several provisions, including: (1) a reduction in the default update to the conversion factor for the physician fee schedule; (2) a reduction in the performance standard rate of increase and an increase in the maximum reduction permitted in the default update to the physician fee schedule; (3) a reduction in the relative values for practice expenses in the physician fee schedule; (4) reinstatement of separate payments for interpretation of electrocardiograms; and (5) reductions in the payments made to anesthesia care teams.

OBRA-93 also contained several provisions to reduce Medicare payments for clinical diagnostic laboratory services by \$150 million in fiscal year 1994. Other provisions included: (1) reductions in payments for durable medical equipment of \$61 million; (2) a freeze in the annual update in payments for ambulatory surgery centers of \$45 million; (3) a reduction in payments for intraocular lenses of \$10 million; and miscellaneous other provisions.

MEDICARE PART A

The Administration proposes to reduce Medicare Part A outlays by \$20 million in fiscal year 1995 through a moratorium on designation of additional long-term care hospitals. Although the reductions in Part A payments for fiscal year 1995 are small, for the period from fiscal years 1995–2000 they total \$49 billion. Following is a discussion of the components of these payment reductions.

Reduction in PPS Update Factor.—The overall increase in prospective payment system (PPS) payment rates each year is determined by an update factor. Since fiscal year 1986, Congress has repeatedly set the update factor at a level below the market basket index (MBI). The MBI estimates the increases in the costs of the goods and services hospitals must purchase to provide care. Under current law, fiscal year 1995 updates for urban hospitals will be equal to the MBI minus 2.5 percent; the rural update will be the amount needed to equal the “other urban” rate in fiscal year 1995. Updates for all hospitals will be MBI minus 2 percent in fiscal year 1996 and minus 0.5 percent in fiscal year 1997. For fiscal year 1998 and later years, updates would be set equal to the MBI increase. Under the President’s proposal, updates would be set equal to the MBI increase minus 2.0 percent for fiscal years 1997–2000, resulting in a reduction in payments of \$13.8 billion.

Accelerate Graduate Medical Education Payment.—The President’s proposal eliminates graduate medical education payments effective October 1, 1995. Instead, Medicare would annually transfer funds to a new pool that would provide support for teaching programs. The transfer of funds would be made more rapidly than are current medical education payments to hospitals and would thus result in a loss of interest earnings by the Medicare trust funds. The effect is a cost estimated at \$944 million for fiscal years 1996–2000.

Transfer and Reduction in Indirect Medical Education.—Medicare makes additional payments to teaching hospitals for the indirect costs associated with approved intern and resident programs. The President’s proposal eliminates the indirect medical education adjustment for discharges occurring on or after October 1, 1995. Instead, Medicare would annually transfer funds to a new pool that would provide support for academic health centers (teaching hospitals affiliated with medical schools) and other teaching hospitals. The pool would also receive funds from assessments on private insurers. The formula would be modified to increase payments by 3.0 percent for each 10 percent increase in the ratio of interns/residents to beds (rather than the current 7.7). This formula change results in a reduction in payments of \$14.1 billion for fiscal years 1996–2000.

Reduction in PPS Payments for Capital-Related Costs.—Hospital capital expenses are the costs of building or acquiring facilities or major equipment. Medicare has included capital payments in the PPS since fiscal year 1992. Under current law, the Federal rate is reduced by 7.4 percent for discharges occurring in fiscal year 1994 or later. The President’s proposal makes three changes in capital payment. First, the Federal rate is further reduced by 7.31 percent and the hospital-specific rate is reduced by 10.41 percent, effective in fiscal year 1996. Second, the update factor established by the

Secretary would be reduced by 4.9 percentage points in each year from fiscal years 1996–2003. Third, capital payments to hospitals excluded from PPS, currently paid at full reasonable cost, would be reduced by 15 percent in fiscal years 1996–2003. The reduction in payments for these capital changes is \$6.7 billion from fiscal years 1996–2000.

Reductions in PPS Disproportionate Share Payments.—Additional payments are made under PPS to disproportionate share (DSH) hospitals, those serving a high share of low-income patients. The President's proposal would modify eligibility standards to take into account only low-income Medicare beneficiaries (no longer incorporating Medicaid populations served). The payment formulas would be changed to produce reductions in DSH payments of \$13.2 billion for fiscal years 1996–2000.

Moratorium on Designation of Additional Long-Term Care Hospitals.—Certain hospitals (including psychiatric, rehabilitation, children's, and long-term care hospitals) are exempt from PPS and continue to be paid on a reasonable cost basis, subject to rate-of-increase limits. The President's proposal would provide that any new long-term care hospital (defined as a facility with average length of stay greater than 25 days) not already PPS-exempt on the date of enactment would be paid under PPS. The reduction in payments is \$510 million for fiscal years 1996–2000.

Extension of Freeze on Updates to Routine Service Costs of Skilled Nursing Facilities.—Payments for Skilled Nursing Facilities (SNF) services are made on a reasonable cost basis, subject to per diem cost limits. Freestanding SNF cost limits are set at 112 percent of the mean per diem costs. OBRA-93 eliminated the update for SNF limits for cost reporting periods beginning in fiscal year 1994 and fiscal year 1995. The President's proposal would continue the update factor freeze and the cost limits would be set at 100 percent of the mean for cost reporting periods beginning on or after October 1, 1995. The reduction in payments is \$823 for fiscal years 1996–2000.

Part A Interactions.—Provisions that reduce Part A expenditures also reduce certain offsetting receipts. For example, the inpatient hospital deductible is tied to average Medicare costs for a day of inpatient care. Reductions in hospital reimbursement also reduce the deductible, producing a slight spending increase that offsets the savings from the reimbursement changes. Overall these interactive effects would reduce savings otherwise achieved by \$1.1 billion for fiscal years 1996–2000.

MEDICARE PART B

The Administration proposes to reduce Medicare Part B outlays by \$1.8 billion in fiscal year 1995. Of this amount, \$1.1 billion would come in reductions in payments to providers, and the rest (\$685 million) would result from a requirement that beneficiaries pay 20 percent coinsurance on clinical laboratory services. The Medicare Part B savings proposals are described below.

The Administration's proposals contain several provisions to reduce payments to physicians. Beginning in 1992, physicians are paid on the basis of a fee schedule that is being phased in through 1996. The fee schedule has three components: (1) a work compo-

ment that measures the time, skill and intensity associated with each physician service; (2) a practice expense component that includes such overhead costs as office rent, salaries of nonphysician personnel, supplies and equipment; and (3) a malpractice component that measures the costs of obtaining liability insurance. A geographic adjustment factor is applied to all three of these components. Finally, a dollar conversion factor is applied that translates relative values for services into a dollar payment amount for each service. The Medicare Part B savings proposals are described below.

Cumulative Growth Targets.—Under current law, the volume performance standard is recalculated annually. The Administration's proposal would provide for a cumulative calculation of expenditure targets beginning in fiscal year 1995, with fiscal year 1994 serving as the base year. (\$0 in fiscal year 1995)

Changes in Volume Performance Standard.—Under current law, a target rate of growth is established for growth in physician expenditures. This target, called the volume performance standard (VPS), is based on several factors, including changes in Medicare physician fees, growth in Medicare enrollment, changes in expenditures resulting from changes in laws or regulations, and changes in the volume and intensity of physicians' services. The Administration proposal would alter the volume performance standard in several ways. First, it would substitute the change in the gross domestic product (GDP) for the current measure of changes in volume and intensity in the formula used to calculate the VPS.

There is also a component of the VPS, called the performance standard factor, that serves as a proxy for increased efficiency. The Administration proposal would remove this component from the VPS formula.

Third, current law specifies the minimum update to the fee schedule that must be granted if Congress does not act to set the update. The Administration's proposal would remove the floor on the minimum update. (\$0 in fiscal year 1995)

Reduction in the Conversion Factor for 1995.—The President's proposal would reduce the update to the conversion factor in the physician fee schedule by 3 percent, except for primary care services, which would not be subject to a reduction. (-\$252 million)

Payments for High Cost Medical Staffs.—The Administration proposal would establish limits on Medicare payments per inpatient hospital admission, beginning in 1998. These limits would be derived from the median of hospital-specific relative value units per admission, adjusted to reflect case mix. The limit for urban hospitals would be 125 percent of the national median in 1998 and 1999, and 120 percent in 2000. For rural hospitals, the limit would be 140 percent of the national median in 1998 and succeeding years. Adjustments would be made for teaching hospitals or hospitals serving a disproportionate number of low-income patients. (\$0 in fiscal year 1995)

Incentives for Physicians to Provide Primary Care.—The Administration budget contains several provisions designed to enhance payments for primary care. These provisions are all budget neutral because they reallocate funds from nonprimary services to primary care. Among these proposals are: (1) an increase in practice ex-

pense relative value units for primary care, beginning in 1996; (2) reductions in relative values for office consultations, to make them comparable to office visits; and (3) increasing the current 10 percent bonus for primary care services rendered in health professions shortage areas to 20 percent. (\$0 in fiscal year 1995)

Elimination of Formula-Driven Overpayments for Hospital Outpatient Services.—Under current law, Medicare payments for certain hospital outpatient services (ambulatory surgery, radiology and other diagnostic services) equals the lesser of: (1) the lower of a hospital's reasonable costs or its customary charges, minus deductible and coinsurance amounts; or (2) a blended amount comprised of a cost portion and a charge portion, minus deductible and coinsurance amounts. The cost portion of the blend is based on the lower of a hospital's costs or charges, minus beneficiary cost sharing, and the charge portion is based in part of ambulatory surgery center payment rates, minus coinsurance.

Hospitals bill beneficiaries for 20 percent of their charges for the service, but Medicare pays a lesser amount based on 80 percent of the blended rate. Beneficiaries typically pay more than 20 percent of the Medicare payment amount and Medicare does not reap the benefit of the higher beneficiary payments. The administration proposal would specify that the Medicare payment amount would be reduced to the blended payment amount, minus beneficiary coinsurance payments. (–\$765 million)

Imposition of Coinsurance for Clinical Laboratory Services.—Since 1987, beneficiaries have not been required to pay the 20 percent coinsurance typically required for other Medicare Part B services. The President's proposal would require beneficiaries to pay 20 percent coinsurance for laboratory services. However, it would not require beneficiaries to pay the standard \$100 deductible before Medicare would begin paying for laboratory services. (–\$685 million)

Competitive Bidding for Selected Part B Services.—The President's proposal would require the Secretary to establish competitive acquisition areas for the awarding of contracts for certain items or services, effective January 1, 1995. Services subject to competitive bidding would include: magnetic resonance imaging (MRI); computerized axial tomography (CAT) scans (including physician interpretation); oxygen and oxygen equipment; and other items determined by the Secretary.

If the competitive acquisition process failed to achieve at least a 10 percent reduction in payment for these services, the Secretary would be required to reduce these payments by 10 percent. (–\$31 million)

Competitive Bidding for Clinical Laboratory Services.—The President's plan would require a similar competitive bidding process for clinical laboratory services. If the competitive acquisition process did not reduce payments for lab services by 10 percent, the Secretary would be required to reduce payments for lab services by 10 percent. (–\$47 million)

Mandatory Assignment for All Part B Services.—Under current law, physicians are permitted to bill patients up to 15 percent more than the approved Medicare payment amount. This practice is called "balance billing." For most other Part B services, balance

billing is permitted and no limits are established on the amount that may be balance billed. The administration proposal would prohibit balance billing for all Medicare Part B services, including physicians' services, effective January 1, 1996. (\$0 in fiscal year 1995)

Part B Premium.—Medicare Part B enrollees are currently required to pay premiums equalling 25 percent of Part B expenditures, with the remaining 75 percent funded from general revenues. In 1994, the Part B premium is \$46.10. After 1999, beneficiary premiums would be increased by the cost of living adjustment (COLA) used in Social Security. The requirement that beneficiaries pay 25 percent of the premium would be made permanent. (\$0 in fiscal year 1995)

PARTS A AND B

Medicare as Secondary Payer.—Medicare is secondary payer to certain employer group health insurance plans for aged and disabled Medicare beneficiaries, and for beneficiaries entitled to Medicare because they have end stage renal disease (ESRD) for the first 18 months of their eligibility. For these individuals, the employer plan pays first, and then Medicare fills in the gaps—up to the limits of Medicare coverage. OBRA-93 extended Medicare secondary payer requirements through fiscal year 1998 for disabled and ESRD beneficiaries. The administration proposal would make permanent the authority for Medicare to be secondary payer for both disabled and ESRD beneficiaries. (\$0 in fiscal year 1995)

In the Omnibus Budget Reconciliation Act of 1989, Congress created a program that linked information about employer provided health insurance with Medicare payments in order to identify situations when Medicare mistakenly acted as the first payer. OBRA-93 extended the data match program through fiscal year 1998. The administration proposal would make the authority for the data match program permanent. (\$0 in fiscal year 1995)

Health Maintenance Organization Payments.—Medicare currently pays 95 percent of the average adjusted per capita (AAPCC) for Medicare enrollees in HMO risk contracts. The AAPCC is an estimate of what Medicare would spend to provide Medicare benefits to beneficiaries in the same county who are not enrolled in HMOs. The President's proposal would establish ceilings on the Medicare Part A and B components of the AAPCC in order to lessen variation in the payment amounts. The ceiling would be set at 170 percent of the national average Part A component of the AAPCC and 150 percent of the Part B component. The floor would be established at 80 percent. Both the ceilings and floors would be phased in over a 4 year period. (-\$30 million)

Reduction in Routine Cost Limits for Home Health Services.—Payments for home health services are made on a reasonable cost basis, subject to cost limits that are updated annually. These limits are set at 112 percent of the mean per visit costs. OBRA-93 eliminated the update for home health cost limits for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996. The President's proposal would continue the update factor freeze and the cost limits would be set at 100 percent of the mean for cost re-

porting periods beginning on or after July 1, 1996. The reduction in payments is \$2.2 billion for fiscal years 1996–2000.

Imposition of 10 Percent Copayment for Home Health Services.—Both Medicare Parts A and B cover home health services for beneficiaries who need skilled nursing care on an intermittent basis or physical or speech therapy. In order to receive the services, beneficiaries must be homebound. There is no limit on the number of services that may be received. The administration's proposal would impose a copayment of 10 percent of the average of all visit costs for home health services, but would not apply the copayment to services rendered within 30 days of an inpatient hospital discharge. (–\$104 million)

Expansion of Centers of Excellence Programs.—The administration is currently conducting two demonstration programs with “centers of excellence.” Under the demonstrations, these centers contract with Medicare to provide coronary artery bypass surgery and cataract surgery for a flat payment amount, set in advance, that covers all costs associated with the service. The heart surgery demonstration is currently operating in seven cities and the cataract surgery demonstration is operating in three other cities.

The Administration proposal would require the Secretary to use a competitive bidding process for contracting with centers of excellence in all urban areas for these two surgeries. In addition, the Secretary would be authorized to designate other services that could be similarly competitively bid. Beneficiaries receiving services under these arrangements would receive a rebate equal to 10 percent of the difference between the amount Medicare would have paid on a fee-for-service basis and the amount paid under this program. (\$0 in fiscal year 1995)

REVENUE PROVISIONS

Extension of HI Tax to all State and Local Government Employees.—Under current law, state and local governments can choose whether to extend Medicare Part A to employees hired before April 1986. Coverage is mandatory for people hired after that date. The Administration proposal would require state and local employers to cover all employees. As a result, both employers and employees would be required to pay a 1.45 percent payroll tax. (\$0 in fiscal year 1995)

Income Related SMI Premium.—The administration plan would increase the Part B premium for individuals whose income exceeds \$90,000 and couples whose income exceeds \$115,000. The increase would be phased in, with individuals whose incomes exceed \$105,000 and couples whose incomes exceed \$145,000 paying the maximum amount—75 percent of Part B costs. (\$0 in fiscal year 1995)

MEDICAID

While the budget includes no proposals that would affect Medicaid spending in fiscal year 1995, there are several proposals in the President's Health Security Act that would directly affect Medicaid spending beginning in 1996:

Liberalized Institutional Long-Term Care Eligibility.—Under the Health Security Act, States would be required to establish a medi-

cally needy (spenddown) program for all residents of nursing homes and intermediate care facilities for the mentally retarded (ICFs/MR). Fifteen States do not have these programs. Medically Needy eligibility allows individuals to become eligible for Medicaid even if their income and resources exceed categorical eligibility thresholds. Once an individual has spent their own income and resources on institutional care, Medicaid will pay the remainder of incurred costs each month. The Personal Needs Allowance (PNA) of single Medicaid nursing home residents would increase to \$50/month. Statute currently sets a \$30/month minimum PNA, and the average across States is \$35/month. The difference between a state's current PNA and the new federal allowance would be financed with 100 percent federal funds.

Payment Lag Liability.—In the year of implementation under the Health Security Act, States would be responsible for payment of some back claims for previous service to Medicaid recipients at the same time as they will be making prospective, capitated payments for the same recipients to an Alliance.

Cost Sharing Relief for the Low-Income.—A Medicaid enrollee would not have to pay a certain amount of out-of-pocket costs in a high cost sharing health plan if a low cost sharing plan whose premium is at or below the average is not available in the geographic area. Medicaid and other low-income people would be held harmless for the amount of cost-sharing that is above the out-of-pocket costs of a low cost sharing health plan. Medicaid would pay the Alliance for the difference between the two cost sharing amounts for Medicaid enrollees.

Offset for New Community Based Long-Term Care Program.—Under the Health Security Act, a new federal/State program would be created to provide home and community based long-term care services to the severely disabled. The budget assumes that some current Medicaid recipients receiving Medicaid home and community based care services would be eligible for the new program, resulting in savings to the Medicaid program.

Discontinue Medicaid Eligibility for Non-Cash Recipients.—Under the Health Security Act, only people receiving AFDC and SSI (cash assistance) would remain eligible for Medicaid acute care coverage. The current non-cash Medicaid acute care population would no longer be eligible for Medicaid and would be covered by private insurance financed by employers and the individual (supplemented by premium subsidies for the low-income). This movement off Medicaid for acute care coverage would result in a reduction of federal Medicaid expenditures.

Loss of Supplemental Services for Non-Cash Adults.—The non-cash population leaving Medicaid rolls under the Health Security Act would no longer be entitled to services that are currently covered under Medicaid but which would not be covered within the Accountable Health Plan benefit package. Examples of these services include extended mental health services, transportation and hearing aids. This would produce federal Medicaid savings.

Wrap-Around, Supplemental Services for Medicaid Children.—The Health Security Act would create a new, federal program for low income children (see below). The program would cover all current Medicaid mandatory services for children that would not be

otherwise included in the standard benefit package of an Accountable Health Plan. Because Medicaid would no longer cover these services for AFDC and SSI children, a federal Medicaid savings would result.

Elimination of the Medicaid Disproportionate Share Hospital (DSH) Payment Program.—The Medicaid DSH program is intended to compensate high volume Medicaid hospitals for low Medicaid reimbursement rates and/or to compensate Medicaid-participating hospitals for the costs of treating the uninsured and the poor. Because the Health Security Act would provide universal coverage and eliminate Medicaid as a direct payor of acute care services, the Medicaid DSH program would be eliminated.

New Vulnerable Populations Hospital Payment Supplement.—The Health Security Act calls for supplementary payments to hospitals to compensate for the extra costs of treating low-income, vulnerable populations.

Prospective Capitated Payments for Medicaid Cash Recipients.—Under the Health Security Act, Medicaid would pay prospective capitated premiums for coverage of Medicaid recipients under an Accountable Health Plan based on 95 percent of average Medicaid fee-for-service costs in the base year. Growth in Medicaid premium payments would be limited to the same amount as growth in private sector premiums, resulting in a savings over baseline for federal Medicaid expenditures.

Administrative Savings.—The Health Security Act anticipates savings to the Medicaid program resulting from reduced claims processing associated with moving from a fee-for-service payment system, to a monthly capitation system. Because of the change in Medicaid eligibility (elimination of the non-cash acute care population), there will be savings from fewer eligibility determinations as well.

Offset from Medicare Prescription Drug Coverage.—Federal Medicaid savings would result under the Health Security Act's Medicare prescription drug coverage. Medicaid would no longer pay for prescription drugs for dual eligibles (people eligible for both Medicare and Medicaid) when Medicare begins to cover outpatient prescription drugs. Although Medicaid would continue to pay prescription drug deductibles and coinsurance for the dually eligible, a net Medicaid savings would result.

MATERNAL AND CHILD HEALTH BLOCK GRANT

The Maternal and Child Health Block Grant program (Title V) is authorized at \$686 million in fiscal year 1991 and each year thereafter. The appropriation for fiscal year 1994 was \$687 million. For fiscal year 1995, the Administration proposes to fund the Title V Block Grant program at \$679 million.

NEW FEDERAL PROGRAMS

New Medicare Drug Benefit

The Administration proposal includes a new Medicare prescription drug benefit, beginning in 1996. The new benefit would pay 80 percent of the cost of each prescription once the beneficiary had met a \$250 annual deductible. Beneficiaries would be required to pay 20 percent coinsurance, with an annual limit of \$1,000 on out-

of-pocket spending. As with other Part B benefits, the drug benefit would be financed with general revenues (75 percent) and beneficiary premium payments (25 percent). The drug premium would be collected as an add-on to the Part B premium, although all Part B beneficiaries would be required to have drug coverage. The additional premium cost is estimated at \$9 per month.

Rebate.—In order to have their drugs covered under the Medicare program, manufacturers would have to provide rebates equal to the greater of: (1) the difference between average retail and non-retail prices; or (2) 17 percent of the average manufacturer price. The rebate does not apply to generic products.

Academic Health Centers and Medical Education

Under current law, Medicare makes two different types of payments to hospitals for graduate medical education. The first payment, direct medical education, compensates hospitals for the direct costs they incur in teaching residents, such as the salaries of residents and the attending physicians who teach them. This payment is based on a hospital-specific per resident amount multiplied by the number of resident-full time equivalents (FTEs) for that year. These per resident amounts are based on cost report data from hospital cost reporting periods beginning in fiscal year 1984 and are updated annually for inflation.

The second payment is for the indirect costs of approved residency programs. These indirect costs may be for a variety of factors, including the extra demands placed on hospital staffs due to teaching activities, additional tests or procedures ordered by residents, or more severely ill patients at teaching hospitals. The adjustment is based on a formula that increases the DRG payment by approximately 7.7 percent for each 10 percent increase in the ratio of interns and residents to teaching beds.

The Administration proposal would eliminate both of these payments, effective October 1, 1995. Two new funding pools would be created, one for graduate medical education and the other for academic health centers. Medicare would transfer funds of \$1.5 billion in fiscal year 1996 and \$1.7 billion in fiscal years 1997 and 1998 to the graduate medical education pool. After fiscal year 1998, the amount of the transfer would be increased by the increase in the consumer price index for urban consumers (CPI-U). Transfers to this pool would occur more rapidly, resulting in a loss of interest earnings to the Medicare trust fund totalling \$280 million from fiscal years 1996 to 2000. This pool would also receive transfers from assessments from private insurers. Funds in the pool would total \$3.2 billion in fiscal year 1996, rising to \$5.8 billion in fiscal years 1999 and 2000.

A second pool would be created to provide support to academic health centers (teaching hospitals affiliated with medical schools) and other teaching hospitals. Transfers from the Medicare trust fund would equal \$2.1 billion in fiscal year 1996 and \$2.0 billion in fiscal years 1997 and 1998. In succeeding years, the amount would be increased by the increase in the CPI-U. Private insurers would also be required to contribute to this pool. Funds in the pool would total \$3.1 billion in calendar year 1996, rising to \$3.8 billion in 2000.

Allocations from hospitals to the funds would be made by applying the indirect medical education (IME) formula to total inpatient and outpatient receipts of such hospitals, instead of just to Medicare receipts. The current formula of increasing payments by 7.7 percent for each 10 percent increase in the ratio of interns/residents to beds would be modified to increase payments by 3.0 percent for each 10 percent increase in the ratio.

These new programs contain two significant departures from current policies. First, Medicare is currently the only explicit payer for direct and indirect medical education costs. Under the new pools, private insurers would also be required to contribute to these costs. Second, a new council on graduate medical education would be established to authorize the appropriate number of residency slots throughout the country and to implement policies assuring that at least 55 percent of residents who complete residency programs would be in primary care (family medicine, general internal medicine, general pediatrics, or obstetrics and gynecology). In general, the council's mission would be to reduce the number of physicians entering residency training and to redress the shortage of primary care physicians by redirecting physicians into primary care residencies, instead of specialties.

Federal Supplemental Benefits Program for Low-Income Children

The Health Security Act would create a new federal program to provide supplemental services to all low-income children using current AFDC and SSI standards, and current Medicaid poverty-level eligibility standards for children. Services covered under the new program would include those currently provided under the Medicaid program that would not be covered under a standard benefit package provided by an Accountable Health Plan.

Community Based Long-Term Care for the Severely Disabled

The Health Security Act would create a new state/federal program to finance home and community based long-term care services for the severely physically and mentally disabled. The federal funding would be capped at \$40.4 billion a year at full implementation in 2002. The state share of program expenditures would be the current Federal Medical Assistance Percentage (FMAP) plus 28 percent (with a maximum federal match of 95 percent). Participating states must provide at least an assessment, a care plan and personal care attendant services. States could provide an array of additional services, similar to those currently provided under the Medicaid home and community based services waiver program. The program would not be means-tested and services could not be allocated by the state on the basis of income. The Administration estimates that at full implementation, 3.1 million individuals would be eligible.

CHART 15.—INTEREST
 [By fiscal year, in billions of dollars]

| | Actual 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|----------------|------------|------------|------------|------------|------------|------------|
| Baseline | | | | | | | |
| Interest on Public Debt (Gross Interest) ¹ | 293 | 299 | 312 | 331 | 348 | 365 | 385 |
| Interest Received by Trust Funds: | | | | | | | |
| Social Security | -27 | -30 | -34 | -37 | -42 | -47 | -52 |
| Other trust funds ² | -55 | -58 | -56 | -57 | -58 | -60 | -61 |
| Total | -82 | -88 | -89 | -94 | -100 | -106 | -114 |
| Other Interest ³ | -11 | -9 | -9 | -7 | -7 | -7 | -7 |
| Total, Net Interest Outlays | 199 | 201 | 214 | 230 | 241 | 252 | 264 |
| Net Interest Outlays as a Percentage of GDP | | | | | | | |
| Net Interest Outlays | 3.2 | 3.0 | 3.0 | 3.1 | 3.1 | 3.1 | 3.1 |
| Estimates of the President's Budgetary Proposals | | | | | | | |
| Interest on Public Debt (Gross Interest) ¹ | 293 | 299 | 312 | 331 | 347 | 365 | 384 |
| Interest Received by Trust Funds: | | | | | | | |
| Social Security | -27 | -30 | -34 | -38 | -42 | -47 | -53 |
| Other trust funds ² | -55 | -58 | -56 | -56 | 57 | -59 | -61 |
| Total | -82 | -88 | -89 | -94 | -100 | -107 | -114 |
| Other Interest ³ | -11 | -9 | -9 | -7 | -7 | -6 | -7 |
| Total, Net Interest Outlays | 199 | 201 | 214 | 230 | 241 | 252 | 264 |
| Net Interest Outlays as a Percentage of GDP | | | | | | | |
| Net Interest Outlays | 3.2 | 3.0 | 3.0 | 3.1 | 3.1 | 3.1 | 3.1 |

¹Excludes interest costs of debt issued by agencies other than the Treasury (primarily the Tennessee Valley Authority).

²Principally Civil Service Retirement, Military Retirement, Medicare, unemployment insurance, and the Highway and Airport and Airway trust funds.

³Primarily interest on loans to the public and to the Resolution Trust Corporation and the Bank Insurance Fund.

SOURCE: Congressional Budget Office.

NOTE: Projections of interest assume compliance with the discretionary spending caps in the Budget Enforcement Act.

Chart 15

Interest on the Public Debt

The Finance Committee has jurisdiction over "bonded debt of the United States" (see Rule XXV, Standing Rules of the Senate) and consequently interest on the public debt is assigned to the Finance Committee. Following is the budget outlook for "Net Interest" excerpted from CBO's "Economic and Budget Outlook: Fiscal Years 1995-1999." For additional information see CBO, "Federal Debt and Interest Costs" (May 1993).

Excerpt from CBO's Economic and Budget Outlook:

Net interest costs are expected to be about \$200 billion in 1994 for the fourth year in a row. This stability is astonishing in light of the fact that the government will have added about \$1 trillion in debt over the four-year period. The government has saved handsomely by refinancing its maturing debt at lower interest rates. This gain is not evanescent; interest rates today remain near record-low levels and are not expected to shoot up over the 1995-1999 period.

Despite today's low interest rates, net interest costs are about 3 percent of GDP—two to three times the typical levels of the 1960s and 1970s. Their growth is clearly traceable to the vastly bigger federal debt.

Interest costs generally are not governed by provisions of the Budget Enforcement Act because they are not directly controllable. Rather, interest depends on the government's debt and on interest rates. . . .

The importance of interest rates. . . . If interest rates are 1 percentage point higher in 1994 through 1999 than CBO assumes, net interest costs will be greater—by about \$5 billion in 1994 and \$42 billion in 1999. A recent shift by the Treasury Department to borrow more short-term and less long-term debt is expected to save money but will slightly increase the government's vulnerability to fluctuations in interest rates. This effect is only marginal, however; with or without the shift, the government faced large amounts of financing and refinancing that had to be handled at prevailing market rates.

CBO projects that net interest costs will climb gradually to \$261 billion in 1999. The growth in debt is the main fuel; debt held by the public (bills, notes, bonds, and other securities sold to raise cash) is expected to mount from \$3.2 trillion at the end of 1993 to \$4.4 trillion in 1999. (See chart 20 of this volume.) And rising interest rates, chiefly on short-term instruments such as Treasury bills, push up spending modestly.

Net or Gross? Some budget-watchers like to use gross interest (and its counterpart, the gross federal debt) instead of net interest

(and its counterpart, debt held by the public). But this choice exaggerates the government's debt-service burden because it overlooks billions of dollars in interest income received by the government.

The government has sold trillions of dollars of securities to finance the deficit. But it also issues securities to its own trust funds (mainly Social Security and the other retirement funds) and both pays and collects the interest thereon; it also receives interest income from loans and cash balances. Broadly speaking, *gross interest* encompasses all interest paid by the government (even to itself) and ignores all interest income. *Net interest*, in contrast, is the net flow to recipients outside government.

In 1994, net interest is only two-thirds as big as gross interest. CBO estimates that the government will pay \$298 billion in gross interest costs. Of that amount, however, \$88 billion is simply credited to trust funds and does not leave the government or add to the deficit. And the government collects \$10 billion in other interest income. Net interest costs therefore total \$201 billion. The burden of interest costs, which represent money siphoned from current needs to pay past bills, is amply documented by using net interest.

HOW THE ECONOMY AFFECTS INTEREST RATES

The Congressional Budget Office has developed rules of thumb to illustrate the relationship between budget projections and four key economic variables: real growth, unemployment, inflation, and interest rates. Each rule depicts the effect on budget totals of a 1-percentage-point change in CBO's baseline assumptions for these variables, starting in January 1994. As noted below, the rules of thumb are highly simplified and should be used with caution. . . .

The last rule of thumb (for interest rates) was designed to illustrate the sensitivity of the budget to changes in interest rates. The Treasury finances the government's substantial debt at market interest rates. Assuming that interest rates are 1 percentage point higher than assumed in the baseline for all maturities in each year would push interest spending up by \$5 billion in 1994. The initial boost in interest costs is in large part fueled by the increased costs of refinancing the government's short-term Treasury bills, which make up roughly one-fourth of its marketable debt. More than \$650 billion worth of Treasury bills are now outstanding, and none of them have a maturity of more than a year.

The bulk of the government's marketable debt is not held in short-term bills but in medium- to long-term securities, mainly those with initial maturities of 2 to 10 years. Many of them will come due for refinancing over the next few years. And to finance the deficit, the Treasury continues to incur new debt.

Thus, the budgetary effects mount as more and more debt is hit with higher interest rates. By 1999, almost all of the debt is affected. Of the marketable debt outstanding in that year, CBO estimates that 27 percent would have been originally borrowed during the 1994–1999 period and would therefore be affected by the higher rates; about 55 percent was already outstanding in early 1994 but was refinanced during the 1994–1999 period; and only 18 percent was unaffected. The 1999 deficit climbs by \$42 billion as a result of the interest rate hike. This rule of thumb includes small changes in other spending programs that are sensitive to interest rates, mainly student loans. It does not, however, incorporate any changes in revenues or in deposit insurance, since the impact of higher interest rates on these areas is less clear.

Chart 16.—TRADE ADJUSTMENT ASSISTANCE

[Outlays, in millions of dollars]

| | Fiscal year— | | | | Total | |
|----------------------|--------------|-------------|-------------|-------------|-------------|----------------|
| | 1995 | 1996 | 1997 | 1998 | | 1999 |
| OMB estimate: | | | | | | |
| Cash benefits | -173 | -170 | -161 | -164 | -143 | -811 |
| Training | -91 | -90 | -99 | -97 | -92 | 1-470 |
| Total | -264 | -260 | -260 | -261 | -235 | 1-1,281 |
| CBO estimate: | | | | | | |
| Cash benefits | -151 | -146 | -142 | -139 | -135 | -713 |
| Training | -83 | -83 | -76 | -80 | -82 | -404 |
| Total | -234 | -229 | -218 | -219 | -217 | -1,117 |

¹ Differences due to rounding.

Chart 16

Trade Adjustment and Customs User Fees: Administration Proposals

TRADE ADJUSTMENT ASSISTANCE

The Trade Adjustment Assistance (TAA) program, originally established under the Trade Expansion Act of 1962 and revised in the Trade Act of 1974, provides benefits to workers laid off and firms injured on account of increased imports. Under the program for workers, administered by the Labor Department, certified workers are entitled to cash income support payments essentially equivalent to extended unemployment insurance benefits. They may also receive training, job search, and relocation assistance. The program for firms, administered by the Commerce Department, makes technical assistance available to approved firms.

The most recent extensive revisions to the TAA program were made in the Omnibus Trade and Competitiveness Act of 1988, which extended the program's authorization through September 30, 1993. Under the Omnibus Budget Reconciliation Act of 1993, signed into law August 10, 1993, the program's authorization was extended an additional five years, through September 30, 1998.

The North American Free Trade Agreement (NAFTA) Implementation Act, signed into law December 8, 1993, amended the TAA statute to create a new subchapter for a NAFTA-specific worker adjustment assistance program. This program expands eligibility to include those workers who lose their jobs as a result of shifts of production to Mexico or Canada, not only as a result of increased imports. It combines TAA benefits with certain services available under other Labor Department programs. It also requires workers, in order to remain eligible for income support benefits, to enroll in a training program by the end of a specified period.

The Administration has proposed a comprehensive worker reemployment program that would consolidate existing programs for dislocated workers, including the TAA worker program. In its 1995 budget request, the Administration proposes the termination of the firm program which, unlike the worker program, requires annual appropriations. The Administration also proposed the firm program's repeal in its 1994 budget; Congress appropriated \$10 million for the program, a \$3.7 million reduction from the previous year.

CUSTOMS USER FEES

The Consolidated Omnibus Budget Reconciliation Act of 1985 established a schedule of flat rate customs fees for processing passengers, boats, trains, railroad cars, trucks and vessels entering the United States. The Omnibus Budget Reconciliation Act of 1986 established an additional user fee, the merchandise processing fee, as

a charge of 0.22 percent *ad valorem* in fiscal year 1987 and 0.17 percent *ad valorem* in fiscal years 1988 and 1989 on entries of imported merchandise. The law requires the fees to be deposited into a dedicated account. Collections from the merchandise processing fee are available, subject to appropriation, to offset the cost of salaries and expenses of the Customs Service for commercial operations. Proceeds from the flat-rate fees are used for the direct reimbursement of appropriations for costs incurred by the Customs Service in providing for inspectional overtime, agency contributions for certain retirement expenses, preclearance operations, and other costs; these fees are subject to a permanent, indefinite appropriation.

The Omnibus Budget Reconciliation Act of 1987 extended the user fees through September 30, 1990. The Customs and Trade Act of 1990 (CTA 90) modified the merchandise processing fee to make it consistent with our international obligations under the General Agreement on Tariffs and Trade (GATT). CTA 90 set the merchandise processing fee at 0.17 percent *ad valorem* for formal entries, subject to a maximum fee of \$400 and minimum fee of \$21 (with a \$3 surcharge for manual entries). CTA 90 also established a schedule of flat-rate fees for informal entries (*i.e.*, those valued under \$1,250). CTA 90 also modified the passenger and conveyance fees to permit surplus collections to be used for enhancing service to the fee payers, proportionate to the amount paid by each. In addition, the Act extended the user fees through September 30, 1991.

The Omnibus Budget Reconciliation Act of 1990 extended the user fees through September 30, 1995 and authorized the Customs Service to adjust the merchandise processing fee to a minimum of 0.15 percent *ad valorem*, and a maximum of 0.19 percent *ad valorem*, to take into account changes in economic conditions or trade flows to avoid unintended over- or under-collections and help ensure the fee's consistency with our GATT obligations.

The Omnibus Budget Reconciliation Act of 1993 extended the full schedule of user fees through September 30, 1998. The North American Free Trade Agreement Implementation Act (NAFTA Act) made a number of changes to the user fees, effective January 1, 1994, to provide offsets against the revenue losses attributable to NAFTA. The NAFTA Act extended all of the user fees through September 30, 2003. In addition, the Act temporarily (through September 30, 1997) increased (from \$5.00 to \$6.50) the fee charged on passengers arriving in the United States from abroad on commercial vessels or aircraft and eliminated, until September 30, 1997, the exemptions for passengers arriving from Mexico, Canada, Caribbean countries and U.S. territories.

Currently, the merchandise processing fee is 0.19 percent *ad valorem*. CBO has reported that the Customs Service collected \$733 million in total user fees in fiscal year 1993; collections for fiscal year 1994 are estimated to reach \$849 million. The President's fiscal year 1995 budget proposes to increase the merchandise processing fee on both formal and informal entries.

ADDITIONAL TRADE PROPOSALS

The Administration has stated that it will seek to have legislation implementing the results of the Uruguay Round of Multilateral Trade Negotiations enacted this year. In addition, the Generalized System of Preferences (GSP) program will expire on September 30, 1994. Legislation regarding either the Uruguay Round or the GSP program would be subject to pay-go rules. (See Appendix D.)

CHART 17.—TAX REVENUES UNDER CURRENT LAW
 [In billions of dollars]

| | Administration: Current Services | | | | | |
|--------------------------|---|--------------|--------------|--------------|--------------|--------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Individual Income | 550 | 597 | 631 | 664 | 699 | 740 |
| Corporate Income | 131 | 141 | 146 | 150 | 153 | 158 |
| Social Insurance | 462 | 492 | 519 | 546 | 576 | 605 |
| Excise Taxes | 55 | 56 | 57 | 58 | 59 | 60 |
| Other ¹ | 52 | 56 | 58 | 61 | 64 | 67 |
| Total | 1,250 | 1,342 | 1,411 | 1,479 | 1,551 | 1,630 |
| | CBO Baseline | | | | | |
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Individual Income | 547 | 596 | 635 | 668 | 708 | 748 |
| Corporate Income | 128 | 130 | 133 | 138 | 144 | 148 |
| Social Insurance | 468 | 499 | 526 | 551 | 578 | 604 |
| Excise Taxes | 55 | 56 | 57 | 58 | 59 | 60 |
| Other | 52 | 57 | 61 | 64 | 68 | 71 |
| Total | 1,251 | 1,338 | 1,411 | 1,479 | 1,556 | 1,630 |

¹ Includes estate and gift taxes, customs duties, and miscellaneous receipts.

Chart 17

Tax Revenues Under Current Law

The current services projections represent the Administration's estimate of what Federal tax revenues would be under existing law. Similarly, the CBO baseline represents the Congressional Budget Office's projections of Federal revenue if current policies remain unchanged.

Total tax revenues in Chart 17 include the changes brought about by legislation enacted in 1993, including the Omnibus Budget Reconciliation Act of 1993 and the North American Free Trade Agreement Implementation Act. Administration estimates of the 1993 legislation are reprinted in Appendix F.

Total tax revenues would increase under President Clinton's 1995 budget proposals. These proposals, which include increases in various user fees and other receipts in the President's Health Security Act (not including the employer mandated premiums), are listed in Chart 18. Administration estimates of total tax revenues, including the 1995 budget proposals, are reprinted in Appendix F.

Chart 18. ADMINISTRATION PROPOSALS ON RECEIPTS
 [CBO reestimates** in billions of dollars]

| | Estimate | | | | | |
|---|----------|------|------|------|-------|-------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Health Security Act: | | | | | | |
| Health care premiums: ¹ | | | | | | |
| Employer | | | 30.0 | 93.0 | 239.0 | 290.0 |
| Household | | | 10.0 | 30.0 | 76.0 | 92.0 |
| Increase tax on tobacco products ² | | 14.2 | 11.4 | 11.2 | 10.9 | 10.5 |
| Levy assessment on corporate alliance employers ² | | | 1.4 | 1.7 | 1.6 | 1.5 |
| Increase deduction for health insurance costs of the self-employed .. | | | -0.7 | -1.0 | -1.8 | -2.1 |
| Limit exclusion of employer-provided health coverage | | | | 1.0 | 1.8 | 3.1 |
| Provide deduction for qualified long-term care services | | | | -0.1 | -0.1 | -0.1 |
| Modify tax treatment of long-term care insurance premiums and benefits | | | | | | |
| Modify tax treatment of accelerated death benefits | | | | -0.3 | -0.3 | -0.4 |
| Provide tax credit for cost of personal assistance services | | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Provide tax credit for health service providers in shortage areas | | | * | -0.1 | -0.1 | -0.1 |
| Increase expensing limit for medical equipment in shortage areas .. | | | * | * | * | * |
| Modify self-employment tax treatment of certain S corporation shareholders and partners | | | | * | * | * |
| Modify penalty for failure to report payments to independent contractors | | | 0.2 | 0.5 | 0.5 | 0.5 |
| Modify tax treatment of health care organizations | | | * | * | * | * |
| | | | | 0.1 | 0.1 | 0.1 |

Relate early retiree health premium discounts to income
 Levy assessments on employers to pay for early retirees²
 Modify employer contributions to post-retirement medical and life
 insurance reserves and retiree health accounts
 Recapture medicare Part B subsidies
 Extend medicare coverage to all State and local government em-
 ployee²
 Levy assessment on premiums for health coverage purchased
 through regional alliances^{2 3}
 Effect of employer mandate, cost containment, and subsidies on in-
 dividual income and payroll taxes

Subtotal, Health Security Act²

| | | | | | |
|---|------|------|-------|-------|-------|
| * | 13.3 | 54.2 | 141.3 | 341.0 | 418.1 |
|---|------|------|-------|-------|-------|

Other proposals:

Modify Federal pay raise (receipt effect)
 Levy surcharge on civil judgments²
 Reform PBGC funding (receipt effect)
 Reallocate old age survivors (OASI) and disability (DI) tax rates
 Adjust civil monetary penalties for inflation²
 Increase or establish new BATF fees²

| | | | | | |
|---|-----|------|------|------|------|
| * | 0.2 | -0.3 | -0.4 | -0.7 | -0.6 |
| * | * | * | * | * | * |
| * | * | * | * | * | * |

Chart 18. ADMINISTRATION PROPOSALS ON RECEIPTS—Continued
 [CBO reestimates** in billions of dollars]

| | Estimate | | | | | |
|--|----------|-------------|-------------|--------------|--------------|--------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Increase or expand fees collected under securities laws ² | | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Levy fees on users of Federal fisheries ^{2 3} | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Subtotal, other proposals² | * | 0.6 | * | * | -0.3 | -0.2 |
| Total effect of proposals² | * | 13.9 | 54.2 | 141.3 | 340.7 | 415.9 |

* \$50 million or less.

**Using CBO's economic assumptions and technical estimating methods.

¹ CBO's "Analysis of the Administration's Health Proposal," (February 1994, pg. xv) concluded that the President's proposed Health Security Act would "establish both a Federal entitlement to health benefits and a system of mandatory payments to finance those benefits that represents an exercise of sovereign power in administering the proposed program, regional alliances, corporate alliances, and state single-payer plans (if any) would operate primarily as agents of the Federal Government. Therefore, CBO believes that the financial transactions of the health alliances should be included in the Federal Government's accounts and the premium payments should be shown as governmental receipts. . . . Consequently, this chart displays premium payments along with other changes in Federal receipts proposed in the President's budget. All numbers are CBO re-estimates of the President's proposals.

² Net of income and payroll tax offsets.

³ Provision estimated by OMB.

Chart 18

Administration Proposals on Receipts

HEALTH SECURITY ACT

The Administration's Health Security Act, which was transmitted to Congress on November 20, 1993, would provide insurance to all legal residents of the United States for a wide range of medical services. The major provisions of the Health Security Act that affect governmental receipts include the following:

Premium mandates. Employers would be required to pay, on average, 80 percent of the health insurance premiums for each of the employer's employees. However, no employer would be required to pay more than 7.9 percent of the employer's total payroll, and some small employers would pay no more than 3.5 percent of payroll, depending upon the size of the firm and its average annual wage. The Federal government would pay any premiums in excess of these caps.

Individuals generally would be required to pay the difference between the actual cost of the plan they select through an alliance and 80 percent of the average premium (unless the employer pays more than 80 percent, in which case the individual obligation is reduced). Self-employed and unemployed individuals generally would pay both the employer and individual share of premiums. Low-income workers, the unemployed, and early retirees would receive Federal subsidies in the form of premium discounts.

The premium mandates would be effective January 1, 1998.

Assessment on corporate alliance employers. An annual assessment equal to one-percent of payroll would be imposed on firms that provide health insurance through a corporate alliance. The payroll assessment would be effective January 1, 1996.

Tax on tobacco products. The excise tax on cigarettes would be raised to \$.99 per pack, an increase of \$.75 per pack, effective October 1, 1994. Comparable increases in Federal excise taxes on other tobacco products are also proposed.

Deduction for health insurance costs of self-employed individuals. The health insurance deduction for self-employed individuals would be increased to 100 percent of premiums paid to a health alliance for the comprehensive benefit package. The current 25 percent health insurance deduction for self-employed taxpayers would remain in effect until the taxpayer's State of residence establishes a regional alliance.

Exclusion of employer-provided health coverage. Effective January 1, 1997, contributions for health benefits made through cafeteria plans would no longer be excluded from an employee's taxable income. In addition, effective January 1, 2004, employer-paid premiums for supplemental health coverage (coverage for benefits in

excess of the basic comprehensive benefit package) would be taxable to the employee for income and employment tax purposes.

Deduction for qualified long-term care services. Effective for taxable years beginning after December 31, 1995, expenses incurred by certain incapacitated individuals for qualified long-term care services would be deductible as a medical expense (subject to the current law 7.5 percent of adjusted gross income floor).

Modified tax treatment of qualified long-term care insurance premiums and benefits. Effective for policies issued after December 31, 1995, premiums for qualified long-term care insurance would be deductible as a medical expense (subject to the current law 7.5 percent of adjusted gross income floor). Effective on that date, taxpayers would also be able to exclude from taxable income up to \$150 per day in benefits paid under a long-term care policy, provided the qualified policy did not provide benefits in excess of \$150 per day. Taxpayers participating in plans providing more than \$150 per day in benefits would not be eligible for the exclusion. The \$150 cap would be adjusted annually for inflation. In addition, employers would be able to deduct the cost of premiums paid for qualified long-term care coverage, and employees would be able to exclude the value of coverage from taxable income.

Modified tax treatment of accelerated death benefits. Distributions under a life insurance contract on the life of an insured individual who is terminally ill and expected to die within 12 months (as supported by a doctor's written certification) would be treated as an amount paid by reason of death and would be excluded from taxable income with respect to such distributions made in taxable years beginning after December 31, 1993.

Tax credit for the cost of personal assistance services required by employed individuals. Impaired taxpayers with earned income would be allowed to claim a non-refundable tax credit for 50 percent of certain impairment-related personal assistance services expenses, up to a maximum of \$15,000 in expenses, effective for expenses incurred in taxable years beginning after December 31, 1995. Specifically, the maximum allowable annual tax credit would be the lesser of 50 percent of the taxpayer's earned income or \$7,500. The credit would be gradually phased-out for taxpayers with adjusted gross income between \$50,000 and \$70,000.

Tax credit for primary health services providers in health professional shortage areas. Effective for taxable years beginning after December 31, 1994, physicians who receive the required certification and commence work full-time in an area that is designated as being short of health professionals would be eligible to receive a non-refundable tax credit of \$1,000 per month for up to 60 months. Certified nurse mid-wives, nurse practitioners, and physician assistants who work in health professional shortage areas would receive a non-refundable tax credit of \$500 per month for up to 60 months.

Increased expensing limit for medical equipment in health professional shortage areas. The expensing limit for medical equipment used by physicians who work full-time in a designated area and placed in service after December 31, 1994 would be increased by \$10,000.

Modified self-employment tax treatment of certain subchapter S corporation shareholders and partners. The Administration would impose the self-employment Social Security and Medicare taxes on the non-wage income of certain shareholders owning 2 percent or more of the stock in a service industry subchapter S corporation, and on such income of certain limited partners, effective for taxable years beginning after December 31, 1995.

Modified rules governing determination of employment status. To prevent employers from avoiding their health care premium payment responsibilities, the Secretary of the Treasury would be given greater authority to prevent mischaracterization of employees as independent contractors. In addition, the penalty for not reporting a payment made to an independent contractor would be increased to \$50 or 5 percent of the payment, whichever was greater. These changes would be effective for information returns due more than 30 days following date of enactment.

Modified tax treatment of health care organizations. The Administration's reform plan would require all health plans receiving premiums through health alliances to charge community rated premiums for the comprehensive benefit package. The Administration proposes to eliminate the favorable income tax treatment provided to Blue Cross/Blue Shield organizations under current law. Specifically, such organizations would no longer be allowed to deduct the difference between 25 percent of their health claims and adjusted surplus. In addition, these organizations would be required to include 20 percent of the change in their unearned premium reserves in taxable income. Generally, hospitals and other nonprofit health care providers, including HMOs, will continue to qualify for tax exemption under the Administration's plan. However, a new requirement would have to be satisfied by organizations seeking tax exemption under section 501(c)(3)—at least annually, each nonprofit organization must draw up an assessment of community needs and a plan to meet those needs. This community needs analysis, which must be conducted with the participation of community representatives, would supplement, not replace, the "community benefit" standard under existing law. These changes generally would be effective for taxable years beginning after December 31, 1996.

Recapture of early retiree health premium discounts for high-income taxpayers. Effective January 1, 1998, retirees between the ages of 55 and 64 (early retirees) would be eligible for a discount for the employer share of their health insurance premiums. However, single taxpayers with combined income above \$90,000 and married couples filing joint returns with combined income above \$115,000 would be required to repay the discount.

Assessments on employers to pay for coverage for early retirees. A temporary assessment would be levied on employers who provide health insurance benefits to early retirees. The assessment would be levied for 3 years, 1998, 1999, and 2000, and in each year employers would pay 50 percent of the greater of: (1) the estimated employer savings in the current year for providing health coverage to retirees between the ages of 55 and 64 as a result of the health care reform legislation, and (2) the annual average of the actual early-retiree health benefits paid by the employer during the period 1991–93, adjusted for medical cost inflation.

Modified employer contributions to post-retirement medical and life insurance reserves and retiree health accounts maintained by pension plans. Employers would no longer be able to contribute to retiree medical 401(h) accounts in pension plans, generally effective January 1, 1995. Moreover, additions to reserves for post-retirement medical or life benefits in funded welfare benefit plans, typically Voluntary Employees Beneficiary Associations (VEBAs), would be funded no more rapidly than over a period of at least 10 years.

Recapture of Medicare Part B subsidies for high-income taxpayers. Effective January 1, 1996, high-income taxpayers who choose to enroll in Medicare Part B would be required to pay additional premiums. The additional premium would increase the taxpayer's total contribution from about 25 percent of program costs to about 75 percent of program costs. The additional premiums would be phased in for single taxpayers with combined income above \$90,000 and married couples filing joint returns with combined income above \$115,000.

Extension of Medicare hospital insurance coverage to all State and local government employees. Effective October 1, 1995, mandatory Medicare coverage would be extended to all employees of State and local governments not covered under present law.

Assessment on premiums for health coverage purchased through regional alliances. A 1.5 percent assessment would be levied on premiums for health coverage purchased through regional alliances.

Effect of employer mandate, cost containment, and subsidies on individual income and payroll taxes. Economists generally assume that, in the long run, wages adjust to reflect changes in employee benefit costs so that total compensation costs remain constant. Because the Act would result in a net decrease in aggregate employer health care costs over the budget period, there would be a corresponding net increase in aggregate cash wages and other fringe benefits. Since employer-provided health care is not taxable while cash wages are, this shift in the composition of employee compensation would result in increased income and payroll tax revenues.

OTHER ADMINISTRATION REVENUE PROPOSALS

The Administration has made the following additional revenue proposals:

Modified Federal pay raise (receipt effect). National and locality pay increases would sum to 1.6 percent in 1995, 2.2 percent in 1996, and 2.5 percent in each year, 1997 through 1999. These proposed pay adjustments affect employee contributions to the Civil Service Retirement System (CSRS).

Surcharge on civil judgments. Where the Justice Department wins a judgment for civil debt, an enforceable 15 percent surcharge would be added. The surcharge would apply to all judgments rendered after September 30, 1994.

Funding reforms relating to the Pension Benefit Guaranty Corporation (receipt effect). The Administration has proposed reforms to assure that pensions of American workers and retirees remain secure. In addition to strengthening the funding requirements for

underfunded plans, the proposal modifies existing tax rules regarding contributions to certain types of plans and modifies or eliminates existing excise taxes levied on some pension plan contributions.

Reallocation of old age and survivors (OASI) and disability (DI) insurance tax rates. To prevent the projected insolvency of the DI trust fund, a reallocation of OASI and DI payroll tax rates is proposed. The proposal has no net effect on receipts or the deficit.

Adjustment of civil monetary penalties for inflation. The Administration proposes to adjust civil monetary penalties for inflation. A "catch-up" adjustment would be effective October 1, 1994; additional adjustments would be made every four years, if needed.

Increase and/or establish new Bureau of Alcohol Tobacco and Firearms (BATF) fees. Effective October 1, 1994, many existing fees levied by the BATF on alcohol, tobacco and firearms would be increased and several new fees would be established. The Administration proposes that the amounts collected from these fees, which are listed below, would be used to offset the costs of the Bureau of Alcohol, Tobacco and Firearms.

Increase Federal firearms dealer license fee. Under current law, firearms dealers pay \$90 for an original 3-year license and \$200 for a 3-year renewal license. The Administration proposes to increase the licensing fee to \$600 per year. It is believed that this increase would drastically reduce the number of dealers.

Levy fee on firearms importers. A sliding scale fee, based on the number of firearms imported on a permit, would be levied on importers of firearms.

Levy fee on applications for certification of labelling and testing of alcoholic beverages. To offset the cost of operating the alcohol compliance program, a fee would be charged for processing applications for certification of alcoholic beverage labels and for review of formulae, statements of process, laboratory tests and other analyses performed under the authority of the Federal Alcohol Administration Act.

Increase Federal license and permit fees levied on manufacturers of dealers in explosives. Existing fees levied on explosives manufacturers and dealers, which range from \$2 to \$50, would be increased to range from \$25 to \$500.

Levy fee on applications for permits to manufacture alcohol and tobacco products. A fee, to be based on the size of the business, would be levied on original applications for permits to manufacture alcohol and tobacco.

Modify collection of alcohol special occupational tax. In order to increase compliance, wholesalers would not be able to sell to retailers until the retailer shows evidence that the special occupational tax has been paid.

Increase and/or expand fees collected under the securities laws. Effective October 1, 1994, several existing securities-related fees would be increased and/or expanded to new markets. Amounts collected from these fees, which are listed below, would be deposited into a special fund to be established in the Treasury to fully-fund the Securities and Exchange Commission (SEC). The Administration proposes that the amounts collected in excess of the SEC's ap-

propriation would be deposited in the General Fund of the Treasury.

Increase tender offer and merger acquisition fees. The existing fees, which are 1/50th of one percent of the cash, securities or property involved in a tender offer or merger acquisition, would be increased to 1/29th of one percent.

Increase securities sales fee. The fee on the sale of all U.S. exchange-listed securities would be increased from 1/300th of one percent of the sale to 1/250th of one percent of the sale. In addition, the fee would be expanded to cover the sale of all over-the-counter securities transactions effective January 1, 1995.

Increase securities registration fee. Applicants filing securities registration statements currently pay a fee equal to 1/50th of one percent of the maximum aggregate price at which the securities are proposed to be offered. An increase in the fee to 1/29th of one percent is proposed.

Increase investment advisor registration fee. The existing one-time registration fee of \$150 levied on investment advisors would be increased to an annual fee based on the volume of assets under management.

Levy fees on users of Federal fisheries. Effective October 1, 1994, fees would be levied on the beneficiaries of Federal fisheries management programs. Amounts collected would be used to rebuild U.S. fisheries and to maintain the productivity of healthy fisheries.

TAX SIMPLIFICATION

The Administration supports revenue-neutral initiatives designed to promote sensible and equitable administration of the internal revenue laws. These include tax simplification, technical corrections, and taxpayer compliance measures.

EXPIRING TAX PROVISIONS

Employer-Provided Educational Assistance. The Budget does not include a proposal to extend the tax-favored treatment of employer-provided educational assistance, which is scheduled to expire on December 31, 1994.

Targeted Jobs Tax Credit. The Budget does not include a proposal to extend the targeted jobs tax credit, which is scheduled to expire on December 31, 1994.

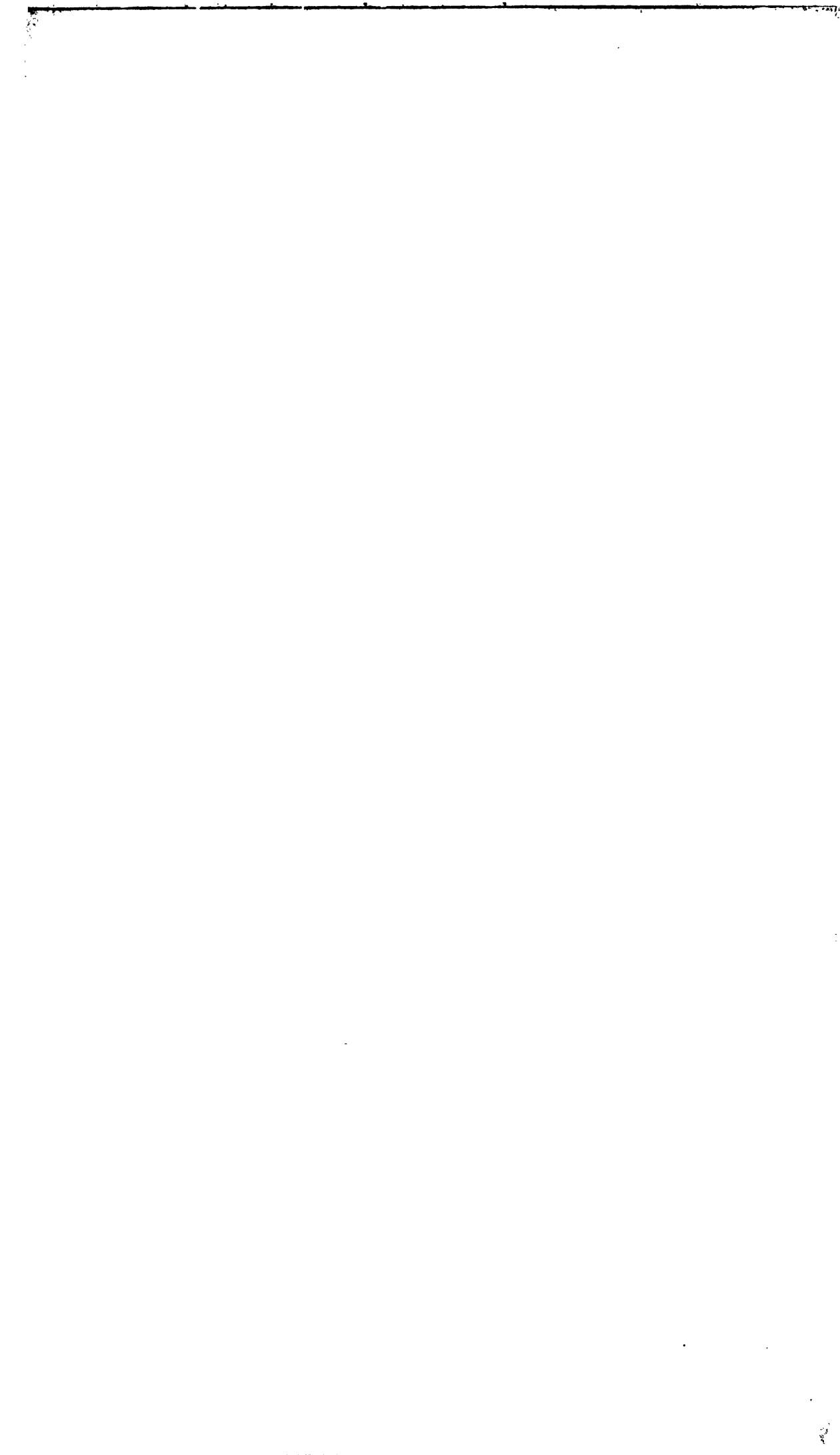
Orphan Drug Tax Credit. The Budget does not include a proposal to extend the tax credit for expenses paid or incurred for the clinical testing of drugs that are used to treat rare diseases (the "Orphan Drug Tax Credit"), which is scheduled to expire on December 31, 1994.

Allocation of R&E Expenses. OBRA '93 generally allows taxpayers to allocate 50 percent of domestic-incurred research and experimentation ("R&E") expenditures to their domestic income and 50 percent of foreign-incurred R&E expenditures to their foreign income for a specified one-year period. This one-year period expires as early as August 31, 1994 for some taxpayers. The Budget does not include a proposal to extend these rules for the allocation of R&E expenditures beyond this period.

Research Tax Credit. The Budget does not include a proposal to extend the credit for certain research and experimentation costs, which is scheduled to expire on June 30, 1995.

ANTICIPATED PROPOSALS

Superfund. The Administration has forwarded to Congress a Superfund reform bill. The Budget does not reflect the impact of this legislative proposal because it was incomplete when the 1995 budget data base was locked. The bill, when finalized, will contain significant tax provisions, including (1) an extension of the existing Superfund taxes (on petroleum products, certain chemicals, and on the modified alternative minimum taxable income of corporations to the extent it exceeds \$2 million) and (2) new taxes on insurance companies to fund settlements between insurers and policyholders concerning Superfund cleanup costs.



**CHART 19.—MAJOR TAX EXPENDITURES IN THE INCOME TAX,
RANKED BY TOTAL 1995 REVENUE LOSS**

[In millions of dollars]

| Total Revenue Loss | 1995 |
|---|--------|
| Exclusion of employer contributions for medical insurance premiums and medical care | 56,265 |
| Net exclusion of employer pension contributions and earnings | 55,540 |
| Deductibility of mortgage interest on owner-occupied homes | 54,800 |
| Step-up basis of capital gains at death | 28,305 |
| Accelerated depreciation (normal tax method) | 27,495 |
| Deductibility of nonbusiness State and local taxes other than on owner-occupied homes | 25,640 |
| Deductibility of charitable contributions (all types) | 19,330 |
| Exclusion of OASI benefits for retired workers | 16,525 |
| Deductibility of State and local property tax on owner-occupied homes | 14,655 |
| Deferral of capital gains on home sales | 14,620 |
| Exclusion of interest on public purpose State and local debt | 12,350 |
| Exclusion of interest on life insurance savings | 8,730 |
| Exclusion of interest on State and local debt for various non-public purposes | 7,515 |
| Preferential treatment of capital gains (normal tax method) | 6,920 |
| Exception from passive loss rules for \$25,000 of rental loss | 5,775 |
| Net exclusion of Individual Retirement Account contributions and earnings | 5,290 |
| Earned income credit ¹ | 5,100 |
| Exclusion of capital gains on home sales for persons age 55 and over | 4,960 |
| Exclusion of workmen's compensation benefits | 4,455 |
| Graduated corporation income tax rate (normal tax method) | 3,890 |
| Net exclusion of Keogh plan contributions and earnings | 3,875 |
| Exclusion of social security benefits for dependents and survivors | 3,730 |
| Deductibility of medical expenses | 3,560 |
| Exclusion of employer premiums on group term life insurance | 2,880 |
| Credit for child and dependent care expenses | 2,820 |
| Tax credit for corporations receiving income from doing business in U.S. possessions | 2,630 |
| Expensing of research and development expenditures (normal tax method) | 2,390 |
| Credit for low-income housing investments | 2,265 |
| Exclusion of benefits and allowances to armed forces personnel | 2,030 |
| Exclusion of reimbursed employee parking expenses | 1,930 |
| Exclusion of veterans disability compensation | 1,920 |
| Exclusion of social security disability insurance benefits | 1,905 |
| Special ESOP rules (other than investment credit) | 1,760 |
| Deferral of income from controlled foreign corporations (normal tax method) | 1,700 |
| Expensing of certain small investments (normal tax method) | 1,560 |
| Additional deduction for the elderly | 1,555 |
| Exclusion of income of foreign sales corporations | 1,400 |
| Excess of percentage over cost depletion, fuel and nonfuel minerals | 1,330 |
| Inventory property sales source rules exception | 1,300 |
| Credit for increasing research activities | 1,270 |
| Deferral of interest on savings bonds | 1,250 |
| Alternative fuel production credit | 970 |
| Deferral of income from post 1987 installment sales | 935 |
| Exclusion of income earned abroad by United States citizens | 895 |
| Exclusion of scholarship and fellowship income (normal tax method) | 875 |

**CHART 19.—MAJOR TAX EXPENDITURES IN THE INCOME TAX,
RANKED BY TOTAL 1995 REVENUE LOSS—Continued**
(In millions of dollars)

| Total Revenue Loss | 1995 |
|--|------|
| Exclusion of employer provided child care | 725 |
| Exemption of RIC expenses from the 2% floor for miscellaneous itemized deductions | 690 |
| Exclusion of public assistance benefits (normal tax method) | 585 |
| Expensing of multiperiod timber growing costs | 575 |
| Exclusion of employee meals and lodging (other than military) | 550 |
| Parental personal exemption for students age 19 or over | 535 |
| Exclusion of railroad retirement system benefits | 400 |
| Targeted jobs credit | 395 |
| Exemption of credit union income | 380 |
| Empowerment zones | 330 |
| Deferral of gains from sale of broadcasting facilities to minority owned business | 290 |
| Exclusion of parsonage allowances | 290 |
| Suspension of the allocation of research and experimentation expenditures | 270 |
| Deductibility of casualty losses | 230 |
| Expensing of exploration and development costs, fuel and nonfuel minerals | 210 |
| Amortization of start-up costs (normal tax method) | 200 |
| Credit for disabled access expenditures | 160 |
| Permanent exceptions from imputed interest rules | 150 |
| Exclusion from income of conservation subsidies provided by public utilities | 145 |
| Capital gains treatment of certain agricultural income | 140 |
| Exclusion of employer premiums on accident and disability insurance | 140 |
| Small life insurance company deduction | 135 |
| Carryover basis of capital gains on gifts | 130 |
| Exclusion of military disability pensions | 130 |
| Special Blue Cross/Blue Shield deduction | 125 |
| Tax incentives for preservation of historic structures | 125 |
| Cancellation of indebtedness | 110 |
| Tax exemption of certain insurance companies | 110 |
| Exclusion of special benefits for disabled coal miners | 100 |
| Interest allocation rules exception for certain financial operations | 95 |
| Expensing of certain multiperiod production costs | 85 |
| Exclusion of employer provided educational assistance | 85 |
| Investment credit for rehabilitation of structures (other than historic) | 80 |
| Exclusion of veterans pensions | 75 |
| Expensing of certain agricultural capital outlays | 70 |
| Exclusion of GI bill benefits | 65 |
| New technology credit | 65 |
| Tax credit for the elderly and disabled | 65 |
| Tax credit and deduction for clean-fuel burning vehicles and properties | 65 |
| Exception from passive loss limitation for working interests in oil and gas properties | 50 |
| Special rules for mining reclamation reserves | 50 |

¹The figure in the table indicates the effect of the earned income tax credit on receipts. The effect on outlays in 1995 is \$15,795 million.

Note: Provisions with estimates denoted "normal tax method" have no revenue loss under the reference tax law method.

Source: President's fiscal year 1995 budget, table 6.6—Analytical Perspectives.

Chart 19

Tax Expenditures

Chart 19 provides a list of major income tax expenditures, ranked according to their projected 1995 revenue loss. This table is reprinted from the President's fiscal year 1995 budget.

Section 3(3) of the Congressional Budget and Impoundment Control Act of 1974 (the "Budget Act of 1974") defines tax expenditures as "those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax or a deferral of tax liability." These special income tax provisions are referred to as tax expenditures because they are considered to be analogous to direct outlay or direct expenditure programs, and thus can be utilized by the Government as alternative means of accomplishing budget policy objectives. Estimates of tax expenditures provide a measure of the economic benefits that are provided through the tax laws to various groups of taxpayers and sectors of the economy.

The Budget Act of 1974 requires a list of tax expenditures to be included in the budget. The Budget Act of 1974 does not specify, however, which baseline provisions must be used in determining whether specific tax provisions should be treated as tax expenditure items. The tax expenditure estimates provided in the President's budget are presented using two baselines—the "normal tax baseline," which is used by the Joint Committee on Taxation, and the "reference tax law baseline," which has been used by the Administration since 1983.

The "normal tax baseline" generally defines income as the sum of consumption and the change in net wealth in a given period of time. A provision is generally classified as a tax expenditure if the provision represents a departure from the taxation of economic income that is made for reasons other than administrative feasibility. The "reference tax law baseline" generally takes a broader view of those provisions that should be considered a part of the normal tax law. Tax expenditures under the reference tax law baseline are limited to special exceptions in the tax code that serve programmatic functions within specific budget categories, such as national defense, agriculture, or health care. Because the Joint Committee on Taxation uses a methodology that involves a narrower concept of normal tax law, it generally includes more tax provisions in its list of tax expenditures than the Administration. Items that would be tax expenditures only under the normal tax law method are separately identified in the President's budget.

The tax expenditure tables from the President's budget are reprinted in Appendix E. These tables reflect both the Administration's estimates of the budget outlay equivalent for tax expendi-

tures and the Administration's estimates of the revenue loss for tax expenditures. The "outlay equivalent" is the amount of outlay that would be required to provide the taxpayer the same after-tax income as would be received through a comparable tax preference. The outlay equivalent may not equal the revenue loss estimate for all tax expenditure items. For example, where the outlay program acts as a Government payment for services, i.e., increases the taxpayer's pre-tax income, the outlay equivalent would be larger than the revenue loss because the Government would be required to make larger cash payments to an individual in order to provide the same after-tax benefit as a tax preference. The President's budget includes a separate table for tax expenditures in the estate and gift tax area, which is reprinted as table 6-5 in Appendix E. Because there is no generally accepted normal tax baseline for estate and gift taxes, the Joint Committee on Taxation does not estimate tax expenditures in this area.

Tax disincentives that result in higher tax liabilities, which are sometimes referred to as "negative" tax expenditures, are not included in Chart 19 or the tables reprinted in Appendix E. A personal exemption for each individual taxpayer is included within the normal income tax structure. The phase-out of personal exemptions for high income taxpayers increases a taxpayer's liability and thus is one example of a negative tax expenditure.

Because there is no precise definition for tax expenditures, the process of listing tax expenditures is inherently judgmental. The listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or any judgment about the effectiveness of any particular provision.



Chart 20.—PUBLIC DEBT AND THE STATUTORY LIMIT
[CBO BASELINE AND REESTIMATES OF THE PRESIDENT'S BUDGET]
[By fiscal year, in billions of dollars]

| | Actual 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|-------|-------|-------|-------|-------|-------|
| | Baseline | | | | | | |
| Gross Federal Debt | 4,351 | 4,693 | 5,005 | 5,330 | 5,673 | 6,019 | 6,390 |
| Debt Held by Government | | | | | | | |
| Accounts: | | | | | | | |
| Social Security | 366 | 428 | 498 | 573 | 657 | 749 | 848 |
| Other government accounts ¹ | 738 | 801 | 854 | 910 | 961 | 1,011 | 1,051 |
| Total | 1,104 | 1,229 | 1,352 | 1,483 | 1,618 | 1,759 | 1,899 |
| Debt Held by the Public | 3,247 | 3,465 | 3,653 | 3,846 | 4,055 | 4,260 | 4,492 |
| Debt Subject to Limit ² | 4,316 | 4,657 | 4,968 | 5,292 | 5,634 | 5,980 | 6,350 |
| | Debt Held by the Public as a Percentage of GDP | | | | | | |
| Debt Held by the Public | 51.6 | 52.2 | 52.1 | 52.1 | 52.1 | 52.1 | 52.3 |
| | Estimates of the President's Budgetary Proposals | | | | | | |
| Gross Federal Debt | 4,351.2 | 4,693 | 5,004 | 5,322 | 5,659 | 6,005 | 6,364 |
| Debt Held by Government | | | | | | | |
| Accounts: | | | | | | | |
| Social Security | 366 | 428 | 498 | 574 | 658 | 750 | 851 |
| Other government accounts ¹ | 738 | 801 | 854 | 908 | 957 | 1,003 | 1,040 |
| Total | 1,104 | 1,229 | 1,352 | 1,482 | 1,615 | 1,754 | 1,891 |
| Debt Held by the Public | 3,247 | 3,464 | 3,653 | 3,840 | 4,044 | 4,251 | 4,473 |
| Debt Subject to Limit ² | 4,316 | 4,657 | 4,967 | 5,284 | 5,621 | 5,965 | 6,324 |
| | Debt Held by the Public as a Percentage of GDP | | | | | | |
| Debt Held by the Public | 51.6 | 52.2 | 52.1 | 52.0 | 52.0 | 51.9 | 52.0 |

¹ Principally Civil Service Retirement, Military Retirement, Medicare, unemployment insurance, and the Highway and Airport and Airway trust funds.

² Differs from the gross federal debt primarily because most debt issued by agencies other than the Treasury is excluded from the debt limit.

SOURCE: Congressional Budget Office.

NOTE: Projections of interest assume compliance with the discretionary spending caps in the Budget Enforcement Act.

Chart 20

Public Debt and the Statutory Limit

The Finance Committee has jurisdiction over “bonded debt of the United States” which includes financing the public debt (see chart 15 on “Interest”); issuance of public debt; and the Statutory Limit on the Public Debt.

There are three basic tabulations of federal debt: (1) Gross Federal Debt, (2) Debt Held by the Public, and (3) Debt Subject to Statutory Limit. Chart 20 displays each of these tabulations for fiscal years 1994 through 1999. For historical data, see Appendix G.

Gross Federal Debt is a measure of all federal government debt securities outstanding, whether issued by the Treasury (Treasury debt) or by other agencies (agency debt) and whether held by the public or by government accounts. Currently, approximately three-quarters of Gross Federal Debt is held by the public, while one-quarter is held by government accounts.

A substantial portion of debt held by government accounts is held by the Social Security Trust funds. In fiscal year 1994, 9 percent of gross federal debt is held by the Social Security trust funds; that percentage will increase to 13 percent by fiscal year 1999.

Debt Held by the Public is that part of the Gross Federal Debt held outside of the federal government. This includes any federal debt held by individuals, corporations, state or local governments, the Federal Reserve System, and foreign governments and central banks. Debt held by government trust funds, revolving funds, and special funds is excluded from Debt Held by the Public.

Debt Held by the Public is often regarded as the most useful measure of debt, since it measures the federal government’s borrowing from the public.

Debt Subject to Statutory Limit sets a statutory ceiling on the issuance of public, or Treasury, debt. It includes virtually all Treasury debt. It affects securities sold to the public as well as those issued to federal trust funds. Therefore, it is practically identical to the Gross Federal debt.¹

Historically, increases in the statutory ceiling on the public debt have sometimes been permanent, and other times temporary. As part of the Omnibus Budget Reconciliation Act of 1993, the Congress permanently raised the limit on the public debt to \$4.9 trillion, a level currently estimated by the Department of the Treasury and the Congressional Budget Office to be sufficient to accommodate Federal borrowing through late Spring or early Summer of 1995.

¹The minor differences between Gross Debt and Debt Subject to Limit are chiefly attributable to securities issued by agencies other than the Treasury, such as the Tennessee Valley Authority, which are exempt from the limit.

Chart 21.—ENTITLEMENT SPENDING CONTROLS¹

(In billions of dollars)

| | 1994 | 1995 | 1996 | 1997 | 1994-97 |
|---|-------|-------|-------|-------|---------|
| Changes to mandatory targets | | | | | |
| Initial mandatory targets (Executive Order 12857) | 746.4 | 784.7 | 823.7 | 887.7 | ..... |
| Adjustments for: | | | | | |
| Increase in beneficiaries | 5.7 | 8.0 | 10.2 | 14.1 | 38.1 |
| Changes in receipts | -0.1 | -0.1 | -0.2 | -0.1 | -0.5 |
| Changes due to category shifts | 0.0 | -0.0 | -0.1 | -0.0 | -0.1 |
| Total adjustments | 5.6 | 7.9 | 10.0 | 14.0 | 37.5 |
| Current mandatory targets | 752.0 | 792.7 | 833.7 | 901.7 | ..... |
| Changes to outlays under current laws | | | | | |
| Outlays under current law as of August 1993 | 746.4 | 784.7 | 823.7 | 887.7 | ..... |
| Adjustments for: | | | | | |
| Increase in beneficiaries | 5.7 | 8.0 | 10.2 | 14.1 | 38.1 |
| Decreases in beneficiaries | -7.6 | -4.1 | -2.1 | -2.1 | -15.9 |
| Cost of living adjustments | -1.4 | -1.0 | 1.1 | 4.0 | 2.7 |
| Other inflation | 0.4 | 1.3 | 2.4 | 4.6 | 8.7 |
| Other technicals | -8.9 | -14.2 | -9.0 | -20.8 | -52.8 |
| Total adjustments | -11.8 | -10.0 | 2.6 | -0.1 | -19.3 |
| Outlays under current law as of January 1994 | 734.6 | 774.7 | 826.3 | 887.6 | ..... |
| Amount over (+) or under (-) the current target | -17.4 | -18.0 | -7.4 | -14.1 | -56.8 |

¹This chart was reprinted from table 15-1 of the "Analytical Perspectives Vol. of the President's FY 1995 Budget."

Chart 21

Entitlement Spending Controls: Review of Direct Spending and Receipts

As explained in the summary of the budget process (Appendix A), the Budget Enforcement Act of 1990 established mechanisms: (1) to cap the growth of discretionary spending and (2) to require deficit neutrality of new entitlement spending and tax legislation. However, one aspect of deficit growth not addressed by the BEA was growth in mandatory spending programs.

Consequently, the House-passed version of the Omnibus Budget Reconciliation Act of 1993 (OBRA-93) included a new direct spending review process to control unanticipated inflation in entitlement programs. The provisions were later dropped in conference, but were partially adopted on August 4, 1993 when: (1) President Clinton signed an Executive Order 12587 effectuating the executive procedures included in the House bill; and (2) the House adopted a simple resolution effectuating the House procedures (both documents displayed in Appendix C).

The Executive Order required OMB in September 1993 to set direct spending targets for the levels of mandatory spending for fiscal years 1994-97. The targets were set at baseline levels, based upon anticipated inflation and projected numbers of beneficiaries. The targets were then adjusted in the President's FY 1995 Budget to reflect changes in numbers of anticipated beneficiaries.

The principal purpose of the process is to focus presidential and congressional attention on unanticipated inflation in mandatory spending programs—specifically, inflation which was not anticipated in September 1993 when the targets were initially set.¹

If OMB anticipates that the targets will be exceeded, the President is required—as part of each Budget submission—to propose changes in mandatory programs or revenue increases to offset the overage; or to transmit to Congress a special message explaining why economic conditions justify the overage not being fully offset.

If the President recommends program changes or new revenues, he is required to submit to the Congress, proposed Reconciliation instructions (to the committees of Congress) to produce implementing legislation. House Rules set forth special procedures to effectuate the Reconciliation instructions as part of the Concurrent Resolution on the Budget. Although the Senate does not have similar procedures, a House-generated Reconciliation bill could eventually be sent to the Senate.

¹In addition to inflation, other technical changes might be reflected in program overages such as new interpretations of laws and additional spending for natural disasters.

The President's FY 95 Budget projects that mandatory spending for fiscal years 1994-97 will fall below the direct spending targets. A special presidential message to reduce direct spending was therefore not triggered. (See FY 1995 Budget, Analytical Perspectives, pg. 203.)

APPENDIX A

The Congressional Budget Process

CONTENTS

| | |
|---|------|
| I. Overview of the Current Budget Process: | Page |
| A. Budget Act | 123 |
| B. Gramm-Rudman-Hollings | 124 |
| C. Budget Enforcement Act of 1990 and OBRA-93: Discretionary Caps & PAY-GO | 124 |
| D. 10-Year Point of Order in the Senate | 126 |
| E. Entitlement Review Process | 126 |
| II. Key Concepts: | |
| A. The 3-Tier Legislative Process—Authorizations; Revenue-Raising and Appropriations; and the Budget Process | 127 |
| B. The Federal Budget | 128 |
| C. Federal Revenues | 128 |
| D. Federal Spending (Budget Authority and Outlays) | 129 |
| E. Budget Functions | 130 |
| F. Major Categories of Federal Spending | 131 |
| G. Entitlements, Mandatory Spending, and Direct Spending | 132 |
| H. Baselines | 134 |
| I. Sequestration | 135 |
| J. Budget Deficits and the Federal Debt | 135 |
| K. On-Budget/Off-Budget Issues | 135 |
| III. Step-by-Step Explanation: | |
| A. The Fiscal Year | 137 |
| B. Jan./Feb.: Transmittal of President's Budget Request | 137 |
| C. Feb./March: Budget Committee Hearings; Committee Views and Esti- mates; CBO Reports | 137 |
| D. March/April: Budget Resolution and Reconciliation Instructions | 137 |
| E. April: Committee Allocations | 139 |
| F. April-September: Appropriations Action and Reconciliation [the Byrd Rule and the Fungibility Rule] | 140 |
| G. The New Fiscal Year—Enforcing the Budget | 141 |
| IV. Historical Table: Reconciliation Bills | 142 |

I. OVERVIEW OF THE CURRENT BUDGET PROCESS

Prior to 1974, the Congress received the President's Budget each year and made various modifications to the requests, but responsibility for overall budget policies and priorities rested primarily with the President. In 1974, in response to this long-standing dependence on the Administration's budget, as well as the impoundment of appropriated funds by President Nixon, the Congress enacted the Congressional Budget and Impoundment Control Act of 1974 (Budget Act).

A. Budget Act

The Budget Act created the Congressional Budget Office to provide Congress with a non-partisan, Legislative Branch source of budget analysis and review. The Act also established the Senate and House Budget Committees which are responsible for producing

a budget framework each year in the form of a Concurrent Resolution on the Budget (Budget Resolution). The Budget Resolution—once passed by the full House and Senate—serves as the basis for a series of points of order which may be raised on the Senate and House Floors in objection to legislation violating spending and revenue levels set in the Resolution. The Budget Resolution may also require Committees to produce a Reconciliation Bill to change revenue and spending policies. (*See Appendix D, below, on Budget Points of Order.*)

The Budget Act, as originally conceived, was not designed to achieve any particular fiscal result. Rather, it was designed to give the Congress an overview of fiscal policy and a means of enforcing budgetary objectives. When deficits began to grow rapidly in the early 1980's, interest grew in creating new procedures designed explicitly for holding down deficits.

B. Gramm-Rudman-Hollings

In 1985—in response to burgeoning deficits—Congress enacted the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly referred to as Gramm-Rudman-Hollings or “GRH”) aimed at bringing the Federal budget into balance by fiscal year 1991.

The GRH Act established a series of declining annual deficit targets and created an automatic spending-reduction process (known as sequestration) intended to ensure that the deficit targets were adhered to even if Congress and the President failed to reduce the deficit sufficiently through legislative action.

By 1987 it had already become clear that Congress would not balance the budget by 1991. The targets were amended in 1987 and the goal of a balanced budget was pushed back to fiscal year 1993.

The Congressional Budget Office notes that “although GRH may have held the deficits below what they would otherwise have been, it clearly did not lower the deficit to anywhere close to the targeted level. The original deficit target for 1990 . . . was \$36 billion. The revised 1990 target, established in 1987, was \$100 billion. The actual deficit for that year was \$221 billion.”¹

C. Budget Enforcement Act of 1990 and OBRA-93: Discretionary Caps & PAY-GO

With deficits apparently out of control in 1990, the Bush Administration and Congress embarked on a Budget Summit which eventually produced an agreement designed to reduce projected deficits by half a trillion dollars over fiscal years 1991–1995. As part of the agreement, the GRH procedures were largely replaced by the Budget Enforcement Act (BEA) which contained procedures to enforce the 5-year budget agreement. The old GRH annual deficit targets—which expire after FY 95—were left in place but are now largely irrelevant (because they are annually adjusted upward for changes in economics and other factors).

The BEA set up separate enforcement mechanisms for (1) discretionary spending and (2) revenues & direct spending. These mechanisms—caps on discretionary spending and a pay-as you-go re-

¹ CBO, *Economic and Budget Outlook: Fiscal years 1994–1998*, January 26, 1993, pg. 84.

quirement—replaced the previous GRH focus on declining deficit targets with a *concentration on limiting the deficit impact of new legislation*. According to CBO, “in general, the process the BEA established has been successful in preserving the deficit reductions enacted in 1990, even though other factors² have caused a substantial increase in the projected deficits since then.”³

Discretionary spending caps. The first BEA enforcement mechanism placed caps on discretionary spending—i.e., spending that is controlled in annual appropriations acts. For fiscal years 1991–1993, spending caps were established for each of three categories—defense, international, and domestic spending. For fiscal years 1994–1995, spending caps were put into place only for total discretionary spending. The Omnibus Budget Reconciliation Act of 1993 (OBRA–93) extended the overall discretionary spending caps through fiscal year 1998—essentially freezing discretionary spending at or below fiscal year 1994 levels for 5 years. Any violation of the spending caps is addressed through a sequestration (automatic reduction) of discretionary spending.

PAY-GO. The BEA’s second major enforcement mechanism is the pay-as-you-go (PAY-GO) process that applies to direct spending and revenues—and therefore substantially impacts the jurisdiction of the Finance Committee. Under PAY-GO, direct spending is composed primarily of entitlements—i.e. laws mandating government payments based on eligibility rules and benefit formulas, which are not subject to annual appropriations controls. The PAY-GO process originally applied to fiscal years 1991 through 1995. OBRA–93 extended the PAY-GO mechanism through fiscal year 1998.

The PAY-GO process requires that changes in direct spending and revenues, combined, must not increase the deficit in any year through fiscal year 1998. Therefore, an entitlement program can be increased only if another entitlement is cut or if taxes or fees are raised. Similarly, revenues can be lost through a new tax expenditure only if other revenues are raised or direct spending is cut. This requirement applies not to each new law individually, but to the total of all laws affecting a fiscal year.⁴

PAY-GO is a cumulative process. In calculating whether a deficit increase has occurred, net savings enacted for one fiscal year can be used to offset net increases in the subsequent year. The Office of Management and Budget (OMB), which implements PAY-GO, maintains a PAY-GO “scorecard” of deficit effects for each fiscal year through fiscal year 1998 from direct spending and revenue legislation enacted since 1991.

OMB enforces the PAY-GO requirements through sequestration. If at the end of a congressional session, the bottom line shows a combined net deficit increase for the fiscal years just-beginning and just-ended, OMB is required to implement across-the-board cuts in all non-exempt direct spending programs.⁵

²The other factors were principally the recession and health care inflation.

³CBO, *Economic and Budget Outlook: Fiscal years 1994–1998*, January 26, 1993, pg. 84.

⁴As with discretionary spending, spending for designated emergency needs is exempt from the PAY-GO requirement.

⁵For example, in November of 1994, OMB will look at the deficit effects for fiscal years 1994 and 1995 of all direct spending and revenue legislation enacted since PAY-GO scoring began in 1991. If the combined bottom lines for fiscal years 1994 and 1995 show a deficit increase,

Sequestration is suspended if a declaration of war is in effect or if Congress enacts a joint resolution triggered by a "low-growth" report by CBO. A sequestration order may be modified by a special joint resolution introduced by the Majority Leader or by passing a special Reconciliation bill for that purpose.

D. 10-Year Point of Order in the Senate

The Budget Resolution adopted in 1993 created a point of order in the Senate more stringent than the PAY-GO process. Section 12(c) of the fiscal year 1994 Budget Resolution prohibited the consideration of legislation which would increase the deficit for any individual fiscal year through fiscal year 2003. This extended 5 years beyond PAY-GO and—unlike PAY-GO—did not permit savings enacted for one fiscal year to be used to offset net increases in the subsequent year.

The 10-year point of order will remain in effect for fiscal year 1995, but with a couple of changes. The fiscal year 1995 Budget Resolution changes the point of order by limiting its outyear budget restrictions to measures causing deficit increases *over budget years 6-through-10*, rather than focusing on each year individually. In addition, the language clarifies that PAY-GO surpluses created since OBRA-93 can be used to offset deficit calculations over the budget period.

E. Entitlement Review Process

As explained above, the BEA established mechanisms: (1) to cap the growth of discretionary spending and (2) to require deficit neutrality of new entitlement spending and tax legislation. However, one aspect of deficit growth not addressed by the BEA is growth in mandatory spending programs.

Consequently, the House-passed version of OBRA-93 included a new direct spending review process to control unanticipated inflation in entitlement programs. The provisions were later dropped in conference, but were partially adopted on Aug. 4, 1993 when: (1) President Clinton signed an Executive Order 12587 effectuating the executive procedures included in the House bill and (2) the House adopted a simple resolution effectuating the House procedures (both documents displayed in Appendix C).

The Executive Order required OMB last September to set direct spending targets for the levels of mandatory spending for fiscal years 1994-1997. The targets were set at baseline levels, based upon anticipated inflation and projected numbers of beneficiaries. The targets were then adjusted in the fiscal year 1995 budget submission to reflect changes in numbers of anticipated beneficiaries.

then a sequester (across-the-board cuts) of non-exempt mandatory spending programs would be directed by OMB.

About 80% of outlays associated with direct spending programs are statutorily exempt from automatic sequestration cuts. Exempt programs include *Social Security*, Federal retirement and disability programs, *net interest*, certain *low-income programs*, veterans' compensation and pensions, regular State *unemployment insurance benefits*, and certain types of resources such as unobligated balances of budget authority for non-defense programs.

Under the automatic sequestration of non-exempt programs, the sequester calculations are made so that two programs with automatic spending increases (COLAs)—the special milk program, and vocational rehabilitation—are cut first, followed by two special-rule programs (Stafford loans, formerly called guaranteed student loans, and *foster care and adoption assistance*), and then *Medicare* and the remaining non-exempt direct spending programs. The cut in Medicare under PAY-GO is limited to four percent.

The principal purpose of the process is to focus presidential and congressional attention on *unanticipated inflation in mandatory spending programs*—specifically, inflation which was not anticipated in September 1993 when the targets were initially set.⁶

If OMB anticipates that the targets will be exceeded, the President is required—as part of each Budget submission—to propose changes in mandatory programs or revenue increases to offset the overage; or to send up a special message explaining why economic conditions justify the overage not being fully offset. If the President recommends program changes or new revenues, he is required to submit to the Congress, proposed Reconciliation instructions to the committees to produce implementing legislation. House Rules set forth special procedures to effectuate the Reconciliation instructions as part of the Budget Resolution. Although the Senate does not have similar procedures, a House-generated Reconciliation bill could eventually be sent to the Senate.

The President's fiscal year 1995 Budget projects that mandatory spending for fiscal years 1994–1997 will fall below the direct spending targets, so a special presidential message to reduce direct spending was not required. (See Chart 21 and Appendix C)

II. KEY CONCEPTS

A. *The 3-Tier Legislative Process—Authorizations; Revenue-Raising and Appropriations; and the Budget Process*

The U.S. Constitution gives Congress the power to raise and allocate the resources of the Federal Government.⁷ In order to accomplish this task, Congress has developed three fiscal processes.

First, Congress has an *authorizations process* which creates Federal spending programs to respond to national needs. The Senate has 17 authorizing committees (including the Finance Committee) and the House has 20 authorizing committees. Each authorizing committee has jurisdiction over particular areas of national concern.

The second tier is *revenue-raising and appropriations*. The Senate Finance and House Ways and Means Committees raise revenues to finance authorized programs and the Appropriations Committee in each House of Congress allocates funds among the authorized programs. (However, authorizing committees can, in effect, spend money directly by enacting programs which require the Federal Government to pay specified benefits to a specified class of beneficiaries—see “Major Categories of Federal Spending—Entitlements” below.)

The third—and newest—fiscal process in Congress is the *congressional budget process*. Under this process, Congress annually establishes an overall fiscal policy on how much total spending and revenues ought to be and how total spending should be divided among the major categories of spending, i.e., defense, non-defense discretionary, entitlements, etc. (see major categories of Federal spending, below).

⁶ In addition to inflation other technical changes might be reflected in program overages such as new interpretations of laws and additional spending for natural disasters.

⁷ Article I, Section 9 of the U.S. Constitution provides that “no money shall be drawn from the Treasury, but in consequence of appropriations made by law.”

B. The Federal Budget

There are two separate and distinct Federal budgets: the President's budget and the congressional budget. Not later than the first Monday in February of each year, the President submits to the Congress his budget plan for the fiscal year which will start the following October 1. The President's budget not only sets forth the overall levels of spending and revenues that he recommends but also contains a detailed listing of the dollar amounts he estimates and proposes for each individual program of government.

The congressional budget is a concurrent resolution reported from the House and Senate Budget Committees and adopted by the Congress. Unlike the President's budget, it does not include detailed programmatic budget levels. Instead it establishes overall budget aggregates: total revenues, total outlays, total budget authority. The budget resolution does include a breakdown of the spending totals by broad functional categories such as "Energy," "Agriculture," and "Health," but this breakdown is not binding.

Both the President's budget and the congressional budget are essentially planning documents designed to guide the Congress as it works on the separate pieces of legislation (tax, entitlement, and appropriations bills) which actually determine the amount of Federal spending and revenues and the extent of budgetary deficit or surplus.

C. Federal Revenues

The Federal Budget is customarily viewed as having two "sides"—a "spending side" and a "revenue side." Following is an explanation of revenues. Spending is discussed in subsequent sections.

The term "revenues"—as used in the congressional budget process—is a synonym for "governmental receipts." Governmental receipts are collections from the public based on the government's exercise of its sovereign powers. They include taxes, duties, compulsory social insurance premiums, court fines, compulsory licenses, and deposits of earnings in the Federal Reserve System.

Congress' authority to raise revenues is set forth in Article I, section 8, clause 1, of the Constitution which provides: "The Congress shall have Power to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defense and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States."

Governmental receipts (revenues) do *not* include collections received by the Federal Government for the sale of products or services rendered (such as the sale of timber from Federal lands or entrance fees for national parks). Such collections are netted against the Federal spending accounts in the budget and are thus called "offsetting collections" or "offsetting receipts." (See "collections" in the glossary below, Appendix K)

It is not uncommon for issues to arise concerning whether particular government user charges are more appropriately regarded as governmental receipts (on the revenue side of the budget) or as offsetting collections/receipts (on the spending side of the budget). This issue is discussed below in Appendix O.

Article I, section 7 of the U.S. Constitution (the Origination Clause) provides that "All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills." The reason for the Origination Clause is that the House—at the time—was the only body directly elected by the people.⁸ Even after the 17th Amendment applied direct election to the Senate, the Origination Clause remained in force.

This provision requires that revenue *vehicles* must originate in the House. It does not preclude the Senate from beginning its consideration of tax legislation before a House-originated tax vehicle is transmitted to the Senate. For example, the Senate may consider a revenue bill in the form of a Senate or (S.-bill), and then await transmittal of a revenue bill from the House. The Senate can then add or substitute provisions of the S.-bill as an amendment to the H.R.-revenue vehicle and send the H.R.-revenue vehicle back to the House of Representatives requesting a conference or the House's concurrence on the differing provisions.

When the House believes that the Senate has encroached on its constitutional prerogative to originate revenue bills, it passes a House resolution stating that the Senate provision: "in the opinion of the House, contravenes the first clause of the seventh section of the first article of the Constitution of the United States and is an infringement of the privilege of the House and that such bill be respectfully returned to the Senate with a message communicating this resolution." This practice is referred to as "blue slipping" because the resolution returning the offending bill to the Senate is printed on blue paper. (For a further discussion of blue-slipping, see "Overview of the Federal Tax System," Committee on Ways & Means, WMCP:103-17, pp. 9-14 (June 14, 1993).)

D. Federal Spending (Budget Authority and Outlays)

Relationship of BA to outlays. Spending levels in the Federal Budget consists of two types of numbers: "Budget Authority" and "Outlays." Outlays are disbursements by the Treasury. When the Treasury issues a check in fiscal year 1995, that is a fiscal year 1995 outlay.

Budget authority, on the other hand, is legal authority for an agency to enter into obligations that will result in outlays. When Congress appropriates funds for a particular program, it is enacting budget authority not outlays.

To illustrate the relationship of budget authority to outlays, assume that the Congress has decided to build a ship costing \$1 billion. The Congress would appropriate \$1 billion of new budget authority for a ship in the defense appropriation bill for the new fiscal year. This means that the Department of Defense has legal authority to enter into obligations totaling \$1 billion during the new fiscal year (or, over a number of fiscal years). However, this budget authority will only result in outlays when the shipbuilders are issued checks by the Treasury. If the contractors are paid only upon com-

⁸See *U.S. v. Munoz-Flores*, C.A.9 (Cal.) 1988, 863 F.2d 654, reversed on other grounds, 110 S.Ct. 1964, 495 U.S. 385, 109 L.Ed.2d 384.

pletion of each stage of the construction, the \$1 billion of budget authority could result in outlays over several years.

In other cases, new budget authority appropriated for a fiscal year results in outlays during the same fiscal year. Finance Committee programs tend to fall into this category since budget authority for benefits programs are usually equal to the required outlays for those programs. Another example of this is appropriations for salaries of Federal workers, where outlays tend to occur in the same year as budget authority.

Permanent vs. Annual Appropriations. Some new budget authority is available through permanent appropriations under existing law. This consists mainly of: budget authority for trust funds, which for most trust funds is automatically appropriated under existing law; interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847; and the authority to spend offsetting collections credited to appropriation or fund accounts. The remaining new budget authority is made available annually or periodically through the appropriations process.⁹

Budget Authority and Trust funds. Although entitlement programs (see below) require the government to make specified payments to specified individuals, the actual funds are nevertheless appropriated—either permanently or annually. Budget authority for the medicare, unemployment insurance and railroad retirement trust funds was changed by the Budget Enforcement Act of 1990, so that it equals estimated obligations of the funds rather than the funds' receipts. In other words, the legal authority to spend receipts into the trust funds was made equal to the estimated obligations of those programs.

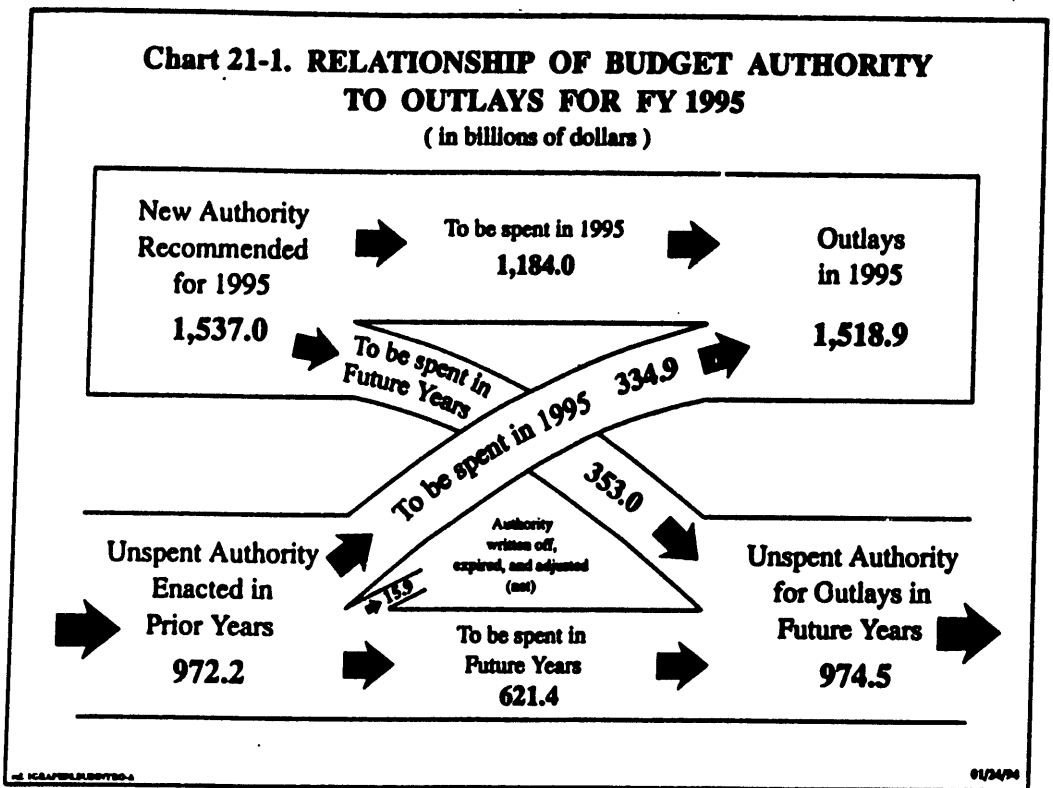
Figure 1 illustrates the overall relationship of budget authority to outlays. In this diagram taken from the President's fiscal year 1995 budget, \$1.537 trillion in new budget authority is requested for fiscal year 1995. It is estimated that this new authority to obligate the Federal Government during fiscal year 1995 would result in outlays of \$1.184 trillion in fiscal year 1995 and outlays of \$353 billion in future years. The remaining \$334.9 billion within the \$1.519 trillion in total outlays estimated for fiscal year 1995 comes from budget authority enacted in prior fiscal years.

E. Budget Functions

Federal spending—i.e. budget authority and outlays—are often divided into conceptual categories known as “budget functions.” This is a system of classifying spending according to the national needs being addressed. The Concurrent Resolution on the Budget (explained in Part III-C of this Appendix) allocates budget authority and outlays among the various functions in the budget. However, while the functions are a useful display of federal spending priorities, they have little practical impact on the actual allocation of Federal funds.

⁹This paragraph and the following are drawn from the “Relationship of Budget Authority to Outlays,” Budget of the U.S. Government for FY 1995, Analytical Perspectives, pg. 267.

Figure 1



Source: Budget of the U.S. Govt. for FY 1995, Analytical Perspectives, pg. 268.

F. Major Categories of Federal Spending

In addition to distribution by budget function, federal spending is increasingly being discussed in terms of four major budget "categories": (1) non-defense discretionary spending; (2) defense spending; (3) interest payments; and (4) entitlements and other mandatory spending.

"Non-defense discretionary spending" refers to those non-defense programs which are subject to annual funding decisions in the appropriations process. If the Appropriations Committees decide to lower funding for a program of this type, they can simply reduce the annual appropriation, notwithstanding the authorized funding level sought by the authorizing committee. Unlike entitlement programs, no formulas need to be changed to alter funding levels for discretionary spending. In fiscal year 1995, non-defense discretionary spending is roughly 18% of the budget.

"Defense spending" simply refers to Federal spending for the national defense. Most defense spending is discretionary in nature. In fiscal year 1995, defense spending is roughly 18% of the federal budget.

"Net Interest payments" are payments to individuals, corporations, or other non-governmental entities who hold notes or bonds that finance the Federal debt. (See chart 15 for more details.) In fiscal year 1995, net interest payments were approximately 14% of the federal budget.

“Entitlements” are laws that require the Government to pay specified benefits to qualifying individuals. The fundamental characteristic of an entitlement is the absence of annual decisions on funding levels. Instead, formulas included in laws establishing the entitlements determine how much money the Government has obligated itself to spend.

For example, the Social Security laws set formulas under which retired workers receive benefits based on the length of time they have worked and their earnings. The cost of Social Security for a given fiscal year is thus determined by the qualifying retirees rather than by annual appropriations decisions. In this way entitlement programs are thought of as non-discretionary or “mandatory” spending since their funding requirements are determined by the legislation which set up the program and not by annual funding decisions. “Mandatory spending” is actually a term which encompasses all entitlement spending, as well as other spending which is determined by substantive law outside of the annual appropriations process. In fiscal year 1995, mandatory spending is roughly one half of all spending by the Federal government.

G. Entitlements, Mandatory Spending, and Direct Spending

The term “entitlement” was statutorily defined, for the first time, in section 401 of the Budget Act. That provision sets forth entitlement authority as one of three types of “backdoor spending authority”—a term first introduced by the Joint Study Committee on Budget Control in 1973. By introducing the concept of backdoor spending authority, the Joint Committee was seeking to control the proliferation of authorizing legislation which was financially committing the Federal Government outside of the annual appropriations process.

The three types of backdoor spending authority are defined in section 401(c). The first two are contract authority and borrowing authority. The third type, entitlement authority, is defined in subparagraph (c)(2)(C) as follows:

§401(c) DEFINITIONS.—

- * * * * * * *
- (2) . . . the term “spending authority” means authority (whether temporary or permanent)—
- (A) [definition of contract authority];
 - (B) [definition of borrowing authority];
 - (C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.¹⁰

¹⁰ Allen Schick, a CRS Senior Specialist in American National Government, in his 1975 Legislative History and Analysis of the Budget Act, explained that subsection 401(c) “supplies the definitions of contract, borrowing, and *entitlement authority* referred to in subsections (a) and (b). The basic definitions are taken without substantive change from the Joint Study Committee bill.” (emphasis added)

The Budget Act's definition of "entitlement" may be understood as setting forth a three-part test for defining programs as "entitlements":

1. **SPECIFIED BENEFITS:** The program's authorizing legislation specifies particular sums of money to be paid;

2. **SPECIFIED BENEFICIARIES:** The payments are to be made to a class of persons or governments who meet specified eligibility requirements; *and*

3. **FEDERAL GOVERNMENT HAS A LEGAL OBLIGATION TO PAY WHICH IS NOT SUBJECT TO APPROPRIATIONS:**

The payment is not discretionary, i.e., the legislation obligates the United States to make the specified payments to the eligible class and the legal obligation to make the specified payments to the eligible class of recipients is not contingent on appropriations being enacted. Therefore, if insufficient appropriations are available, the government may presumably¹¹ be sued for payment of the benefits.

Note that although entitlements financially obligate the United States to make specified payments, funds must still be appropriated to cover those payments. Some entitlement programs, such as Social Security, are permanently appropriated. Others are annually appropriated. Both permanently-appropriated and annually-appropriated entitlements share the common characteristic that the cost of the program has been determined outside of the appropriations process through the establishment of a formula-driven program. Although annually appropriated entitlements might appear to be subject to annual funding decisions of the Appropriations Committees, in actuality they are not.

Entitlement spending is part of a larger budget category known as "direct" spending. ("Mandatory" spending is an often-used synonym for direct spending.) Budget deliberations normally refer to direct or mandatory spending programs, rather than entitlements, because the former term is somewhat more inclusive.

Broadly speaking, spending is classified as direct or mandatory when it is *not* controlled through the annual appropriations process. Direct—or mandatory—spending is defined by the Budget Enforcement Act of 1990 as consisting of:

- (1) entitlement authority;
- (2) the Food Stamp program; and
- (3) any other type of budget authority which is provided directly by an authorization bill (i.e., outside of the appropriations process).

Entitlements account for the bulk of direct spending. The Food Stamp program was included separately in this list because, historically, there had been disagreements between OMB and CBO on whether the program was an entitlement. The disagreement occurred because the Food Stamp Program has a funding ceiling and a mechanism to reduce benefit payments if the ceiling is breached;

¹¹This issue has not been conclusively settled by the Supreme Court. The argument would be that a law stating the Federal government shall pay specified benefits to specified individuals is—for constitutional purposes—an appropriation.

in theory, therefore, benefit payments were subject to annual funding decisions. Nevertheless, the program had always been a de facto entitlement because Congress invariably increased the funding cap to fully fund the formula-driven benefits.

Two examples of the third type of direct spending are net interest and deposit insurance. These programs do not fit the definition of entitlement, but they are considered to be "mandatory" because their funding requirements are not subject to annual appropriations decisions. (However, net interest is often displayed separately from mandatory spending.)

Direct spending is the term used in budget reconciliation instructions. Finance Committee's reconciliation instructions in the fiscal year 1994 Budget Resolution directed the Committee—in part—to "report changes in laws within [Finance Committee's] jurisdiction that provide *direct spending* . . . to reduce outlays \$2,346,000,000 in fiscal year 1994 and \$35,157,000,000 for the period of fiscal years 1994 through 1998." (emphasis added)

H. Baselines

In order to formulate a Federal budget, the President and the Congress must have a starting point. The starting point is known as a "baseline." In general, budget baselines project levels of budget authority, outlays, revenues and the surplus or deficit, assuming that current programs and policies remain in effect for the period being estimated. The Administration and CBO typically prepare 5-year baselines for the Federal budget, however, 10-year baselines are becoming more prevalent due to the new 10-year pay-as-you-go point of order in the Senate. (See section I(D) of this appendix.)

Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets forth the rules which currently govern construction of the baseline for revenues and entitlements. *Tax laws* are assumed to expire as set forth in current law; however, excise taxes dedicated to a trust fund, if expiring, are assumed to be extended at current rates.

Section 257 prescribes that baselines must assume that funding for *entitlement authority* is assumed to be adequate to make all payments required by those laws (so that if an entitlement is annually appropriated, the appropriations are assumed). Therefore, the baseline for an entitlement program would project costs over the next 5 (or 10) years by assuming the continuation of current benefits and adjusting for the effects of inflation and demographic changes that alter the expected number of beneficiaries. With regard to expiration of entitlements, section 257 requires that baselines treat entitlements different from tax laws: no direct spending program with estimated current year outlays greater than \$50 million are assumed to expire.

For *discretionary spending*, the current CBO baseline assumes compliance with the discretionary spending caps through fiscal year 1998. Since there are no caps in 1999, the estimates for that year simply equal the previous year's amounts adjusted for inflation.

A special baseline rule is provided for social insurance administrative expenses. Section 257(c)(3) requires that "budgetary resources for the administrative expenses of the following trust funds

shall be adjusted by the percentage change in the beneficiary population from the current year to that fiscal year: the Federal Hospital Insurance Trust Fund, the Supplementary Medical Insurance Trust Fund, the Unemployment Trust Fund, and the railroad retirement account." With the exception of the railroad account, these administrative expenses fall with the Finance Committee's authorizing jurisdiction.

I. Sequestration

Beginning in 1985, with Gramm-Rudman-Hollings, and more recently in the Budget Enforcement Act of 1990, Congress has employed a budget enforcement mechanism known as "sequestration." Sequestration, simply stated, is across-the-board budget cuts achieved through the cancellation of budget authority. In the case of Gramm-Rudman Hollings, sequestration was to be imposed on all non-exempt¹² Federal spending if overall maximum deficit amounts were exceeded.

In the case of the Budget Enforcement Act of 1990, sequestration is to be imposed on all non-exempt entitlement spending if any new entitlement or tax legislation causes an increase in the deficit. In both cases, the extent of the sequestration is to be governed by the amount of the budget violation. A similar mechanism enforces the discretionary spending caps. For more information on sequestration, see the glossary in Appendix K.

J. Budget Deficits and the Federal Debt

A budget deficit or surplus is an annual calculation showing the difference between outlays and revenues for a given fiscal year. For example, in fiscal year 1993 total revenues were \$1,153 billion and total outlays were \$1,408 billion, yielding a "total" budget deficit of \$255 billion. (The "total" budget deficit includes both on-budget and off-budget programs; see on-budget/off-budget issues, below.)

The Federal debt is the *accumulated* debt of the Federal Government. Whenever the Federal Government runs a budget deficit, the additional borrowing to finance the deficit adds to the Federal debt. By contrast, whenever the Federal Government runs a budget surplus, the Federal debt may decrease because the Treasury can use the surplus to redeem some of the outstanding debt rather than rolling it over. Federal law contains a statutory limit on the debt, commonly called the debt ceiling. The debt ceiling applies to borrowing from the public plus Federal debt held by Federal Government accounts, particularly trust funds. (For more information on the debt, see Chart 20.)

K. On-Budget / Off-Budget Issues

Federal Funds, Trust Funds, and the Unified Budget. The budget consists of two main groups of funds: federal funds and trust funds. Federal funds are not earmarked to any specific program or agency and derive from the general exercise of the taxing power. The use of these funds is determined largely by appropriations acts.

Trust funds, by contrast, are restricted by law to designated programs or uses. These funds obtain most of their receipts from ear-

¹²Nearly ¾ of all Federal spending was exempted from the automatic cuts.

marked taxes and charges. The Social Security funds are the largest of the trust funds.

The unified budget, which began in fiscal year 1969, includes both federal funds and trust funds (with the exception of off-budget entities). The principal objective of the unified budget is to present a comprehensive picture of the full range of federal activities. This permits policymakers to gauge the full fiscal effect of Federal activities on the economy.

The off-budget programs which are excluded from the unified budget totals are Social Security, Medicare Part A, and the U.S. Postal Service. Although these programs are legally off-budget, OMB and CBO displays of the Federal budget continue to show "on-budget" numbers; "off-budget" numbers; and "total" budget numbers which consolidate the on- and off-budget calculations.

Off-budget status of Social Security. Social Security was "removed from the budget" for two reasons: (1) in response to concerns that cuts in social security were being proposed for general budgetary purposes rather than for programmatic reasons; and (2) that the social security surpluses which emerged in the late 1980's were masking the true size of the budget deficits. This produced the following succession of actions which moved Social Security off-budget:

1983—P.L. 98-21, the Social Security Amendments of 1983, included a provision providing for the removal of the social security (and the Medicare Hospital Insurance) trust funds from the budget totals beginning in fiscal year 1993.

1985—P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (GRH), made the removal effective immediately for Federal budget totals, but social security receipts and outlays continued to be counted for purposes of enforcing deficit targets.

1990—P.L. 101-508, the Budget Enforcement Act of 1990, took social security out of all calculations of the budget totals. See Budget Enforcement Act §13301, 104 Stat. 1388-573, 1388-673 (1990). Consequently, Social Security was also excluded from the PAY-GO sequestration process. (However, Social Security's administrative expenses are subject to the discretionary spending caps).

Off-budget status of Medicare Part A. P.L. 98-21, the Social Security Amendments of 1983, included a provision providing for the removal of the Medicare Part A trust fund (Hospital Insurance) from the budget totals beginning in fiscal year 1993. However, the 1990 Budget Enforcement Act amended section 257 of the Balanced Budget Act of 1985 (GRH) by providing that "notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act." In order to accommodate both requirements, the budget resolution currently displays budget totals with and without the Hospital Insurance Trust Fund. (See discussion of this issue, in the report accompanying the fiscal year 1995 budget resolution, Senate Budget Committee, S. Rpt. 103-128, March 18, 1994. pp. 46-48).

III. STEP-BY-STEP EXPLANATION

A. *The Fiscal Year*

In order to keep track of its revenues and expenditures in an orderly way, the Federal Government has a 12-month budget period known as the "fiscal year." Prior to the Budget Act, the Federal Government's fiscal year had been July 1 through June 30.¹³ In 1976, however, the fiscal year was shifted forward to October 1 through September 30 in order to allow sufficient time for the new congressional budget process. The fiscal year is designated by the calendar year in which it ends. Thus, the period from October 1, 1994, to September 30, 1995, is fiscal year 1995.

B. *Jan./Feb.: Transmittal of President's Budget Request*

The President is therefore required to submit to Congress "on or after the first Monday in January but not later than the first Monday in February of each year" the Administration's budget request for the upcoming fiscal year. To meet this deadline, the Administration must begin preparing its budget request the prior spring and summer.

For example, consider the budget process for fiscal year 1995. The President's budget request for fiscal year 1995 (October 1, 1994—September 30, 1995) was transmitted to Congress on February 7, 1994. The Administration began working with Federal agencies to prepare its budget request for fiscal year 1995 in the spring of 1993, roughly a year-and-a-half prior to the start of fiscal year 1995.

C. *Feb./March: Budget Committee Hearings; Committee Views and Estimates; CBO Reports*

After receiving the President's budget request, the Senate and House Budget Committees hold hearings at which they receive testimony from Administration officials, Members of Congress, and the general public. During the same period, the other committees of Congress—including the Committee on Finance—review the President's budget and transmit to the Budget Committees (within 6 weeks of the budget transmittal) their "views and estimates" on appropriate budgetary levels for programs in their jurisdiction. (See Chart 1 for the Finance Committee's Views and Estimates report for fiscal year 1995.) In addition, during February and March, the Congressional Budget Office (CBO) publishes its annual Economic and Budget Outlook and a compilation of deficit reduction options.

D. *March/April: Budget Resolution and Reconciliation Instructions*

The Senate and House Budget Committees—using the President's budget request, information from their hearings, views and estimates from other committees, and CBO's reports—each draft a congressional budget plan during March in a series of public committee meetings called "mark-ups." The budget plan is known as the Concurrent Resolution on the Budget or "budget resolution," for short. Current law requires the budget resolution to cover the upcoming budget year, plus the following four fiscal years. (However,

¹³The Federal Government used the calendar year for its fiscal year until 1842.

for some purposes, the "budget window" has in effect been extended to 10 years by a new point of order in the Senate which requires that the costs of legislation be offset through year 10—see section I(D) of this appendix.)

Budget resolutions set forth budgetary levels for the upcoming fiscal year and the ensuing 4 fiscal years. A budget resolution generally includes: (1) spending and revenue totals; (2) spending broken down by budget function; and may include (3) budget procedures and (4) Reconciliation instructions.

The budget totals set forth what the Congress considers to be the appropriate amounts for total spending, total revenues, and the resulting deficit or surplus. In setting these budget totals, Congress considers the impact of the Federal budget on the national economy and establishes Federal fiscal policy for the coming fiscal year.

Federal spending broken down by function—the second basic part of the budget resolution—gives the Congress a mechanism for reviewing Federal spending priorities. The budget resolution accomplishes this by dividing up Federal spending among 21 different "budget functions" such as national defense, agriculture, and health.

The budget resolution may also include an optional procedure known as "reconciliation instructions." This procedure is used when the Congress wants to make substantial changes—from baseline levels—in revenue and/or entitlement policies. Under this procedure, the Congress directs its authorizing committees to report legislation by a certain date which change entitlement spending and/or revenues by a specified amount, by making changes in laws within the committees' respective jurisdictions. For example, the Finance Committee's Reconciliation instructions in the fiscal years 1994–1998 Budget Resolution were as follows:

SEC. 7 RECONCILIATION

* * * * *
 (b) SENATE COMMITTEES—

* * * * *

(7) *Committee on Finance.*—(A) *The Senate Committee on Finance shall report changes in laws within its jurisdiction that provide direct spending (as defined in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985) to reduce outlays \$2,346,000,000 in fiscal year 1994 and \$35,157,000,000 for the period of fiscal years 1994 through 1998.*

(B) *The Senate Committee on Finance shall report changes in laws within its jurisdiction to increase revenues \$27,293,000,000 in fiscal years 1994 and \$272,105,000,000 for the period of fiscal years 1994 through 1998.*

(C) *The Senate Committee on Finance shall report changes in laws to increase the statutory limit on the public debt to not more than \$4,900,000,000.*

When the House and Senate Budget Committees complete action on formulating a budget resolution—with or without Reconciliation instructions—they report their respective resolutions to the full House and Senate, respectively. All Members of the House and Senate then have an opportunity to alter the work of their respective Budget Committees by offering amendments to the budget resolutions as they are debated on the House and Senate floors. Budget resolutions are protected in the Senate by special procedures which prohibit non-germane amendments and prohibit filibusters by limiting debate.

When the Senate and House have both passed their respective versions of the budget resolution, they appoint several of their Members to a conference committee to resolve the differences between the Senate- and House-passed resolutions. When differences have been resolved, each chamber must then vote on the compromise version of the budget resolution. The Budget Act sets April 15 as the date for completion of this work, although it is often completed later.

Because the budget resolution is designed solely to guide Congress in its detailed deliberations on the budget, it is in the form of a concurrent resolution which is agreed to by both houses but is not a public law and is not signed by the President.

E. April: Committee Allocations

The conference report on the budget resolution contains spending allocations—often called “302(a) allocations”—through which the Budget Committees divide total spending among the Appropriations Committee and the various authorizing committees of each house, based upon the functional levels set forth in the budget resolution.¹⁴

The allocations to the Appropriations Committee are significant, because they determine the size of the total allocation the two Appropriations Committees will divide among their respective 13 subcommittees. In recent years, the allocations to the Appropriations Committees have been predetermined—to a large degree by the discretionary spending caps set by the Budget Enforcement Act and OBRA-93 (see section I, above). However, the budget resolution may reduce the allocation to the Appropriations Committee even further, as exemplified by the Senate-passed Budget Resolution for fiscal year 1995.

Each authorizing committee, including the Committee on Finance, receives allocations for the upcoming budget year and for the total five-year budget period. These allocations determine how much new spending a committee is permitted to bring to the floor. For example, if a committee’s spending allocation is set at baseline levels, any *net* new spending reported by the committee would be subject to a point of order on the Floor (unless special “reserve clause” language permits the allocations to be raised due to offsetting revenue increases—see the views and estimates letter of the Finance Committee in “chart 1” above). The Finance Committee, in

¹⁴Section 602 of the Budget Act established a special, temporary allocations process through FY 1998, which enforces both full committee allocations and committee sub-allocations. See Appendix B and Appendix P.

addition to receiving allocations for on-budget spending, also receives allocations for (off-budget) Social Security outlays.

*F. April–September: Appropriations Action and Reconciliation
[the Byrd Rule and the Fungibility Rule]*

Following adoption of a conference report on a budget resolution and the issuance of committee allocations, the Appropriations Committees in the Senate and House of Representatives subdivide their allocations among their respective subcommittees and proceed with mark-up of their appropriations bills. Simultaneously, the authorizing committees of the Senate and House proceed to mark-up Reconciliation legislation if the budget resolution conference report includes Reconciliation instructions. The Budget Act requires Reconciliation action to be completed by June 15, however, there is no penalty for exceeding the deadline.

Reconciliation Legislation and the “Byrd Rule.” In the Senate, all legislation reported pursuant to Reconciliation instructions must be “budgetary” in nature. This is known as the “Byrd Rule” (for its sponsor Senator Robert C. Byrd). The Byrd Rule was first enacted as section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985 and is now section 313 of the Budget Act. The rationale for the rule is that Reconciliation—with its time limitations and germaneness restriction on amendments—is a radical departure from the normal rules of Senate business which permit unlimited debate and an unrestricted right to amend pending legislation. The Byrd Rule consequently seeks to limit the scope of what may be included in Reconciliation to strictly budgetary provisions.

The Byrd Rule defines what is “extraneous” to the Budget Reconciliation process. Senators may use a Byrd Rule point of order to strike specific “extraneous” provisions from a Reconciliation bill or conference report.¹⁵ Generally, the rule defines as extraneous, provisions which: (1) have no cost; or (2) are significant policy changes with “merely incidental” budgetary effects.¹⁶ Senators may challenge a lengthy provision or very small provisions—down to the subsection level.

Reconciliation Legislation and the “Fungibility Rule.” Another rule governing the Reconciliation process is known as the “20 percent fungibility rule.” Section 310(c) of the Budget and Act, which sets forth this rule, permits committees to shift instructed Reconciliation savings from new revenues to additional spending cuts, or vice versa. Since the Finance and Ways & Means Committees have exclusive jurisdiction over revenue provisions, the fungibility rule affects only those two committees. Specifically, the fungibility rule permits the two committees to exceed or fall below their revenue or spending instructions by an amount equal to 20 percent of

¹⁵ If a provision is stripped out of a Reconciliation conference report using the Byrd Rule, the vehicle ceases to be a conference report and the remaining provisions automatically become a Senate amendment to the House bill. The Senate would vote on this “Senate amendment” without any amendments being in order. If passed, it would go over to the House (for a second vote if the House acted first). The Senate amendment would be amendable by the House, and if amended, would be sent back to the Senate where the House amendment would be further amendable.

¹⁶ The rule is considerably more complicated than this; see section 313 of the Budget Act in Appendix B.

their total deficit reduction instruction, so long as they meet their total instructions.

For example, the fiscal year 1994 Budget Resolution instructed the Finance Committee to raise revenues by a net \$272 billion and to reduce outlays by a net \$35 billion, resulting in total deficit reduction of \$307 billion. Under the rule, the Committee could have adjusted its revenue and spending numbers up or down, by 20 percent of \$307 billion, which is \$61 billion. The only constraint on this flexibility was that the Committee was required, in the end, to produce \$307 billion of deficit reduction. (In actuality, the Committee did use its fungibility authority to increase spending cuts and decrease new taxes—although the entire 20% fungibility was not utilized.)

G. The New Fiscal Year—Enforcing the Budget

Reconciliation is the most aggressive form of budget resolution enforcement. As explained in the preceding section, when a particular budget plan calls for major changes in baseline revenue or spending policies, the Reconciliation process can be used to swiftly enact legislation implementing those policy changes before the new fiscal year begins. The fiscal year 1994 Reconciliation bill (OBRA-93) enacted deficit reduction of nearly a half trillion dollars (see Appendix N).

Once a budget resolution has been adopted for a fiscal year, parliamentary points of order, set forth in the Budget Act, enforce the budget levels in the resolution. The budget resolution's aggregate revenue floor, budget authority ceiling, and outlay ceiling are enforceable through points of order made on the Senate and House floors. Similarly, budget allocations to each committee are enforceable through points of order, as are the budget levels for social security. However, none of these points of order are self-enforcing; rather, they may be raised by Members of the Senate or House who wish to assert that a particular budget resolution level has been breached. Generally, when a point of order is raised, the Budget Committees of each house are responsible for advising the respective Presiding Officers as to whether budget levels have been breached.

Two additional types of budget enforcement—discretionary spending caps and PAY-GO—operate independently of the budget resolution. The discretionary spending caps are enforced by a sequester mechanism, as well as parliamentary points of order against budget resolutions. The PAY-GO process likewise uses a sequester mechanism; it requires that any new mandatory spending or revenue-losing legislation must be deficit neutral in order to avoid triggering a sequestration of non-exempt entitlement programs. These mechanisms are explained more fully in section I(C) of this appendix (above). The PAY-GO process, in particular, directly affects most legislation considered by the Finance Committee.

Finally, the PAY-GO concept is now augmented by a new *10-year pay-as-you-go* requirement in the Senate. This new point of order, set forth in the budget resolution, requires that revenue losses and entitlement spending increases be fully paid for over budget years 6-through-10—as well as year-1 and years 1-through-5 as required

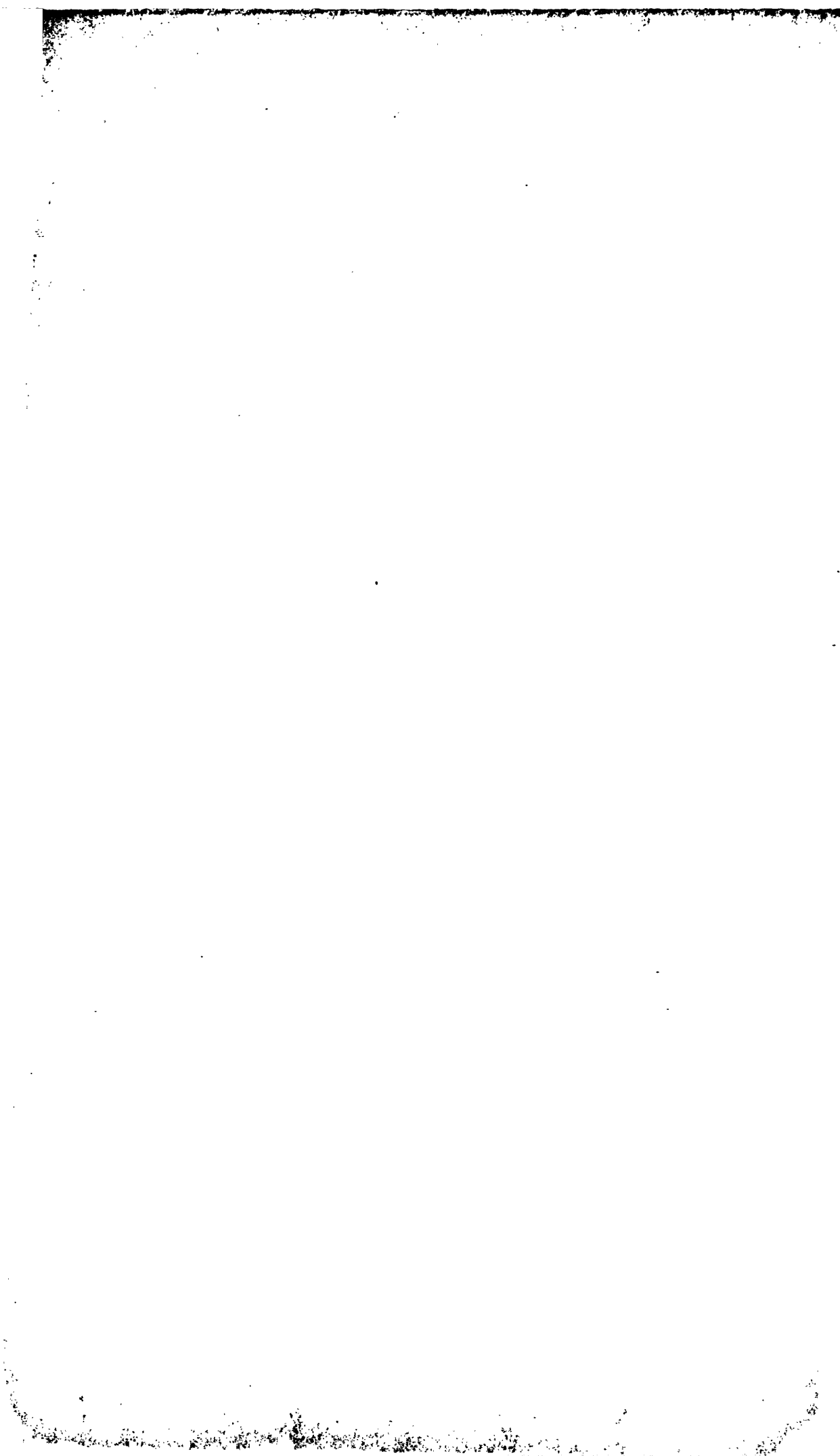
by the Budget Act. The combined effects of these enforcement mechanisms on the Finance Committee's revenue, trade, health and income security legislation are set forth, below, in Appendix D.

IV. HISTORICAL TABLE: RECONCILIATION BILLS

| | |
|---|------------------------------|
| Omnibus Reconciliation Act of 1980 | Dec. 5, 1980 (P.L. 96-499) |
| Omnibus Budget Reconciliation Act of 1981 | Aug. 13, 1981 (P.L. 97-35) |
| Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) | Sept. 3, 1982 (P.L. 97-248). |
| Omnibus Budget Reconciliation Act of 1982 | Sept. 8, 1982 (P.L. 97-253) |
| Omnibus Budget Reconciliation Act of 1983 | Apr. 18, 1984 (P.L. 98-270). |
| <i>[The Deficit Reduction Act of 1984 (DEFRA) was not a Reconciliation Bill.]</i> | |
| Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) | Apr. 7, 1986 (P.L. 99-272). |
| Omnibus Budget Reconciliation Act of 1986 | Oct. 21, 1986 (P.L. 99-509) |
| Omnibus Budget Reconciliation Act of 1987 | Dec. 22, 1987 (P.L. 100-203) |
| Omnibus Budget Reconciliation Act of 1989 | Dec. 19, 1989 (P.L. 101-239) |
| Omnibus Budget Reconciliation Act of 1990 | Nov. 5, 1990 (P.L. 101-508) |
| Omnibus Budget Reconciliation Act of 1993 | Aug. 10, 1993 (P.L. 103-66) |

APPENDIX B

**Excerpts From Statutes Setting Forth Budget Procedures:
The Congressional Budget and Impoundment Control Act
of 1974, the Balanced Budget and Emergency Deficit Control
Act of 1985, the Budget Enforcement Act of 1990
(As amended through OBRA-93, P.L. 103-66)
and
Budget Scorekeeping Rules (From the BEA)**



CONTENTS

Note: The numbers in brackets following each section indicate that the particular section was enacted or amended by one or more of the following laws:

- [74] The Congressional Budget and Impoundment Control Act of 1974, P.L. 93-344, 88 Stat. 297, July 12, 1974.
- [78] The Full Employment and Balanced Growth Act of 1978, P.L. 95-523, 92 Stat. 1905, October 27, 1978.
- [81] The State and Local Government Cost Estimate Act of 1981, P.L. 97-108, 95 Stat. 1510, December 23, 1981.
- [82] An Act to Revise, Codify, and Enact Without Substantive Change Certain General and Permanent Laws Related to Money and Finance, P.L. 97-258, 96 Stat. 877, 1082, September 13, 1982.
- [85] Balanced Budget and Emergency Deficit Control Act of 1985, (Gramm-Rudman-Hollings) P.L. 99-177, 99 Stat. 1037, December 12, 1985.
- [87] Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, P.L. 100-119, 101 Stat. 754, September 29, 1987.
- [90] Budget Enforcement Act of 1990 (Title XIII of OBRA-93), P.L. 101-508, November 5, 1990.
- [93] Title XIV of the Omnibus Budget Reconciliation Act of 1993, P.L. 103-66, 107 Stat. 312, August 10, 1993.

Additional Note: Sections marked with an asterisk (*) are not included in this appendix.

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 P.L. 93-344, 88 Stat. 297, July 12, 1974 (As amended through OBRA-93, P.L. 103-66)

| | |
|---|-----|
| Sec. 1. Short titles; table of contents. [74, 90] | 150 |
| Sec. 2. Declaration of purposes. [74] | 150 |
| Sec. 3. Definitions. [74, 85, 87, 90] | 150 |

TITLE I—ESTABLISHMENT OF BUDGET COMMITTEES

- Sec. 101.* Budget Committee of the House of Representatives. [74]
- Sec. 102.* Budget Committee of the Senate. [74]

TITLE II—CONGRESSIONAL BUDGET OFFICE

| | |
|--|-----|
| Sec. 201. Establishment of Office. [74, 90] | 152 |
| Sec. 202. Duties and functions. [74, 85, 90] | 154 |
| Sec. 203. Public access to budget data. [74] | 156 |

TITLE III—CONGRESSIONAL BUDGET PROCESS

| | |
|--|-----|
| Sec. 300. Timetable. [74, 90] | 157 |
| Sec. 301. Annual adoption of concurrent resolution on the budget. [74, 78, 85, 87, 90] (formerly "first concurrent resolution") | 157 |
| Sec. 302. Committee allocations. [74, 85, 90] | 162 |
| Sec. 303. Concurrent resolution on the budget must be adopted before legislation providing new budget authority, new spending authority, new credit authority or changes in revenues or the public debt limit is considered [74, 85, 90] | 165 |
| Sec. 304. Permissible revisions of concurrent resolutions on the budget. [74, 90] | 167 |

| | | |
|-----------|---|-----|
| Sec. 305. | Provisions relating to consideration of concurrent resolutions on the budget. [74, 78, 85, 87, 90] | 167 |
| Sec. 306. | Legislation dealing with congressional budget must be handled by budget committees. [74, 90] | 170 |
| Sec. 307. | House committee action on all appropriation bills to be completed by June 10. [74, 85] | 170 |
| Sec. 308. | Reports, summaries, and projections of congressional budget actions. [74, 90] | 171 |
| Sec. 309. | House approval of regular appropriation bills. [74, 85] | 172 |
| Sec. 310. | Reconciliation (previously included "second concurrent resolution." [74, 85, 90] | 173 |
| Sec. 311. | New budget authority, new spending authority, and revenue legislation must be within appropriate levels. [74, 87, 90] | 176 |
| Sec. 312. | Effect of points of order. [90] | 178 |
| Sec. 313. | Extraneous matter in reconciliation legislation. [90] | 178 |

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

| | | |
|------------|--|-----|
| Sec. 401. | Bills providing new spending authority. [74, 85, 90] | 181 |
| Sec. 402. | Legislation providing new credit authority. [74, 85, 90] (formerly "reporting of authorization legislation") | 183 |
| Sec. 403. | Analyses by Congressional Budget Office. [74, 81, 85] | 183 |
| Sec. 404.* | Jurisdiction of appropriations committees. [74] | |
| Sec. 405.* | Study by the General Accounting Office of forms of Federal financial commitment that are not reviewed annually by Congress. [85] | |
| Sec. 406.* | Off-budget agencies, programs, and activities. [85] | |
| Sec. 407.* | Member user group. [85] | |

TITLE V—CREDIT REFORM

(This title was formerly "change of fiscal year")

| | | |
|-----------|--|-----|
| Sec. 500. | Short title. [90] | 184 |
| Sec. 501. | Purposes. [90] | 184 |
| Sec. 502. | Definitions. [90] | 184 |
| Sec. 503. | OMB and CBO analysis, coordination, and review. [90] | 185 |
| Sec. 504. | Budgetary treatment. [90] | 186 |
| Sec. 505. | Authorizations. [90] | 187 |
| Sec. 506. | Treatment of deposit insurance and agencies and other insurance programs. [90] | 188 |
| Sec. 507. | Effect on other laws. [90] | 188 |

TITLE VI—BUDGET AGREEMENT ENFORCEMENT PROVISIONS

(This title was formerly "Amendments to Budget and Accounting Act of 1921")

| | | |
|-----------|---|-----|
| Sec. 601. | Definitions and point of order. [90, 93] | 189 |
| Sec. 602. | Committee allocations and enforcement. [90] | 190 |
| Sec. 603. | Consideration of legislation before adoption of budget resolution for that fiscal year. [90] | 192 |
| Sec. 604. | Reconciliation directives regarding pay-as-you-go requirements. [90] | 193 |
| Sec. 605. | Application of section 311; point of order. [90] | 193 |
| Sec. 606. | 5-year budget resolutions; budget resolutions must conform to Balanced Budget and Emergency Deficit Control Act of 1985. [90] | 194 |
| Sec. 607. | Effective date. [90, 93] | 194 |

TITLE VII—PROGRAM REVIEW AND EVALUATION

| | | |
|------------|---|--|
| Sec. 701.* | Review and evaluation by standing committees. [74] | |
| Sec. 702.* | Review and evaluation by the comptroller general (repealed and recodified in 1982). | |
| Sec. 703.* | Continuing study of additional budget reform proposals. [74] | |

TITLE VIII—FISCAL AND BUDGETARY INFORMATION AND CONTROLS
(This title was repealed and recodified in Title 31 in 1982)

TITLE IX—MISCELLANEOUS PROVISIONS; EFFECTIVE DATES

| | | |
|------------|--|-----|
| Sec. 901.* | Amendments to rules of the House. [74] | |
| Sec. 902.* | Conforming amendments to standing rules of the Senate. [74] | |
| Sec. 903.* | Amendments to legislative reorganization act of 1946. [74] | |
| Sec. 904. | Exercise of rulemaking powers. [74, 85, 90] | 195 |
| Sec. 905. | Effective dates. [74] | 196 |
| Sec. 906.* | Application of congressional budget process to fiscal year 1976. [74] | |

TITLE X—IMPOUNDMENT CONTROL

PART A—GENERAL PROVISIONS

| | | |
|-------------|--|-----|
| Sec. 1001. | Disclaimer. [74] | 196 |
| Sec. 1002.* | Amendment to Antideficiency Act. [74] | |
| Sec. 1003.* | Repeal of existing impoundment reporting provision. [74] | |
| Sec. 1011. | Definitions. [74] | 196 |
| Sec. 1012. | Rescission of budget authority. [74, 87] | 197 |
| Sec. 1013. | Proposed deferrals of budget authority. [74, 87] | 198 |
| Sec. 1014. | Transmission of messages; publication. [74] | 199 |
| Sec. 1015. | Reports by Comptroller General. [74, 87] | 200 |
| Sec. 1016. | Suits by Comptroller General. [74, 87] | 201 |
| Sec. 1017. | Procedure in House and Senate. [74] | 201 |

BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985
(Gramm-Rudman-Hollings)

P.L. 99-177, 99 Stat. 1037, December 12, 1985
(As amended through OBRA-93, P.L. 103-66)

Sec. 2.* Short title and table of contents. [85]

PART A—CONGRESSIONAL BUDGET PROCESS

| | | |
|------------|--|--|
| Sec. 201.* | Congressional budget. [85] | |
| Sec. 211.* | New spending authority. [85] | |
| Sec. 212.* | Credit authority. [85] | |
| Sec. 213.* | Description by Congressional Budget Office. [85] | |
| Sec. 214.* | General accounting office study; off-budget agencies; member user group. [85] | |
| Sec. 221.* | Congressional budget office. [85] | |
| Sec. 222.* | Current services budget for congressional budget purposes. [85] | |
| Sec. 223.* | Study of off-budget agencies. [85] | |
| Sec. 224.* | Changes in functional categories. [85] | |
| Sec. 225.* | Jurisdiction of Committee on Government Operation. [85] | |
| Sec. 226.* | Continuing study of congressional budget process. [85] | |
| Sec. 227.* | Early election of committees of the House. [85] | |
| Sec. 228.* | Rescissions and transfers in appropriations bills. [85] | |
| Sec. 231.* | Table of contents. [85] | |
| Sec. 232.* | Additional technical and conforming amendments. [85] | |

PART B—BUDGET SUBMITTED BY THE PRESIDENT

(See Title 31 U.S.C., Sections 1101-1114)

| | | |
|------------|---|--|
| Sec. 241.* | Submission of President's budget; maximum deficit amount may not be exceeded. [85] | |
| Sec. 242.* | Supplemental budget estimates and changes. [85] | |

**PART C—EMERGENCY POWERS TO ELIMINATE DEFICITS IN EXCESS OF MAXIMUM
DEFICIT AMOUNT**

| | | |
|-----------|---|-----|
| Sec. 250. | Table of contents; budget enforcement statement; definitions. [90] | 207 |
| Sec. 251. | Enforcing discretionary spending limits. [85, 87, 90, 93] (formerly "reporting of excess deficit") | 210 |
| Sec. 252. | Enforcing pay-as-you-go. [85, 87, 90, 93] (formerly "presidential order") | 214 |

| | | |
|-------------|---|-----|
| Sec. 253. | Enforcing deficit targets. [85, 87, 90] (formerly "compliance report by comptroller general") | 216 |
| Sec. 254. | Reports and orders. [85, 87, 90, 93] (formerly "congressional action") | 220 |
| Sec. 255. | Exempt programs and activities. [85, 87, 90] | 223 |
| Sec. 256. | Exceptions, limitations, and special rules. [85, 87, 90] | 228 |
| Sec. 257. | The baseline. [85, 87, 90] (formerly "definitions") | 236 |
| Sec. 258. | Suspension in the event of war or low growth. [87, 90] | 238 |
| Sec. 258A. | Modification of presidential order. [90] | 240 |
| Sec. 258B.* | Flexibility among defense programs, projects, and activities. [90] | |
| Sec. 258C. | Special reconciliation process. [90] | 242 |

PART D—BUDGETARY TREATMENT OF SOCIAL SECURITY TRUST FUNDS

| | | |
|------------|--|--|
| Sec. 261.* | Treatment of trust funds. (Section 13301 of the Budget Enforcement Act substantially changed the law on this subject—see below.) | |
|------------|--|--|

PART E—MISCELLANEOUS AND RELATED PROVISIONS

| | | |
|------------|---|-----|
| Sec. 271.* | Waivers and suspensions; rulemaking powers. [85, 87] | |
| Sec. 272.* | Restoration of trust fund investments. [85] | |
| Sec. 273.* | Revenue estimates. [85, 90] (see Budget Act section 201(g)) | |
| Sec. 274. | Judicial review. [85, 87] | 244 |
| Sec. 275. | Effective dates. [85, 87, 90] | 246 |

THE BUDGET ENFORCEMENT ACT OF 1990
(Title XIII of OBRA-90)
P.L. 101-508, November 5, 1990
(As amended through OBRA-93, P.L. 103-66)

Sec. 13001.* Short title; table of contents. [90]

Subtitle A—Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985 and Related Amendments

| | | |
|--------------|--|--|
| Sec. 13101.* | Sequestration. [90] | |
| Sec. 13111.* | Temporary Amendments to the Congressional Budget Act of 1974. [90] | |
| Sec. 13112.* | Conforming Amendments. [90] | |

Subtitle B—Permanent Amendments to the Congressional Budget and Impoundment Control Act of 1974

| | | |
|--------------|---|--|
| Sec. 13201.* | Credit Accounting. [90] | |
| Sec. 13202.* | Codification of Provision Regarding Revenue Estimates. [90] | |
| Sec. 13203.* | Debt increase as measure of deficit; display of federal retirement trust fund balances. [90] | |
| Sec. 13204.* | Pay-as-you-go procedures. [90] | |
| Sec. 13205.* | Amendments to section 303. [90] | |
| Sec. 13206.* | Amendments to section 308. [90] | |
| Sec. 13207.* | Standardization of language regarding points of order. [90] | |
| Sec. 13208.* | Standardization of additional deficit control provisions. [90] | |
| Sec. 13209.* | Codification of precedent with regard to conference reports and amendments between houses. [90] | |
| Sec. 13210.* | Superseded deadlines and conforming changes. [90] | |
| Sec. 13211.* | Definitions. [90] | |
| Sec. 13212.* | Savings transfers between fiscal years. [90] | |
| Sec. 13213.* | Conforming change to title 31. [90] | |
| Sec. 13214.* | The Byrd Rule on extraneous matter in reconciliation. [90] | |

Subtitle C—Social Security

| | | |
|--------------------|--|------------|
| Sec. 13301. | Off-budget status of OASDI trust funds. [90] | 251 |
| Sec. 13302. | Protection of OASDI trust funds in the House of Representatives. [90] | 251 |
| Sec. 13303. | Social Security firewall and point of order in the Senate. [90] | 253 |
| Sec. 13304. | Report to the Congress by the Board of Trustees of the OASDI trust funds regarding the actuarial balance of the trust funds. [90] | 256 |
| Sec. 13305. | Exercise of Rulemaking Power. [90] | 256 |
| Sec. 13306. | Effective Date. [90] | 256 |

Subtitle D—Treatment of the Fiscal Year 1991 Sequestration

| | | |
|---------------------|---|--|
| Sec. 13401.* | Restoration of funds sequestered. [90] | |
|---------------------|---|--|

Subtitle E—Government Sponsored Enterprises

| | | |
|---------------------|---|--|
| Sec. 13501.* | Financial safety and soundness of government-sponsored enterprises. [90] | |
|---------------------|---|--|

| | |
|---|------------|
| Budget Scorekeeping Rules (from the Joint Statement of Managers accompanying the Budget Enforcement Act) | 257 |
|---|------------|

THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

P.L. 93-344, 88 STAT. 297, JULY 12, 1974

(As amended through OBRA-93, P.L. 103-66)

AN ACT To establish a new congressional budget process; to establish Committees on the Budget in each House; to establish a Congressional Budget Office; to establish a procedure providing congressional control over the impoundment of funds by the executive branch; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLES: TABLE OF CONTENTS

SECTION 1. (a) SHORT TITLES.—This Act may be cited as the “Congressional Budget and Impoundment Control Act of 1974”. Titles I through IX may be cited as the “Congressional Budget Act of 1974” and title X may be cited as the “Impoundment Control Act of 1974”. [see table of contents above]

DECLARATION OF PURPOSES

SEC. 2. The Congress declares that it is essential—

- (1) to assure effective congressional control over the budgetary process;
- (2) to provide for the congressional determination each year of the appropriate level of Federal revenues and expenditures;
- (3) to provide a system of impoundment control;
- (4) to establish national budget priorities; and
- (5) to provide for the furnishing of information by the executive branch in a manner that will assist the Congress in discharging its duties.

DEFINITIONS

SEC. 3. IN GENERAL.—For purposes of this Act—

- (1) The terms “budget outlays” and “outlays” mean, with respect to any fiscal year, expenditures and net lending of funds under budget authority during such year.

* * * * *

(2)² BUDGET AUTHORITY AND NEW BUDGET AUTHORITY.—

- (A) IN GENERAL.—The term “budget authority” means the authority provided by Federal law to incur financial obligations, as follows:

¹The original paragraph (2) applied only through fiscal year 1991 and is therefore not printed here.

²This paragraph (2) was added by P.L. 101-508, sec. 13211, and is effective for fiscal year 1992 and subsequent fiscal years.

(i) provisions of law that make funds available for obligation and expenditure (other than borrowing authority), including the authority to obligate and expend the proceeds of offsetting receipts and collections;

(ii) borrowing authority, which means authority granted to a Federal entity to borrow and obligate and expend the borrowed funds, including through the issuance of promissory notes or other monetary credits;

(iii) contract authority, which means the making of funds available for obligation but not for expenditure; and

(iv) offsetting receipts and collections as negative budget authority, and the reduction thereof as positive budget authority.

(B) **LIMITATIONS ON BUDGET AUTHORITY.**—With respect to the Federal Hospital Insurance Trust Fund, the Supplementary Medical Insurance Trust Fund, the Unemployment Trust Fund, and the railroad retirement account, any amount that is precluded from obligation in a fiscal year by a provision of law (such as a limitation or a benefit formula) shall not be budget authority in that year.

(C) **NEW BUDGET AUTHORITY.**—The term “new budget authority” means, with respect to a fiscal year—

(i) budget authority that first becomes available for obligation in that year, including budget authority that becomes available in that year as a result of a reappropriation; or

(ii) a change in any account in the availability of unobligated balances of budget authority carried over from a prior year, resulting from a provision of law first effective in that year;

and includes a change in the estimated level of new budget authority provided in indefinite amounts by existing law.

(3) The term “tax expenditures” means those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability, and the term “tax expenditures budget” means an enumeration of such tax expenditures.

(4) The term “concurrent resolution on the budget” means—

(A) a concurrent resolution setting forth the congressional budget for the United States Government for a fiscal year as provided in section 301; and

(B) any other concurrent resolution revising the congressional budget for the United States Government for a fiscal year as described in section 304.

(5) The term “appropriation Act” means an Act referred to in section 105 of title 1, United States Code.

(6) The term “deficit” means, with respect to a fiscal year, the amount by which outlays exceeds receipts during that year.

(7) The term "surplus" means, with respect to a fiscal year, the amount by which receipts exceeds outlays during that year.

(8) The term "government-sponsored enterprise" means a corporate entity created by a law of the United States that—

(A)(i) has a Federal charter authorized by law;
 (ii) is privately owned, as evidenced by capital stock owned by private entities or individuals;

(iii) is under the direction of a board of directors, a majority of which is elected by private owners;

(iv) is a financial institution with power to—

(I) make loans or loan guarantees for limited purposes such as to provide credit for specific borrowers or one sector; and

(II) raise funds by borrowing (which does not carry the full faith and credit of the Federal Government) or to guarantee the debt of others in unlimited amounts; and

(B)(i) does not exercise powers that are reserved to the Government as sovereign (such as the power to tax or to regulate interstate commerce);

(ii) does not have the power to commit the Government financially (but it may be a recipient of a loan guarantee commitment made by the Government); and

(iii) has employees whose salaries and expenses are paid by the enterprise and are not Federal employees subject to title 5 of the United States Code.

(9) The term "entitlement authority" means spending authority described by section 401(c)(2)(C).

(10) The term "credit authority" means authority to incur direct loan obligations or to incur primary loan guarantee commitments.

* * * * *

TITLE II—CONGRESSIONAL BUDGET OFFICE

ESTABLISHMENT OF OFFICE

SEC. 201. (a) IN GENERAL.—

(1) There is established an office of the Congress to be known as the Congressional Budget Office (hereinafter in this title referred to as the "Office"). The Office shall be headed by a Director; and there shall be a Deputy Director who shall perform such duties as may be assigned to him by the Director and, during the absence or incapacity of the Director or during a vacancy in that office, shall act as Director.

(2) The Director shall be appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations received from the Committees on the Budget of the House and the Senate, without regard to political affiliation and solely on the basis of his fitness to perform his duties. The Deputy Director shall be appointed by the Director.

(3) The term of office of the Director first appointed shall expire at noon on January 3, 1979, and the terms of Directors subsequently appointed shall expire at noon on January 3 of

each fourth year thereafter. Any individual appointed as Director to fill a vacancy prior to the expiration of a term shall serve only for the unexpired portion of that term. An individual serving as Director at the expiration of a term may continue to serve until his successor is appointed. Any Deputy Director shall serve until the expiration of the term of office of the Director who appointed him (and until his successor is appointed), unless sooner removed by the Director.

(4) The Director may be removed by either House by resolution.

(5) The Director shall receive compensation at a per annum gross rate equal to the rate of basic pay, as in effect from time to time, for level III of the Executive Schedule in section 5314 of title 5, United States Code. The Deputy Director shall receive compensation at a per annum gross rate equal to the rate of basic pay, as so in effect, for level IV of the Executive Schedule in section 5315 of such title.

(b) PERSONNEL.—The Director shall appoint and fix the compensation of such personnel as may be necessary to carry out the duties and functions of the Office. All personnel of the Office shall be appointed without regard to political affiliation and solely on the basis of their fitness to perform their duties. The Director may prescribe the duties and responsibilities of the personnel of the Office, and delegate to them authority to perform any of the duties, powers, and functions imposed on the Office or on the Director. For purposes of pay (other than pay of the Director and Deputy Director) and employment benefits, rights, and privileges, all personnel of the Office shall be treated as if they were employees of the House of Representatives.

(c) EXPERTS AND CONSULTANTS.—In carrying out the duties and functions of the Office, the Director may procure the temporary (not to exceed one year) or intermittent services of experts or consultants or organizations thereof by contract as independent contractors, or, in the case of individual experts or consultants, by employment at rates of pay not in excess of the daily equivalent of the highest rate of basic pay payable under the General Schedule of section 5332 of title 5, United States Code.

(d) RELATIONSHIP TO EXECUTIVE BRANCH.—The Director is authorized to secure information, data, estimates, and statistics directly from the various departments, agencies, and establishments of the executive branch of Government and the regulatory agencies and commissions of the Government. All such departments, agencies, establishments, and regulatory agencies and commissions shall furnish the Director any available material which he determines to be necessary in the performance of his duties and functions (other than material the disclosure of which would be a violation of law). The Director is also authorized, upon agreement with the head of any such department, agency, establishment, or regulatory agency or commission, to utilize its services, facilities, and personnel with or without reimbursement; and the head of each such department, agency, establishment, or regulatory agency or commission is authorized to provide the Office such services, facilities, and personnel.

(e) **RELATIONSHIP TO OTHER AGENCIES OF CONGRESS.**—In carrying out the duties and functions of the Office, and for the purpose of coordinating the operations of the Office with those of other congressional agencies with a view to utilizing most effectively the information, services, and capabilities of all such agencies in carrying out the various responsibilities assigned to each, the Director is authorized to obtain information, data, estimates, and statistics developed by the General Accounting Office, the Library of Congress, and the Office of Technology Assessment, and (upon agreement with them) to utilize their services, facilities, and personnel with or without reimbursement. The Comptroller General, the Librarian of Congress, and the Technology Assessment Board are authorized to provide the Office with the information, data, estimates, and statistics, and the services, facilities, and personnel, referred to in the preceding sentence.

(g) **REVENUE ESTIMATES.**—For the purposes of revenue legislation which is income, estate and gift, excise, and payroll taxes (i.e., Social Security), considered or enacted in any session of Congress, the Congressional Budget Office shall use exclusively during that session of Congress revenue estimates provided to it by the Joint Committee on Taxation. During that session of Congress such revenue estimates shall be transmitted by the Congressional Budget Office to any committee of the House of Representatives or the Senate requesting such estimates, and shall be used by such Committees in determining such estimates. The Budget Committees of the Senate and House shall determine all estimates with respect to scoring points of order and with respect to the execution of the purposes of this Act.

(g)³ **APPROPRIATIONS.**—There are authorized to be appropriated to the Office for each fiscal year such sums as may be necessary to enable it to carry out its duties and functions. Until sums are first appropriated pursuant to the preceding sentence, but for a period not exceeding 12 months following the effective date of this subsection, the expenses of the Office shall be paid from the contingent fund of the Senate, in accordance with the paragraph relating to the contingent fund of the Senate under the heading "UNDER LEGISLATIVE" in the Act of October 1, 1888 (28 Stat. 546; 2 U.S.C. 68), and upon vouchers approved by the Director.

DUTIES AND FUNCTIONS

SEC. 202. (a) ASSISTANCE TO BUDGET COMMITTEES.—It shall be the duty and function of the Office to provide to the Committees on the Budget of both Houses information which will assist such committees in the discharge of all matters within their jurisdictions, including (1) information with respect to the budget, appropriation bills, and other bills authorizing or providing new budget authority or tax expenditures, (2) information with respect to revenues, receipts, estimated future revenues and receipts, and changing revenue conditions, and (3) such related information as such Committees may request.

³Section 13202 of P.L. 101-508 (Budget Enforcement Act of 1990) redesignated subsection (f) as subsection (g) and also transferred and redesignated section 273 of the same Act as subsection (g). It probably should have redesignated section 273 as subsection (f).

(b) ASSISTANCE TO COMMITTEES ON APPROPRIATIONS, WAYS AND MEANS, AND FINANCE.—At the request of the Committee on Appropriations of either House, the Committee on Ways and Means of the House of Representatives, or the Committee on Finance of the Senate, the Office shall provide to such Committee any information which will assist it in the discharge of matters within its jurisdiction, including information described in clauses (1) and (2) of subsection (a) and such related information as the Committee may request.

(c) ASSISTANCE TO OTHER COMMITTEES AND MEMBERS.—

(1) At the request of any other committee of the House of Representatives or the Senate or any joint committee of the Congress, the Office shall provide to such committee or joint committee any information compiled in carrying out clauses (1) and (2) of subsection (a), and, to the extent practicable, such additional information related to the foregoing as may be requested.

(2) At the request of any Member of the House or Senate, the Office shall provide to such member any information compiled in carrying out clauses (1) and (2) of subsection (a), and, to the extent available, such additional information related to the foregoing as may be requested.

(d) ASSIGNMENT OF OFFICE PERSONNEL TO COMMITTEES AND JOINT COMMITTEES.—At the request of the Committee on the Budget of either House, personnel of the Office shall be assigned, on a temporary basis, to assist such committee. At the request of any other committee of either House or any joint committee of the Congress, personnel of the Office may be assigned, on a temporary basis, to assist such committee or joint committee with respect to matters directly related to the applicable provisions of subsection (b) or (c).

(e) TRANSFER OF FUNCTIONS OF JOINT COMMITTEE ON REDUCTION OF FEDERAL EXPENDITURES.—

(1) The duties, functions, and personnel of the Joint Committee on Reduction of Federal Expenditures are transferred to the Office, and the Joint Committee is abolished.

(2) Section 601 of the Revenue Act of 1941 (55 Stat. 726) is repealed.

(f) REPORTS TO BUDGET COMMITTEES.—

(1) On or before February 15 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate, a report for the fiscal year commencing on October 1 of that year, with respect to fiscal policy, including (A) alternative levels of total revenues, total new budget authority, and total outlays (including related surpluses and deficits), and (B) the levels of tax expenditures under existing law, taking into account projected economic factors and any changes in such levels based on proposals in the budget submitted by the President for such fiscal year. Such report shall also include a discussion of national budget priorities, including alternative ways of allocating new budget authority and budget outlays for such fiscal year among major programs or functional categories, taking into account how

such alternative allocations will meet major national needs and affect balanced growth and development of the United States.

(2) The Director shall from time to time submit to the Committees on the Budget of the House of Representatives and the Senate such further reports (including reports revising the report required by paragraph (1)) as may be necessary or appropriate to provide such Committees with information, data, and analyses for the performance of their duties and functions.

(3) On or before January 15 of each year, the Director, after consultation with the appropriate committees of the House of Representatives and Senate, shall submit to the Congress a report listing (A) all programs and activities funded during the fiscal year ending September 30 of that calendar year for which authorizations for appropriations have not been enacted for that fiscal year, and (B) all programs and activities for which authorizations for appropriations have been enacted for the fiscal year ending September 30 of that calendar year, but for which no authorizations for appropriations have been enacted for the fiscal year beginning October 1 of that calendar year.

(g) **USE OF COMPUTERS AND OTHER TECHNIQUES.**—The Director may equip the Office with up-to-date computer capability (upon approval of the Committee on House Administration of the House of Representatives and the Committee on Rules and Administration of the Senate), obtain the services of experts and consultants in computer technology, and develop techniques for the evaluation of budgetary requirements.

(h) **STUDIES.**—The Director shall conduct continuing studies to enhance comparisons of budget outlays, credit authority, and tax expenditures.

PUBLIC ACCESS TO BUDGET DATA

SEC. 203. (a) RIGHT TO COPY.—Except as provided in subsections (c) and (d), the Director shall make all information, data, estimates, and statistics obtained under sections 201(d) and 201(e) available for public copying during normal business hours, subject to reasonable rules and regulations, and shall to the extent practicable, at the request of any person, furnish a copy of any such information, data, estimates, or statistics upon payment by such person of the cost of making and furnishing such copy.

(b) **INDEX.**—The Director shall develop and maintain filing, coding, and indexing systems that identify the information, data, estimates, and statistics to which subsection (a) applies and shall make such systems available for public use during normal business hours.

(c) **EXCEPTIONS.**—Subsection (a) shall not apply to information, data, estimates, and statistics—

- (1) which are specifically exempted from disclosure by law;
- or
- (2) which the Director determines will disclose—

- (A) matters necessary to be kept secret in the interests of national defense or the confidential conduct of the foreign relations of the United States;

(B) information relating to trade secrets or financial or commercial information pertaining specifically to a given person if the information has been obtained by the Government on a confidential basis, other than through an application by such person for a specific financial or other benefit, and is required to be kept secret in order to prevent undue injury to the competitive position of such person; or

(C) personnel or medical data or similar data the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;

unless the portions containing such matters, information, or data have been excised.

(d) INFORMATION OBTAINED FOR COMMITTEES AND MEMBERS.—Subsection (a) shall apply to any information, data, estimates, and statistics obtained at the request of any committee, joint committee, or Member unless such committee, joint committee, or Member has instructed the Director not to make such information, data, estimates, or statistics available for public copying.

TITLE III—CONGRESSIONAL BUDGET PROCESS ⁴

TIMETABLE

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

| On or before: | Action to be completed: |
|--------------------------------|--|
| First Monday in February | President submits his budget. |
| February 15 | Congressional Budget Office submits report to Budget Committees. |
| February 25 | Committees submit views and estimates to Budget Committees. ⁵ |
| April 1 | Senate Budget Committee reports concurrent resolution on the budget. |
| April 15 | Congress completes action on concurrent resolution on the budget. |
| May 15 | Annual appropriation bills may be considered in the House. |
| June 10 | House Appropriations Committee reports last annual appropriation bill. |
| June 15 | Congress completes action on reconciliation legislation. |
| June 30 | House completes action on annual appropriation bills. |
| October 1 | Fiscal year begins. |

ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, for the following—

(1) totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;

⁴Most points of order under this title may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members duly chosen or sworn. See sec. 904(c) for details.

⁵This item should have been amended to reflect the date set forth in section 301(d).

(2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(3) the surplus or deficit in the budget;

(4) new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1);

(5) the public debt;

(6) For purposes of Senate enforcement under this title, outlays of the old-age, survivors, and disability insurance program established under title II of the Social Security Act for the fiscal year of the resolution and for each of the 4 succeeding fiscal years; and

(7) For purposes of Senate enforcement under this title, revenues of the old-age, survivors, and disability insurance program established under title II of the Social Security Act (and the related provisions of the Internal Revenue Code of 1986) for the fiscal year of the resolution and for each of the 4 succeeding fiscal years.

The concurrent resolution shall not include the outlays and revenue totals of the old age, survivors, and disability insurance program established under title II of the Social Security Act or the related provisions of the Internal Revenue Code of 1986 in the surplus or deficit totals required by this subsection or in any other surplus or deficit totals required by this title.

(b) **ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.**—The concurrent resolution on the budget may—

(1) set forth, if required by subsection (f), the calendar year in which, in the opinion of the Congress, the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 should be achieved;

(2) include reconciliation directives described in section 310;

(3) require a procedure under which all or certain bills or resolutions providing new budget authority or new entitlement authority for such fiscal year shall not be enrolled until the Congress has completed action on any reconciliation bill or reconciliation resolution or both required by such concurrent resolution to be reported in accordance with section 310(b);

(4) set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act;

(5) include a heading entitled "Debt Increase as Measure of Deficit" in which the concurrent resolution shall set forth the amounts by which the debt subject to limit (in section 3101 of title 31 of the United States Code) has increased or would increase in each of the relevant fiscal years;

(6) include a heading entitled "Display of Federal Retirement Trust Fund Balances" in which the concurrent resolution shall set forth the balances of the Federal retirement trust funds;

(7) set forth pay-as-you-go procedures for the Senate whereby—

(A) budget authority and outlays may be allocated to a committee for legislation that increases funding for entitlement and mandatory spending programs within its jurisdiction if that committee or the committee of conference on such legislation reports such legislation, if, to the extent that the costs of such legislation are not included in the concurrent resolution on the budget, the enactment of such legislation will not increase the deficit (by virtue of either deficit reduction in the bill or previously passed deficit reduction) in the resolution for the first fiscal year covered by the concurrent resolution on the budget, and will not increase the total deficit for the period of fiscal years covered by the concurrent resolution on the budget;

(B) upon the reporting of legislation pursuant to subparagraph (A), and again upon the submission of a conference report on such legislation (if a conference report is submitted), the chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) and revised functional levels and aggregates to carry out this paragraph;

(C) such revised allocations, functional levels, and aggregates shall be considered for the purposes of this Act as allocations, functional levels, and aggregates contained in the concurrent resolution on the budget; and

(D) the appropriate committee shall report appropriately revised allocations pursuant to section 302(b) to carry out this paragraph; and

(8) set forth procedures to effectuate pay-as-you-go in the House of Representatives.

(c) **CONSIDERATION OF PROCEDURES OR MATTERS WHICH HAVE THE EFFECT OF CHANGING ANY RULE OF THE HOUSE OF REPRESENTATIVES.**—If the Committee on the Budget of the House of Representatives reports any concurrent resolution on the budget which includes any procedure or matter which has the effect of changing any rule of the House of Representatives, such concurrent resolution shall then be referred to the Committee on Rules with instructions to report it within five calendar days (not counting any day on which the House is not in session). The Committee on Rules shall have jurisdiction to report any concurrent resolution referred to it under this paragraph with an amendment or amendments changing or striking out any such procedure or matter.

(d) **VIEWS AND ESTIMATES OF OTHER COMMITTEES.**—Within 6 weeks after the President submits a budget under section 1105(a) of title 31, United States Code, each committee of the House of Representatives having legislative jurisdiction shall submit to the Committee on the Budget of the House and each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters set forth in subsections (a) and (b) which relate to matters within the jurisdiction or functions of such committee. The Joint Economic Committee shall submit to the Committees on the

Budget of both Houses its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House of Representatives or the Senate may submit to the Committee on the Budget of its House, and any joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsections (a) and (b) which relate to matters within its jurisdiction or functions.

(e) **HEARINGS AND REPORT.**—In developing the concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. Each of the recommendations as to short-term and medium-term goal set forth in the report submitted by the members of the Joint Economic Committee under subsection (d) may be considered by the Committee on the Budget of each House as part of its consideration of such concurrent resolution, and its report may reflect its views thereon, including its views on how the estimates of revenues and levels of budget authority and outlays set forth in such concurrent resolution are designed to achieve any goals it is recommending. The report accompanying such concurrent resolution shall include, but not be limited to—

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, total direct loan obligations, total primary loan guarantee commitments, as set forth in such concurrent resolution, with those estimated or requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and with each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and any alternative economic assumptions and objectives which the committee considered;

(6) projections (not limited to the following), for the period of five fiscal years beginning with such fiscal year, of the estimated levels of total budget outlays and total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for each fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments;

(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution;

(9) allocations described in section 302(a); and

(10)⁶ an analysis, prepared after consultation with the Director of the Congressional Budget Office, of the concurrent resolution's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best information available at the time, for the fiscal year covered by the concurrent resolution—

(A) the amount of borrowing by the Government in private credit markets;

(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of State and local governments);

(C) net private domestic investment;

(D) the merchandise trade and current accounts;

(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on the real effective exchange rate of the United States dollar.

(f) **ACHIEVEMENT OF GOALS FOR REDUCING UNEMPLOYMENT.—**

(1) If, pursuant to section 4(c) of the Employment Act of 1946, the President recommends in the Economic Report that the goals for reducing unemployment set forth in section 4(b) of such Act be achieved in a year after the close of the five-year period prescribed by such subsection, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(2) After the Congress has expressed its opinion pursuant to paragraph (1) as to the year in which the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 can be achieved, if, pursuant to section 4(e) of such Act, the President recommends in the Economic Report that such goals be achieved in a year which is different from the year in which the Congress has expressed its opinion that such goals should be achieved, either in its action pursuant to paragraph (1) or in its most recent action pursuant to this paragraph, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(3) It shall be in order to amend the provision of such resolution setting forth such year only if the amendment thereto

⁶This paragraph is only effective for fiscal years 1989 through 1992.

also proposes to alter the estimates, amounts, and levels (as described in subsection (a)) set forth in such resolution in germane fashion in order to be consistent with the economic goals (as described in sections 3(a)(2) and (4)(b) of the Employment Act of 1946) which such amendment proposes can be achieved by the year specified in such amendment.

(g) ECONOMIC ASSUMPTIONS.—

(1) It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year, or any amendment thereto, or any conference report thereon, that sets forth amounts and levels that are determined on the basis of more than one set of economic and technical assumptions.

(2) The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall set forth the common economic assumptions upon which such joint statement and conference report are based, or upon which any amendment contained in the joint explanatory statement to be proposed by the conferees in the case of technical disagreement, is based.

(3) Subject to periodic reestimation based on changed economic conditions or technical estimates, determinations under titles III and IV of the Congressional Budget Act of 1974 shall be based upon such common economic and technical assumptions.

(h) BUDGET COMMITTEES CONSULTATION WITH COMMITTEES.—

The Committee on the Budget of the House of Representatives shall consult with the committees of its House having legislative jurisdiction during the preparation, consideration, and enforcement of the concurrent resolution on the budget with respect to all matters which relate to the jurisdiction or functions of such committees.

(i) It shall not be in order in the Senate to consider any concurrent resolution on the budget as reported to the Senate that would decrease the excess of social security revenues over social security outlays in any of the fiscal years covered by the concurrent resolution. No change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues unless such provision changes the income tax treatment of social security benefits.

COMMITTEE ALLOCATIONS

SEC. 302.⁷ (a) ALLOCATION OF TOTALS.—

(1) For the House of Representatives, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority, and total entitlement authority among each committee of the House of Representatives which has jurisdiction over laws, bills and resolutions providing such new budget authority, or such entitlement authority.

⁷All references to credit authority in subsections (a), (b), (c), and (f) have been omitted to reflect the changes made by Public Law 101-508, effective for fiscal years beginning after September 30, 1991.

The allocation shall, for each committee, divide new budget authority, and entitlement authority between amounts provided or required by law on the date of such conference report (mandatory or uncontrollable amounts), and amounts not so provided or required (discretionary or controllable amounts), and shall make the same division for estimated outlays that would result from such new budget authority.

(2) For the Senate, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of social security outlays for the fiscal year of the resolution and for each of the 4 succeeding fiscal years, total budget outlays and total new budget authority among each committee of the Senate which has jurisdiction over bills and resolutions providing such new budget authority.

(b) **REPORTS BY COMMITTEES.**—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays and new budget authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection.

(c) **POINT OF ORDER.**—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, providing—

(1) new budget authority for a fiscal year; or

(2) new spending authority as described in section 401(c)(2) for a fiscal year;

within the jurisdiction of any committee which has received an appropriate allocation of such authority pursuant to subsection (a) for such fiscal year, unless and until such committee makes the allocation or subdivisions required by subsection (b), in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year.

(d) **SUBSEQUENT CONCURRENT RESOLUTIONS.**—In the case of a concurrent resolution on the budget referred to in section 304, the allocations under subsection (a) and the subdivisions under subsection (b) shall be required only to the extent necessary to take

into account revisions made in the most recently agreed to concurrent resolution on the budget.

(e) **ALTERATION OF ALLOCATIONS.**—At any time after a committee reports the allocations required to be made under subsection (b), such committee may report to its House an alteration of such allocations. Any alteration of such allocations must be consistent with any actions already taken by its House on legislation within the committee's jurisdiction.

(f) **LEGISLATION SUBJECT TO POINT OF ORDER.**—

(1) **IN THE HOUSE OF REPRESENTATIVES.**—After the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, joint resolution, or amendment providing new budget authority for such fiscal year or new entitlement authority effective during such fiscal year, or any conference report on any such bill or joint resolution, if—

(A) the enactment of such bill or resolution as reported;

(B) the adoption and enactment of such amendment;

or

(C) the enactment of such bill or resolution in the form recommended in such conference report, would cause the appropriate allocation made pursuant to subsection (b) for such fiscal year of new discretionary budget authority or new entitlement authority to be exceeded.

(2) **IN THE SENATE.**—At any time after the Congress has completed action on the concurrent resolution on the budget required to be reported under section 301(a) for a fiscal year, it shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report, that provides for budget outlays, new budget authority,⁸ or new spending authority (as defined in section 401(c)(2)) in excess of (A) the appropriate allocation of such outlays or authority reported under subsection (a), or (B) the appropriate allocation (if any) of such outlays or authority reported under subsection (b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year or provides for social security outlays in excess of the appropriate allocation of social security outlays under subsection (a) for the fiscal year of the resolution or for the total of that year and the 4 succeeding fiscal years. Subparagraph (A) shall not apply to any bill, resolution, amendment, motion, or conference report that is within the jurisdiction of the Committee on Appropriations. In applying this paragraph—

(A) estimated social security outlays shall be deemed to be reduced by the excess of estimated social security revenues (including social security revenues provided for in the bill, resolution, amendment, or conference report with respect to which this paragraph is applied) over the appropriate level of social security revenues specified in

⁸ Effective January 1, 1991 and for fiscal year 1991 only insert "or new credit authority" after "new budget authority".

the most recently adopted concurrent resolution on the budget;

(B) estimated social security outlays shall be deemed increased by the shortfall of estimated social security revenues (including social security revenues provided for in the bill, resolution, amendment, or conference report with respect to which this paragraph is applied) below the appropriate level of social security revenues specified in the most recently adopted concurrent resolution on the budget; and

(C) no provision of any bill or resolution, or any amendment thereto or conference report thereon, involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues unless such provision changes the income tax treatment of social security benefits.

The Chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under subsection (a) and revised functional levels and aggregates to reflect the application of the preceding sentence. Such revised allocations, functional levels, and aggregates shall be considered as allocations, functional levels, and aggregates contained in the most recently agreed to concurrent resolution on the budget, and the appropriate committees shall report revised allocations pursuant to subsection (b).

(g) DETERMINATIONS BY BUDGET COMMITTEES.—For purposes of this section, the levels of new budget authority, spending authority as described in section 401(c)(2), outlays, and new credit authority for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, NEW CREDIT AUTHORITY, OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report as reported to the House or Senate which provides—

- (1) new budget authority for a fiscal year;
- (2) an increase or decrease in revenues to become effective during a fiscal year;
- (3) an increase or decrease in the public debt limit to become effective during a fiscal year;
- (4) new entitlement authority to become effective during a fiscal year;
- (5) in the Senate only, new spending authority (as defined in section 401(c)(2)) for a fiscal year; or
- (6) in the Senate only, outlays,

until the concurrent resolution on the budget for such fiscal year (or, in the Senate, a concurrent resolution on the budget covering such fiscal year) has been agreed to pursuant to section 301.

(b) **EXCEPTIONS.**—(1) In the House of Representatives, subsection (a) does not apply to any bill or resolution—

(A) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(B) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

After May 15 of any calendar year, subsection (a) does not apply in the House of Representatives to any general appropriation bill, or amendment thereto, which provides new budget authority for the fiscal year beginning in such calendar year.

(2) In the Senate, subsection (a) does not apply to any bill or resolution making advance appropriations for the fiscal year to which the concurrent resolution applies and the two succeeding fiscal years.

(c) **WAIVER IN THE SENATE.**—

(1) The committee of the Senate which reports any bill or resolution (or amendment thereto) to which subsection (a) applies may at or after the time it reports such bill or resolution (or amendment), report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution (or amendment), and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) shall not apply with respect to the bill or resolution (or amendment thereto) to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 304. (a) IN GENERAL.—At any time after the concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises or reaffirms the concurrent resolution on the budget for such fiscal year most recently agreed to.

(b) ECONOMIC ASSUMPTIONS.—The provisions of section 301(g) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under such section 301(g) (and amendments thereto and conference reports thereon).

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House of Representatives has reported any concurrent resolution on the budget, it is in order at any time after the fifth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution by the Committee on the Budget has been available to Members of the House and, if applicable, after the first day (excluding Saturdays, Sundays, and legal holidays) following the day on which a report upon such resolution by the Committee on Rules pursuant to section 301(c) has been available to Members of the House (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority parties, plus such additional hours of debate as are consumed pursuant to paragraph (3). A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the House, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Only if a concurrent resolution on the budget reported by the Committee on the Budget of the House sets forth the economic goals (as described in sections 3(a)(2) and (4)(b) of the Full Employment Act of 1946) which the estimates, amounts,

and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be considered for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(6) Debate in the House of Representatives on the conference report on any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.

(7) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that with respect to any concurrent resolution referred to in section 304(a) all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not ger-

mane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the Senate, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Subject to the other limitations of this Act, only if a concurrent resolution on the budget reported by the Committee on the Budget of the Senate sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(6) Notwithstanding any other rule, an amendment or series of amendments to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

(1) A motion to proceed to the consideration of the conference report on any concurrent resolution on the budget (or a reconciliation bill or resolution) may be made even though a previous motion to the same effect has been disagreed to.

(2) During the consideration in the Senate of the conference report (or a message between Houses) on any concurrent resolution on the budget, and all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report (or a message between Houses) shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report (or a message between Houses).

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

(d) **CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.**—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill, resolution, amendment, motion, or conference report, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BY JUNE 10

SEC. 307. On or before June 10 of each year, the Committee on Appropriations of the House of Representatives shall report annual appropriation bills providing new budget authority under the jurisdiction of all of its subcommittees for the fiscal year which begins on October 1 of that year.

**REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET
ACTIONS**

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR NEW CREDIT AUTHORITY, OR PROVIDING AN INCREASE OR DECREASE IN REVENUES OR TAX EXPENDITURES.—

(1) Whenever a committee of either House reports to its House a bill or resolution, or committee amendment thereto, providing new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year (or fiscal years), the report accompanying that bill or resolution shall contain a statement, or the committee shall make available such a statement in the case of an approved committee amendment which is not reported to its House, prepared after consultation with the Director of the Congressional Budget Office—

(A) comparing the levels in such measure to the appropriate allocations in the reports submitted under section 302(b) for the most recently agreed to concurrent resolution on the budget for such fiscal year (or fiscal years);

(B) including an identification of any new spending authority described in section 401(c)(2) which is contained in such measure and a justification for the use of such financing method instead of annual appropriations;

(C) containing a projection by the Congressional Budget Office of how such measure will affect the levels of such budget authority, budget outlays, spending authority, revenues, tax expenditures, direct loan obligations, or primary loan guarantee commitments under existing law for such fiscal year (or fiscal years) and each of the four ensuing fiscal years, if timely submitted before such report is filed; and

(D) containing an estimate by the Congressional Budget Office of the level of new budget authority for assistance to State and local governments provided by such measure, if timely submitted before such report is filed.

(2) Whenever a conference report is filed in either House and such conference report or any amendment reported in disagreement or any amendment contained in the joint statement of managers to be proposed by the conferees in the case of technical disagreement on such bill or resolution provides new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or provides an increase or decrease in revenues for a fiscal year (or fiscal years), the statement of managers accompanying such conference report shall contain the information described in paragraph (1), if available on a timely basis. If such information is not available when the conference report is filed, the committee shall make such information available to Members as soon as practicable prior to the consideration of such conference report.

(b) UP-TO-DATE TABULATIONS OF CONGRESSIONAL BUDGET ACTION.—

(1) The Director of the Congressional Budget Office shall issue to the committees of the House of Representatives and the Senate reports on at least a monthly basis detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority, new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for each fiscal year covered by a concurrent resolution on the budget. Such reports shall include but are not limited to an up-to-date tabulation comparing the appropriate aggregate and functional levels (including outlays) included in the most recently adopted concurrent resolution on the budget with the levels provided in bills and resolutions reported by committees or adopted by either House or by the Congress, and with the levels provided by law for the fiscal year preceding the first fiscal year covered by the appropriate concurrent resolution.

(2) The Committee on the Budget of each House shall make available to Members of its House summary budget scorekeeping reports. Such reports—

(A) shall be made available on at least a monthly basis, but in any case frequently enough to provide Members of each House an accurate representation of the current status of congressional consideration of the budget;

(B) shall include, but are not limited to summaries of tabulations provided under subsection (b)(1); and

(C) shall be based on information provided under subsection (b)(1) without substantive revision.

The chairman of the Committee on the Budget of the House of Representatives shall submit such reports to the Speaker.

(c) FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACT.— As soon as practicable after the beginning of each fiscal year, the Director of the Congressional Budget Office shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period;

(3) tax expenditures for each fiscal year in such period;

(4) entitlement authority for each fiscal year in such period; and

(5) credit authority for each fiscal year in such period.

HOUSE APPROVAL OF REGULAR APPROPRIATION BILLS

SEC. 309. It shall not be in order in the House of Representatives to consider any resolution providing for an adjournment period of more than three calendar days during the month of July until the House of Representatives has approved annual appropriation bills providing new budget authority under the jurisdiction of all the subcommittees of the Committee on Appropriations for the fiscal year beginning on October 1 of such year. For purposes of

this section, the chairman of the Committee on Appropriations of the House of Representatives shall periodically advise the Speaker as to changes in jurisdiction among its various subcommittees.

RECONCILIATION

SEC. 310. (a) INCLUSION OF RECONCILIATION DIRECTIVES IN CONCURRENT RESOLUTIONS ON THE BUDGET.—A concurrent resolution on the budget for any fiscal year, to the extent necessary to effectuate the provisions and requirements of such resolution, shall—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years;

(C) new entitlement authority which is to become effective during such fiscal year; and

(D) credit authority for such fiscal year,

contained in laws, bills, and resolutions within the jurisdiction of a committee is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amounts by which the statutory limit on the public debt is to be changed and direct the committee having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3) (including a direction to achieve deficit reduction).

(b) LEGISLATIVE PROCEDURE.—If a concurrent resolution containing directives to one or more committees to determine and recommend changes in laws, bills, or resolutions is agreed to in accordance with subsection (a), and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House reconciliation legislation containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House reconciliation legislation carrying out all such recommendations without any substantive revision.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(c) COMPLIANCE WITH RECONCILIATION DIRECTIONS.—(1) Any committee of the House of Representatives or the Senate that is directed, pursuant to a concurrent resolution on the budget, to determine and recommend changes of the type described in paragraphs (1) and (2) of subsection (a) with respect to laws within its jurisdiction, shall be deemed to have complied with such directions—

(A) if—

(i) the amount of the changes of the type described in paragraph (1) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under that paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection, and

(ii) the amount of the changes of the type described in paragraph (2) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under that paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection; and

(B) if the total amount of the changes recommended by such committee is not less than the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection.

(2)(A) Upon the reporting to the Committee on the Budget of the Senate of a recommendation that shall be deemed to have complied with such directions solely by virtue of this subsection, the chairman of that committee may file with the Senate appropriately revised allocations under section 302(a) and revised functional levels and aggregates to carry out this subsection.

(B) Upon the submission to the Senate of a conference report recommending a reconciliation bill or resolution in which a committee shall be deemed to have complied with such directions solely by virtue of this subsection, the chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) and revised functional levels and aggregates to carry out this subsection.

(C) Allocations, functional levels, and aggregates revised pursuant to this paragraph shall be considered to be allocations, functional levels, and aggregates contained in the concurrent resolution on the budget pursuant to section 301.

(D) Upon the filing of revised allocations pursuant to this paragraph, the reporting committee shall report revised allocations pursuant to section 302(b) to carry out this subsection.

(d) LIMITATION ON AMENDMENTS TO RECONCILIATION BILLS AND RESOLUTIONS.—

(1) It shall not be in order in the House of Representatives to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of in-

creasing any specific budget outlays above the level of such outlays provided in the bill or resolution (for the fiscal years covered by the reconciliation instructions set forth in the most recently agreed to concurrent resolution on the budget), or would have the effect of reducing any specific Federal revenues below the level of such revenues provided in the bill or resolution (for such fiscal years), unless such amendment makes at least an equivalent reduction in other specific budget outlays, an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years), except that a motion to strike a provision providing new budget authority or new entitlement authority may be in order.

(2) It shall not be in order in the Senate to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of decreasing any specific budget outlay reductions below the level of such outlay reductions provided (for the fiscal years covered) in the reconciliation instructions which relate to such bill or resolution set forth in a resolution providing for reconciliation, or would have the effect of reducing Federal revenue increases below the level of such revenue increases provided (for such fiscal years) in such instructions relating to such bill or resolution, unless such amendment makes a reduction in other specific budget outlays, an increase in other specific Federal revenues, or a combination thereof (for such fiscal years) at least equivalent to any increase in outlays or decrease in revenues provided by such amendment, except that a motion to strike a provision shall always be in order.

(3) Paragraphs (1) and (2) shall not apply if a declaration of war by the Congress is in effect.

(4) For purposes of this section, the levels of budget outlays and Federal revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

(5) The Committee on Rules of the House of Representatives may make in order amendments to achieve changes specified by reconciliation directives contained in a concurrent resolution on the budget if a committee or committees of the House fail to submit recommended changes to its Committee on the Budget pursuant to its instruction.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills reported under subsection (b) and conference reports thereon.

(2) Debate in the Senate on any reconciliation bill reported under subsection (b), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) COMPLETION OF RECONCILIATION PROCESS.—It shall not be in order in the House of Representatives to consider any resolution

providing for an adjournment period of more than three calendar days during the month of July until the House of Representatives has completed action on the reconciliation legislation for the fiscal year beginning on October 1 of the calendar year to which the adjournment resolution pertains, if reconciliation legislation is required to be reported by the concurrent resolution on the budget for such fiscal year.

(g)⁹ **LIMITATION ON CHANGES TO THE SOCIAL SECURITY ACT.**— Notwithstanding any other provision of law, it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or reconciliation resolution reported pursuant to a concurrent resolution on the budget agreed to under section 301 or 304, or a joint resolution pursuant to section 258C of the Balanced Budget and Emergency Deficit Control Act of 1985, or any amendment thereto or conference report thereon, that contains recommendations with respect to the old-age, survivors, and disability insurance program established under title II of the Social Security Act.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 311. (a)(1) LEGISLATION SUBJECT TO POINT OF ORDER.— Except as provided by subsection (b), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, if—

- (A) the enactment of such bill or resolution as reported;
- (B) the adoption and enactment of such amendment; or
- (C) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution except in the case that a declaration of war by the Congress is in effect.

(2)(A) After the Congress has completed action on a concurrent resolution on the budget, it shall not be in order in the Senate to consider any bill, resolution, amendment, motion, or conference report that would cause the appropriate level of total new budget authority or total budget outlays or social security outlays set forth for the first fiscal year in the most recently agreed to concurrent resolution on the budget covering such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues (or social security revenues to be less than the appropriate level of social security revenues) set forth for the first fiscal year covered by the resolution and for the period including the

⁹The requirement in the Senate for three-fifths vote to sustain this point of order expires on September 30, 1995.

first fiscal year plus the following 4 fiscal years in such concurrent resolution.

(B) In applying this paragraph—

(i)(I) estimated social security outlays shall be deemed to be reduced by the excess of estimated social security revenues (including those provided for in the bill, resolution, amendment, or conference report with respect to which this subsection is applied) over the appropriate level of Social Security revenues specified in the most recently agreed to concurrent resolution on the budget;

(II) estimated social security revenues shall be deemed to be increased to the extent that estimated social security outlays are less (taking into account the effect of the bill, resolution, amendment, or conference report to which this subsection is being applied) than the appropriate level of social security outlays in the most recently agreed to concurrent resolution on the budget; and

(ii)(I) estimated Social Security outlays shall be deemed to be increased by the shortfall of estimated social security revenues (including Social Security revenues provided for in the bill, resolution, amendment, or conference report with respect to which this subsection is applied) below the appropriate level of social security revenues specified in the most recently adopted concurrent resolution on the budget; and

(II) estimated social security revenues shall be deemed to be reduced by the excess of estimated social security outlays (including social security outlays provided for in the bill, resolution, amendment, or conference report with respect to which this subsection is applied) above the appropriate level of social security outlays specified in the most recently adopted concurrent resolution on the budget; and

(iii) no provision of any bill or resolution, or any amendment thereto or conference report thereon, involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues unless such provision changes the income tax treatment of social security benefits.

The chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) and revised functional levels and aggregates to reflect the application of the preceding sentence. Such revised allocations, functional levels, and aggregates shall be considered as allocations, functional levels, and aggregates contained in the most recently agreed to concurrent resolution on the budget, and the appropriate committees shall report revised allocations pursuant to section 302(b).

(b) EXCEPTION IN THE HOUSE OF REPRESENTATIVES.—Subsection (a) shall not apply in the House of Representatives to any bill, resolution, or amendment which provides new budget authority or new entitlement authority effective during such fiscal year, or to any conference report on any such bill or resolution, if—

- (1) the enactment of such bill or resolution as reported;
- (2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report, would not cause the appropriate allocation of new discretionary budget authority or new entitlement authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.

(c) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

EFFECTS OF POINTS OF ORDER

SEC. 312. ¹⁰ POINTS OF ORDER IN THE SENATE AGAINST AMENDMENTS BETWEEN THE HOUSES.—Each provision of this Act that establishes a point of order against an amendment also establishes a point of order in the Senate against an amendment between the Houses. If a point of order under this Act is raised in the Senate against an amendment between the Houses, and the Presiding Officer sustains the point of order, the effect shall be the same as if the Senate had disagreed to the amendment.

(b) EFFECT OF A POINT OF ORDER ON A BILL IN THE SENATE.—In the Senate, if the Chair sustains a point of order under this Act against a bill, the Chair shall then send the bill to the committee of appropriate jurisdiction for further consideration.

EXTRANEOUS MATTER IN RECONCILIATION LEGISLATION (THE "BYRD RULE")

SEC. 313. (a) IN GENERAL.—When the Senate is considering a reconciliation bill or a reconciliation resolution pursuant to section 310 (whether that bill or resolution originated in the Senate or the House) or section 258C of the Balanced Budget and Emergency Deficit Control Act of 1985, upon a point of order being made by any Senator against material extraneous to the instructions to a committee which is contained in any title or provision of the bill or resolution or offered as an amendment to the bill or resolution, and the point of order is sustained by the Chair, any part of said title or provision that contains material extraneous to the instructions to said Committee as defined in subsection (b) shall be deemed stricken from the bill and may not be offered as an amendment from the floor.

(b) EXTRANEOUS PROVISIONS.—(1)(A) Except as provided in paragraph (2), a provision of a reconciliation bill or reconciliation resolution considered pursuant to section 310 shall be considered extraneous if such provision does not produce a change in outlays or revenue, including changes in outlays and revenues brought about by changes in the terms and conditions under which outlays are made or revenues are required to be collected (but a provision in which outlay decreases or revenue increases exactly offset outlay increases or revenue decreases shall not be considered extraneous

¹⁰So in law; "(a)" should have been added.

by virtue of this subparagraph); (B) any provision producing an increase in outlays or decrease in revenues shall be considered extraneous if the net effect of provisions reported by the Committee reporting the title containing the provision is that the Committee fails to achieve its reconciliation instructions; (C) a provision that is not in the jurisdiction of the Committee with jurisdiction over said title or provision shall be considered extraneous; (D) a provision shall be considered extraneous if it produces changes in outlays or revenues which are merely incidental to the non-budgetary components of the provision; (E) a provision shall be considered to be extraneous if it increases, or would increase, net outlays, or if it decreases, or would decrease, revenues during a fiscal year after the fiscal years covered by such reconciliation bill or reconciliation resolution, and such increases or decreases are greater than outlay reductions or revenue increases resulting from other provisions in such title in such year; and (F) a provision shall be considered extraneous if it violates section 310(g).

(2) A Senate-originated provision shall not be considered extraneous under paragraph (1)(A) if the Chairman and Ranking Minority Member of the Committee on the Budget and the Chairman and Ranking Minority Member of the Committee which reported the provision certify that: (A) the provision mitigates direct effects clearly attributable to a provision changing outlays or revenue and both provisions together produce a net reduction in the deficit; (B) the provision will result in a substantial reduction in outlays or a substantial increase in revenues during fiscal years after the fiscal years covered by the reconciliation bill or reconciliation resolution; (C) a reduction of outlays or an increase in revenues is likely to occur as a result of the provision, in the event of new regulations authorized by the provision or likely to be proposed, court rulings on pending litigation, or relationships between economic indices and stipulated statutory triggers pertaining to the provision, other than the regulations, court rulings or relationships currently projected by the Congressional Budget Office for scorekeeping purposes; or (D) such provision will be likely to produce a significant reduction in outlays or increase in revenues but, due to insufficient data, such reduction or increase cannot be reliably estimated.

(3) A provision reported by a committee shall not be considered extraneous under paragraph (1)(C) if (A) the provision is an integral part of a provision or title, which if introduced as a bill or resolution would be referred to such committee, and the provision sets forth the procedure to carry out or implement the substantive provisions that were reported and which fall within the jurisdiction of such committee; or (B) the provision states an exception to, or a special application of, the general provision or title of which it is a part and such general provision or title if introduced as a bill or resolution would be referred to such committee.

(c) **EXTRANEIOUS MATERIALS.**—Upon the reporting or discharge of a reconciliation bill or resolution pursuant to section 310 in the Senate, and again upon the submission of a conference report on such a reconciliation bill or resolution, the Committee on the Budget of the Senate shall submit for the record a list of material considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of this section to the instructions of a committee as pro-

vided in this section. The inclusion or exclusion of a provision shall not constitute a determination of extraneousness by the Presiding Officer of the Senate.

(c)¹¹ When the Senate is considering a conference report on, or an amendment between the Houses in relation to, a reconciliation bill or reconciliation resolution pursuant to section 310, upon—

(1) a point of order being made by any Senator against extraneous material meeting the definition of subsections (b)(1)(A), (b)(1)(B), (b)(1)(D), (b)(1)(E), or (b)(1)(F), and

(2) such point of order being sustained,

such material contained in such conference report or amendment shall be deemed stricken, and the Senate shall proceed, without intervening action or motion, to consider the question of whether the Senate shall recede from its amendment and concur with a further amendment, or concur in the House amendment with a further amendment, as the case may be, which further amendment shall consist of only that portion of the conference report or House amendment, as the case may be, not so stricken. Any such motion in the Senate shall be debatable for two hours. In any case in which such point of order is sustained against a conference report (or Senate amendment derived from such conference report by operation of this subsection), no further amendment shall be in order.

(d) GENERAL POINT OF ORDER.—Notwithstanding any other law or rule of the Senate, it shall be in order for a Senator to raise a single point of order that several provisions of a bill, resolution, amendment, motion, or conference report violate this section. The Presiding Officer may sustain the point of order as to some or all of the provisions against which the Senator raised the point of order. If the Presiding Officer so sustains the point of order as to some of the provisions (including provisions of an amendment, motion, or conference report) against which the Senator raised the point of order, then only those provisions (including provisions of an amendment, motion, or conference report) against which the Presiding Officer sustains the point of order shall be deemed stricken pursuant to this section. Before the Presiding Officer rules on such a point of order, any Senator may move to waive such a point of order as it applies to some or all of the provisions against which the point of order was raised. Such a motion to waive is amendable in accordance with the rules and precedents of the Senate. After the Presiding Officer rules on such a point of order, any Senator may appeal the ruling of the Presiding Officer on such a point of order as it applies to some or all of the provisions on which the Presiding Officer ruled.

(e) DETERMINATION OF LEVELS.—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the Senate.

¹¹Section 13214(b)(2) and (3) of P.L. 101-508 inadvertently created two subsection (c)'s.

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2) (A) or (B), unless that bill, resolution, conference report, or amendment also provides that such new spending authority as described in subsection (c)(2) (A) or (B) is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2)(C) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day on which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

(D) to forego the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such foregone receipts; and

(E) to make payments by the United States (including loans, grants, and payments from revolving funds) other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which

is specifically exempted by law from compliance with any or all of the provisions of that Act, as of the date of enactment of the Balanced Budget and Emergency Deficit Control Act of 1985; or

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

LEGISLATION PROVIDING NEW CREDIT AUTHORITY

SEC. 402. (a) CONTROLS ON LEGISLATION PROVIDING NEW CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, as reported to its House, which provides new credit authority described in subsection (b)(1), unless that bill, resolution, conference report, or amendment also provides that such new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) **DEFINITION.**—For purposes of this Act, the term “new credit authority” means credit authority (as defined in section 3(10) of this Act) not provided by law on the effective date of this section, including any increase in or addition to credit authority provided by law on such date.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

SEC. 403. (a) The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate;

(2) an estimate of the cost which would be incurred by State and local governments in carrying out or complying with any significant bill or resolution in the fiscal year in which it is to become effective and in each of the four fiscal years following such fiscal year, together with the basis for each such estimate;

(3) a comparison of the estimates of costs described in paragraphs (1) and (2), with any available estimates of costs made by such committee or by any Federal agency; and

(4) a description of each method for establishing a Federal financial commitment contained in such bill or resolution.

The estimates, comparison, and description so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

(b) For purposes of subsection (a)(2), the term “local government” has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term “significant bill or resolution” is defined as any bill or resolution which in the judg-

ment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of \$200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

* * * * *

TITLE V—CREDIT REFORM

SEC. 500. SHORT TITLE.

This title may be cited as the "Federal Credit Reform Act of 1990".

SEC. 501. PURPOSES.

The purposes of this title are to—

- (1) measure more accurately the costs of Federal credit programs;
- (2) place the cost of credit programs on a budgetary basis equivalent to other Federal spending;
- (3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and
- (4) improve the allocation of resources among credit programs and between credit and other spending programs.

SEC. 502. DEFINITIONS.

For purposes of this title—

(1) The term "direct loan" means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation.

(2) The term "direct loan obligation" means a binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower.

(3) The term "loan guarantee" means any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

(4) The term "loan guarantee commitment" means a binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

(5)(A) The term "cost" means the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.

(B) The cost of a direct loan shall be the net present value, at the time when the direct loan is disbursed, of the following cash flows:

- (i) loan disbursements;
- (ii) repayments of principal; and
- (iii) payments of interest and other payments by or to the Government over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties and other recoveries.

(C) The cost of a loan guarantee shall be the net present value when a guaranteed loan is disbursed of the cash flow from—

- (i) estimated payments by the Government to cover defaults and delinquencies, interest subsidies, or other payments, and
- (ii) the estimated payments to the Government including origination and other fees, penalties and recoveries.

(D) Any Government action that alters the estimated net present value of an outstanding direct loan or loan guarantee (except modifications within the terms of existing contracts or through other existing authorities) shall be counted as a change in the cost of that direct loan or loan guarantee. The calculation of such changes shall be based on the estimated present value of the direct loan or loan guarantee at the time of modification.

(E) In estimating net present values, the discount rate shall be the average interest rate on marketable Treasury securities of similar maturity to the direct loan or loan guarantee for which the estimate is being made.

(6) The term "credit program account" means the budget account into which an appropriation to cover the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account.

(7) The term "financing account" means the non-budget account or accounts associated with each credit program account which holds balances, receives the cost payment from the credit program account, and also includes all other cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991.

(8) The term "liquidating account" means the budget account that includes all cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made prior to October 1, 1991. These accounts shall be shown in the budget on a cash basis.

(9) The term "Director" means the Director of the Office of Management and Budget.

SEC. 508. OMB AND CBO ANALYSIS, COORDINATION, AND REVIEW.

(a) **IN GENERAL.**—For the executive branch, the Director shall be responsible for coordinating the estimates required by this title. The Director shall consult with the agencies that administer direct loan or loan guarantee programs.

(b) **DELEGATION.**—The Director may delegate to agencies authority to make estimates of costs. The delegation of authority shall

be based upon written guidelines, regulations, or criteria consistent with the definitions in this title.

(c) **COORDINATION WITH THE CONGRESSIONAL BUDGET OFFICE.**—In developing estimation guidelines, regulations, or criteria to be used by Federal agencies, the Director shall consult with the Director of the Congressional Budget Office.

(d) **IMPROVING COST ESTIMATES.**—The Director and the Director of the Congressional Budget Office shall coordinate the development of more accurate data on historical performance of direct loan and loan guarantee programs. They shall annually review the performance of outstanding direct loans and loan guarantees to improve estimates of costs. The Office of Management and Budget and the Congressional Budget Office shall have access to all agency data that may facilitate the development and improvement of estimates of costs.

(e) **HISTORICAL CREDIT PROGRAM COSTS.**—The Director shall review, to the extent possible, historical data and develop the best possible estimates of adjustments that would convert aggregate historical budget data to credit reform accounting.

(f) **ADMINISTRATIVE COSTS.**—The Director and the Director of the Congressional Budget Office shall each analyze and report to Congress on differences in long-term administrative costs for credit programs versus grant programs by January 31, 1992. Their reports shall recommend to Congress any changes, if necessary, in the treatment of administrative costs under credit reform accounting.

SEC. 504. BUDGETARY TREATMENT.

(a) **PRESIDENT'S BUDGET.**—Beginning with fiscal year 1992, the President's budget shall reflect the costs of direct loan and loan guarantee programs. The budget shall also include the planned level of new direct loan obligations or loan guarantee commitments associated with each appropriations request.

(b) **APPROPRIATIONS REQUIRED.**—Notwithstanding any other provision of law, new direct loan obligations may be incurred and new loan guarantee commitments may be made for fiscal year 1992 and thereafter only to the extent that—

(1) appropriations of budget authority to cover their costs are made in advance;

(2) a limitation on the use of funds otherwise available for the cost of a direct loan or loan guarantee program is enacted; or

(3) authority is otherwise provided in appropriation Acts.

(c) **EXEMPTION FOR MANDATORY PROGRAMS.**—Subsection (b) shall not apply to a direct loan or loan guarantee program that—

(1) constitutes an entitlement (such as the guaranteed student loan program or the veterans' home loan guaranty program); or

(2) all existing credit programs of the Commodity Credit Corporation on the date of enactment of this title.

(d) **BUDGET ACCOUNTING.**—

(1) The authority to incur new direct loan obligations, make new loan guarantee commitments, or directly or indirectly alter the costs of outstanding direct loans and loan guarantees shall constitute new budget authority in an amount

equal to the cost of the direct loan or loan guarantee in the fiscal year in which definite authority becomes available or indefinite authority is used. Such budget authority shall constitute an obligation of the credit program account to pay to the financing account.

(2) The outlays resulting from new budget authority for the cost of direct loans or loan guarantees described in paragraph (1) shall be paid from the credit program account into the financing account and recorded in the fiscal year in which the direct loan or the guaranteed loan is disbursed or its costs altered.

(3) All collections and payments of the financing accounts shall be a means of financing.

(e) MODIFICATIONS.—A direct loan obligation or loan guarantee commitment shall not be modified in a manner that increases its cost unless budget authority for the additional cost is appropriated, or is available out of existing appropriations or from other budgetary resources.

(f) REESTIMATES.—When the estimated cost for a group of direct loans or loan guarantees for a given credit program made in a single fiscal year is reestimated in a subsequent year, the difference between the reestimated cost and the previous cost estimate shall be displayed as a distinct and separately identified subaccount in the credit program account as a change in program costs and a change in net interest. There is hereby provided permanent indefinite authority for these reestimates.

(g) ADMINISTRATIVE EXPENSES.—All funding for an agency's administration of a direct loan or loan guarantee program shall be displayed as distinct and separately identified subaccounts within the same budget account as the program's cost.

SEC. 505. AUTHORIZATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS FOR COSTS.—There are authorized to be appropriated to each Federal agency authorized to make direct loan obligations or loan guarantee commitments, such sums as may be necessary to pay the cost associated with such direct loan obligations or loan guarantee commitments.

(b) AUTHORIZATION FOR FINANCING ACCOUNTS.—In order to implement the accounting required by this title, the President is authorized to establish such non-budgetary accounts as may be appropriate.

(c) TREASURY TRANSACTIONS WITH THE FINANCING ACCOUNTS.—The Secretary of the Treasury shall borrow from, receive from, lend to, or pay to the financing accounts such amounts as may be appropriate. The Secretary of the Treasury may prescribe forms and denominations, maturities, and terms and conditions for the transactions described above. The authorities described above shall not be construed to supercede or override the authority of the head of a Federal agency to administer and operate a direct loan or loan guarantee program. All of the transactions provided in this subsection shall be subject to the provisions of subchapter II of chapter 15 of title 31, United States Code. Cash balances of the financing accounts in excess of current requirements shall be maintained in a form of uninvested funds and the Secretary of the Treasury shall pay interest on these funds.

(d) **AUTHORIZATION FOR LIQUIDATING ACCOUNTS.**—If funds in liquidating accounts are insufficient to satisfy the obligations and commitments of said accounts, there is hereby provided permanent, indefinite authority to make any payments required to be made on such obligations and commitments.

(e) **AUTHORIZATION OF APPROPRIATIONS FOR IMPLEMENTATION EXPENSES.**—There are authorized to be appropriated to existing accounts such sums as may be necessary for salaries and expenses to carry out the responsibilities under this title.

(f) **REINSURANCE.**—Nothing in this title shall be construed as authorizing or requiring the purchase of insurance or reinsurance on a direct loan or loan guarantee from private insurers. If any such reinsurance for a direct loan or loan guarantee is authorized, the cost of such insurance and any recoveries to the Government shall be included in the calculation of the cost.

(g) **ELIGIBILITY AND ASSISTANCE.**—Nothing in this title shall be construed to change the authority or the responsibility of a Federal agency to determine the terms and conditions of eligibility for, or the amount of assistance provided by a direct loan or a loan guarantee.

SEC. 506. TREATMENT OF DEPOSIT INSURANCE AND AGENCIES AND OTHER INSURANCE PROGRAMS.

(a)¹² **IN GENERAL.**—

(1) This title shall not apply to the credit or insurance activities of the Federal Deposit Insurance Corporation, National Credit Union Administration, Resolution Trust Corporation, Pension Benefit Guaranty Corporation, National Flood Insurance, National Insurance Development Fund, Crop Insurance, or Tennessee Valley Authority.

(2) The Director and the Director of the Congressional Budget Office shall each study whether the accounting for Federal deposit insurance programs should be on a cash basis on the same basis as loan guarantees, or on a different basis. Each Director shall report findings and recommendations to the President and the Congress on or before May 31, 1991.

(3) For the purposes of paragraph (2), the Office of Management and Budget and the Congressional Budget Office shall have access to all agency data that may facilitate these studies.

SEC. 507. EFFECT ON OTHER LAWS.

(a) **EFFECT ON OTHER LAWS.**—This title shall supersede, modify, or repeal any provision of law enacted prior to the date of enactment of this title to the extent such provision is inconsistent with this title. Nothing in this title shall be construed to establish a credit limitation on any Federal loan or loan guarantee program.

(b) **CREDITING OF COLLECTIONS.**—Collections resulting from direct loans obligated or loan guarantees committed prior to October 1, 1991, shall be credited to the liquidating accounts of Federal agencies. Amounts so credited shall be available, to the same extent that they were available prior to the date of enactment of this title, to liquidate obligations arising from such direct loans obligated or loan guarantees committed prior to October 1, 1991, including repayment of any obligations held by the Secretary of the

¹²So in law. There is no subsection (b).

Treasury or the Federal Financing Bank. The unobligated balances of such accounts that are in excess of current needs shall be transferred to the general fund of the Treasury. Such transfers shall be made from time to time but, at least once each year.

**TITLE VI—BUDGET AGREEMENT ENFORCEMENT
PROVISIONS¹⁸**

SEC. 601. DEFINITIONS AND POINT OF ORDER.

(a) **DEFINITIONS.**—As used in this title and for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985:

(1) **MAXIMUM DEFICIT AMOUNT.**—The term “maximum deficit amount” means—

- (A) with respect to fiscal year 1991, \$327,000,000,000;
- (B) with respect to fiscal year 1992, \$317,000,000,000;
- (C) with respect to fiscal year 1993, \$236,000,000,000;
- (D) with respect to fiscal year 1994, \$102,000,000,000;

and

(E) with respect to fiscal year 1995, \$83,000,000,000; as adjusted in strict conformance with sections 251, 252, and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(2) **DISCRETIONARY SPENDING LIMIT.**—The term “discretionary spending limit” means—

(A) with respect to fiscal year 1991—

- (i) for the defense category: \$288,918,000,000 in new budget authority and \$297,660,000,000 in outlays;
- (ii) for the international category: \$20,100,000,000 in new budget authority and \$18,600,000,000 in outlays; and
- (iii) for the domestic category: \$182,700,000,000 in new budget authority and \$198,100,000,000 in outlays;

(B) with respect to fiscal year 1992—

- (i) for the defense category: \$291,643,000,000 in new budget authority and \$295,744,000,000 in outlays;
- (ii) for the international category: \$20,500,000,000 in new budget authority and \$19,100,000,000 in outlays; and
- (iii) for the domestic category: \$191,300,000,000 in new budget authority and \$210,100,000,000 in outlays;

(C) with respect to fiscal year 1993—

- (i) for the defense category: \$291,785,000,000 in new budget authority and \$292,686,000,000 in outlays;
- (ii) for the international category: \$21,400,000,000 in new budget authority and \$19,600,000,000 in outlays; and
- (iii) for the domestic category: \$198,300,000,000 in new budget authority and \$221,700,000,000 in outlays;

(D) with respect to fiscal year 1994, for the discretionary category: \$510,800,000,000 in new budget authority and \$534,800,000,000 in outlays;

¹⁸This title applies only to fiscal years 1991 to 1995. See section 607.

(E) with respect to fiscal year 1995, for the discretionary category: \$517,700,000,000 in new budget authority and \$540,800,000,000 in outlays; and

(F) with respect to fiscal years 1996, 1997, and 1998, for the discretionary category, the amounts set forth for those years in section 12(b)(1) of House Concurrent Resolution 64 (One Hundred Third Congress);

as adjusted in strict conformance with section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(b)¹⁴ POINT OF ORDER IN THE SENATE ON AGGREGATE ALLOCATIONS FOR DEFENSE, INTERNATIONAL, AND DOMESTIC DISCRETIONARY SPENDING.—

(1) Except as otherwise provided in this subsection, it shall not be in order in the Senate to consider any concurrent resolution on the budget for fiscal year 1995, 1996, 1997, or 1998 (or amendment, motion, or conference report on such a resolution) that would exceed any of the discretionary spending limits in this section.

(3) For purposes of this subsection, the levels of new budget authority and outlays for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the Senate.

(4) This subsection shall not apply if a declaration of war by the Congress is in effect or if a joint resolution pursuant to section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985 has been enacted.

SEC. 602. COMMITTEE ALLOCATIONS AND ENFORCEMENT.

(a) COMMITTEE SPENDING ALLOCATIONS.—

(1) HOUSE OF REPRESENTATIVES.—

(A) ALLOCATION AMONG COMMITTEES.—The joint explanatory statement accompanying a conference report on a budget resolution shall include allocations, consistent with the resolution recommended in the conference report, of the appropriate levels (for each fiscal year covered by that resolution and a total for all such years) of—

- (i) total new budget authority,
- (ii) total entitlement authority, and
- (iii) total outlays;

among each committee of the House of Representatives that has jurisdiction over legislation providing or creating such amounts.

(B) NO DOUBLE COUNTING.—Any item allocated to one committee of the House of Representatives may not be allocated to another such committee.

(C) FURTHER DIVISION OF AMOUNTS.—The amounts allocated to each committee for each fiscal year, other than the Committee on Appropriations, shall be further divided between amounts provided or required by law on the date of filing of that conference report and amounts not so provided or required. The amounts allocated to the Committee on Appropriations for each fiscal year shall be further di-

¹⁴So in law. Paragraphs (3) and (4) should be redesignated as (2) and (3), respectively.

vided between discretionary and mandatory amounts or programs, as appropriate.

(2) **SENATE ALLOCATION AMONG COMMITTEES.**—The joint explanatory statement accompanying a conference report on a budget resolution shall include an allocation, consistent with the resolution recommended in the conference report, of the appropriate levels of—

- (A) total new budget authority;
- (B) total outlays; and
- (C) social security outlays;

among each committee of the Senate that has jurisdiction over legislation providing or creating such amounts.

(3) **AMOUNTS NOT ALLOCATED.**—(A) In the House of Representatives, if a committee receives no allocation of new budget authority, entitlement authority, or outlays, that committee shall be deemed to have received an allocation equal to zero for new budget authority, entitlement authority, or outlays.

(B) In the Senate, if a committee receives no allocation of new budget authority, outlays, or social security outlays, that committee shall be deemed to have received an allocation equal to zero for new budget authority, outlays, or social security outlays.

(b) **SUBALLOCATIONS BY COMMITTEES.**—

(1) **SUBALLOCATIONS BY APPROPRIATIONS COMMITTEES.**—As soon as practicable after a budget resolution is agreed to, the Committee on Appropriations of each House (after consulting with the Committee on Appropriations of the other House) shall suballocate each amount allocated to it for the budget year under subsection (a)(1)(A) or (a)(2) among its subcommittees. Each Committee on Appropriations shall promptly report to its House suballocations made or revised under this paragraph.

(2) **SUBALLOCATIONS BY OTHER COMMITTEES OF THE SENATE.**—Each other committee of the Senate to which an allocation under subsection (a)(2) is made in the joint explanatory statement may subdivide each amount allocated to it under subsection (a) among its subcommittees or among programs over which it has jurisdiction and shall promptly report any such suballocations to the Senate. Section 302(c) shall not apply in the Senate to committees other than the Committee on Appropriations.

(c) **APPLICATION OF SECTION 302(f) TO THIS SECTION.**—In fiscal years through 1995, reference in section 302(f) to the appropriate allocation made pursuant to section 302(b) for a fiscal year shall, for purposes of this section, be deemed to be a reference to any allocation made under subsection (a) or any suballocation made under subsection (b), as applicable, for the fiscal year of the resolution or for the total of all fiscal years made by the joint explanatory statement accompanying the applicable concurrent resolution on the budget. In the House of Representatives, the preceding sentence shall not apply with respect to fiscal year 1991.

(d) **APPLICATION OF SUBSECTIONS (a) AND (b) TO FISCAL YEARS 1992 TO 1995.**—In the case of concurrent resolutions on the budget for fiscal years 1992 through 1995, allocations shall be made under

subsection (a) instead of section 302(a) and shall be made under subsection (b) instead of section 302(b). For those fiscal years, all references in sections 302(c), (d), (e), (f), and (g) to section 302(a) shall be deemed to be to subsection (a) (including revisions made under section 604) and all such references to section 302(b) shall be deemed to be to subsection (b) (including revisions made under section 604).

(e) **PAY-AS-YOU-GO EXCEPTION IN THE HOUSE.**—¹⁵Section 302(f)(1) and, after April 15 of any calendar year section 303(a), shall not apply to any bill, joint resolution, amendment thereto, or conference report thereon if, for each fiscal year covered by the most recently agreed to concurrent resolution on the budget—

- (1) the enactment of such bill or resolution as reported;
- (2) the adoption and enactment of such amendment; or
- (3) the enactment of such bill or resolution in the form recommended in such conference report,

would not increase the deficit for any such fiscal year, and, if the sum of any revenue increases provided in legislation already enacted during the current session (when added to revenue increases, if any, in excess of any outlay increase provided by the legislation proposed for consideration) is at least as great as the sum of the amount, if any, by which the aggregate level of Federal revenues should be increased as set forth in that concurrent resolution and the amount, if any, by which revenues are to be increased pursuant to pay-as-you-go procedures under section 301(b)(8) if included in that concurrent resolution.

(2) **REVISED ALLOCATIONS.**—

(A) As soon as practicable after Congress agrees to a bill or joint resolution that would have been subject to a point of order under section 302(f)(1) but for the exception provided in paragraph (1), the chairman of the Committee on the Budget of the House of Representatives may file with the House appropriately revised allocations under section 302(a) and revised functional levels and budget aggregates to reflect that bill.

(B) such revised allocations, functional levels, and budget aggregates shall be considered for the purposes of this Act as allocations, functional levels, and budget aggregates contained in the most recently agreed to concurrent resolution on the budget.

SEC. 603. CONSIDERATION OF LEGISLATION BEFORE ADOPTION OF BUDGET RESOLUTION FOR THAT FISCAL YEAR.

(a) **ADJUSTING SECTION ALLOCATION OF DISCRETIONARY SPENDING.**—If a concurrent resolution on the budget is not adopted by April 15, the chairman of the Committee on the Budget of the House of Representatives shall submit to the House, as soon as practicable, a section 602(a) allocation to the Committee on Appropriations consistent with the discretionary spending limits contained in the most recent budget submitted by the President under section 1105(a) of title 31, United States Code. Such allocation shall include the full allowance specified under section

¹⁵So in law. "(1)" should have been inserted here and paragraphs (1), (2), and (3) should have been redesignated as subparagraphs (A), (B), and (C).

251(b)(2)(E)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(b) As soon as practicable after a section 602(a) allocation is submitted under this section, the Committee on Appropriations shall make suballocations and promptly report those suballocations to the House of Representatives.

SEC. 604. RECONCILIATION DIRECTIVES REGARDING PAY-AS-YOU-GO REQUIREMENTS.

(a) **INSTRUCTIONS TO EFFECTUATE PAY-AS-YOU-GO IN THE HOUSE OF REPRESENTATIVES.**—If legislation providing for a net reduction in revenues in any fiscal year (that, within the same measure, is not fully offset in that fiscal year by reductions in direct spending) is enacted, the Committee on the Budget of the House of Representatives may report, within 15 legislative days during a Congress, a pay-as-you-go reconciliation directive in the form of a concurrent resolution—

(1) specifying the total amount by which revenues sufficient to eliminate the net deficit increase resulting from that legislation in each fiscal year are to be changed; and

(2) directing that the committees having jurisdiction determine and recommend changes in the revenue law, bills, and resolutions to accomplish a change of such total amount.

(b) **CONSIDERATION OF PAY-AS-YOU-GO RECONCILIATION LEGISLATION IN THE HOUSE OF REPRESENTATIVES.**—In the House of Representatives, subsections (b) through (d) of section 310 shall apply in the same manner as if the reconciliation directive described in subsection (a) were a concurrent resolution on the budget.

SEC. 605. APPLICATION OF SECTION 311; POINT OF ORDER.

(a) **APPLICATION OF SECTION 311(a).**—(1) In the House of Representatives, in the application of section 311(a)(1) to any bill, resolution, amendment, or conference report, reference in section 311 to the appropriate level of total budget authority or total budget outlays or appropriate level of total revenues set forth in the most recently agreed to concurrent resolution on the budget for a fiscal year shall be deemed to be a reference to the appropriate level for that fiscal year and to the total of the appropriate level for that year and the 4 succeeding years.

(2) In the Senate, in the application of section 311(a)(2) to any bill, resolution, motion, or conference report, reference in section 311 to the appropriate level of total revenues set forth in the most recently agreed to concurrent resolution on the budget for a fiscal year shall be deemed to be a reference to the appropriate level for that fiscal year and to the total of the appropriate levels for that year and the 4 succeeding years.

(b) **MAXIMUM DEFICIT AMOUNT POINT OF ORDER IN THE SENATE.**—After Congress has completed action on a concurrent resolution on the budget, it shall not be in order in the Senate to consider any bill, resolution, amendment, motion, or conference report that would result in a deficit for the first fiscal year covered by that resolution that exceeds the maximum deficit amount specified for such fiscal year in section 601(a).

SEC. 606. 5-YEAR BUDGET RESOLUTIONS; BUDGET RESOLUTIONS MUST CONFORM TO BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.

(a) **5-YEAR BUDGET RESOLUTIONS.**—In the case of any concurrent resolution on the budget for fiscal year 1992, 1993, 1994, or 1995, that resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of the calendar year in which it is reported and for each of the 4 succeeding fiscal years for the matters described in section 301(a).

(b) **POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.**—It shall not be in order in the House of Representatives to consider any concurrent resolution on the budget for a fiscal year or conference report thereon under section 301 or 304 that exceeds the maximum deficit amount for each fiscal year covered by the concurrent resolution or conference report as determined under section 601(a), including possible revisions under part C of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) **POINT OF ORDER IN THE SENATE.**—It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year under section 301, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of total budget outlays for the first fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 601(a), or if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount for such fiscal years as determined under section 601(a).

(d) **ADJUSTMENTS.**—(1) Notwithstanding any other provision of law, concurrent resolutions on the budget for fiscal years 1992, 1993, 1994, and 1995 under section 301 or 304 may set forth levels consistent with allocations increased by—

(A) amounts not to exceed the budget authority amounts in section 251(b)(2)(E)(i) and (ii) of the Balanced Budget and Emergency Deficit Control Act of 1985 and the composite outlays per category consistent with them; and

(B) the budget authority and outlay amounts in section 251(b)(1) of that Act.

(2) For purposes of congressional consideration of provisions described in sections 251(b)(2)(A), 251(b)(2)(B), 251(b)(2)(C), 251(b)(2)(D), and 252(e), determinations under sections 302, 303, and 311 shall not take into account any new budget authority, new entitlement authority, outlays, receipts, or deficit effects in any fiscal year of those provisions.

SEC. 607. EFFECTIVE DATE.

This title shall take effect upon its date of enactment and shall apply to fiscal years 1991 to 1998.

* * * * *

TITLE IX—MISCELLANEOUS PROVISIONS; EFFECTIVE DATES

* * * * *

EXERCISE OF RULEMAKING POWERS

SEC. 904. (a) The provisions of this title (except section 905) and of titles I, III, IV, V, and VI (except section 601 (a)) and the provisions of sections 701, 703, and 1017 are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

(b) Any provision of title III or IV may be waived or suspended in the Senate by a majority vote of the Members voting, a quorum being present, or by the unanimous consent of the Senate.

(c) **WAIVER.**—Sections 305(b)(2), 305(c)(4), 306, 904(c), and 904(d) may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn. Sections 301(i), 302(c), 302(f), 310(d)(2), 310(f), 311(a), 313, 601(b), and 606(c) of this Act and sections 258(a)(4)(C), 258A(b)(3)(C)(i), 258B(f)(1), 258B(h)(1), 258B(h)(3), 258C(a)(5), and 258C(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.

(d) Appeals in the Senate from the decisions of the Chair relating to any provisions of title III or IV or section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under sections 305(b)(2), 305(c)(4), 306, 904(c), and 904(d). An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under sections 301(i), 302(c), 302(f), 310(d)(2), 310(f), 311(a), 313, 601(b), and 606(c) of this Act and sections 258(a)(4)(C), 258A(b)(3)(C)(i), 258B(f)(1), 258B(h)(1), 258B(h)(3), 258C(a)(5), and 258C(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985¹⁶

¹⁶So in law. A period was omitted.

EFFECTIVE DATES

SEC. 905. (a) Except as provided in the section, the provisions of this Act shall take effect on the date of its enactment.

(b) Title II (except section 201(a)), section 403, and section 502(c) shall take effect on the day on which the first Director of the Congressional Budget Office is appointed under section 201(a).

(c) Except as provided in section 906, title III and section 402 shall apply with respect to the fiscal year beginning on October 1, 1976, and succeeding fiscal years, and section 401 shall take effect on the first day of the second regular session of the Ninety-fourth Congress.

(d) The amendments to the Budget and Accounting Act, 1921, made by sections 601, 603, and 604 shall apply with respect to the fiscal year beginning on July 1, 1975, and succeeding fiscal years, except that section 201(g) of such Act (as added by section 601) shall apply with respect to the fiscal year beginning on October 1, 1976, and succeeding fiscal years and section 201(i) of such Act (as added by section 601) shall apply with respect to the fiscal year beginning on October 1, 1978, and succeeding fiscal years. The amendment to such Act made by section 602 shall apply with respect to the fiscal year beginning on October 1, 1976, and succeeding fiscal years.

* * * * *

TITLE X—IMPOUNDMENT CONTROL

PART A—GENERAL PROVISIONS

DISCLAIMER

SEC. 1001. Nothing contained in this Act, or in any amendments made by this Act, shall be construed as—

(1) asserting or conceding the constitutional powers or limitations of either the Congress or the President;

(2) ratifying or approving any impoundment heretofore or hereafter executed or approved by the President or any other Federal officer or employee, except insofar as pursuant to statutory authorization then in effect;

(3) affecting in any way the claims or defenses of any party to litigation concerning any impoundment; or

(4) superseding any provision of law which requires the obligation of budget authority or the making of outlays thereunder.

* * * * *

PART B—CONGRESSIONAL CONSIDERATION OF PROPOSED RESCIS-
SIONS, RESERVATIONS, AND DEFERRALS OF BUDGET AUTHORITY

DEFINITIONS

SEC. 1011. For purposes of this part—

(1) “deferral of budget authority” includes—

(A) withholding or delaying the obligations or expenditure of budget authority (whether by establishing reserves or otherwise) provided for projects or activities; or

(B) any other type of Executive action or inaction which effectively precludes the obligation or expenditure of budget authority, including authority to obligate by contract in advance of appropriations as specifically authorized by law;

(2) "Comptroller General" means the Comptroller General of the United States;

(3) "rescission bill" means a bill or joint resolution which only rescinds in whole or in part, budget authority proposed to be rescinded in a special message transmitted by the President under section 1012, and upon which the Congress completes action before the end of the first period of 45 calendar days of continuous session of the Congress after the date on which the President's message is received by the Congress;

(4) "impoundment resolution" means a resolution of the House of Representatives or the Senate which only expresses its disapproval of a proposed deferral of budget authority set forth in a special message transmitted by the President under section 1013; and

(5) continuity of a session of the Congress shall be considered as broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain shall be excluded in the computation of the 45-day period referred to in paragraph (3) of this section and in section 1012, and the 25-day periods referred to in sections 1016 and 1017(b)(1). If a special message is transmitted under section 1012 during any Congress and the last session of such Congress adjourns sine die before the expiration of 45 calendar days of continuous session (or a special message is so transmitted after the last session of the Congress adjourns sine die), the message shall be deemed to have been retransmitted on the first day of the succeeding Congress and the 45-day period referred to in paragraph (3) of this section and section 1012 (with respect to such message) shall commence on the day after such first day.

RESCISSION OF BUDGET AUTHORITY

SEC. 1012. (a) TRANSMITTAL OF SPECIAL MESSAGE.—Whenever the President determines that all or part of any budget authority will not be required to carry out the full objectives or scope of programs for which it is provided or that such budget authority should be rescinded for fiscal policy or other reasons (including the determination of authorized projects or activities for which budget authority has been provided), or whenever all or part of budget authority provided for only one fiscal year is to be reserved from obligation for such fiscal year, the President shall transmit to both Houses of Congress a special message specifying—

(1) the amount of budget authority which he proposes to be rescinded or which is to be so reserved;

(2) any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific project or governmental functions involved;

(3) the reasons why the budget authority should be rescinded or is to be so reserved;

(4) to the maximum extent practicable, the estimated fiscal, economic, and budgetary effect of the proposed rescission or of the reservation; and

(5) all facts, circumstances, and considerations relating to or bearing upon the proposed rescission or the reservation and the decision to effect the proposed rescission or the reservation, and to the maximum extent practicable, the estimated effect of the proposed rescission or the reservation upon the objects, purposes, and programs for which the budget authority is provided.

(b) **REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.**—Any amount of budget authority proposed to be rescinded or that is to be reserved as set forth in such special message shall be made available for obligation unless, within the prescribed 45-day period, the Congress has completed action on a rescission bill rescinding all or part of the amount proposed to be rescinded or that is to be reserved. Funds made available for obligation under this procedure may not be proposed for rescission again.

PROPOSED DEFERRALS OF BUDGET AUTHORITY

SEC. 1013. (a) TRANSMITTAL OF SPECIAL MESSAGE.—Whenever the President, the Director of the Office of Management and Budget, the head of any department or agency of the United States, or any officer or employee of the United States proposes to defer any budget authority provided for a specific purpose or project, the President shall transmit to the House of Representatives and the Senate a special message specifying—

(1) the amount of the budget authority proposed to be deferred;

(2) any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific project or governmental functions involved;

(3) the period of time during which the budget authority is proposed to be deferred;

(4) the reasons for the proposed deferral, including any legal authority invoked to justify the proposed deferral;

(5) to the maximum extent practicable, the estimated fiscal, economic, and budgetary effect of the proposed deferral; and

(6) all facts, circumstances, and considerations relating to or bearing upon the proposed deferral and the decision to effect the proposed deferral, including an analysis of such facts, circumstances, and considerations in terms of their application to any legal authority, including specific elements of legal authority, invoked to justify such proposed deferral, and to the maximum extent practicable, the estimated effect of the proposed deferral upon the objects, purposes, and programs for which the budget authority is provided.

A special message may include one or more proposed deferrals of budget authority. A deferral may not be proposed for any period of time extending beyond the end of the fiscal year in which the spe-

cial message proposing the deferral is transmitted to the House and the Senate.

(b) **CONSISTENCY WITH LEGISLATIVE POLICY.**—Deferrals shall be permissible only—

- (1) to provide for contingencies;
- (2) to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or
- (3) as specifically provided by law.

No officer or employee of the United States may defer any budget authority for any other purpose.

(c) **EXCEPTION.**—The provisions of this section do not apply to any budget authority proposed to be rescinded or that is to be reserved as set forth in a special message required to be transmitted under section 1012.

TRANSMISSION OF MESSAGES; PUBLICATION

SEC. 1014. (a) DELIVERY TO HOUSE AND SENATE.—Each special message transmitted under section 1012 or 1013 shall be transmitted to the House of Representatives and the Senate on the same day, and shall be delivered to the Clerk of the House of Representatives if the House is not in session, and to the Secretary of the Senate if the Senate is not in session. Each special message so transmitted shall be referred to the appropriate committee of the House of Representatives and the Senate. Each such message shall be printed as a document of each House.

(b) **DELIVERY TO COMPTROLLER GENERAL.**—A copy of each special message transmitted under section 1012 or 1013 shall be transmitted to the Comptroller General on the same day it is transmitted to the House of Representatives and the Senate. In order to assist the Congress in the exercise of its functions under sections 1012 and 1013, the Comptroller General shall review each such message and inform the House of Representatives and the Senate as promptly as practicable with respect to—

(1) in the case of a special message transmitted under section 1012, the facts surrounding the proposed rescission or the reservation of budget authority (including the probable effects thereof); and

(2) in the case of a special message transmitted under section 1013, (A) the facts surrounding each proposed deferral of budget authority (including the probable effects thereof) and (B) whether or not (or to what extent), in his judgment, such proposed deferral is in accordance with existing statutory authority.

(c) **TRANSMISSION OF SUPPLEMENTARY MESSAGES.**—If any information contained in a special message transmitted under section 1012 or 1013 is subsequently revised, the President shall transmit to both Houses of Congress and the Comptroller General a supplementary message stating and explaining such revision. Any such supplementary message shall be delivered, referred, and printed as provided in subsection (a). The Comptroller General shall promptly notify the House of Representatives and the Senate of any change in the information submitted by him under subsection (b) which may be necessitated by such revision.

(d) **PRINTING IN FEDERAL REGISTER.**—Any special message transmitted under section 1012 or 1013, and any supplementary message transmitted under subsection (c), shall be printed in the first issue of the Federal Register published after such transmittal.

(e) **CUMULATIVE REPORTS OF PROPOSED RESCISSIONS, RESERVATIONS, AND DEFERRALS OF BUDGET AUTHORITY.**—

(1) The President shall submit a report to the House of Representatives and the Senate, not later than the 10th day of each month during a fiscal year, listing all budget authority for that fiscal year with respect to which, as of the first day of such month—

(A) he has transmitted a special message under section 1012 with respect to a proposed rescission or a reservation; and

(B) he has transmitted a special message under section 1013 proposing a deferral.

Such report shall also contain, with respect to each such proposed rescission or deferral, or each such reservation, the information required to be submitted in the special message with respect thereto under section 1012 or 1013.

(2) Each report submitted under paragraph (1) shall be printed in the first issue of the Federal Register published after its submission.

REPORTS BY COMPTROLLER GENERAL

SEC. 1015. (a) FAILURE TO TRANSMIT SPECIAL MESSAGE.—If the Comptroller General finds that the President, the Director of the Office of Management and Budget, the head of any department or agency of the United States, or any other officer or employee of the United States—

(1) is to establish a reserve or proposes to defer budget authority with respect to which the President is required to transmit a special message under section 1012 or 1013; or

(2) has ordered, permitted, or approved the establishment of such a reserve or a deferral of budget authority;

and that the President has failed to transmit a special message with respect to such reserve or deferral, the Comptroller General shall make a report on such reserve or deferral and any available information concerning it to both Houses of Congress. The provisions of this part shall apply with respect to such reserve or deferral in the same manner and with the same effect as if such report of the Comptroller General were a special message transmitted by the President under section 1012 or 1013, and, for purposes of this part, such report shall be considered a special message transmitted under section 1012 or 1013.

(b) **INCORRECT CLASSIFICATION OF SPECIAL MESSAGE.**—If the President has transmitted a special message to both Houses of Congress in accordance with section 1012 or 1013, and the Comptroller General believes that the President so transmitted the special message in accordance with one of those sections when the special message should have been transmitted in accordance with the other of those sections, the Comptroller General shall make a report to both Houses of the Congress setting forth his reasons.

SUITS BY COMPTROLLER GENERAL

SEC. 1016. If, under this title, budget authority is required to be made available for obligation and such budget authority is not made available for obligation, the Comptroller General is hereby expressly empowered, through attorneys of his own selection, to bring a civil action in the United States District Court for the District of Columbia to require such budget authority to be made available for obligation, and such court is hereby expressly empowered to enter in such civil action, against any department, agency, officer, or employee of the United States, any decree, judgment, or order, which may be necessary or appropriate to make such budget authority available for obligation. No civil action shall be brought by the Comptroller General under this section until the expiration of 25 calendar days of continuous session of the Congress following the date on which an explanatory statement by the Comptroller General of the circumstances giving rise to the action contemplated has been filed with the Speaker of the House of Representatives and the President of the Senate.

PROCEDURE IN HOUSE AND SENATE

SEC. 1017. (a) REFERRAL.—Any rescission bill introduced with respect to a special message or impoundment resolution introduced with respect to a proposed deferral of budget authority shall be referred to the appropriate committee of the House of Representatives or the Senate, as the case may be.

(b) DISCHARGE OF COMMITTEE.—

(1) If the committee to which a rescission bill or impoundment resolution has been referred has not reported it at the end of 25 calendar days of continuous session of the Congress after its introduction, it is in order to move either to discharge the committee from further consideration of the bill or resolution or to discharge the committee from further consideration of any other rescission bill with respect to the same special message or impoundment resolution with respect to the same proposed deferral, as the case may be, which has been referred to the committee.

(2) A motion to discharge may be made only by an individual favoring the bill or resolution, may be made only if supported by one-fifth of the Members of the House involved (a quorum being present), and is highly privileged in the House and privileged in the Senate (except that it may not be made after the committee has reported a bill or resolution with respect to the same special message or the same proposed deferral, as the case may be); and debate thereon shall be limited to not more than 1 hour, the time to be divided in the House equally between those favoring and those opposing the bill or resolution, and to be divided in the Senate equally between, and controlled by, the majority leader and the minority leader or their designees. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(c) FLOOR CONSIDERATION IN THE HOUSE.—

(1) When the committee of the House of Representatives has reported, or has been discharged from further consideration of a rescission bill or impoundment resolution, it shall at any time thereafter be in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the bill or resolution. The motion shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) Debate on a rescission bill or impoundment resolution shall be limited to not more than 2 hours, which shall be divided equally between those favoring and those opposing the bill or resolution. A motion further to limit debate shall not be debatable. In the case of an impoundment resolution, no amendment to, or motion to recommit, the resolution shall be in order. It shall not be in order to move to reconsider the vote by which a rescission bill or impoundment resolution is agreed to or disagreed to.

(3) Motions to postpone, made with respect to the consideration of a rescission bill or impoundment resolution, and motions to proceed to the consideration of other business, shall be decided without debate.

(4) All appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any rescission bill or impoundment resolution shall be decided without debate.

(5) Except to the extent specifically provided in the preceding provisions of this subsection, consideration of any rescission bill or impoundment resolution and amendments thereto (or any conference report thereon) shall be governed by the Rules of the House of Representatives applicable to other bills and resolutions, amendments, and conference reports in similar circumstances.

(d) FLOOR CONSIDERATION IN THE SENATE.—

(1) Debate in the Senate on any rescission bill or impoundment resolution, and all amendments thereto (in the case of a rescission bill) and debatable motions and appeals in connection therewith, shall be limited to not more than 10 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a rescission bill shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the bill. Debate on any amendment to an amendment, to such a bill, and debate on any debatable motion or appeal in connection with such a bill or an impoundment resolution shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the bill or resolution, except that in the event the manager of the bill or resolution is in favor in any such amendment, motion, or appeal, the time in opposition thereto, shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of a rescission bill shall be received. Such leaders, or either of

them, may, from the time under their control on the passage of a rescission bill or impoundment resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

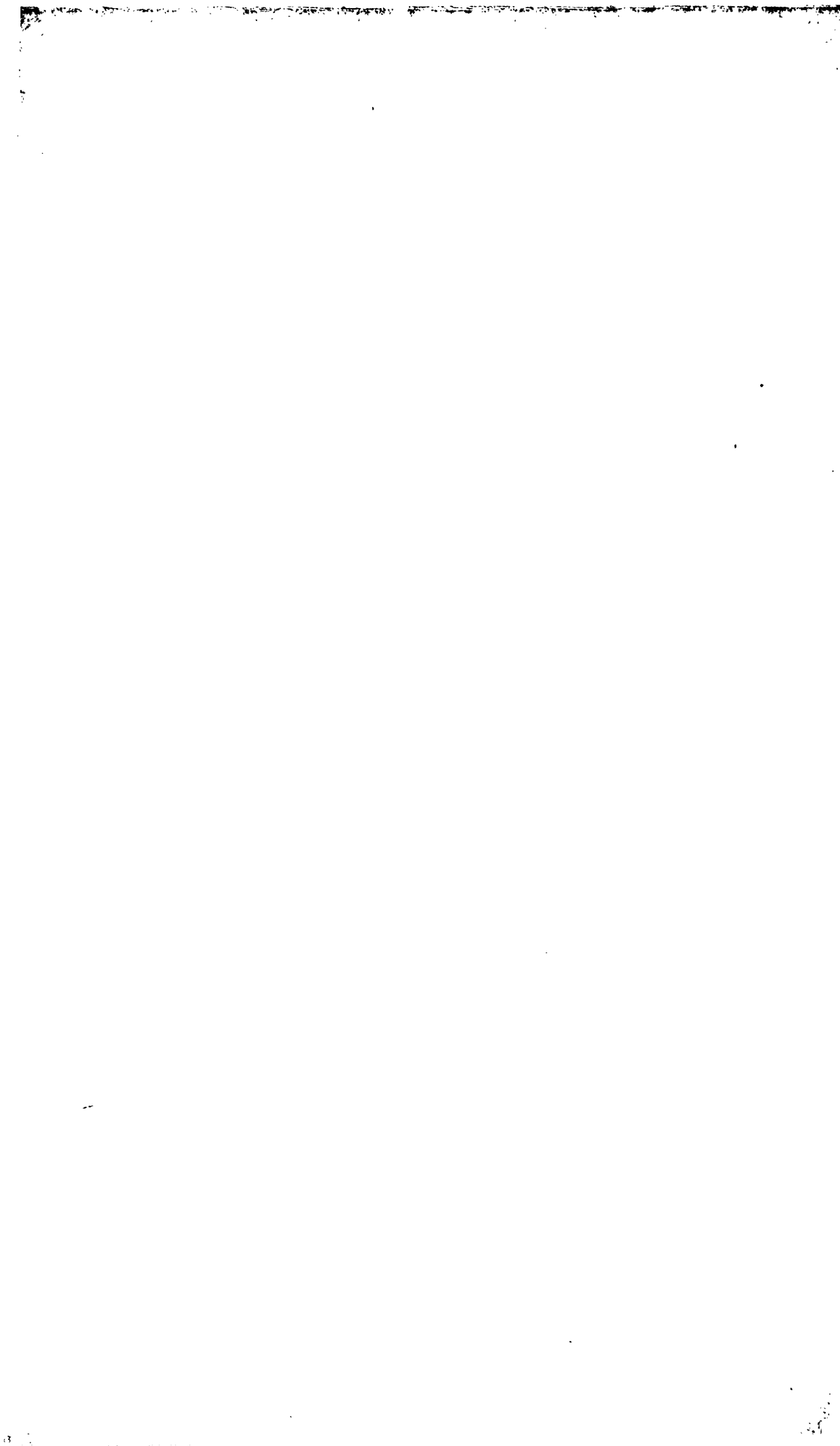
(3) A motion to further limit debate is not debatable. In the case of a rescission bill, a motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to one hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution. In the case of an impoundment resolution, no amendment or motion to recommit is in order.

(4) The conference report on any rescission bill shall be in order in the Senate at any time after the third day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

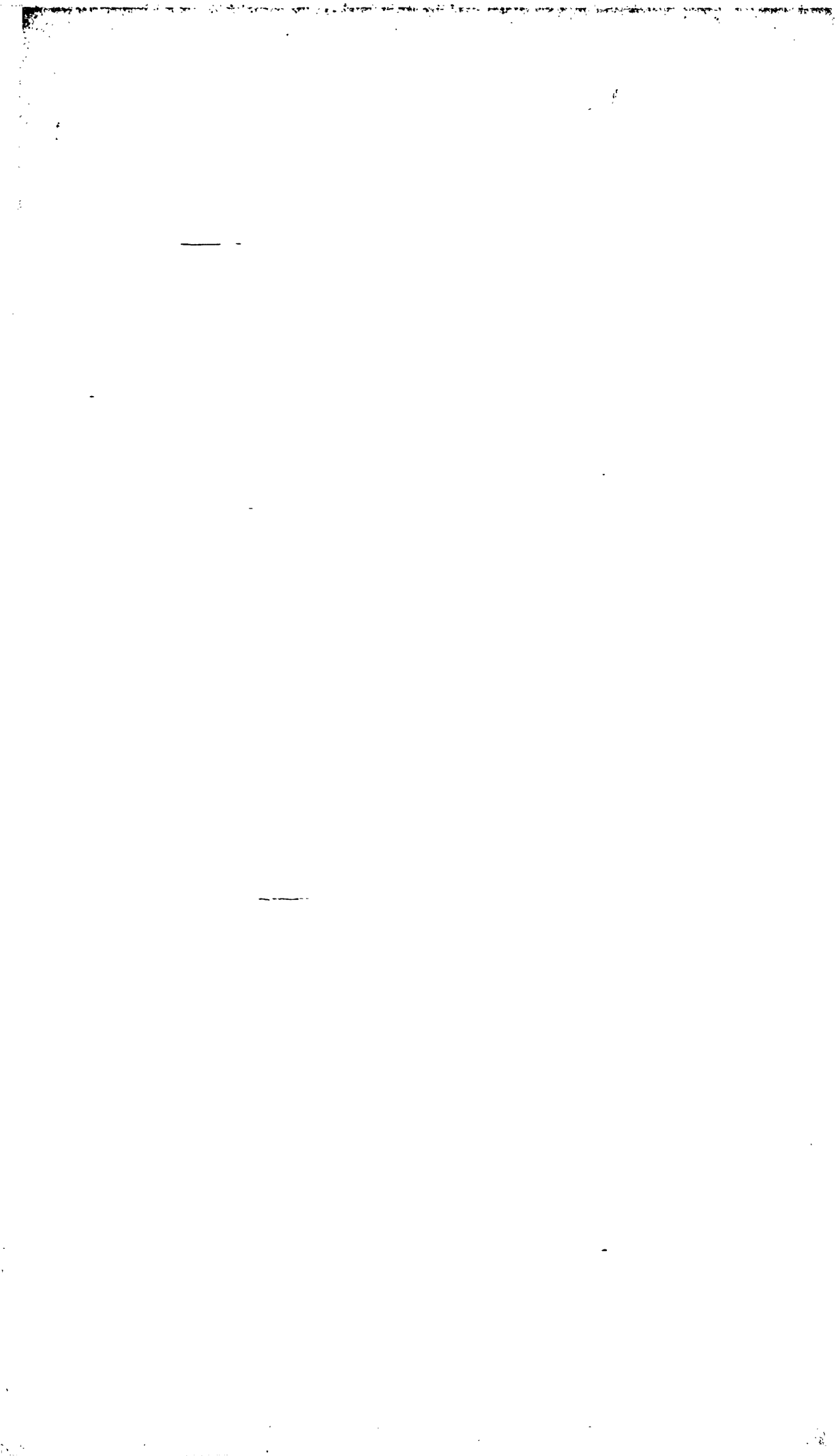
(5) During the consideration in the Senate of the conference report on any rescission bill, debate shall be limited to 2 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 30 minutes, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(6) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to one hour, to be equally divided, between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to 30 minutes, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between, and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(7) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.



**PART C (AND SECTIONS 274 AND 275) OF THE
BALANCED BUDGET AND EMERGENCY DEFICIT
CONTROL ACT OF 1985
(Gramm-Rudman-Hollings)
(As amended through OBRA-93, P.L. 103-66)**



**BALANCED BUDGET AND EMERGENCY
DEFICIT CONTROL ACT OF 1985
(Gramm-Rudman-Hollings)**

P.L. 99-177, 99 STAT. 1037, DECEMBER 12, 1985

(As amended through OBRA-93, P.L. 103-66)

* * * * *

**PART C—EMERGENCY POWERS TO ELIMINATE
DEFICITS IN EXCESS OF MAXIMUM DEFICIT AMOUNT**

SEC. 250. TABLE OF CONTENTS; STATEMENT OF BUDGET ENFORCEMENT THROUGH SEQUESTRATION; DEFINITIONS.

(a) TABLE OF CONTENTS.—

- Sec. 250. Table of contents; budget enforcement statement; definitions.
- Sec. 251. Enforcing discretionary spending limits.
- Sec. 252. Enforcing pay-as-you-go.
- Sec. 253. Enforcing deficit targets.
- Sec. 254. Reports and orders.
- Sec. 255. Exempt programs and activities.
- Sec. 256. Special rules.
- Sec. 257. The baseline.
- Sec. 258. Suspension in the event of war or low growth.
- Sec. 258A. Modification of presidential order.
- Sec. 258B. Alternative defense sequestration.
- Sec. 258C. Special reconciliation process.

(b) GENERAL STATEMENT OF BUDGET ENFORCEMENT THROUGH SEQUESTRATION.—This part provides for the enforcement of the deficit reduction assumed in House Concurrent Resolution 310 (101st Congress, second session) and the applicable deficit targets for fiscal years 1991 through 1995. Enforcement, as necessary, is to be implemented through sequestration—

(1) to enforce discretionary spending levels assumed in that resolution (with adjustments as provided hereinafter);

(2) to enforce the requirement that any legislation increasing direct spending or decreasing revenues be on a pay-as-you-go basis; and

(3) to enforce the deficit targets specifically set forth in the Congressional Budget and Impoundment Control Act of 1974 (with adjustments as provided hereinafter);

applied in the order set forth above.

(c) DEFINITIONS.—

As used in this part:

(1) The terms “budget authority”, “new budget authority”, “outlays”, and “deficit” have the meanings given to such terms in section 3 of the Congressional Budget and Impoundment Control Act of 1974 (but including the treatment specified in

section 257(b)(3) of the Hospital Insurance Trust Fund) and the terms "maximum deficit amount" and "discretionary spending limit" shall mean the amounts specified in section 601 of that Act as adjusted under sections 251 and 253 of this Act.

(2) The terms "sequester" and "sequestration" refer to or mean the cancellation of budgetary resources provided by discretionary appropriations or direct spending law.

(3) The term "breach" means, for any fiscal year, the amount (if any) by which new budget authority or outlays for that year (within a category of discretionary appropriations) is above that category's discretionary spending limit for new budget authority or outlays for that year, as the case may be.

(4) The term "category" means:

(A) For fiscal years 1991, 1992, and 1993, any of the following subsets of discretionary appropriations: defense, international, or domestic. Discretionary appropriations in each of the three categories shall be those so designated in the joint statement of managers accompanying the conference report on the Omnibus Budget Reconciliation Act of 1990. New accounts or activities shall be categorized in consultation with the Committees on Appropriations and the Budget of the House of Representatives and the Senate.

(B) For fiscal years 1994 and 1995, all discretionary appropriations.

Contributions to the United States to offset the cost of Operation Desert Shield shall not be counted within any category.

(5) The term "baseline" means the projection (described in section 257) of current-year levels of new budget authority, outlays, receipts, and the surplus or deficit into the budget year and the outyears.

(6) The term "budgetary resources" means—

(A) with respect to budget year 1991, new budget authority; unobligated balances; new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; direct spending authority; and obligation limitations; or

(B) with respect to budget year 1992, 1993, 1994, or 1995, new budget authority; unobligated balances; direct spending authority; and obligation limitations.

(7) The term "discretionary appropriations" means budgetary resources (except to fund direct-spending programs) provided in appropriation Acts.

(8) The term "direct spending" means—

(A) budget authority provided by law other than appropriation Acts;

(B) entitlement authority; and

(C) the food stamp program.

(9) The term "current" means, with respect to OMB estimates included with a budget submission under section 1105(a) of title 31, United States Code, the estimates consistent with the economic and technical assumptions underlying that budget and with respect to estimates made after submission of the fiscal year 1992 budget that are not included with a budget

submission, estimates consistent with the economic and technical assumptions underlying the most recently submitted President's budget.

(10) The term "real economic growth", with respect to any fiscal year, means the growth in the gross national product during such fiscal year, adjusted for inflation, consistent with Department of Commerce definitions.

(11) The term "account" means an item for which appropriations are made in any appropriation Act and, for items not provided for in appropriation Acts, such term means an item for which there is a designated budget account identification code number in the President's budget.

(12) The term "budget year" means, with respect to a session of Congress, the fiscal year of the Government that starts on October 1 of the calendar year in which that session begins.

(13) The term "current year" means, with respect to a budget year, the fiscal year that immediately precedes that budget year.

(14) The term "outyear" means, with respect to a budget year, any of the fiscal years that follow the budget year through fiscal year 1995.

(15) The term "OMB" means the Director of the Office of Management and Budget.

(16) The term "CBO" means the Director of the Congressional Budget Office.

(17) For purposes of sections 252 and 253, legislation enacted during the second session of the One Hundred First Congress shall be deemed to have been enacted before the enactment of this Act.

(18) As used in this part, all references to entitlement authority shall include the list of mandatory appropriations included in the joint explanatory statement of managers accompanying the conference report on the Omnibus Budget Reconciliation Act of 1990.

(19) The term "deposit insurance" refers to the expenses of the Federal Deposit Insurance Corporation and the funds it incorporates, the Resolution Trust Corporation, the National Credit Union Administration and the funds it incorporates, the Office of Thrift Supervision, the Comptroller of the Currency Assessment Fund, and the RTC Office of Inspector General.

(20) The term "composite outlay rate" means the percent of new budget authority that is converted to outlays in the fiscal year for which the budget authority is provided and subsequent fiscal years, as follows:

(A) For the international category, 46 percent for the first year, 20 percent for the second year, 16 percent for the third year, and 8 percent for the fourth year.

(B) For the domestic category, 53 percent for the first year, 31 percent for the second year, 12 percent for the third year, and 2 percent for the fourth year.

(21) The sale of an asset means the sale to the public of any asset, whether physical or financial, owned in whole or in part by the United States. The term "prepayment of a loan" means payments to the United States made in advance of the

schedules set by law or contract when the financial asset is first acquired, such as the prepayment to the Federal Financing Bank of loans guaranteed by the Rural Electrification Administration. If a law or contract allows a flexible payment schedule, the term "in advance" shall mean in advance of the slowest payment schedule allowed under such law or contract.

SEC. 251. ENFORCING DISCRETIONARY SPENDING LIMITS.

(a) FISCAL YEARS 1991-1998 ENFORCEMENT.—

(1) **SEQUESTRATION.**—Within 15 calendar days after Congress adjourns to end a session and on the same day as a sequestration (if any) under section 252 and section 253, there shall be a sequestration to eliminate a budget-year breach, if any, within any category.

(2) **ELIMINATING A BREACH.**—Each non-exempt account within a category shall be reduced by a dollar amount calculated by multiplying the baseline level of sequestrable budgetary resources in that account at that time by the uniform percentage necessary to eliminate a breach within that category; except that the health programs set forth in section 256(e) shall not be reduced by more than 2 percent and the uniform percent applicable to all other programs under this paragraph shall be increased (if necessary) to a level sufficient to eliminate that breach. If, within a category, the discretionary spending limits for both new budget authority and outlays are breached, the uniform percentage shall be calculated by—

(A) first, calculating the uniform percentage necessary to eliminate the breach in new budget authority, and

(B) second, if any breach in outlays remains, increasing the uniform percentage to a level sufficient to eliminate that breach.

(3) **MILITARY PERSONNEL.**—If the President uses the authority to exempt any military personnel from sequestration under section 255(h), each account within subfunctional category 051 (other than those military personnel accounts for which the authority provided under section 255(h) has been exercised) shall be further reduced by a dollar amount calculated by multiplying the enacted level of non-exempt budgetary resources in that account at that time by the uniform percentage necessary to offset the total dollar amount by which outlays are not reduced in military personnel accounts by reason of the use of such authority.

(4) **PART-YEAR APPROPRIATIONS.**—If, on the date specified in paragraph (1), there is in effect an Act making or continuing appropriations for part of a fiscal year for any budget account, then the dollar sequestration calculated for that account under paragraphs (2) and (3) shall be subtracted from—

(A) the annualized amount otherwise available by law in that account under that or a subsequent part-year appropriation; and

(B) when a full-year appropriation for that account is enacted, from the amount otherwise provided by the full-year appropriation.

(5) **LOOK-BACK.**—If, after June 30, an appropriation for the fiscal year in progress is enacted that causes a breach within a category for that year (after taking into account any sequestration of amounts within that category), the discretionary spending limits for that category for the next fiscal year shall be reduced by the amount or amounts of that breach.

(6) **WITHIN-SESSION SEQUESTRATION.**—If an appropriation for a fiscal year in progress is enacted (after Congress adjourns to end the session for that budget year and before July 1 of that fiscal year) that causes a breach within a category for that year (after taking into account any prior sequestration of amounts within that category), 15 days later there shall be a sequestration to eliminate that breach within that category following the procedures set forth in paragraphs (2) through (4).

(7) **OMB ESTIMATES.**—As soon as practicable after Congress completes action on any discretionary appropriation, CBO, after consultation with the Committees on the Budget of the House of Representatives and the Senate, shall provide OMB with an estimate of the amount of discretionary new budget authority and outlays for the current year (if any) and the budget year provided by that legislation. Within 5 calendar days after the enactment of any discretionary appropriation, OMB shall transmit a report to the House of Representatives and to the Senate containing the CBO estimate of that legislation, an OMB estimate of the amount of discretionary new budget authority and outlays for the current year (if any) and the budget year provided by that legislation, and an explanation of any difference between the two estimates. For purposes of this paragraph, amounts provided by annual appropriations shall include any new budget authority and outlays for those years in accounts for which funding is provided in that legislation that result from previously enacted legislation. Those OMB estimates shall be made using current economic and technical assumptions. OMB shall use the OMB estimates transmitted to the Congress under this paragraph for the purposes of this subsection. OMB and CBO shall prepare estimates under this paragraph in conformance with scorekeeping guidelines determined after consultation among the House and Senate Committees on the Budget, CBO, and OMB.

(b) **ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS.**—(1) When the President submits the budget under section 1105(a) of title 31, United States Code, for budget year 1992, 1993, 1994, 1995, 1996, 1997 or 1998 (except as otherwise indicated), OMB shall calculate (in the order set forth below), and the budget shall include, adjustments to discretionary spending limits (and those limits as cumulatively adjusted) for the budget year and each out-year through 1998 to reflect the following:

(A) **CHANGES IN CONCEPTS AND DEFINITIONS.**—The adjustments produced by the amendments made by title XIII of the Omnibus Budget Reconciliation Act of 1990 or by any other changes in concepts and definitions shall equal the baseline levels of new budget authority and outlays using up-to-date concepts and definitions minus those levels using the concepts and definitions in effect before such changes. Such other

changes in concepts and definitions may only be made in consultation with the Committees on Appropriations, the Budget, Government Operations, and Governmental Affairs of the House of Representatives and Senate.

(B) CHANGES IN INFLATION.—(i) For a budget submitted for budget year 1992, 1993, 1994, or 1995, the adjustments produced by changes in inflation shall equal the levels of discretionary new budget authority and outlays in the baseline (calculated using current estimates) subtracted from those levels in that baseline recalculated with the baseline inflators for the budget year only, multiplied by the inflation adjustment factor computed under clause (ii).

(ii) For a budget year the inflation adjustment factor shall equal the ratio between the level of year-over-year inflation measured for the fiscal year most recently completed and the applicable estimated level for that year set forth below:

For 1990, 1.041

For 1991, 1.052

For 1992, 1.041

For 1993, 1.033

Inflation shall be measured by the average of the estimated gross national product implicit price deflator index for a fiscal year divided by the average index for the prior fiscal year.

(iii)¹ For a budget submitted for budget year 1996, 1997, or 1998, the adjustments shall be those necessary to reflect changes in inflation estimates since those of March 31, 1993, set forth on page 46 of House Conference Report 103-48.

(C) CREDIT REESTIMATES.—For a budget submitted for fiscal year 1993 or 1994, the adjustments produced by reestimates to costs of Federal credit programs shall be, for any such program, a current estimate of new budget authority and outlays associated with a baseline projection of the prior year's gross loan level for that program minus the baseline projection of the prior year's new budget authority and associated outlays for that program.

(2) When OMB submits a sequestration report under section 254(g) or (h) for fiscal year 1991, 1992, 1993, 1994, 1995, 1996, 1997, or 1998 (except as otherwise indicated), OMB shall calculate (in the order set forth below), and the sequestration report, and subsequent budgets submitted by the President under section 1105(a) of title 31, United States Code, shall include, adjustments to discretionary spending limits (and those limits as adjusted) for the fiscal year and each succeeding year through 1998, as follows:

(A) IRS FUNDING.—To the extent that appropriations are enacted that provide additional new budget authority or result in additional outlays (as compared with the CBO baseline constructed in June 1990) for the Internal Revenue Service compliance initiative in any fiscal year, the adjustments for that year shall be those amounts, but shall not exceed the amounts set forth below—

¹So in original. Clause (iii) should be moved 4-ems to the left.

(i) for fiscal year 1991, \$191,000,000 in new budget authority and \$183,000,000 in outlays;

(ii) for fiscal year 1992, \$172,000,000 in new budget authority and \$169,000,000 in outlays;

(iii) for fiscal year 1993, \$183,000,000 in new budget authority and \$179,000,000 in outlays;

(iv) for fiscal year 1994, \$187,000,000 in new budget authority and \$183,000,000 in outlays; and

(v) for fiscal year 1995, \$188,000,000 in new budget authority and \$184,000,000 in outlays; and

the prior-year outlays resulting from these appropriations of budget authority.

(B) DEBT FORGIVENESS.—If, in calendar year 1990 or 1991, an appropriation is enacted that forgives the Arab Republic of Egypt's foreign military sales indebtedness to the United States and any part of the Government of Poland's indebtedness to the United States, the adjustment shall be the estimated costs (in new budget authority and outlays, in all years) of that forgiveness.

(C) IMF FUNDING.—If, in fiscal year 1991, 1992, 1993, 1994, or 1995 an appropriation is enacted to provide to the International Monetary Fund the dollar equivalent, in terms of Special Drawing Rights, of the increase in the United States quota as part of the International Monetary Fund Ninth General Review of Quotas, the adjustment shall be the amount provided by that appropriation.

(D) EMERGENCY APPROPRIATIONS.—(i) If, for any fiscal year, appropriations for discretionary accounts are enacted that the President designates as emergency requirements and that the Congress so designates in statute, the adjustment shall be the total of such appropriations in discretionary accounts designated as emergency requirements and the outlays flowing in all years from such appropriations.

(ii) The costs for operation Desert Shield are to be treated as emergency funding requirements not subject to the defense spending limits. Funding for Desert Shield will be provided through the normal legislative process. Desert Shield costs should be accommodated through Allied burden-sharing, subsequent appropriation Acts, and if the President so chooses, through offsets within other defense accounts. Emergency Desert Shield costs mean those incremental costs associated with the increase in operations in the Middle East and do not include costs that would be experienced by the Department of Defense as part of its normal operations absent Operation Desert Shield.

(E) SPECIAL ALLOWANCE FOR DISCRETIONARY NEW BUDGET AUTHORITY.—(i) For each of fiscal years 1992 and 1993, the adjustment for the domestic category in each year shall be an amount equal to 0.1 percent of the sum of the adjusted discretionary spending limits on new budget authority for all categories for fiscal years 1991, 1992, and 1993 (cumulatively), together with outlays associated therewith (calculated at the composite outlay rate for the domestic category);

(ii) for each of fiscal years 1992 and 1993, the adjustment for the international category in each year shall be an amount equal to 0.079 percent of the sum of the adjusted discretionary spending limits on new budget authority for all categories for fiscal years 1991, 1992, and 1993 (cumulatively), together with outlays associated therewith (calculated at the composite outlay rate for the international category);

(iii) if, for fiscal years 1992 and 1993, the amount of new budget authority provided in appropriation Acts exceeds the discretionary spending limit on new budget authority for any category due to technical estimates made by the Director of the Office of Management and Budget, the adjustment is the amount of the excess, but not to exceed an amount (for 1992 and 1993 together) equal to 0.042 percent of the sum of the adjusted discretionary limits on new budget authority for all categories for fiscal years 1991, 1992, and 1993 (cumulatively); and

(iv)¹ if, for fiscal years 1994, 1995, 1996, 1997, and 1998, the amount of new budget authority provided in appropriation Acts exceeds the discretionary spending limit on new budget authority due to technical estimates made by the director of the Office of Management and Budget, the adjustment is the amount of the excess, but not to exceed an amount (for any one fiscal year) equal to 0.1 percent of the adjusted discretionary spending limit on new budget authority for that fiscal year.

(F) SPECIAL OUTLAY ALLOWANCE.—If in any fiscal year outlays for a category exceed the discretionary spending limit for that category but new budget authority does not exceed its limit for that category (after application of the first step of a sequestration described in subsection (a)(2), if necessary), the adjustment in outlays is the amount of the excess, but not to exceed \$2,500,000,000 in the defense category, \$1,500,000,000 in the international category, or \$2,500,000,000 in the domestic category (as applicable) in fiscal year 1991, 1992, or 1993, and not to exceed \$6,500,000,000 in fiscal year 1994 or 1995 less any of the outlay adjustments made under subparagraph (E) for a category for a fiscal year, and not to exceed 0.5 percent of the adjusted discretionary spending limit on outlays for the fiscal year in fiscal year 1996, 1997, or 1998.

(G)² NET GUARANTEE COSTS.—The net costs for fiscal year 1994 of the appropriation made under section 601 of Public Law 102-391 are not subject to the discretionary spending limits or the Appropriations Committee's Foreign Operations Subcommittee's 602(b) allocation in fiscal year 1994.

SEC. 252. ENFORCING PAY-AS-YOU-GO.

(a) FISCAL YEARS 1992-1998 ENFORCEMENT.—The purpose of this section is to assure that any legislation (enacted after the date of enactment of this section) affecting direct spending or receipts

¹ So in original. Subparagraph (iv) should be moved 4-ems to the left.

² Indentation so in original. Subparagraph (G) as added by section 571 of P.L. 103-87 should be moved 2-ems to the right.

that increases the deficit in any fiscal year covered by this Act will trigger an offsetting sequestration.

(b) **SEQUESTRATION; LOOK-BACK.**—Within 15 calendar days after Congress adjourns to end a session (other than of the One Hundred First Congress) and on the same day as a sequestration (if any) under section 251 and section 253, there shall be a sequestration to offset the amount of any net deficit increase in that fiscal year and the prior fiscal year caused by all direct spending and receipts legislation enacted after the date of enactment of this section (after adjusting for any prior sequestration as provided by paragraph (2)). OMB shall calculate the amount of deficit increase, if any, in those fiscal years by adding—

(1) all applicable estimates of direct spending and receipts legislation transmitted under subsection (d) applicable to those fiscal years, other than any amounts included in such estimates resulting from—

(A) full funding of, and continuation of, the deposit insurance guarantee commitment in effect on the date of enactment of this section, and

(B) emergency provisions as designated under subsection (e); and

(2) the estimated amount of savings in direct spending programs applicable to those fiscal years resulting from the prior year's sequestration under this section or section 253, if any (except for any amounts sequestered as a result of a net deficit increase in the fiscal year immediately preceding the prior fiscal year), as published in OMB's end-of-session sequestration report for that prior year.

(c) **ELIMINATING A DEFICIT INCREASE.**—(1) The amount required to be sequestered in a fiscal year under subsection (b) shall be obtained from non-exempt direct spending accounts from actions taken in the following order:

(A) **FIRST.**—All reductions in automatic spending increases specified in section 256(a) shall be made.

(B) **SECOND.**—If additional reductions in direct spending accounts are required to be made, the maximum reductions permissible under sections 256(b) (guaranteed student loans) and 256(c) (foster care and adoption assistance) shall be made.

(C) **THIRD.**—(i) If additional reductions in direct spending accounts are required to be made, each remaining non-exempt direct spending account shall be reduced by the uniform percentage necessary to make the reductions in direct spending required by paragraph (1); except that the medicare programs specified in section 256(d) shall not be reduced by more than 4 percent and the uniform percentage applicable to all other direct spending programs under this paragraph shall be increased (if necessary) to a level sufficient to achieve the required reduction in direct spending.

(ii) For purposes of determining reductions under clause (i), outlay reductions (as a result of sequestration of Commodity Credit Corporation commodity price support contracts in the fiscal year of a sequestration) that would occur in the following fiscal year shall be credited as outlay reductions in the fiscal year of the sequestration.

(2) For purposes of this subsection, accounts shall be assumed to be at the level in the baseline

(d) **OMB ESTIMATES.**—As soon as practicable after Congress completes action on any direct spending or receipts legislation enacted after the date of enactment of this section, after consultation with the Committees on the Budget of the House of Representatives and the Senate, CBO shall provide OMB with an estimate of the amount of change in outlays or receipts, as the case may be, in each fiscal year through fiscal year 1998 resulting from that legislation. Within 5 calendar days after the enactment of any direct spending or receipts legislation enacted after the date of enactment of this section, OMB shall transmit a report to the House of Representatives and to the Senate containing such CBO estimate of that legislation, an OMB estimate of the amount of change in outlays or receipts, as the case may be, in each fiscal year through fiscal year 1998 resulting from that legislation, and an explanation of any difference between the two estimates. Those OMB estimates shall be made using current economic and technical assumptions. OMB and CBO shall prepare estimates under this paragraph in conformance with scorekeeping guidelines determined after consultation among the House and Senate Committees on the Budget, CBO, and OMB.

(e) **EMERGENCY LEGISLATION.**—If, for any fiscal year from 1991 through 1998, a provision of direct spending or receipts legislation is enacted that the President designates as an emergency requirement and that the Congress so designates in statute, the amounts of new budget authority, outlays, and receipts in all fiscal years through 1995¹ resulting from that provision shall be designated as an emergency requirement in the reports required under subsection (d).²

SEC. 253. ENFORCING DEFICIT TARGETS.

(a) **SEQUESTRATION.**—Within 15 calendar days after Congress adjourns to end a session (other than of the One Hundred First Congress) and on the same day as a sequestration (if any) under section 251 and section 252, but after any sequestration required by section 251 (enforcing discretionary spending limits) or section 252 (enforcing pay-as-you-go), there shall be a sequestration to eliminate the excess deficit (if any remains) if it exceeds the margin.

(b) **EXCESS DEFICIT; MARGIN.**—The excess deficit is, if greater than zero, the estimated deficit for the budget year, minus—

- (1) the maximum deficit amount for that year;
- (2) the amounts for that year designated as emergency direct spending or receipts legislation under section 252(e); and
- (3) for any fiscal year in which there is not a full adjustment for technical and economic reestimates, the deposit insurance reestimate for that year, if any, calculated under subsection (h).

¹ So in law. Probably should be "1998".

² Title XIV of OBRA-93 (Budget Process Provisions) provided in Section 14003(c): "Upon enactment of this Act, the director of the Office of Management and Budget shall reduce the balances of direct spending and receipts legislation applicable to each fiscal year under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 by an amount equal to the net deficit reduction achieved through the enactment in this Act of direct spending and receipts legislation for that year."

The "margin" for fiscal year 1992 or 1993 is zero and for fiscal year 1994 or 1995 is \$15,000,000,000.

(c) **DIVIDING THE SEQUESTRATION.**—To eliminate the excess deficit in a budget year, half of the required outlay reductions shall be obtained from non-exempt defense accounts (accounts designated as function 050 in the President's fiscal year 1991 budget submission) and half from non-exempt, non-defense accounts (all other non-exempt accounts).

(d) **DEFENSE.**—Each non-exempt defense account shall be reduced by a dollar amount calculated by multiplying the level of sequestrable budgetary resources in that account at that time by the uniform percentage necessary to carry out subsection (c), except that, if any military personnel are exempt, adjustments shall be made under the procedure set forth in section 251(a)(3).

(e) **NON-DEFENSE.**—Actions to reduce non-defense accounts shall be taken in the following order:

(1) **FIRST.**—All reductions in automatic spending increases under section 256(a) shall be made.

(2) **SECOND.**—If additional reductions in non-defense accounts are required to be made, the maximum reduction permissible under sections 256(b) (guaranteed student loans) and 256(c) (foster care and adoption assistance) shall be made.

(3) **THIRD.**—(A) If additional reductions in non-defense accounts are required to be made, each remaining non-exempt, non-defense account shall be reduced by the uniform percentage necessary to make the reductions in non-defense outlays required by subsection (c), except that—

(i) the medicare program specified in section 256(d) shall not be reduced by more than 2 percent in total including any reduction of less than 2 percent made under section 252 or, if it has been reduced by 2 percent or more under section 252, it may not be further reduced under this section; and

(ii) the health programs set forth in section 256(e) shall not be reduced by more than 2 percent in total (including any reduction made under section 251),

and the uniform percent applicable to all other programs under this subsection shall be increased (if necessary) to a level sufficient to achieve the required reduction in non-defense outlays.

(B) For purposes of determining reductions under subparagraph (A), outlay reduction (as a result of sequestration of Commodity Credit Corporation commodity price support contracts in the fiscal year of a sequestration) that would occur in the following fiscal year shall be credited as outlay reductions in the fiscal year of the sequestration.

(f) **BASELINE ASSUMPTIONS; PART-YEAR APPROPRIATIONS.**—

(1) **BUDGET ASSUMPTIONS.**—For purposes of subsections (b), (c), (d), and (e), accounts shall be assumed to be at the level in the baseline minus any reductions required to be made under sections 251 and 252.

(2) **PART-YEAR APPROPRIATIONS.**—If, on the date specified in subsection (a), there is in effect an Act making or continuing appropriations for part of a fiscal year for any non-exempt budget account, then the dollar sequestration calculated for

that account under subsection (d) or (e), as applicable, shall be subtracted from—

(A) the annualized amount otherwise available by law in that account under that or a subsequent part-year appropriation; and

(B) when a full-year appropriation for that account is enacted, from the amount otherwise provided by the full-year appropriation; except that the amount to be sequestered from that account shall be reduced (but not below zero) by the savings achieved by that appropriation when the enacted amount is less than the baseline for that account.

(g) ADJUSTMENTS TO MAXIMUM DEFICIT AMOUNTS.—

(1) ADJUSTMENTS.—

(A) When the President submits the budget for fiscal year 1992, the maximum deficit amounts for fiscal years 1992, 1993, 1994, and 1995 shall be adjusted to reflect up-to-date reestimates of economic and technical assumptions and any changes in concepts or definitions. When the President submits the budget for fiscal year 1993, the maximum deficit amounts for fiscal years 1993, 1994, and 1995 shall be further adjusted to reflect up-to-date reestimates of economic and technical assumptions and any changes in concepts or definitions.

(B) When submitting the budget for fiscal year 1994, the President may choose to adjust the maximum deficit amounts for fiscal years 1994 and 1995 to reflect up-to-date reestimates of economic and technical assumptions. If the President chooses to adjust the maximum deficit amount when submitting the fiscal year 1994 budget, the President may choose to invoke the same adjustment procedure when submitting the budget for fiscal year 1995. In each case, the President must choose between making no adjustment or the full adjustment described in paragraph (2). If the President chooses to make that full adjustment, then those procedures for adjusting discretionary spending limits described in sections 251(b)(1)(C) and 251(b)(2)(E), otherwise applicable through fiscal year 1993 or 1994 (as the case may be), shall be deemed to apply for fiscal year 1994 (and 1995 if applicable).

(C) When the budget for fiscal year 1994 or 1995 is submitted and the sequestration reports for those years under section 254 are made (as applicable), if the President does not choose to make the adjustments set forth in subparagraph (B), the maximum deficit amount for that fiscal year shall be adjusted by the amount of the adjustment to discretionary spending limits first applicable for that year (if any) under section 251(b).

(D) For each fiscal year the adjustments required to be made with the submission of the President's budget for that year shall also be made when OMB submits the sequestration update report and the final sequestration report for that year, but OMB shall continue to use the eco-

conomic and technical assumptions in the President's budget for that year.

Each adjustment shall be made by increasing or decreasing the maximum deficit amounts set forth in section 601 of the Congressional Budget Act of 1974.

(2) **CALCULATIONS OF ADJUSTMENTS.**—The required increase or decrease shall be calculated as follows:

(A) The baseline deficit or surplus shall be calculated using up-to-date economic and technical assumptions, using up-to-date concepts and definitions, and, in lieu of the baseline levels of discretionary appropriations, using the discretionary spending limits set forth in section 601 of the Congressional Budget Act of 1974 as adjusted under section 251.

(B) The net deficit increase or decrease caused by all direct spending and receipts legislation enacted after the date of enactment of this section (after adjusting for any sequestration of direct spending accounts) shall be calculated for each fiscal year by adding—

(i) the estimates of direct spending and receipts legislation transmitted under section 252(d) applicable to each such fiscal year; and

(ii) the estimated amount of savings in direct spending programs applicable to each such fiscal year resulting from the prior year's sequestration under this section or section 252 of direct spending, if any, as contained in OMB's final sequestration report for that year.

(C) The amount calculated under subparagraph (B) shall be subtracted from the amount calculated under subparagraph (A).

(D) The maximum deficit amount set forth in section 601 of the Congressional Budget Act of 1974 shall be subtracted from the amount calculated under subparagraph (C).

(E) The amount calculated under subparagraph (D) shall be the amount of the adjustment required by paragraph (1).

(h) **TREATMENT OF DEPOSIT INSURANCE.**—

(1) **INITIAL ESTIMATES.**—The initial estimates of the net costs of federal deposit insurance for fiscal year 1994 and fiscal year 1995 (assuming full funding of, and continuation of, the deposit insurance guarantee commitment in effect on the date of the submission of the budget for fiscal year 1993) shall be set forth in that budget.

(2) **REESTIMATES.**—For fiscal year 1994 and fiscal year 1995, the amount of the reestimate of deposit insurance costs shall be calculated by subtracting the amount set forth under paragraph (1) for that year from the current estimate of deposit insurance costs (but assuming full funding of, and continuation of, the deposit insurance guarantee commitment in effect on the date of submission of the budget for fiscal year 1993).

SEC. 254. REPORTS AND ORDERS.

(a) **TIMETABLE.**—The timetable with respect to this part for any budget year is as follows:

| Date: | Action to be completed: |
|--|--|
| January 21 | Notification regarding optional adjustment of maximum deficit amount. CBO sequestration preview report. |
| 5 days before the President's budget submission. | |
| The President's budget submission | OMB sequestration preview report. |
| August 10 | Notification regarding military personnel. |
| August 15 | CBO sequestration update report. |
| August 20 | OMB sequestration update report. |
| 10 days after end of session | CBO final sequestration report. |
| 15 days after end of session | OMB final sequestration report; Presidential order. |
| 30 days later | GAO compliance report. |

(b) **SUBMISSION AND AVAILABILITY OF REPORTS.**—Each report required by this section shall be submitted, in the case of CBO, to the House of Representatives, the Senate and OMB and, in the case of OMB, to the House of Representatives, the Senate, and the President on the day it is issued. On the following day a notice of the report shall be printed in the Federal Register.

(c) **OPTIONAL ADJUSTMENT OF MAXIMUM DEFICIT AMOUNTS.**—With respect to budget year 1994 or 1995, on the date specified in subsection (a) the President shall notify the House of Representatives and the Senate of his decision regarding the optional adjustment of the maximum deficit amount (as allowed under section 253(g)(1)(B)).

(d) **SEQUESTRATION PREVIEW REPORTS.**—

(1) **REPORTING REQUIREMENT.**—On the dates specified in subsection (a), OMB and CBO shall issue a preview report regarding discretionary, pay-as-you-go, and deficit sequestration based on laws enacted through those dates.

(2) **DISCRETIONARY SEQUESTRATION REPORT.**—The preview reports shall set forth estimates for the current year and each subsequent year through 1998 of the applicable discretionary spending limits for each category and an explanation of any adjustments in such limits under section 251.

(3) **PAY-AS-YOU-GO SEQUESTRATION REPORTS.**—The preview reports shall set forth, for the current year and the budget year, estimates for each of the following:

(A) The amount of net deficit increase or decrease, if any, calculated under subsection 252(b).

(B) A list identifying each law enacted and sequestration implemented after the date of enactment of this section included in the calculation of the amount of deficit increase or decrease and specifying the budgetary effect of each such law.

(C) The sequestration percentage or (if the required sequestration percentage is greater than the maximum allowable percentage for medicare) percentages necessary to eliminate a deficit increase under section 252(c).

(4) **DEFICIT SEQUESTRATION REPORTS.**—The preview reports shall set forth for the budget year estimates for each of the following:

(A) The maximum deficit amount, the estimated deficit calculated under section 253(b), the excess deficit, and the margin.

(B) The amount of reductions required under section 252, the excess deficit remaining after those reductions have been made, and the amount of reductions required from defense accounts and the reductions required from non-defense accounts.

(C) The sequestration percentage necessary to achieve the required reduction in defense accounts under section 253(d).

(D) The reductions required under sections 253(e)(1) and 253(e)(2).

(E) The sequestration percentage necessary to achieve the required reduction in non-defense accounts under section 253(e)(3).

The CBO report need not set forth the items other than the maximum deficit amount for fiscal year 1992, 1993, or any fiscal year for which the President notifies the House of Representatives and the Senate that he will adjust the maximum deficit amount under the option under section 253(g)(1)(B).

(5) EXPLANATION OF DIFFERENCES.—The OMB reports shall explain the differences between OMB and CBO estimates for each item set forth in this subsection.

(e) NOTIFICATION REGARDING MILITARY PERSONNEL.—On or before the date specified in subsection (a), the President shall notify the Congress of the manner in which he intends to exercise flexibility with respect to military personnel accounts under section 255(h).

(f) SEQUESTRATION UPDATE REPORTS.—On the dates specified in subsection (a), OMB and CBO shall issue a sequestration update report, reflecting laws enacted through those dates, containing all of the information required in the sequestration preview reports.

(g) FINAL SEQUESTRATION REPORTS.—

(1) REPORTING REQUIREMENT.—On the dates specified in subsection (a), OMB and CBO shall issue a final sequestration report, updated to reflect laws enacted through those dates.

(2) DISCRETIONARY SEQUESTRATION REPORTS.—The final reports shall set forth estimates for each of the following:

(A) For the current year and each subsequent year through 1998 the applicable discretionary spending limits for each category and an explanation of any adjustments in such limits under section 251.

(B) For the current year and the budget year the estimated new budget authority and outlays for each category and the breach, if any, in each category.

(C) For each category for which a sequestration is required, the sequestration percentages necessary to achieve the required reduction.

(D) For the budget year, for each account to be sequestered, estimates of the baseline level of sequesterable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions.

(3) **PAY-AS-YOU-GO AND DEFICIT SEQUESTRATION REPORTS.**—The final reports shall contain all the information required in the pay-as-you-go and deficit sequestration preview reports. In addition, these reports shall contain, for the budget year, for each account to be sequestered, estimates of the baseline level of sequestrable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions. The reports shall also contain estimates of the effects on outlays of the sequestration in each out-year through 1998 for direct spending programs.

(4) **EXPLANATION OF DIFFERENCES.**—The OMB report shall explain any differences between OMB and CBO estimates of the amount of any net deficit change calculated under subsection 252(b), any excess deficit, any breach, and any required sequestration percentage. The OMB report shall also explain differences in the amount of sequestrable resources for any budget account to be reduced if such difference is greater than \$5,000,000.

(5) **PRESIDENTIAL ORDER.**—On the date specified in subsection (a), if in its final sequestration report OMB estimates that any sequestration is required, the President shall issue an order fully implementing without change all sequestrations required by the OMB calculations set forth in that report. This order shall be effective on issuance.

(h) **WITHIN-SESSION SEQUESTRATION REPORTS AND ORDER.**—If an appropriation for a fiscal year in progress is enacted (after Congress adjourns to end the session for that budget year and before July 1 of that fiscal year) that causes a breach, 10 days later CBO shall issue a report containing the information required in paragraph (g)(2). Fifteen days after enactment, OMB shall issue a report containing the information required in paragraphs (g)(2) and (g)(4). On the same day as the OMB report, the President shall issue an order fully implementing without change all sequestrations required by the OMB calculations set forth in that report. This order shall be effective on issuance.

(i) **GAO COMPLIANCE REPORT.**—On the date specified in subsection (a), the Comptroller General shall submit to the Congress and the President a report on—

(1) the extent to which each order issued by the President under this section complies with all of the requirements contained in this part, either certifying that the order fully and accurately complies with such requirements or indicating the respects in which it does not; and

(2) the extent to which each report issued by OMB or CBO under this section complies with all of the requirements contained in this part, either certifying that the report fully and accurately complies with such requirements or indicating the respects in which it does not.

(j) **LOW-GROWTH REPORT.**—At any time, CBO shall notify the Congress if—

(1) during the period consisting of the quarter during which such notification is given, the quarter preceding such notification, and the 4 quarters following such notification, CBO or OMB has determined that real economic growth is projected

or estimated to be less than zero with respect to each of any 2 consecutive quarters within such period; or

(2) the most recent of the Department of Commerce's advance preliminary or final reports of actual real economic growth indicate that the rate of real economic growth for each of the most recently reported quarter and the immediately preceding quarter is less than one percent.

(k) **ECONOMIC AND TECHNICAL ASSUMPTIONS.**—In all reports required by this section, OMB shall use the same economic and technical assumptions as used in the most recent budget submitted by the President under section 1105(a) of title 31, United States Code.

SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.

(a) **SOCIAL SECURITY BENEFITS AND TIER I RAILROAD RETIREMENT BENEFITS.**—Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act, and benefits payable under section 3(a), 3(f)(3), 4(a), or 4(f) of the Railroad Retirement Act of 1974, shall be exempt from reduction under any order issued under this part.

(b) **VETERANS PROGRAMS.**—The following programs shall be exempt from reduction under any order issued under this part:

National Service Life Insurance Fund (36-8132-0-7-701);

Service-Disabled Veterans Insurance Fund (36-4012-0-3-701);

Veterans Special Life Insurance Fund (36-8455-0-8-701);

Veterans Reopened Insurance Fund (36-4010-0-3-701);

United States Government Life Insurance Fund (36-8150-0-7-701);

Veterans Insurance and Indemnity (36-0120-0-1-701);

Special Therapeutic and Rehabilitation Activities Fund (36-4048-0-3-703);

Veterans' Canteen Service Revolving Fund (36-4014-0-3-705);

Benefits under chapter 21 of title 38, United States Code, relating to specially adapted housing and mortgage-protection life insurance for certain veterans with service-connected disabilities (36-0137-0-1-702);

Benefits under section 907 of title 38, United States Code, relating to burial benefits for veterans who die as a result of service-connected disability (36-0155-0-1-701);

Benefits under chapter 39 of title 38, United States Code, relating to automobiles and adaptive equipment for certain disabled veterans and members of the Armed Forces (36-0137-0-1-702);

Veterans' compensation (36-0153-0-1-701); and

Veterans' pensions (36-0154-0-1-701).

(c) **NET INTEREST.**—No reduction of payments for net interest (all of major functional category 900) shall be made under any order issued under this part.

(d) **EARNED INCOME TAX CREDIT.**—Payments to individuals made pursuant to section 32 of the Internal Revenue Code of 1954 shall be exempt from reduction under any order issued under this part.

(e) **NON-DEFENSE UNOBLIGATED BALANCES.**—Unobligated balances of budget authority carried over from prior fiscal years, except balances in the defense category, shall be exempt from reduction under any order issued under this part.

(f) **CERTAIN PROGRAM BASES.**—Outlays for programs specified in paragraph (1) of section 257 shall be subject to reduction only in accordance with the procedures established in section 251(a)(3)(C) and 256(b).

(g) **OTHER PROGRAMS AND ACTIVITIES.**—

(1)(A) The following budget accounts and activities shall be exempt from reduction under any order issued under this part:

- Activities resulting from private donations, bequests, or voluntary contributions to the Government;
- Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-806);
- Thrift Savings Fund (26-8141-0-7-602);
- Alaska Power Administration, Operations and maintenance (89-0304-0-1-271);
- Appropriations for the District of Columbia (to the extent they are appropriations of locally raised funds);
- Bonneville Power Administration fund and borrowing authority established pursuant to section 13 of Public Law 93-454 (1974), as amended (89-4045-0-3-271);
- Bureau of Indian Affairs, miscellaneous payments to Indians (14-2303-0-1-452);
- Bureau of Indian Affairs miscellaneous trust funds, tribal trust funds (14-9973-0-7-999);
- Claims, defense (97-0102-0-1-051);
- Claims, judgments, and relief acts (20-1895-0-1-806);
- Coinage profit fund (20-5811-0-2-803);
- Compensation of the President (11-0001-0-1-802);
- Customs Service, miscellaneous permanent appropriations (20-9922-0-2-852);
- Comptroller of the Currency;
- Director of the Office of Thrift Supervision;
- Dual benefits payments account (60-0111-0-1-601);
- Eastern Indian land claims settlement fund (14-2202-0-1-806);
- Exchange stabilization fund (20-4444-0-3-155);
- Farm Credit System Financial Assistance Corporation, interest payment (20-1850-0-1-351);
- Federal Deposit Insurance Corporation;
- Federal Deposit Insurance Corporation, Bank Insurance Fund;
- Federal Deposit Insurance Corporation, FSLIC Resolution Fund;
- Federal Deposit Insurance Corporation, Savings Association Insurance Fund;
- Federal Housing Finance Board;
- Federal payment to the railroad retirement account (60-0113-0-1-601);
- Foreign military sales trust fund (11-8242-0-7-155);

Health professions graduate student loan insurance fund (Health Education Assistance Loan Program) (75-4305-0-3-553);

Higher education facilities loans and insurance (91-0240-01-502);

Internal Revenue collections for Puerto Rico (20-5737-0-2-852);

Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect;

Panama Canal Commission, operating expenses (95-5190-0-2-403), and Panama Canal Commission, capital outlay (95-5190-0-2-403);

Medical facilities guarantee and loan fund, Federal interest subsidies for medical facilities (75-4430-03-551);

National Credit Union Administration;

National Credit Union Administration, central liquidity facility;

National Credit Union Administration, credit union share insurance fund;

Payment of Vietnam and USS Pueblo prisoner-of-war claims (15-0104-0-1-153);

Payment to civil service retirement and disability fund (24-0200-0-1-805);

Payment to Judiciary Trust Funds (10-0941-0-1-752);

Payments to copyright owners (03-5175-0-2-376);

Payments to health care trust funds (75-0580-0-1-572);

Payments to military retirement fund (97-0040-0-1-054);

Compact of Free Association, economic assistance pursuant to Public Law 99-658 (14-0415-0-1-806);

Payments to social security trust funds (75-0404-0-1-571);

Payments to state and local government fiscal assistance trust fund (20-2111-0-1-851);

Payments to the foreign service retirement and disability fund (11-1036-0-1-153 and 19-0540-0-1-153);

Payments to trust funds from excise taxes or other receipts properly creditable to such trust funds;

Payments to the United States territories, fiscal assistance (14-0418-0-1-852);

Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801);

Postal service fund (18-4020-0-3-372);

Resolution Funding Corporation;

Resolution Trust Corporation;

Salaries of Article III judges;

Soldiers and Airmen's Home, payment of claims (84-8930-0-7-705);

Southeastern Power Administration, Operations and maintenance (89-0302-0-1-271);

Southwestern Power Administration, Operations and maintenance (89-0303-0-1-271);

Tennessee Valley Authority fund, except non-power programs and activities (64-4110-0-3-999);

United States Enrichment Corporation;

Washington Metropolitan Area Transit Authority, interest payments (46-0300-0-1-401);

Western Area Power Administration, Construction, rehabilitation, operations, and maintenance (89-5068-0-2-271); and

Western Area Power Administration, Colorado River basins power marketing fund (89-4452-0-3-271).

(B) The following budget accounts and activities shall be exempt from reduction under any order issued under this part:

Black lung benefits (20-8144-0-7-601);

Central Intelligence Agency retirement and disability system fund (56-3400-0-1-054);

Civil service retirement and disability fund (24-8135-0-7-602);

Comptrollers general retirement system (05-0107-0-1-801);

Foreign service retirement and disability fund (19-8186-0-7-602);

Judicial survivors' annuities fund (10-8110-0-7-602);

Judicial Officers' Retirement Fund (10-8122-0-7-602);

Court of Federal Claims Judges' Retirement Fund (10-8124-0-7-602);

Longshoremen's and harborworkers' compensation benefits (16-9971-0-7-601);

Military retirement fund (97-8097-0-7-602);

National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306);

Pensions for former Presidents (47-0105-0-1-802);

Railroad retirement tier II (60-8011-0-7-601);

Railroad¹ supplemental annuity pension fund (60-8012-0-7-602);

Retired pay, Coast Guard (69-0241-0-1-403);

Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551);

Special benefits, Federal Employees' Compensation Act (16-1521-0-1-600);

Special benefits for disabled coal miners (75-0409-0-1-601); and

Tax Court judges survivors annuity fund (23-8115-0-7-602).

(2) Prior legal obligations of the Government in the following budget accounts and activities shall be exempt from any order issued under this part:

¹So in law. Indentation is wrong.

Agency for International Development, Housing, and other credit guarantee programs (72-4340-0-3-151);
 Agricultural credit insurance fund (12-4140-0-3-351);
 Biomass energy development (20-0114-0-1-271);
 Check forgery insurance fund (20-4109-0-3-803);
 Community development grant loan guarantees (86-0162-0-1-451);
 Credit union share insurance fund (25-4468-0-3-371);
 Economic development revolving fund (13-4406-0-3-452);
 Employees life insurance fund (24-8424-0-8-602);
 Energy security reserve (Synthetic Fuels Corporation) (20-0112-0-1-271);
 Export-Import Bank of the United States, Limitation of program activity (83-4027-0-3-155);
 Federal Aviation Administration, Aviation insurance revolving fund (69-4120-0-3-402);
 Federal Crop Insurance Corporation fund (12-4085-0-3-351);
 Federal Deposit Insurance Corporation (51-8419-0-8-371);
 Federal Emergency Management Agency, National flood insurance fund (58-4236-0-3-453);
 Federal Emergency Management Agency, National insurance development fund (58-4235-0-3-451);
 Federal Housing Administration fund (86-4070-0-3-371);
 Federal ship financing fund (69-4301-0-3-403);
 Federal ship financing fund, fishing vessels (13-4417-0-3-376);
 Geothermal resources development fund (89-0206-0-1-271);
 Government National Mortgage Association, Guarantees of mortgage-backed securities (86-4238-0-3-371);
 Health education loans (75-4307-0-3-553);
 Homeowners assistance fund, Defense (97-4090-0-3-051);
 Indian loan guarantee and insurance fund (14-4410-0-3-452);
 International Trade Administration, Operations and administration (13-1250-0-1-376);
 Low-rent public housing, Loans and other expenses (86-4098-0-3-604);
 Maritime Administration, War-risk insurance revolving fund (69-4302-0-3-403);
 Overseas Private Investment Corporation (71-4030-0-3-151);
 Pension Benefit Guaranty Corporation fund (16-4204-0-3-601);
 Rail service assistance (69-0122-0-1-401);
 Railroad rehabilitation and improvement financing fund (69-4411-0-3-401);
 Rural development insurance fund (12-4155-0-3-452);

Rural electric and telephone revolving fund (12-4230-8-3-271);

Rural housing insurance fund (12-4141-0-3-371);

Small Business Administration, Business loan and investment fund (73-4154-0-3-376);

Small Business Administration, Lease guarantees revolving fund (73-4157-0-3-376);

Small Business Administration, Pollution control equipment contract guarantee revolving fund (73-4147-0-3-376);

Small Business Administration, Surety bond guarantees revolving fund (73-4156-0-3-376);

Department of Veterans Affairs, Loan guaranty revolving fund (36-4025-0-3-704);

Department of Veterans Affairs, Servicemen's group life insurance fund (36-4009-0-3-701).

(h) **LOW-INCOME PROGRAMS.**—The following programs shall be exempt from reduction under any order issued under this part:

Aid to families with dependent children (75-0412-0-1-609);

Child nutrition (12-3539-0-1-605);

Commodity supplemental food program (12-3512-0-1-605);

Food stamp programs (12-3505-0-1-605 and 12-3550-0-1-605);

Grants to States for Medicaid (75-0512-0-1-551);

Supplemental Security Income Program (75-0406-0-1-609); and

Women, infants, and children program (12-3510-0-1-605).

(i) **IDENTIFICATION OF PROGRAMS.**—For purposes of subsections (g) and (h), programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States Government, 1986—Appendix.

(h)² **OPTIONAL EXEMPTION OF MILITARY PERSONNEL.**—

(1) The President may, with respect to any military personnel account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

(2) The President may not use the authority provided by paragraph (1) unless he notifies the Congress of the manner in which such authority will be exercised on or before the initial snapshot date for the budget year.

SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.

(a) **AUTOMATIC SPENDING INCREASES.**—Automatic spending increases are increases in outlays due to changes in indexes in the following programs:

(1) National Wool Act;

(2) Special milk program; and

(3) Vocational rehabilitation basic State grants.

In those programs all amounts other than the automatic spending increases shall be exempt from reduction under any order issued under this part.

²Probably should have been designated as subsection (j).

(b) EFFECT OF ORDERS ON THE GUARANTEED STUDENT LOAN PROGRAM.—(1) Any reductions which are required to be achieved from the student loan programs operated pursuant to part B of title IV of the Higher Education Act of 1965, as a consequence of an order issued pursuant to section 254, shall be achieved only from loans described in paragraphs (2) and (3) by the application of the measures described in such paragraphs.

(2) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year and ending at the close of such fiscal year, the rate used in computing the special allowance payment pursuant to section 438(b)(2)(A)(iii) of such Act for each of the first four special allowance payments for such loan shall be adjusted by reducing such rate by the lesser of—

(A) 0.40 percent, or

(B) the percentage by which the rate specified in such section exceeds 3 percent.

(3) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year and ending at the close of such fiscal year, the origination fee which is authorized to be collected pursuant to section 438(c)(2) of such Act shall be increased by 0.50 percent.

(c) TREATMENT OF FOSTER CARE AND ADOPTION ASSISTANCE PROGRAMS.—Any order issued by the President under section 254 shall make the reduction which is otherwise required under the foster care and adoption assistance programs (established by part E of title IV of the Social Security Act) only with respect to payments and expenditures made by States in which increases in foster care maintenance payment rates or adoption assistance payment rates (or both) are to take effect during the fiscal year involved, and only to the extent that the required reduction can be accomplished by applying a uniform percentage reduction to the Federal matching payments that each such State would otherwise receive under section 474 of that Act (for such fiscal year) for that portion of the State's payments which is attributable to the increases taking effect during that year. No State's matching payments from the Federal Government for foster care maintenance payments or for adoption assistance maintenance payments may be reduced by a percentage exceeding the applicable domestic sequestration percentage. No State may, after the date of the enactment of this joint resolution, make any change in the timetable for making payments under a State plan approved under part E of title IV of the Social Security Act which has the effect of changing the fiscal year in which expenditures under such part are made.

(d) SPECIAL RULES FOR MEDICARE PROGRAM.—

(1) **CALCULATION OF REDUCTION IN INDIVIDUAL PAYMENT AMOUNTS.**—To achieve the total percentage reduction in those programs required by sections 252 and 253, and notwithstanding section 710 of the Social Security Act, OMB shall determine, and the applicable Presidential order under section 254 shall implement, the percentage reduction that shall apply to payments under the health insurance programs under title XVIII of the Social Security Act for services furnished after the order is issued, such that the reduction made in payments

under that order shall achieve the required total percentage reduction in those payments for that fiscal year as determined on a 12-month basis.

(2) TIMING OF APPLICATION OF REDUCTIONS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), if a reduction is made under paragraph (1) in payment amounts pursuant to a sequestration order, the reduction shall be applied to payment for services furnished during the effective period of the order. For purposes of the previous sentence, in the case of inpatient services furnished for an individual, the services shall be considered to be furnished on the date of the individual's discharge from the inpatient facility.

(B) PAYMENT ON THE BASIS OF COST REPORTING PERIODS.—In the case in which payment for services of a provider of services is made under title XVIII of the Social Security Act on a basis relating to the reasonable cost incurred for the services during a cost reporting period of the provider, if a reduction is made under paragraph (1) in payment amounts pursuant to a sequestration order, the reduction shall be applied to payment for costs for such services incurred at any time during each cost reporting period of the provider any part of which occurs during the effective period of the order, but only (for each such cost reporting period) in the same proportion as the fraction of the cost reporting period that occurs during the effective period of the order.

(3) NO INCREASE IN BENEFICIARY CHARGES IN ASSIGNMENT-RELATED CASES.—If a reduction in payment amounts is made under paragraph (1) for services for which payment under part B of title XVIII of the Social Security Act is made on the basis of an assignment described in section 1842(b)(3)(B)(ii), in accordance with section 1842(b)(6)(B), or under the procedure described in section 1870(f)(1), of such Act, the person furnishing the services shall be considered to have accepted payment of the reasonable charge for the services, less any reduction in payment amount made pursuant to a sequestration order, as payment in full.

(4) NO EFFECT ON COMPUTATION OF AAPCC.—In computing the adjusted average per capita cost for purposes of section 1876(a)(4) of the Social Security Act, the Secretary of Health and Human Services shall not take into account any reductions in payment amounts which have been or may be effected under this part.

(e) COMMUNITY AND MIGRANT HEALTH CENTERS, INDIAN HEALTH SERVICES AND FACILITIES, AND VETERANS' MEDICAL CARE.—

(1) The maximum permissible reduction in budget authority for any account listed in paragraph (2) for any fiscal year, pursuant to an order issued under section 254, shall be—

(A) 1 percent in the case of the fiscal year 1986, and

(B) 2 percent in the case of any subsequent fiscal year.

(2) The accounts referred to in paragraph (1) are as follows:

- (A) Community health centers (75-0350-0-1-550).
- (B) Migrant health centers (75-0350-0-1-550).
- (C) Indian health facilities (75-0391-0-1-551).
- (D) Indian health services (75-0390-0-1-551).
- (E) Veterans' medical care (36-0160-0-1-703).

For purposes of the preceding provisions of this paragraph, programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States Government—Appendix.

(f) **TREATMENT OF CHILD SUPPORT ENFORCEMENT PROGRAM.**—Notwithstanding any change in the display of budget accounts, any order issued by the President under section 254 shall accomplish the full amount of any required reduction in expenditures under sections 455 and 458 of the Social Security Act by reducing the Federal matching rate for State administrative costs under such program, as specified (for the fiscal year involved) in section 455(a) of such Act, to the extent necessary to reduce such expenditures by that amount.

(g) **FEDERAL PAY.**—

(1) **IN GENERAL.**—For purposes of any order issued under section 254—

- (A) Federal pay under a statutory pay system, and
- (B) elements of military pay,

shall be subject to reduction under an order in the same manner as other administrative expense components of the Federal budget; except that no such order may reduce or have the effect of reducing the rate of pay to which any individual is entitled under any such statutory pay system (as increased by any amount payable under section 5304 of title 5, United States Code, or section 302 of the Federal Employees Pay Comparability Act of 1990) or the rate of any element of military pay to which any individual is entitled under title 37, United States Code, or any increase in rates of pay which is scheduled to take effect under section 5303 of title 5, United States Code, section 1009 of title 37, United States Code, or any other provision of law.

(2) **DEFINITIONS.**—For purposes of this subsection:

(A) The term “statutory pay system” shall have the meaning given that term in section 5302(1) of title 5, United States Code.

(B) The term “elements of military pay” means—

(i) the elements of compensation of members of the uniformed services specified in section 1009 of title 37, United States Code,

(ii) allowances provided members of the uniformed services under sections 403a and 405 of such title, and

(iii) cadet pay and midshipman pay under section 203(c) of such title.

(C) The term “uniformed services” shall have the meaning given that term in section 101(3) of title 37, United States Code.

(h) **TREATMENT OF FEDERAL ADMINISTRATIVE EXPENSES.**—

(1) Notwithstanding any other provision of this title, administrative expenses incurred by the departments and agen-

cies, including independent agencies, of the Federal Government in connection with any program, project, activity, or account shall be subject to reduction pursuant to an order issued under section 254, without regard to any exemption, exception, limitation, or special rule which is otherwise applicable with respect to such program, project, activity, or account under this part.

(2) Notwithstanding any other provision of law, administrative expenses of any program, project, activity, or account which is self-supporting and does not receive appropriations shall be subject to reduction under a sequester order, unless specifically exempted in this joint resolution.

(3) Payments made by the Federal Government to reimburse or match administrative costs incurred by a State or political subdivision under or in connection with any program, project, activity, or account shall not be considered administrative expenses of the Federal Government for purposes of this section, and shall be subject to reduction or sequestration under this part to the extent (and only to the extent) that other payments made by the Federal Government under or in connection with that program, project, activity, or account are subject to such reduction or sequestration; except that Federal payments made to a State as reimbursement of administrative costs incurred by such State under or in connection with the unemployment compensation programs specified in subsection (h)(1) shall be subject to reduction or sequestration under this part notwithstanding the exemption otherwise granted to such programs under that subsection.

(4) Notwithstanding any other provision of law, this subsection shall not apply with respect to the following:

- (A) Comptroller of the Currency.
- (B) Federal Deposit Insurance Corporation.
- (C) Office of Thrift Supervision.
- (D)³ Office of Thrift Supervision.
- (E) National Credit Union Administration.
- (F) National Credit Union Administration, central liquidity facility.
- (G) Federal Retirement Thrift Investment Board.
- (H) Resolution Funding Corporation.
- (I) Resolution Trust Corporation.

(i) TREATMENT OF PAYMENTS AND ADVANCES MADE WITH RESPECT TO UNEMPLOYMENT COMPENSATION PROGRAMS.—(1) For purposes of section 254—

(A) any amount paid as regular unemployment compensation by a State from its account in the Unemployment Trust Fund (established by section 904(a) of the Social Security Act),

(B) any advance made to a State from the Federal unemployment account (established by section 904(g) of such Act) under title XII of such Act and any advance appropriated to the Federal unemployment account pursuant to section 1203 of such Act, and

³ So in law.

(C) any payment made from the Federal Employees Compensation Account (as established under section 909 of such Act) for the purpose of carrying out chapter 85 of title 5, United States Code, and funds appropriated or transferred to or otherwise deposited in such Account, shall not be subject to reduction.

(2)(A) A State may reduce each weekly benefit payment made under the Federal-State Extended Unemployment Compensation Act of 1970 for any week of unemployment occurring during any period with respect to which payments are reduced under an order issued under section 254 by a percentage not to exceed the percentage by which the Federal payment to the State under section 204 of such Act is to be reduced for such week as a result of such order.

(B) A reduction by a State in accordance with subparagraph (A) shall not be considered as a failure to fulfill the requirements of section 3304(a)(11) of the Internal Revenue Code of 1954.

(j) COMMODITY CREDIT CORPORATION.—

(1) POWERS AND AUTHORITIES OF THE COMMODITY CREDIT CORPORATION.—This title shall not restrict the Commodity Credit Corporation in the discharge of its authority and responsibility as a corporation to buy and sell commodities in world trade, to use the proceeds as a revolving fund to meet other obligations and otherwise operate as a corporation, the purpose for which it was created.

(2) REDUCTION IN PAYMENTS MADE UNDER CONTRACTS.—(A) Payments and loan eligibility under any contract entered into with a person by the Commodity Credit Corporation prior to the time an order has been issued under section 254 shall not be reduced by an order subsequently issued. Subject to subparagraph (B), after an order is issued under such section for a fiscal year, any cash payments made by the Commodity Credit Corporation—

(i) under the terms of any one-year contract entered into in such fiscal year and after the issuance of the order; and

(ii) out of an entitlement account, to any person (including any producer, lender, or guarantee entity) shall be subject to reduction under the order.

(B) Each contract entered into with producers or producer cooperatives with respect to a particular crop of a commodity and subject to reduction under subparagraph (A) shall be reduced in accordance with the same terms and conditions. If some, but not all, contracts applicable to a crop of a commodity have been entered into prior to the issuance of an order under section 254, the order shall provide that the necessary reduction in payments under contracts applicable to the commodity be uniformly applied to all contracts for the next succeeding crop of the commodity, under the authority provided in paragraph (3).

(3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this joint resolution, if an order under section 254 is issued with respect to a fiscal year, any reduction under the order applicable to contracts described in paragraph (1) may provide for reductions in outlays for the

account involved to occur in the fiscal year following the fiscal year to which the order applies. No other account, or other program, project, or activity, shall bear an increased reduction for the fiscal year to which the order applies as a result of the operation of the preceding sentence.

(4) **UNIFORM PERCENTAGE RATE OF REDUCTION AND OTHER LIMITATIONS.**—All reductions described in paragraph (2) which are required to be made in connection with an order issued under section 254 with respect to a fiscal year—

(A) shall be made so as to ensure that outlays for each program, project, activity, or account involved are reduced by a percentage rate that is uniform for all such programs, projects, activities, and accounts, and may not be made so as to achieve a percentage rate of reduction in any such item exceeding the rate specified in the order; and

(B) with respect to commodity price support and income protection programs, shall be made in such manner and under such procedures as will attempt to ensure that—

(i) uncertainty as to the scope of benefits under any such program is minimized;

(ii) any instability in market prices for agricultural commodities resulting from the reduction is minimized; and

(iii) normal production and marketing relationships among agricultural commodities (including both contract and non-contract commodities) are not distorted.

In meeting the criterion set out in clause (iii) of subparagraph (B) of the preceding sentence, the President shall take into consideration that reductions under an order may apply to programs for two or more agricultural commodities that use the same type of production or marketing resources or that are alternative commodities among which a producer could choose in making annual production decisions.

(5) **NO DOUBLE REDUCTION.**—No agricultural price support or income protection program that is subject to reduction under an order issued under section 254 for a fiscal year may be subject, as well, to modification or suspension under such order as an automatic spending increase.

(6) **CERTAIN AUTHORITY NOT TO BE LIMITED.**—Nothing in this joint resolution shall limit or reduce, in any way, any appropriation that provides the Commodity Credit Corporation with budget authority to cover the Corporation's net realized losses.

(k) **SPECIAL RULES FOR THE JOBS PORTION OF AFDC.**—

(1) **FULL AMOUNT OF SEQUESTRATION REQUIRED.**—Any order issued by the President under section 254 shall accomplish the full amount of any required sequestration of the job opportunities and basic skills training program under section 402(a)(19), and part F of title VI, of the Social Security Act, in the manner specified in this subsection. Such an order may not

reduce any Federal matching rate pursuant to section 403(l) of the Social Security Act.

(2) NEW ALLOTMENT FORMULA.—

(A) GENERAL RULE.—Notwithstanding section 403(k) of the Social Security Act, each State's percentage share of the amount available after sequestration for direct spending pursuant to section 403(l) of such Act for the fiscal year to which the sequestration applies shall be equal to—

(i)⁴ the lesser of—

(I) that percentage of the total amount paid to the States pursuant to such section 403(l) for the prior fiscal year that is represented by the amount paid to such State pursuant to such section 403(l) for the prior fiscal year; or

(II) the amount that would have been allotted to such State pursuant to such section 403(k) had the sequestration not been in effect.

(B) REALLOTMENT OF AMOUNTS REMAINING UNALLOTTED AFTER APPLICATION OF GENERAL RULE.—Any amount made available after sequestration for direct spending pursuant to section 403(l) of the Social Security Act for the fiscal year to which the sequestration applies that remains unallotted as a result of subparagraph (A) of this paragraph shall be allotted among the States in proportion to the absolute difference between the amount allotted, respectively, to each State as a result of such subparagraph and the amount that would have been allotted to such State pursuant to section 403(k) of such Act had the sequestration not been in effect, except that a State may not be allotted an amount under this subparagraph that results in a total allotment to the State under this paragraph of more than the amount that would have been allotted to such State pursuant to such section 403(k) had the sequestration not been in effect.

(1) EFFECTS OF SEQUESTRATION.—The effects of sequestration shall be as follows:

(1) Budgetary resources sequestered from any account other than a trust or special fund account shall be permanently cancelled.

(2) Except as otherwise provided, the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President's budget).

(3) Administrative regulations or similar actions implementing a sequestration shall be made within 120 days of the sequestration order. To the extent that formula allocations differ at different levels of budgetary resources within an account, program, project, or activity, the sequestration shall be interpreted as producing a lower total appropriation, with the re-

⁴So in original; there is no "(ii)".

maintaining amount of the appropriation being obligated in a manner consistent with program allocation formulas in substantive law.

(4) Except as otherwise provided, obligations in sequestered accounts shall be reduced only in the fiscal year in which a sequester occurs.

(5) If an automatic spending increase is sequestered, the increase (in the applicable index) that was disregarded as a result of that sequestration shall not be taken into account in any subsequent fiscal year.

(6) Except as otherwise provided, sequestration in trust and special fund accounts for which obligations are indefinite shall be taken in a manner to ensure that obligations in the fiscal year of a sequestration are reduced, from the level that would actually have occurred, by the applicable sequestration percentage.

SEC. 257. THE BASELINE.

(a) **IN GENERAL.**—For any budget year, the baseline refers to a projection of current-year levels of new budget authority, outlays, revenues, and the surplus or deficit into the budget year and the outyears based on laws enacted through the applicable date.

(b) **DIRECT SPENDING AND RECEIPTS.**—For the budget year and each outyear, the baseline shall be calculated using the following assumptions:

(1) **IN GENERAL.**—Laws providing or creating direct spending and receipts are assumed to operate in the manner specified in those laws for each such year and funding for entitlement authority is assumed to be adequate to make all payments required by those laws.

(2) **EXCEPTIONS.**—(A) No program with estimated current-year outlays greater than \$50 million shall be assumed to expire in the budget year or outyears.

(B) The increase for veterans' compensation for a fiscal year is assumed to be the same as that required by law for veterans' pensions unless otherwise provided by law enacted in that session.

(C) Excise taxes dedicated to a trust fund, if expiring, are assumed to be extended at current rates.

(3) **HOSPITAL INSURANCE TRUST FUND.**—Notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act.

(c) **DISCRETIONARY APPROPRIATIONS.**—For the budget year and each outyear, the baseline shall be calculated using the following assumptions regarding all amounts other than those covered by subsection (b):

(1) **INFLATION OF CURRENT-YEAR APPROPRIATIONS.**—Budgetary resources other than unobligated balances shall be at the level provided for the budget year in full-year appropriation Acts. If for any account a full-year appropriation has not yet been enacted, budgetary resources other than unobligated balances shall be at the level available in the current year, adjusted sequentially and cumulatively for expiring housing contracts as specified in paragraph (2), for social insurance admin-

istrative expenses as specified in paragraph (3), to offset pay absorption and for pay annualization as specified in paragraph (4), for inflation as specified in paragraph (5), and to account for changes required by law in the level of agency payments for personnel benefits other than pay.

(2) EXPIRING HOUSING CONTRACTS.—New budget authority to renew expiring multiyear subsidized housing contracts shall be adjusted to reflect the difference in the number of such contracts that are scheduled to expire in that fiscal year and the number expiring in the current year, with the per-contract renewal cost equal to the average current-year cost of renewal contracts.

(3) SOCIAL INSURANCE ADMINISTRATIVE EXPENSES.—Budgetary resources for the administrative expenses of the following trust funds shall be adjusted by the percentage change in the beneficiary population from the current year to that fiscal year: the Federal Hospital Insurance Trust Fund, the Supplementary Medical Insurance Trust Fund, the Unemployment Trust Fund, and the railroad retirement account.

(4) PAY ANNUALIZATION; OFFSET TO PAY ABSORPTION.—Current-year new budget authority for Federal employees shall be adjusted to reflect the full 12-month costs (without absorption) of any pay adjustment that occurred in that fiscal year.

(5) INFLATORS.—The inflator used in paragraph (1) to adjust budgetary resources relating to personnel shall be the percent by which the average of the Bureau of Labor Statistics Employment Cost Index (wages and salaries, private industry workers) for that fiscal year differs from such index for the current year. The inflator used in paragraph (1) to adjust all other budgetary resources shall be the percent by which the average of the estimated gross national product fixed-weight price index for that fiscal year differs from the average of such estimated index for the current year.

(6) CURRENT-YEAR APPROPRIATIONS.—If, for any account, a continuing appropriation is in effect for less than the entire current year, then the current-year amount shall be assumed to equal the amount that would be available if that continuing appropriation covered the entire fiscal year. If law permits the transfer of budget authority among budget accounts in the current year, the current-year level for an account shall reflect transfers accomplished by the submission of, or assumed for the current year in, the President's original budget for the budget year.

(d) UP-TO-DATE CONCEPTS.—In deriving the baseline for any budget year or outyear, current-year amounts shall be calculated using the concepts and definitions that are required for that budget year.

(e) The sale of an asset or prepayment of a loan shall not alter the deficit or produce any net deficit reduction in the budget baseline, except that the budget baseline estimate shall include asset sales mandated by law before September 18, 1987, and routine, on-

going asset sales and loan prepayments at levels consistent with agency operations in fiscal year 1986;⁵

SEC. 258. SUSPENSION IN THE EVENT OF WAR OR LOW GROWTH.⁶

(a) PROCEDURES IN THE EVENT OF A LOW GROWTH REPORT.—

(1) TRIGGER.—Whenever CBO issues a low-growth report under section 254(j), the Majority Leader of the House of Representatives may, and the Majority Leader of the Senate shall, introduce a joint resolution (in the form set forth in paragraph (2)) declaring that the conditions specified in section 254(j) are met and suspending the relevant provisions of this title, titles III and VI of the Congressional Budget Act of 1974, and section 1103 of title 31, United States Code.

(2) FORM OF JOINT RESOLUTION.—

(A) The matter after the resolving clause in any joint resolution introduced pursuant to paragraph (1) shall be as follows: "That the Congress declares that the conditions specified in section 254(j) of the Balanced Budget and Emergency Deficit Control Act of 1985 are met, and the implementation of the Congressional Budget and Impoundment Control Act of 1974, chapter 11 of title 31, United States Code, and part C of the Balanced Budget and Emergency Deficit Control Act of 1985 are modified as described in section 258(b) of the Balanced Budget and Emergency Deficit Control Act of 1985."

(B) The title of the joint resolution shall be "Joint resolution suspending certain provisions of law pursuant to section 258(a)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985."; and the joint resolution shall not contain any preamble.

(3) COMMITTEE ACTION.—Each joint resolution introduced pursuant to paragraph (1) shall be referred to the appropriate committees of the House of Representatives or the Committee on the Budget of the Senate, as the case may be; and such Committee shall report the joint resolution to its House without amendment on or before the fifth day on which such House is in session after the date on which the joint resolution is introduced. If the Committee fails to report the joint resolution within the five-day period referred to in the preceding sentence, it shall be automatically discharged from further consideration of the joint resolution, and the joint resolution shall be placed on the appropriate calendar.

(4) CONSIDERATION OF JOINT RESOLUTION.—

(A) A vote on final passage of a joint resolution reported to the Senate or discharged pursuant to paragraph (3) shall be taken on or before the close of the fifth calendar day of session after the date on which the joint resolution is reported or after the Committee has been discharged from further consideration of the joint resolution. If prior to the passage by one House of a joint resolution

⁵ So in law.

⁶ See the footnote to this section in "Budget Process Law Annotated—1993 Edition," Senate Budget Committee, S. Print 103-49.

of that House, that House receives the same joint resolution from the other House, then—

(i) the procedure in that House shall be the same as if no such joint resolution had been received from the other House, but

(ii) the vote on final passage shall be on the joint resolution of the other House.

When the joint resolution is agreed to, the Clerk of the House of Representatives (in the case of a House joint resolution agreed to in the House of Representatives) or the Secretary of the Senate (in the case of a Senate joint resolution agreed to in the Senate) shall cause the joint resolution to be engrossed, certified, and transmitted to the other House of the Congress as soon as practicable.

(B)(i) In the Senate, a joint resolution under this paragraph shall be privileged. It shall not be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(ii) Debate in the Senate on a joint resolution under this paragraph, and all debatable motions and appeals in connection therewith, shall be limited to not more than five hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(iii) Debate in the Senate on any debatable motion or appeal in connection with a joint resolution under this paragraph shall be limited to not more than one hour, to be equally divided between, and controlled by, the mover and the manager of the joint resolution, except that in the event the manager of the joint resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee.

(iv) A motion in the Senate to further limit debate on a joint resolution under this paragraph is not debatable. A motion to table or to recommit a joint resolution under this paragraph is not in order.

(C) No amendment to a joint resolution considered under this paragraph shall be in order in the Senate.

(b) **SUSPENSION OF SEQUESTRATION PROCEDURES.**—Upon the enactment of a declaration of war or a joint resolution described in subsection (a)—

(1) the subsequent issuance of any sequestration report or any sequestration order is precluded;

(2) sections 302(f), 310(d), 311(a), and title VI of the Congressional Budget Act of 1974 are suspended; and

(3) section 1103 of title 31, United States Code, is suspended.

(c) **RESTORATION OF SEQUESTRATION PROCEDURES.**—

(1) In the event of a suspension of sequestration procedures due to a declaration of war, then, effective with the first fiscal year that begins in the session after the state of war is concluded by Senate ratification of the necessary treaties, the provisions of subsection (b) triggered by that declaration of war are no longer effective.

(2) In the event of a suspension of sequestration procedures due to the enactment of a joint resolution described in subsection (a), then, effective with regard to the first fiscal year beginning at least 12 months after the enactment of that resolution, the provisions of subsection (b) triggered by that resolution are no longer effective.

SEC. 258A. MODIFICATION OF PRESIDENTIAL ORDER.

(a) **INTRODUCTION OF JOINT RESOLUTION.**—At any time after the Director of OMB issues a final sequestration report under section 254 for a fiscal year, but before the close of the twentieth calendar day of the session of Congress beginning after the date of issuance of such report, the majority leader of either House of Congress may introduce a joint resolution which contains provisions directing the President to modify the most recent order issued under section 254 or provide an alternative to reduce the deficit for such fiscal year. After the introduction of the first such joint resolution in either House of Congress in any calendar year, then no other joint resolution introduced in such House in such calendar year shall be subject to the procedures set forth in this section.

(b) **PROCEDURES FOR CONSIDERATION OF JOINT RESOLUTIONS.**—

(1) **REFERRAL TO COMMITTEE.**—A joint resolution introduced in the Senate under subsection (a) shall not be referred to a committee of the Senate and shall be placed on the calendar pending disposition of such joint resolution in accordance with this subsection.

(2) **CONSIDERATION IN THE SENATE.**—On or after the third calendar day (excluding Saturdays, Sundays, and legal holidays) beginning after a joint resolution is introduced under subsection (a), notwithstanding any rule or precedent of the Senate, including Rule XXII of the Standing Rules of the Senate, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the Senate to move to proceed to the consideration of the joint resolution. The motion is not in order after the eighth calendar day (excluding Saturdays, Sundays, and legal holidays) beginning after a joint resolution (to which the motion applies) is introduced. The joint resolution is privileged in the Senate. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the joint resolution is agreed to, the Senate shall immediately proceed to consideration of the joint resolution without intervening motion, order, or other business, and the joint resolution shall remain the unfinished business of the Senate until disposed of.

(3) **DEBATE IN THE SENATE.**—

(A) In the Senate, debate on a joint resolution introduced under subsection (a), amendments thereto, and all debatable motions and appeals in connection therewith shall be limited to not more than 10 hours, which shall be divided equally between the majority leader and the minority leader (or their designees).

(B) A motion to postpone, or a motion to proceed to the consideration of other business is not in order. A motion to reconsider the vote by which the joint resolution is agreed

to or disagreed to is not in order, and a motion to recommit the joint resolution is not in order.

(C)(i) No amendment that is not germane to the provisions of the joint resolution or to the order issued under section 254 shall be in order in the Senate. In the Senate, an amendment, any amendment to an amendment, or any debatable motion or appeal is debatable for not to exceed 30 minutes to be equally divided between, and controlled by, the mover and the majority leader (or their designees), except that in the event that the majority leader favors the amendment, motion, or appeal, the minority leader (or the minority leader's designee) shall control the time in opposition to the amendment, motion, or appeal.

(ii) In the Senate, an amendment that is otherwise in order shall be in order notwithstanding the fact that it amends the joint resolution in more than one place or amends language previously amended. It shall not be in order in the Senate to vote on the question of agreeing to such a joint resolution or any amendment thereto unless the figures then contained in such joint resolution or amendment are mathematically consistent.

(4) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on a joint resolution introduced under subsection (a), a single quorum call at the conclusion of the debate if requested in accordance with the rules of the Senate, and the disposition of any pending amendments under paragraph (3), the vote on final passage of the joint resolution shall occur.

(5) APPEALS.—Appeals from the decisions of the Chair shall be decided without debate.

(6) CONFERENCE REPORTS.—In the Senate, points of order under titles III, IV, and VI of the Congressional Budget Act of 1974 are applicable to a conference report on the joint resolution or any amendments in disagreement thereto.

(7) RESOLUTION FROM OTHER HOUSE.—If, before the passage by the Senate of a joint resolution of the Senate introduced under subsection (a), the Senate receives from the House of Representatives a joint resolution introduced under subsection (a), then the following procedures shall apply:

(A) The joint resolution of the House of Representatives shall not be referred to a committee and shall be placed on the calendar.

(B) With respect to a joint resolution introduced under subsection (a) in the Senate—

(i) the procedure in the Senate shall be the same as if no joint resolution had been received from the House; but

(ii)(I) the vote on final passage shall be on the joint resolution of the House if it is identical to the joint resolution then pending for passage in the Senate; or

(II) if the joint resolution from the House is not identical to the joint resolution then pending for passage in the Senate and the Senate then passes the

Senate joint resolution, the Senate shall be considered to have passed the House joint resolution as amended by the text of the Senate joint resolution.

(C) Upon disposition of the joint resolution received from the House, it shall no longer be in order to consider the resolution originated in the Senate.

(8) SENATE ACTION ON HOUSE RESOLUTION.—If the Senate receives from the House of Representatives a joint resolution introduced under subsection (a) after the Senate has disposed of a Senate originated resolution which is identical to the House passed joint resolution, the action of the Senate with regard to the disposition of the Senate originated joint resolution shall be deemed to be the action of the Senate with regard to the House originated joint resolution. If it is not identical to the House passed joint resolution, then the Senate shall be considered to have passed the joint resolution of the House as amended by the text of the Senate joint resolution.

* * * * *

SEC. 258C. SPECIAL RECONCILIATION PROCESS.

(a) REPORTING OF RESOLUTIONS AND RECONCILIATION BILLS AND RESOLUTIONS, IN THE SENATE.—

(1) COMMITTEE ALTERNATIVES TO PRESIDENTIAL ORDER.—After the submission of an OMB sequestration update report under section 254 that envisions a sequestration under section 252 or 253, each standing committee of the Senate may, not later than October 10, submit to the Committee on the Budget of the Senate information of the type described in section 301(d) of the Congressional Budget Act of 1974 with respect to alternatives to the order envisioned by such report insofar as such order affects laws within the jurisdiction of the committee.

(2) INITIAL BUDGET COMMITTEE ACTION.—After the submission of such a report, the Committee on the Budget of the Senate may, not later than October 15, report to the Senate a resolution. The resolution may affirm the impact of the order envisioned by such report, in whole or in part. To the extent that any part is not affirmed, the resolution shall state which parts are not affirmed and shall contain instructions to committees of the Senate of the type referred to in section 310(a) of the Congressional Budget Act of 1974, sufficient to achieve at least the total level of deficit reduction contained in those sections which are not affirmed.

(3) RESPONSE OF COMMITTEES.—Committees instructed pursuant to paragraph (2), or affected thereby, shall submit their responses to the Budget Committee no later than 10 days after the resolution referred to in paragraph (2) is agreed to, except that if only one such Committee is so instructed such Committee shall, by the same date, report to the Senate a reconciliation bill or reconciliation resolution containing its recommendations in response to such instructions. A committee shall be considered to have complied with all instructions to it pursuant to a resolution adopted under paragraph (2) if it has made recommendations with respect to matters within its ju-

risdiction which would result in a reduction in the deficit at least equal to the total reduction directed by such instructions.

(4) **BUDGET COMMITTEE ACTION.**—Upon receipt of the recommendations received in response to a resolution referred to in paragraph (2), the Budget Committee shall report to the Senate a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revisions. In the event that a committee instructed in a resolution referred to in paragraph (2) fails to submit any recommendation (or, when only one committee is instructed, fails to report a reconciliation bill or resolution) in response to such instructions, the Budget Committee shall include in the reconciliation bill or reconciliation resolution reported pursuant to this subparagraph legislative language within the jurisdiction of the noncomplying committee to achieve the amount of deficit reduction directed in such instructions.

(5) **POINT OF ORDER.**—It shall not be in order in the Senate to consider any reconciliation bill or reconciliation resolution reported under paragraph (4) with respect to a fiscal year, any amendment thereto, or any conference report thereon if—

(A) the enactment of such bill or resolution as reported;

(B) the adoption and enactment of such amendment;
or

(C) the enactment of such bill or resolution in the form recommended in such conference report, would cause the amount of the deficit for such fiscal year to exceed the maximum deficit amount for such fiscal year, unless the low-growth report submitted under section 254 projects negative real economic growth for such fiscal year, or for each of any two consecutive quarters during such fiscal year.

(6) **TREATMENT OF CERTAIN AMENDMENTS.**—In the Senate, an amendment which adds to a resolution reported under paragraph (2) an instruction of the type referred to in such paragraph shall be in order during the consideration of such resolution if such amendment would be in order but for the fact that it would be held to be non-germane on the basis that the instruction constitutes new matter.

(7) **DEFINITION.**—For purposes of paragraphs (1), (2), and (3), the term “day” shall mean any calendar day on which the Senate is in session.

(b) **PROCEDURES.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), in the Senate the provisions of sections 305 and 310 of the Congressional Budget Act of 1974 for the consideration of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration of resolutions, and reconciliation bills and reconciliation resolutions reported under this paragraph and conference reports thereon.

(2) **LIMIT ON DEBATE.**—Debate in the Senate on any resolution reported pursuant to subsection (a)(2), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to 10 hours.

(3) **LIMITATION ON AMENDMENTS.**—Section 310(d)(2) of the Congressional Budget Act shall apply to reconciliation bills and reconciliation resolutions reported under this subsection.

(4) **BILLS AND RESOLUTIONS RECEIVED FROM THE HOUSE.**—Any bill or resolution received in the Senate from the House, which is a companion to a reconciliation bill or reconciliation resolution of the Senate for the purposes of this subsection, shall be considered in the Senate pursuant to the provisions of this subsection.

(5) **DEFINITION.**—For purposes of this subsection, the term “resolution” means a simple, joint, or concurrent resolution.

* * * * *

PART E—MISCELLANEOUS AND RELATED PROVISIONS

* * * * *

SEC. 274. JUDICIAL REVIEW.

(a) EXPEDITED REVIEW.—

(1) Any Member of Congress may bring an action, in the United States District Court for the District of Columbia, for declaratory judgment and injunctive relief on the ground that any order that might be issued pursuant to section 252 violates the Constitution.

(2) Any Member of Congress, or any other person adversely affected by any action taken under this title, may bring an action, in the United States District Court for the District of Columbia, for declaratory judgment and injunctive relief concerning the constitutionality of this title.

(3) Any Member of Congress may bring an action, in the United States District Court for the District of Columbia, for declaratory and injunctive relief on the ground that the terms of an order issued under section 252 do not comply with the requirements of this title.

(4) A copy of any complaint in an action brought under paragraph (1), (2), or (3) shall be promptly delivered to the Secretary of the Senate and the Clerk of the House of Representatives, and each House of Congress shall have the right to intervene in such action.

(5) Any action brought under paragraph (1), (2), or (3) shall be heard and determined by a three-judge court in accordance with section 2284 of title 28, United States Code.

Nothing in this section or in any other law shall infringe upon the right of the House of Representatives to intervene in an action brought under paragraph (1), (2), or (3) without the necessity of adopting a resolution to authorize such intervention.

(b) APPEAL TO SUPREME COURT.—Notwithstanding any other provision of law, any order of the United States District Court for the District of Columbia which is issued pursuant to an action brought under paragraph (1), (2), or (3) of subsection (a) shall be reviewable by appeal directly to the Supreme Court of the United States. Any such appeal shall be taken by a notice of appeal filed within 10 days after such order is entered; and the jurisdictional statement shall be filed within 30 days after such order is entered. No stay of an order issued pursuant to an action brought under

paragraph (1), (2), or (3) of subsection (a) shall be issued by a single Justice of the Supreme Court.

(c) **EXPEDITED CONSIDERATION.**—It shall be the duty of the District Court for the District of Columbia and the Supreme Court of the United States to advance on the docket and to expedite to the greatest possible extent the disposition of any matter brought under subsection (a).

(d) **NONCOMPLIANCE WITH SEQUESTRATION PROCEDURES.**—

(1) If it is finally determined by a court of competent jurisdiction that an order issued by the President under section 252(b) for any fiscal year—

(A) does not reduce automatic spending increases under any program specified in section 257(l) to the extent that such increases are required to be reduced by part C of this title (or reduces such increases by a greater extent than is so required),

(B) does not sequester the amount of new budget authority, new loan guarantee commitments, new direct loan obligations, or spending authority which is required to be sequestered by such part (or sequesters more than that amount) with respect to any program, project, activity, or account, or

(C) does not reduce obligation limitations by the amount by which such limitations are required to be reduced under such part (or reduces such limitations by more than that amount) with respect to any program, project, activity, or account,

the President shall, within 20 days after such determination is made, revise the order in accordance with such determination.

(2) If the order issued by the President under section 252(b) for any fiscal year—

(A) does not reduce any automatic spending increase to the extent that such increase is required to be reduced by part C of this title,

(B) does not sequester any amount of new budget authority, new loan guarantee commitments, new direct loan obligations, or spending authority which is required to be sequestered by such part, or

(C) does not reduce any obligation limitation by the amount by which such limitation is required to be reduced under such part,

on the claim or defense that the constitutional powers of the President prevent such sequestration or reduction or permit the avoidance of such sequestration or reduction, and such claim or defense is finally determined by the Supreme Court of the United States to be valid, then the entire order issued pursuant to section 252(b) for such fiscal year shall be null and void.

(e) **TIMING OF RELIEF.**—No order of any court granting declaratory or injunctive relief from the order of the President issued under section 252, including but not limited to relief permitting or requiring the expenditure of funds sequestered by such order, shall take effect during the pendency of the action before such court, during the time appeal may be taken, or, if appeal is taken, during

the period before the court to which such appeal is taken has entered its final order disposing of such action.

(f) ALTERNATIVE PROCEDURES FOR THE JOINT REPORTS OF THE DIRECTORS.—

(1) In the event that any of the reporting procedures described in section 251 are invalidated, then any report of the Director of CBO under section 251(a)(2)(A) or 251(c)(1) shall be transmitted to the joint committee established under this subsection.

(2) Upon the invalidation of any such procedure there is established a Temporary Joint Committee on Deficit Reduction, composed of the entire membership of the Budget Committees of the House of Representatives and the Senate. The Chairman of these two committees shall act as Co-Chairmen of the Joint Committee. Actions taken by the Joint Committee shall be determined by the majority vote of the members representing each House. The purposes of the Joint Committee are to receive the reports of the Director of CBO as described in paragraph (1), and to report (with respect to each such report of the Director of CBO) a joint resolution as described in paragraph (3).

(3) No later than 5 days after the receipt of a report of the Director of CBO in accordance with paragraph (1), the Joint Committee shall report to the House of Representatives and the Senate a joint resolution setting forth the contents of the report of the Director of CBO.

(4) The provisions relating to the consideration of a joint resolution under section 254(a)(4) shall apply to the consideration of a joint resolution reported pursuant to this subsection in the House of Representatives and the Senate, except that debate in each House shall be limited to two hours.

(5) Upon its enactment, the joint resolution shall be deemed to be the report received by the President under section 251 (a)(2)(B) or (c)(2) (whichever is applicable).

(g) PRESERVATION OF OTHER RIGHTS.—The rights created by this section are in addition to the rights of any person under law, subject to subsection (e).

(h) ECONOMIC DATA, ASSUMPTIONS, AND METHODOLOGIES.—The economic data and economic assumptions used by the Director of OMB in computing the base levels of total revenues and total budget outlays, as specified in any report issued by the Director of OMB under section 251 (a)(2)(B) or (c)(2), shall not be subject to review in any judicial or administrative proceeding.

SEC. 275. EFFECTIVE DATES.

(a) IN GENERAL.—

(1) Except as provided in paragraph (2) and in subsections (b) and (c), this title and the amendments made by this title shall become effective on the date of the enactment of this title and shall apply with respect to fiscal years beginning after September 30, 1985.

(2)(A) The amendment made by section 201(a)(2), and the amendment made by section 201(b) insofar as it relates to subsections (c), (f), and (g) of section 302 of the Congressional

Budget Act of 1974 and to subsections (c), (d), and (g) of section 310 of that Act), shall become effective April 15, 1986.

(B) The amendment made by section 212 shall become effective February 1, 1986.

(b)⁷ EXPIRATION.—Part C of this title, section 271(b) of this Act, and sections 1105(f) and 1106(c) of title 31, United States Code, shall expire September 30, 1995.

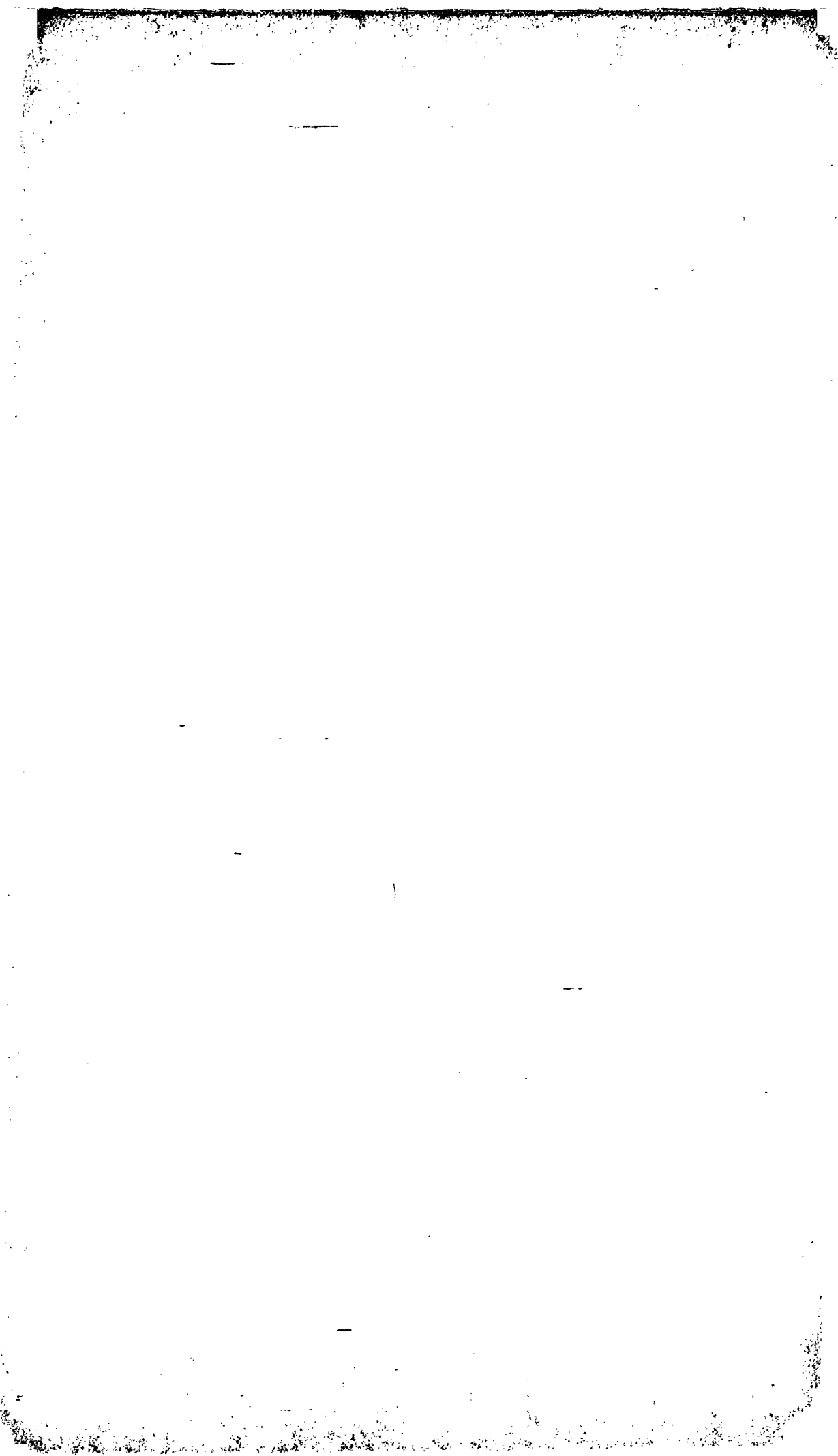
(c) OASDI TRUST FUNDS.—The amendments made by part D shall apply as provided in such part.

⁷P.L. 101-508 amended subsection (b) to read as follows, but also made the following unexecutable amendments to the then existing subsection (b):

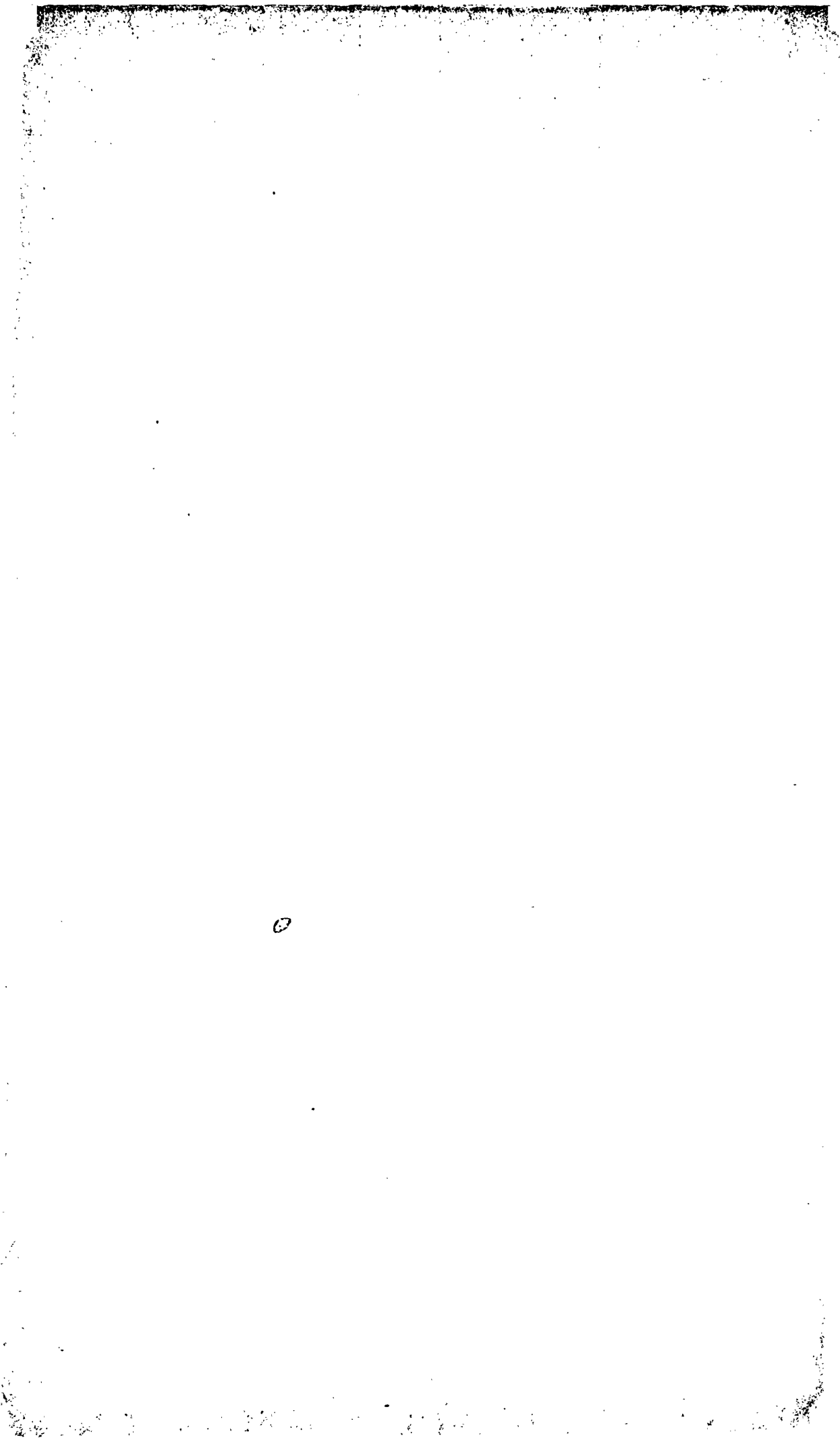
In subparagraph (C), by striking the final word "and".

In subparagraph (D), by striking the final period and inserting "; and".

By inserting at the end the following new subparagraph: "(E) the second sentence of section 904(c) of the Congressional Budget and Impoundment Control Act of 1974 and the final sentence of section 904(d) of that Act."



THE BUDGET ENFORCEMENT ACT OF 1990
(Title XIII of OBRA-90)
P.L. 101-508, November 5, 1990
(As amended through OBRA-93, P.L. 103-66)



THE BUDGET ENFORCEMENT ACT OF 1990

(Title XIII of OBRA-90)

P.L. 101-508, NOVEMBER 5, 1990

(As amended through OBRA-93, P.L. 103-66)

* * * * *

Subtitle C—Social Security

SEC. 13301. OFF-BUDGET STATUS OF OASDI TRUST FUNDS.

(a) **EXCLUSION OF SOCIAL SECURITY FROM ALL BUDGETS.**—Notwithstanding any other provision of law, the receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of—

(1) the budget of the United States Government as submitted by the President,

(2) the congressional budget, or

(3) the Balanced Budget and Emergency Deficit Control Act of 1985.

(b) **EXCLUSION OF SOCIAL SECURITY FROM CONGRESSIONAL BUDGET.**—Section 301(a) of the Congressional Budget Act of 1974 is amended by adding at the end the following: “The concurrent resolution shall not include the outlays and revenue totals of the old age, survivors, and disability insurance program established under title II of the Social Security Act or the related provisions of the Internal Revenue Code of 1986 in the surplus or deficit totals required by this subsection or in any other surplus or deficit totals required by this title.”

SEC. 13302. PROTECTION OF OASDI TRUST FUNDS IN THE HOUSE OF REPRESENTATIVES.

(a) **IN GENERAL.**—It shall not be in order in the House of Representatives to consider any bill or joint resolution, as reported, or any amendment thereto or conference report thereon, if, upon enactment—

(1)(A) such legislation under consideration would provide for a net increase in OASDI benefits of at least 0.02 percent of the present value of future taxable payroll for the 75-year period utilized in the most recent annual report of the Board of Trustees provided pursuant to section 201(c)(2) of the Social Security Act, and (B) such legislation under consideration does not provide at least a net increase, for such 75-year period, in OASDI taxes of the amount by which the net increase in such

(251)

benefits exceeds 0.02 percent of the present value of future taxable payroll for such 75-year period,

(2)(A) such legislation under consideration would provide for a net increase in OASDI benefits (for the 5-year estimating period for such legislation under consideration), (B) such net increase, together with the net increases in OASDI benefits resulting from previous legislation enacted during that fiscal year or any of the previous 4 fiscal years (as estimated at the time of enactment) which are attributable to those portions of the 5-year estimating periods for such previous legislation that fall within the 5-year estimating period for such legislation under consideration, exceeds \$250,000,000, and (C) such legislation under consideration does not provide at least a net increase, for the 5-year estimating period for such legislation under consideration, in OASDI taxes which, together with net increases in OASDI taxes resulting from such previous legislation which are attributable to those portions of the 5-year estimating periods for such previous legislation that fall within the 5-year estimating period for such legislation under consideration, equals the amount by which the net increase derived under subparagraph (B) exceeds \$250,000,000;

(3)(A) such legislation under consideration would provide for a net decrease in OASDI taxes of at least 0.02 percent of the present value of future taxable payroll for the 75-year period utilized in the most recent annual report of the Board of Trustees provided pursuant to section 201(c)(2) of the Social Security Act, and (B) such legislation under consideration does not provide at least a net decrease, for such 75-year period, in OASDI benefits of the amount by which the net decrease in such taxes exceeds 0.02 percent of the present value of future taxable payroll for such 75-year period, or

(4)(A) such legislation under consideration would provide for a net decrease in OASDI taxes (for the 5-year estimating period for such legislation under consideration), (B) such net decrease, together with the net decreases in OASDI taxes resulting from previous legislation enacted during that fiscal year or any of the previous 4 fiscal years (as estimated at the time of enactment) which are attributable to those portions of the 5-year estimating periods for such previous legislation that fall within the 5-year estimating period for such legislation under consideration, exceeds \$250,000,000, and (C) such legislation under consideration does not provide at least a net decrease, for the 5-year estimating period for such legislation under consideration, in OASDI benefits which, together with net decreases in OASDI benefits resulting from such previous legislation which are attributable to those portions of the 5-year estimating periods for such previous legislation that fall within the 5-year estimating period for such legislation under consideration, equals the amount by which the net decrease derived under subparagraph (B) exceeds \$250,000,000.

(b) APPLICATION.—In applying paragraph (3) or (4) of subsection (a), any provision of any bill or joint resolution, as reported, or any amendment thereto, or conference report thereon, the effect of which is to provide for a net decrease for any period in taxes de-

scribed in subsection (c)(2)(A) shall be disregarded if such bill, joint resolution, amendment, or conference report also includes a provision the effect of which is to provide for a net increase of at least an equivalent amount for such period in medicare taxes.

(c) **DEFINITIONS.**—For purposes of this subsection:

(1) The term “OASDI benefits” means the benefits under the old-age, survivors, and disability insurance programs under title II of the Social Security Act.

(2) The term “OASDI taxes” means—

(A) the taxes imposed under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1986, and

(B) the taxes imposed under chapter 1 of such Code (to the extent attributable to section 86 of such Code).

(3) The term “medicare taxes” means the taxes imposed under sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1986.

(4) The term “previous legislation” shall not include legislation enacted before fiscal year 1991.

(5) The term “5-year estimating period” means, with respect to any legislation, the fiscal year in which such legislation becomes or would become effective and the next 4 fiscal years.

(6) No provision of any bill or resolution, or any amendment thereto or conference report thereon, involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of OASDI taxes referred to in paragraph (2)(B) unless such provision changes the income tax treatment of OASDI benefits.

SEC. 13303. SOCIAL SECURITY FIREWALL AND POINT OF ORDER IN THE SENATE.

(a) **CONCURRENT RESOLUTION ON THE BUDGET.**—Section 301(a) of the Congressional Budget Act of 1974 is amended by striking “and” at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting a semicolon; and by adding after paragraph (5) the following new paragraphs:

“(6) For purposes of Senate enforcement under this title, outlays of the old-age, survivors, and disability insurance program established under title II of the Social Security Act for the fiscal year of the resolution and for each of the 4 succeeding fiscal years; and

“(7) For purposes of Senate enforcement under this title, revenues of the old-age, survivors, and disability insurance program established under title II of the Social Security Act (and the related provisions of the Internal Revenue Code of 1986) for the fiscal year of the resolution and for each of the 4 succeeding fiscal years.”

(b) **POINT OF ORDER.**—Section 301(i) of the Congressional Budget Act of 1974 is amended to read as follows:

“(i) It shall not be in order in the Senate to consider any concurrent resolution on the budget as reported to the Senate that would decrease the excess of social security revenues over social security outlays in any of the fiscal years covered by the concurrent resolution. No change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security

revenues unless such provision changes the income tax treatment of social security benefits.”

(c) COMMITTEE ALLOCATIONS.—

(1) Section 302(a)(2) of the Congressional Budget Act of 1974 is amended by inserting after “appropriate levels of” the following: “social security outlays for the fiscal year of the resolution and for each of the 4 succeeding fiscal years,”

(2) Section 302(f)(2) of the Congressional Budget Act of 1974 is amended by inserting before the period the following: “or provides for social security outlays in excess of the appropriate allocation of social security outlays under subsection (a) for the fiscal year of the resolution or for the total of that year and the 4 succeeding fiscal years”.

(3) Section 302(f)(2) of such Act is further amended by adding at the end the following: “In applying this paragraph—

“(A) estimated social security outlays shall be deemed to be reduced by the excess of estimated social security revenues (including social security revenues provided for in the bill, resolution, amendment, or conference report with respect to which this paragraph is applied) over the appropriate level of social security revenues specified in the most recently adopted concurrent resolution on the budget;

“(B) estimated social security outlays shall be deemed increased by the shortfall of estimated social security revenues (including social security revenues provided for in the bill, resolution, amendment, or conference report with respect to which this paragraph is applied) below the appropriate level of social security revenues specified in the most recently adopted concurrent resolution on the budget; and

“(C) no provision of any bill or resolution, or any amendment thereto or conference report thereon, involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues unless such provision changes the income tax treatment of social security benefits.

The Chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under subsection (a) and revised functional levels and aggregates to reflect the application of the preceding sentence. Such revised allocations, functional levels, and aggregates shall be considered as allocations, functional levels, and aggregates contained in the most recently agreed to concurrent resolution on the budget, and the appropriate committees shall report revised allocations pursuant to subsection (b).”

(d) POINT OF ORDER UNDER SECTION 311.—(1) Subsection (a) of section 311(a) of the Congressional Budget Act of 1974 is redesignated as subsection (a)(1) and paragraphs (1), (2), and (3) are redesignated as subparagraphs (A), (B), and (C).

(2) Section 311(a) of such Act is amended by inserting at the end the following new paragraph:

“(2)(A) After the Congress has completed action on a concurrent resolution on the budget, it shall not be in order in the Senate

to consider any bill, resolution, amendment, motion, or conference report that would cause the appropriate level of total new budget authority or total budget outlays or social security outlays set forth for the first fiscal year in the most recently agreed to concurrent resolution on the budget covering such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues (or social security revenues to be less than the appropriate level of social security revenues) set forth for the first fiscal year covered by the resolution and for the period including the first fiscal year plus the following 4 fiscal years in such concurrent resolution.

“(B) In applying this paragraph—

“(i)(I) estimated social security outlays shall be deemed to be reduced by the excess of estimated social security revenues (including those provided for in the bill, resolution, amendment, or conference report with respect to which this subsection is applied) over the appropriate level of Social Security revenues specified in the most recently agreed to concurrent resolution on the budget;

“(II) estimated social security revenues shall be deemed to be increased to the extent that estimated social security outlays are less (taking into account the effect of the bill, resolution, amendment, or conference report to which this subsection is being applied) than the appropriate level of social security outlays in the most recently agreed to concurrent resolution on the budget; and

“(ii)(I) estimated Social Security outlays shall be deemed to be increased by the shortfall of estimated social security revenues (including Social Security revenues provided for in the bill, resolution, amendment, or conference report with respect to which this subsection is applied) below the appropriate level of social security revenues specified in the most recently adopted concurrent resolution on the budget; and

“(II) estimated social security revenues shall be deemed to be reduced by the excess of estimated social security outlays (including social security outlays provided for in the bill, resolution, amendment, or conference report with respect to which this subsection is applied) above the appropriate level of social security outlays specified in the most recently adopted concurrent resolution on the budget; and

“(iii) no provision of any bill or resolution, or any amendment thereto or conference report thereon, involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues unless such provision changes the income tax treatment of social security benefits.

The chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) and revised functional levels and aggregates to reflect the application of the preceding sentence. Such revised allocations, functional levels, and aggregates shall be considered as allocations, functional levels, and aggregates con-

tained in the most recently agreed to concurrent resolution on the budget, and the appropriate committees shall report revised allocations pursuant to section 302(b)."

SEC. 13304. REPORT TO THE CONGRESS BY THE BOARD OF TRUSTEES OF THE OASDI TRUST FUNDS REGARDING THE ACTUARIAL BALANCE OF THE TRUST FUNDS.

Section 201(c) of the Social Security Act (42 U.S.C. 401(c)) is amended by inserting after the first sentence following clause (5) the following new sentence: "Such statement shall include a finding by the Board of Trustees as to whether the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, individually and collectively, are in close actuarial balance (as defined by the Board of Trustees)."

SEC. 13305. EXERCISE OF RULEMAKING POWER.

This title and the amendments made by it are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as a part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

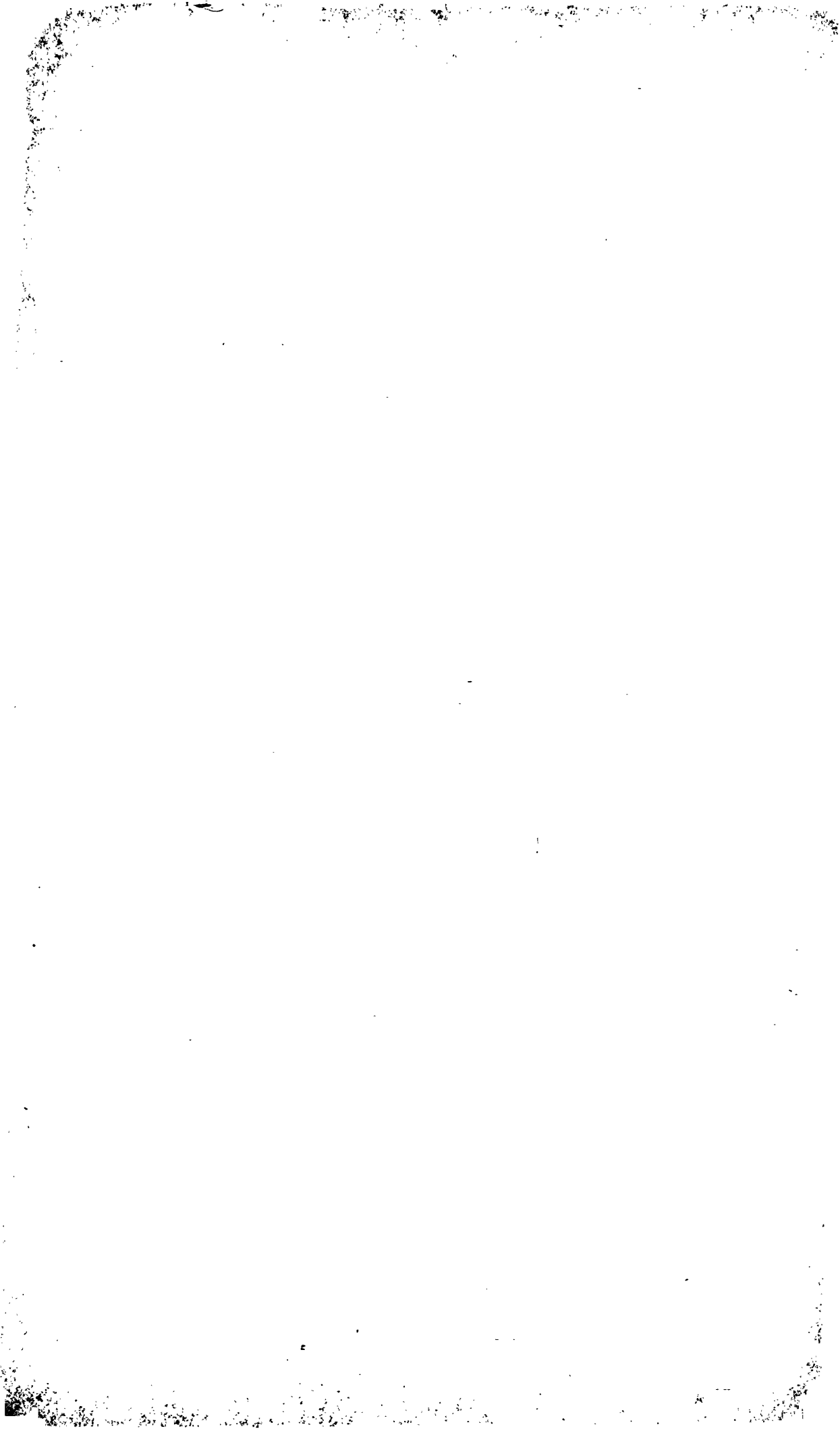
(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

SEC. 13306. EFFECTIVE DATE.

Sections 13301, 13302, and 13303 and any amendments made by such sections shall apply with respect to fiscal years beginning on or after October 1, 1990. Section 13304 shall be effective for annual reports of the Board of Trustees issued in or after calendar year 1991.

* * * * *

"BUDGET SCOREKEEPING RULES"



Following is an excerpt from the Joint Statement of Managers on the Conference Report to Accompany the Budget Enforcement Act of 1990 which sets forth budget scorekeeping rules. Note that even though the heading below is "scorekeeping guidelines for FY 1991," these guidelines are still in use.

OMNIBUS BUDGET RECONCILIATION ACT OF 1990

[Conference report to accompany H.R. 5835, Rept. 101-964]

* * * * *

TITLE XIII—BUDGET ENFORCEMENT

* * * * *

XII. SCOREKEEPING

The conferees recognize that, because of the constraints imposed by the Supreme Court's decision in *Bowsher v. Synar*, the conference agreement vests substantial power to estimate the costs of legislation with the Office of Management and Budget. The conferees are concerned that the Office of Management and Budget has not always shown complete objectivity in its estimates. The conferees urge the Congress to scrutinize the scorekeeping of the Office of Management and Budget as that Office implements the procedures under this conference agreement. The conferees considered procedures under which Congress would enact into law Congressional Budget Office cost estimates as part of any spending legislation. Should the Office of Management and Budget abuse its scorekeeping power, the conferees believe that the Congress should adopt such procedures at that time.

Section 251(a)(7) and 252(d) of Gramm-Rudman-Hollings as amended by this conference agreement provide that the Office of Management and Budget must make its estimates in conformance with scorekeeping guidelines determined for consultation among the Senate and House Committees on the Budget, the Congressional Budget Office, and the Office of Management and Budget. These provisions carry on and codify the existing consultative process that has led to these parties developing the following scorekeeping guidelines:

SCOREKEEPING GUIDELINES FOR FY 1991

The guideline listed below reflect general budget scorekeeping conventions that will be used by the House and Senate Budget Committees and the Office of Management and Budget in measuring compliance with Congressional budget targets and the Budget Summit Agreement.

To the extent possible under the Budget Enforcement Act of 1990, the Gramm-Rudman-Hollings statute, the Congressional

Budget Office and the Office of Management and Budget will follow these guidelines in calculating deficit estimates and making projections for Gramm-Rudman-Hollings and the Budget Enforcement Act 1990.

For both budget scorekeeping and Gramm-Rudman-Hollings, final scoring will necessarily depend on the review of legislation by the scorekeepers, as provided in the Budget Enforcement Act of 1990, the Congressional Budget Act and Gramm-Rudman-Hollings. These rules will be reviewed on an annual basis.

1. Mandatory spending

The list of accounts that are considered mandatory for purposes of scoring appropriations bills follows.

2. Outlays prior

Outlays from prior-year appropriations will be classified consistent with the discretionary/mandatory classification of the account from which the outlays occur.

3. Direct spending programs

Entitlements and other mandatory programs (including offsetting receipts) will be scored at current law levels, unless Congressional action modifies the authorizing legislation. Substantive changes to or restrictions on entitlement law or other mandatory spending law in appropriations bills will be scored against the Appropriations Committee section 302(b) allocations in the House and the Senate except for those savings provisions that are to be enacted by an authorizing committee pursuant to the Budget Summit Agreement.

4. Transfer of budget authority from a mandatory account to a discretionary account

The transfer of budget authority to a discretionary account will be scored as an increase in discretionary budget authority and outlays in the gaining account. The losing account will not show an offsetting reduction if the account is an entitlement or mandatory.

5. Permissive transfer authority

Permissive transfers will be assumed to occur (in full or in part) unless sufficient evidence exists to the contrary. Outlays from such transfers will be estimated based on the best information available, primarily historical experience and, where applicable, indications of Executive or Congressional intent.

This guideline will apply to specific transfers (transfers where the gaining and losing accounts and the amounts subject to transfer can be ascertained) for FY 1991 and to both specific and general transfer authority thereafter.

6. Reappropriations

Reappropriations of expiring balances of budget authority will be scored as new budget authority in the fiscal year in which the balances become newly available.

7. Advance appropriations

Advance appropriations of budget authority will be scored as new budget authority in the fiscal year in which the funds become newly available for obligation, not when the appropriations are enacted.

Advance appropriations will be classified as mandatory or discretionary consistent with the mandatory list below.

8. Rescissions and transfers of unobligated balances

Rescissions of unobligated balances will be scored as reductions in current budget authority and outlays in the year the money is rescinded.

Transfers of unobligated balances will be scored as reductions in current budget authority and outlays in the amount from which the funds are being transferred, and as increases in budget authority and outlays in the account to which these funds are being transferred.

In certain instances, these transactions will result in a net negative budget authority amounts in the source accounts. Such amounts of budget authority will be projected at zero. Outlay estimates for both the transferring and receiving accounts will be based on the spending patterns appropriate to the respective accounts.

9. Delay of obligations

Appropriations bills specify a date when funds will become available for obligation. It is this date that determines the year for which new budget authority is scored. In the absence of such a date, the bill is assumed to be effective upon enactment.

If a new appropriation provides that a portion of the budget authority shall not be available for obligation until a future fiscal year, that portion shall be treated as an advance appropriation of budget authority. If a law defers existing budget authority (or unobligated balances) from a year in which it was available for obligation to a year in which it was not available for obligation, that law shall be scored as a rescission in the current year and a reappropriation in the year in which obligational authority is extended. If the authority to obligate is contingent upon the enactment of a subsequent appropriation, new budget authority and outlays will be scored with the subsequent appropriation. If an appropriation is contingent on enactment of a subsequent authorization, new budget authority and outlays will be scored with the appropriation. If an appropriation is contingent on the fulfillment of some action by the Executive branch or some other event normally estimated, new budget authority will be scored with the appropriation and outlays will be estimated based on the best information about when (or if) the contingency will be met. Non-lawmaking contingencies within the control of the Congress are not scoreable events.

10. Absorption

Appropriations bills or reports should contain language that clearly specifies the extent to which funds for pay raises are either provided or absorbed within the levels appropriated in the bill, or remain to be provided.

11. Scoring purchases, lease-purchases, and leases

General Rule.—When a bill provides the authority for an agency to enter into a contract for the purchase, lease-purchase, or lease of a capital asset, budget authority will be scored in the year in which the budget authority is first made available in the amount of the government's total estimated legal obligations.

Outlays for a purchase or for a lease-purchase in which the Federal government assumes substantial risk—for example, through an explicit government guarantee of third-party financing—will be spread across the period during which the contractor constructs, manufactures, or purchases the asset. Outlays for a lease, or for a lease-purchase in which the private sector retains substantial risk, will be spread across the lease period. In all cases, the total amount of outlays scored over time against a bill will equal the amount of budget authority scored against that bill.

Implementation of the Rule.—Contracts under existing authority will not be rescored. Purchases and lease-purchases will be scored on the basis of this rule starting in FY 1991. Multi-year leases will be scored consistent with current practice, rather than this rule, in FY 1991.

Further details.—See “Addendum: Details on scoring purchases, lease-purchases, and leases.”

12. Write-offs of uncashed checks, unredeemed food stamps, and similar instruments

Exceptional write-offs of uncashed checks, unredeemed food stamps, and similar instruments (i.e., write-offs of cumulative balances that have built up over several years or have been on the books for several years) shall be scored as an adjustment to the means of financing the deficit rather than as an offset. An estimate of write-offs or similar adjustments that are part of a continuing routine process shall be netted against outlays in the year in which the write-off will occur. Such write-offs shall be recorded in the account in which the outlay was originally recorded.

13. Reclassification after an agreement

Except to the extent assumed in a budget agreement, a law that has the effect of altering the classification of spending and revenues (e.g. from discretionary to mandatory, special fund to revolving fund, on-budget to off-budget, revenue to offsetting receipt), will not be scored as reclassified for the purpose of enforcing a budget agreement.

ADDENDUM: DETAILS ON SCORING PURCHASES, LEASE-PURCHASE, AND LEASES

Budget Authority.—Budget authority scored against a bill will include all costs of the project except for imputed interest costs calculated at Treasury rates. Imputed interest costs will not be scored against a bill or for current level but will count for other purposes.

Criteria for Defining a Lease.—Under a lease arrangement, ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease period. In addition, the Government should

enter into the contract for limited use of an asset and not consume a substantial portion (75 percent) of its economic value. All risks of ownership of the asset (e.g. financial responsibility for destruction or loss of the asset) should remain with the lessor.

Illustrative Criteria Determining Private Risk.—Legislation and lease-purchase contracts will be considered against the following type of illustrative criteria to evaluate the level of private-sector risk in a project.

There should be no explicit government guarantee of third party financing.

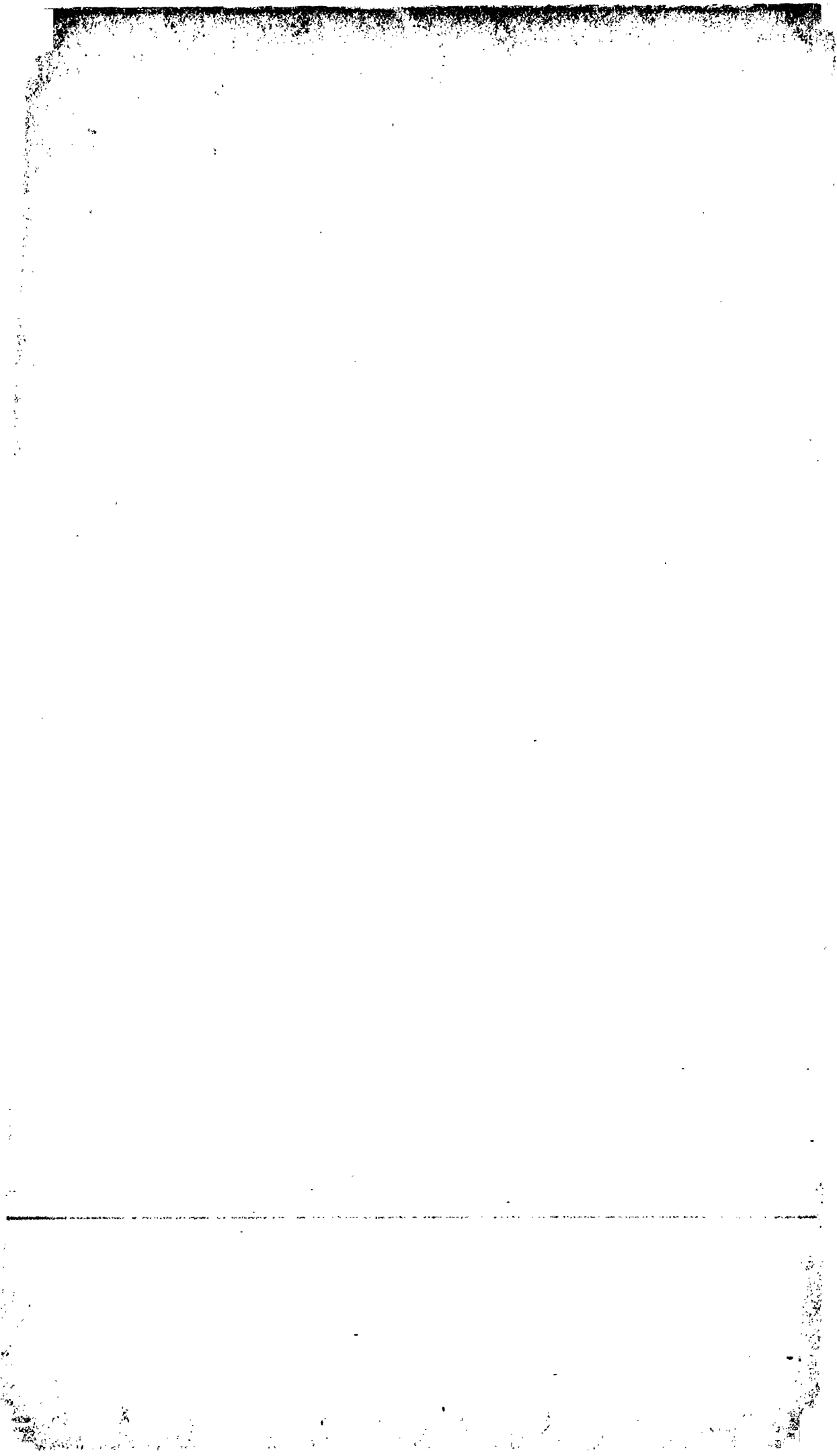
All risks to ownership of the asset (e.g. financial responsibility for destruction or loss of the asset, etc.) should remain with the lessor unless the Government was at fault for such losses.

The asset should be a general purpose asset rather than for a special purpose of the Government and should not be built to unique specification for the Government as lessee. There should be a private-sector market for the asset.

The project should not be constructed on Government land.

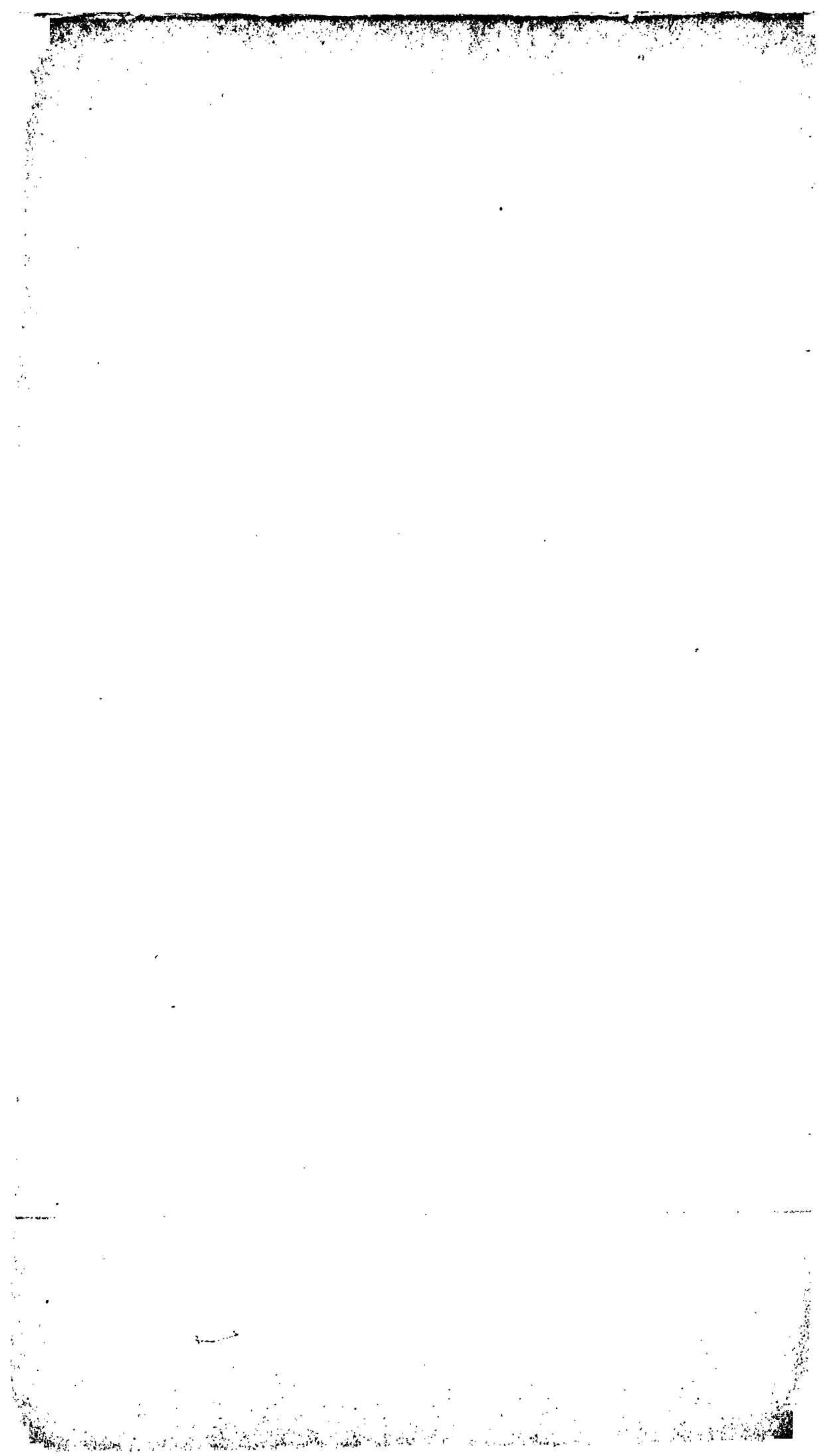
Directed Scorekeeping.—Language that attempts to waive the Anti-Deficiency Act, or to limit the amount or timing of obligations recorded, does not change the government's obligations or obligation authority, and so will not affect the scoring of budget authority or outlays.

Authority to Obligate.—Unless bill language that authorizes a project clearly states that *no* obligations are allowed unless budget authority is provided specifically for that project in an Appropriations bill in advance of the obligation, the bill will be interpreted as providing obligation authority, in an amount to be estimated by the Congressional Budget Office (for the Congress) and the Office of Management and Budget (for the Executive).



APPENDIX C

**Direct Spending Review:
Executive Order 12587 and House Res. 235**



THE WHITE HOUSE
OFFICE OF THE PRESS SECRETARY

For Immediate Release

August 4, 1993

EXECUTIVE ORDER (12587)

BUDGET CONTROL

By the authority vested in me as President of the United States by the Constitution and the laws of the United States of America, including Section 1105 of title 31, United States Code, it is hereby ordered as follows:

Section 1. Purpose. The purpose of this order is to create a mechanism to monitor total costs of direct spending programs, and, in the event that actual or projected costs exceed targeted levels, to require that the budget address adjustments in direct spending.

Sec. 2. Establishment of Direct Spending Targets. (a) *In General.* The initial direct spending targets for each of fiscal years 1994 through 1997 shall equal total outlays for all direct spending except net interest and deposit insurance as determined by the Director of the Office of Management and Budget (Director) under subsection (b).

(b) *Initial Report by Director.* (1) Not later than 30 days after the date of enactment of the Omnibus Budget Reconciliation Act of 1993 (OBRA), the Director shall submit a report to the Congress setting forth projected direct spending targets for each of fiscal years 1994 through 1997.

(2) The Director's projections shall be based on legislation enacted as of 5 days before the report is submitted under paragraph (1). To the extent feasible, the Director shall use the same economic and technical assumptions used in preparing the concurrent resolution on the budget for fiscal year 1994 (H.Con.Res. 64).

(c) *Adjustments.* Direct spending targets shall be subsequently adjusted by the Director under Section 6.

Sec. 3. Annual Review of Direct Spending and Receipts by President. As part of each budget submitted under Section 1105(a) of title 31, United States Code, the Director shall provide an annual review of direct spending and receipts, which shall include (1) information supporting the adjustment of direct spending targets pursuant to Section 6, (2) information on total outlays for programs covered by the direct spending targets, including actual outlays for the prior fiscal year and projected outlays for the current fiscal year and the 5 succeeding fiscal years, and (3) information on the

major categories of Federal receipts, including a comparison between the levels of those receipts and the levels projected as of the date of enactment of OBRA.

Sec. 4. Special Direct Spending Message by President. (a) *Trigger.* In the event that the information submitted under Section 3 indicates—

(1) that actual outlays for direct spending in the prior fiscal year exceeded the applicable direct spending target, or

(2) that outlays for direct spending for the current or budget year are projected to exceed the applicable direct spending targets, the Director shall include in the budget a special direct spending message meeting the requirements of subsection (b) of this Section.

(b) *Contents.* (1) The special direct spending message shall include:

(A) An explanation of any adjustments to the direct spending targets pursuant to Section 6.

(B) An analysis of the variance in direct spending over the adjusted direct spending targets.

(C) The President's recommendations for addressing the direct spending overages, if any, in the prior, current, or budget year.

(2) The recommendations may consist of any of the following:

(A) Proposed legislative changes to reduce outlays, increase revenues, or both, in order to recoup or eliminate the overage for the prior, current, and budget years in the current year, the budget year, and the 4 outyears.

(B) Proposed legislative changes to reduce outlays, increase revenues, or both, in order to recoup or eliminate part of the overage for the prior, current, and budget year in the current year, the budget year, and the 4 outyears, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, only some of the overage should be recouped or eliminated by outlay reductions or revenue increases, or both.

(C) A proposal to make no legislative changes to recoup or eliminate any overage, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, no legislative changes are warranted.

(3) Any proposed legislative change under paragraph (2) to reduce outlays may include reductions in direct spending or in the discretionary spending limits under Section 601 of the Congressional Budget Act of 1974.

Sec. 5. Proposed Special Direct Spending Resolution. If the President recommends reductions consistent with subsection 4(b)(2) (A) or (B), the special direct spending message shall include the text of a special direct spending resolution implementing the President's recommendations through reconciliation directives instructing the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions to reduce outlays or increase revenues by specified amounts. If the President recommends no reductions pursuant to Section 4(b)(2)(C), the special direct spending message shall include

the text of a special resolution concurring in the President's recommendation of no legislative action.

Sec. 6. Adjustments to Direct Spending Targets. (a) *Required Annual Adjustments.* Prior to the submission of the President's budget for each of fiscal years 1995 through 1997, the Director shall adjust the direct spending targets in accordance with this Section. Any such adjustments shall be reflected in the targets used in the report under Section 3 and message (if any) under Section 4.

(b) *Adjustment for Increases in Beneficiaries.* (1) The Director shall adjust the direct spending targets for increases (if any) in actual or projected numbers of beneficiaries under direct spending programs for which the number of beneficiaries is a variable in determining costs.

(2) The adjustment shall be made by—

(A) computing, for each program under paragraph (1), the percentage change between (i) the annual average number of beneficiaries under that program (including actual numbers of beneficiaries for the prior fiscal year and projections for the budget and subsequent fiscal years) to be used in the President's budget with which the adjustments will be submitted, and (ii) the annual average number of beneficiaries used in the adjustments made by the Director in the previous year (or, in the case of adjustments made in 1994, the annual average number of beneficiaries used in the Director's initial report under Section 2(b));

(B) applying the percentages computed under subparagraph (A) to the projected levels of outlays for each program consistent with the direct spending targets in effect immediately prior to the adjustment; and

(C) adding the results of the calculations required by subparagraph (B) to the direct spending targets in effect immediately prior to the adjustment.

(3) No adjustment shall be made for any program for a fiscal year in which the percentage increase computed under paragraph (2)(A) is less than or equal to zero.

(c) *Adjustments for Revenue Legislation.* The Director shall adjust the targets as follows:

(1) they shall be increased by the amount of any increase in receipts; or

(2) they shall be decreased by the amount of any decrease in receipts, resulting from receipts legislation enacted after the date of enactment of OBRA, except legislation enacted in response to the message transmitted under Section 4.

(d) *Adjustments to Reflect Congressional Decisions.* Upon enactment of a reconciliation bill enacted in response to a message submitted under Section 4, the Director shall adjust direct spending targets for the current year, the budget year, and each outyear through 1997 by—

(1) increasing the target for the current year and the budget year by the amount stated for that year in that reconciliation bill (but if a separate vote was required by Congressional rules, only if that vote has occurred); and

(2) decreasing the target for the current, budget, and out-years through 1997 by the amount of reductions in direct spending enacted in that reconciliation bill.

(e) *Designated Emergencies.* The Director shall adjust the targets to reflect the costs of legislation that is designated as an emergency by Congress and the President under Section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985.

Sec. 7. Relationship to Balanced Budget and Emergency Deficit Control Act. Recommendations pursuant to Section 4 shall include a provision specifying that reductions in outlays or increases in receipts resulting from that legislation shall not be taken into account for purposes of any budget enforcement procedures under the Balanced Budget and Emergency Deficit Control Act of 1985.

Sec. 8. Estimating Margin. For any fiscal year for which the overage is less than one-half of 1 percent of the direct spending target for that year, the procedures set forth in Section 4 shall not apply.

Sec. 9. Means-Tested Programs. In making recommendations under Section 4, the Director shall seriously consider all other alternatives before proposing reductions in means-tested programs.

Sec. 10. Effective Date. This order shall take effect upon enactment of OBRA. This order shall apply to direct spending targets for fiscal years 1994 through 1997 and shall expire at the end of fiscal year 1997.

WILLIAM J. CLINTON.

THE WHITE HOUSE,
August 4, 1993.

* * * * *

H. RES. 235

Resolved, That, for fiscal years 1994 through 1997—

(1) the provisions of, and the procedures and points or order set forth in, Sections 16004(c)(2), 16005, and 16009 of H.R. 2264, as passed the House (One Hundred Third Congress), shall, with respect to the House of Representatives, apply to any special direct spending message the President submits pursuant to a presidential order as if that message were submitted pursuant to Section 16004(c)(1) of that bill; and

(2) for purposes of this application, any reference in Section 16004(c)(2) to paragraph (1) or in Section 16005 or 16009 to Section 16004 shall be deemed to be to the appropriate provisions of that presidential order.

[PASSED HOUSE AUGUST 4, 1993—CR H6122]

* * * * *

H.R. 2264

103D CONGRESS

SEC. 16004. SPECIAL DIRECT SPENDING MESSAGE BY PRESIDENT.

(a) **TRIGGER.**—In the event that the information submitted by the President under section 16003 indicates—

(1) that actual outlays for direct spending in the prior fiscal year exceeded the applicable direct spending target, or

(2) that outlays for direct spending for the current or budget year are projected to exceed the applicable direct spending targets,

the President shall include in his budget a special direct spending message meeting the requirements of subsection (b).

(b) **CONTENTS.**—

(1) The special direct spending message shall include:

(A) An explanation of any adjustments to the direct spending targets pursuant to section 16006.

(B) An analysis of the variance in direct spending over the adjusted direct spending targets.

(C) The President's recommendations for addressing the direct spending overages, if any, in the prior, current, or budget year.

(2) The President's recommendations may consist of any of the following:

(A) Proposed legislative changes to reduce outlays, increase revenues, or both, in order to recoup or eliminate the overage for the prior, current, and budget years in the current year, the budget year, and the 4 outyears.

(B) Proposed legislative changes to reduce outlays, increase revenues, or both, in order to recoup or eliminate part of the overage for the prior, current, and budget year in the current year, the budget year, and the 4 outyears, accompanied by a finding by the President that, because of

economic conditions or for other specified reasons, only some of the overage should be recouped or eliminated by outlay reductions or revenue increases, or both.

(C) A proposal to make no legislative changes to recoup or eliminate any overage, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, no legislative changes are warranted.

(3) Any proposed legislative change under paragraph (2) to reduce outlays may include reductions in direct spending or in the discretionary spending limits under section 601 of the Congressional Budget Act of 1974.

(c) PROPOSED SPECIAL DIRECT SPENDING RESOLUTION.—

(1) **PRESIDENT'S RECOMMENDATIONS TO BE SUBMITTED AS DRAFT RESOLUTION.—**If the President recommends reductions consistent with subsection (b)(2)(A) or (B), the special direct spending message shall include the text of a special direct spending resolution implementing the President's recommendations through reconciliation directives instructing the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions to reduce outlays or increase revenues by specified amounts. If the President recommends no reductions pursuant to (b)(2)(C), the special direct spending message shall include the text of a special resolution concurring in the President's recommendation of no legislative action.

(2) **RESOLUTION TO BE INTRODUCED IN HOUSE.—**Within 10 days after the President's special direct spending message is submitted, the text required by paragraph (1) shall be introduced as a concurrent resolution in the House of Representatives by the chairman of the Committee on the Budget of the House of Representatives without substantive revision. If the chairman fails to do so, after the tenth day the resolution may be introduced by any Member of the House of Representatives. A concurrent resolution introduced under this paragraph shall be referred to the Committee on the Budget.

SEC. 16005. REQUIRED RESPONSE BY CONGRESS.

(a) **REQUIREMENT FOR SPECIAL DIRECT SPENDING RESOLUTION.—**Whenever the President submits a special direct spending message under section 16004, the Committee on the Budget of the House of Representatives shall report, not later than April 15, the concurrent resolution on the budget and include in it a separate title that meets the requirements of subsections (b) and (c).

(b) **CONTENTS OF SEPARATE TITLE.—**The separate title of the concurrent resolution on the budget shall contain reconciliation directives to the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions to reduce outlays or increase revenues by specified amounts (which in total equal or exceed the reductions recommended by the President, up to the amount of the overage). If this separate title recommends that no legislative changes be made to recoup or eliminate an overage, then a statement to that effect shall be set forth in that title.

(c) **REQUIREMENT FOR SEPARATE VOTE TO INCREASE TARGETS.—**If the separate title of a concurrent resolution on the budget pro-

poses to recoup or eliminate less than the entire overage for the prior, current, and budget years, then the Committee on the Budget of the House of Representatives shall report a resolution directing the Committee on Government Operations to report legislation increasing the direct spending targets for each applicable year by the full amount of the overage not recouped or eliminated. It shall not be in order in the House of Representatives to consider that concurrent resolution on the budget until the House of Representatives has agreed to the resolution directing the increase in direct spending targets.

(d) **CONFERENCE REPORTS MUST FULLY ADDRESS OVERAGE.**—It shall not be in order in the House of Representatives to consider a conference report on a concurrent resolution on the budget unless that conference report fully addresses the entirety of any overage contained in the applicable report of the President under section 16004 through reconciliation directives requiring spending reductions, revenue increases, or changes in the direct spending targets.

(e) **PROCEDURE IF HOUSE BUDGET COMMITTEE FAILS TO REPORT REQUIRED RESOLUTION.**—

(1) **AUTOMATIC DISCHARGE OF HOUSE BUDGET COMMITTEE.**—If a special direct spending resolution is required and the Committee on the Budget of the House of Representatives fails to report a resolution meeting the requirements of subsections (b) and (c) by April 15, then the committee shall be automatically discharged from further consideration of the concurrent resolution reflecting the President's recommendations introduced pursuant to section 16004(c)(2) and the concurrent resolution shall be placed on the appropriate calendar.

(2) **CONSIDERATION BY HOUSE.**—Ten days after the Committee on the Budget of the House of Representatives has been discharged under paragraph (1), any Member may move that the House proceed to consider the resolution. Such motion shall be highly privileged and not debatable.

(f) **APPLICATION OF CONGRESSIONAL BUDGET ACT.**—To the extent that they are relevant and not inconsistent with this title, the provisions of title III of the Congressional Budget Act of 1974 shall apply in the House of Representatives and the Senate to special direct spending resolutions, resolutions increasing targets under subsection (c), and reconciliation legislation reported pursuant to directives contained in those resolutions.

* * * * *

SEC. 16009 CONSIDERATION OF APPROPRIATION BILLS.

(a) **POINT OF ORDER.**—It shall not be in order in the House of Representatives to consider any general appropriation bill if the President has submitted a direct spending message under section 16004 until Congress has adopted a concurrent resolution on the budget for the budget year that meets the requirements of section 16005.

(b) **WAIVER.**—The point of order established by subsection (a) may only be waived for all general appropriation bills for that budget year through the adoption of one resolution waiving that point of order.

* * * * *

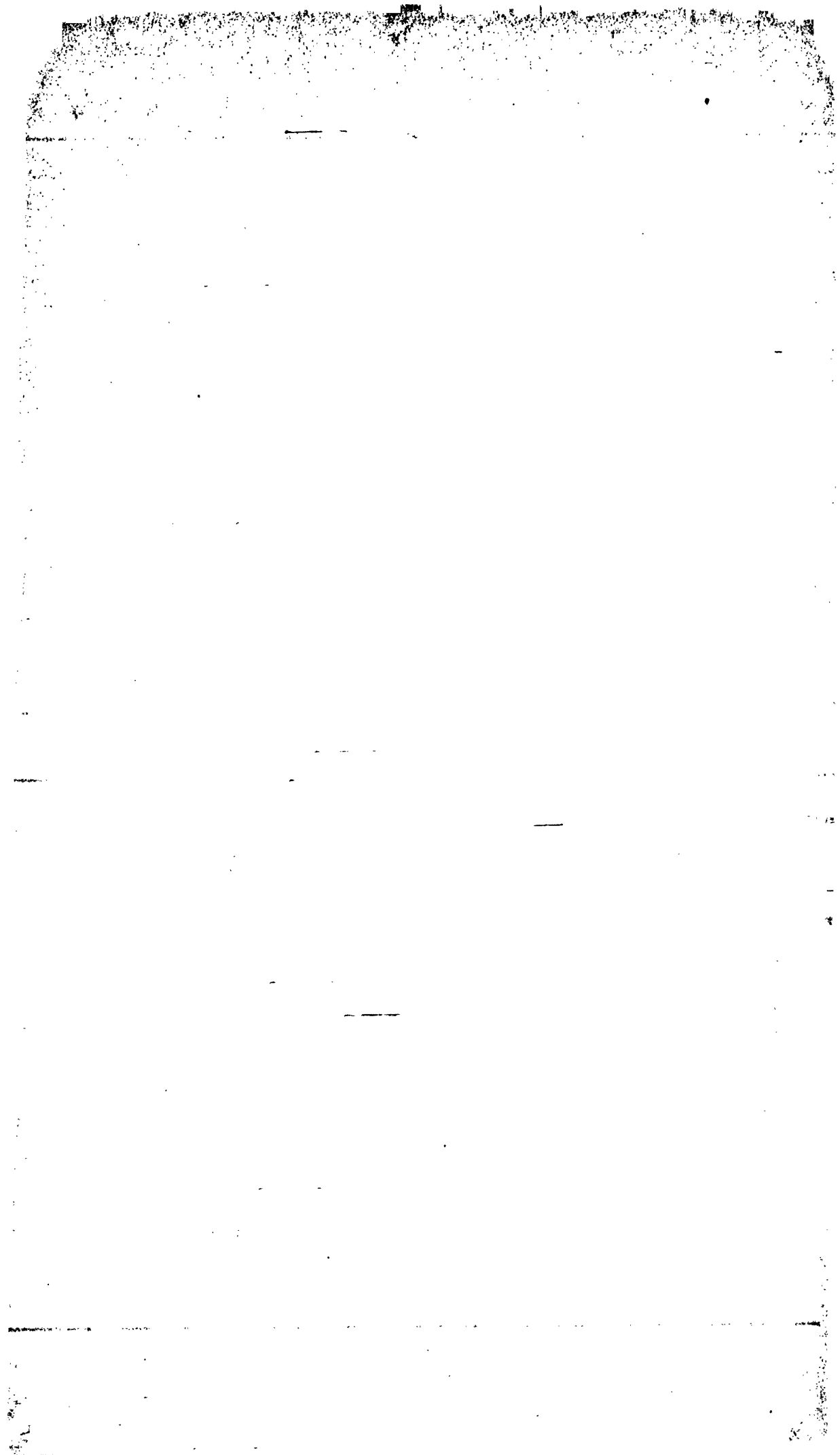


APPENDIX D

**Budget Points of Order and Other Restrictions Relating
to New Entitlement Spending, Revenue Changes,
and Social Security Legislation**

**§23 of the FY 95 Budget Resolution
(10-Year Rule)**

FY 95 Reserve Clauses



Budget Restrictions on Health Care and Welfare Reform and Other New Entitlement Spending

Note on Scoring: Senate Budget Comm. has authority to make all scoring decisions (usually based on CBO) for points of order; however, OMB determines scoring for PAY-GO purposes.

Section References: Unless otherwise noted, all sections refer to the Congressional Budget Act of 1974, as amended.

"Leg." = bills, resolutions, motions, amendments & conf. reports.

Quick Summary—the several rules explained below have the following effect, when taken together:

- No deficit increases permitted in FY95, FY95–99, or FY2000–2004 unless covered by cumulative surpluses since OBRA–93;
 - Cannot exceed the budget resolution spending ceilings for FY95 or committee allocations for FY95 or FY95–99, unless covered by a reserve clause and offsetting revenue increases; and
 - No deficit increases permitted in FY95, FY96, FY97, or FY98 (individually) unless covered by a PAY-GO surplus.
-

- **Deficit Neutrality Through 2004:** §23 of the FY95 Budget Resolution (see text below) established a point of order in the Senate against new entitlement or revenue leg. which would cause a deficit increase in (1) FY95; or (2) over FY95–99; or (3) over FY2000–2004. (60-vote waiver)
 - However, cumulative surpluses resulting from legislation enacted since OBRA–93 may be used to offset deficit increases.
- **PAY-GO:** This is the process—administered by OMB—which triggers a sequester (across-the-board cuts in non-exempt entitlement spending) if spending or revenue legislation cause a net deficit increase in any fiscal year through FY 98.
 - New entitlement programs or expansion of existing programs may be offset by entitlement spending reductions or revenue increases, or both.
 - Spending offsets are not considered “used” until the conference report has passed House and Senate.
 - Deficit effects of laws passed since 1991 are totaled up cumulatively; surpluses from one year may be carried over to the next year.
 - Waivers: declaration of war, Presidential emergency designation, or enactment of a low-growth joint resolution. (No 60-vote waiver)

- **Exceeding Aggregate Spending Limit:** §311(a) prohibits consideration of leg. which would cause the Budget Resolution's aggregate spending levels for BA or Outlays to be exceeded for the first year covered by the Budget Resolution. (Note that *reserve funds* permit the aggregates to be adjusted upward to reflect new spending which is budget neutral.) (60-vote waiver)
- **Exceeding Committee Allocations:** §602(c) prohibits consideration of leg. which would cause a committee to exceed either its §302(a) committee spending allocation or §302(b) suballocations (if any) in either the *first fiscal yr.* covered by the Budget Res. or the *5-yr. period.* (Note that reserve funds permit allocations to be adjusted upward to reflect new spending which is budget neutral.) (60-vote waiver)
- **No Spending Legislation Before Budget Res.:** §303(a) prohibits consideration of leg. which would make new spending effective for a fiscal year before a budget resolution for that fiscal year has been adopted. (Majority Waiver)
- **Spending Legislation Must Not Violate GRH Deficit Limit:** §605(b) prohibits consideration of spending legislation which would cause the GRH deficit limit for FY 95 (as adjusted) to be exceeded. A deficit increase of more than \$1.1 billion in FY 95 would cause a violation; a larger deficit increase could trigger a general sequester. (Majority Waiver for the point of order)
- **No New Entitlement Authority Beginning in Current Fiscal Year:** §401(b)(1) prohibits consideration of leg. which becomes effective during the fiscal year that ends in the calendar year in which measure is reported. (Majority Waiver)
- **No Scoring Instructions:** §306 prohibits consideration of leg. within jurisdiction of the Budget Committee unless reported by Budget Committee; most common example is a provision which requires that legislation be scored in a certain way. (60 vote waiver)
- **"Backdoor" Contract, Borrowing, and Credit Authority Prohibited:** §§401 and 402 prohibit consideration of leg. providing new authority to enter into contracts or to borrow funds or to lend funds *unless* limited to amounts provided in appropriations acts. (Majority Waiver)
- **Direct Spending Review:** Executive Order 12587 (issued 8/4/93) established direct spending targets through FY 97, which are implemented through OMB reports and special Reconciliation procedures in the House. However, because the caps are adjusted to reflect projected beneficiaries as well as any revenue offsets, this mechanism does not appear to place any direct constraints on new entitlement spending legislation as long as *it is deficit neutral.*

[NOTE: Always check spending bills for unlikely Revenue or Social Security effects; different restrictions may apply in such cases.]

Budget Restrictions on Social Security Legislation

General Note: Because Soc. Sec. is off-budget, it is governed by separate points of order and is exempt from the PAY-GO process and the "10-year" point of order in the Senate. [§13301 of the BEA]

- **Decreasing Social Security Revenues Prohibited:** §311(a) prohibits consideration of leg. which would cause the projected level of Social Security revenues for either the first year or the five years to fall below the aggregate Social Security revenue floor (which—under the Bud. Resolution—is equivalent to baseline). (60-vote waiver)
 - Exception for tax changes having an incidental Social Security effect:* the §311 restriction does not affect tax provisions—amending chapter 1 of the Internal Revenue Code—which have incidental Soc. Sec. effects (unless the provision changes the income tax treatment of Soc. Sec. benefits.)
 - Exception for reduced benefits—*§311(a)(2)(B)(i)(I) provides that if Soc. Sec. benefits are reduced, then revenues can be reduced. (However, §311(a)(2)(ii)(II) provides that if the Budget Resolution assumes a reduction in revenues and a like reduction in benefits, a failure to pass the reduction in benefits means that a point of order will nevertheless lie against the revenue reduction.)
- **Increasing Social Security Outlays Prohibited:**
 - AGGREGATE:** §311(a) prohibits consideration of leg. which would cause the Budget Resolution's aggregate level for Social Security outlays (which—under the Budget Resolution—is equivalent to baseline) to be exceeded in the first year. (60-vote waiver)
 - COMMITTEE ALLOCATION:** §602(c) prohibits consideration of leg. which would cause a committee to exceed its Social Security Outlay allocation in either the first year or the 5-yr. period. Under the budget resolution, the allocations are baseline levels. (60-vote waiver)
 - Exception for increased revenues—*§302(f)(2)(A) and §311(a)(2)(B)(i)(I) provide that if Soc. Sec. revenues are increased, then benefits can be increased. (However, §§302(f)(2)(B) and 311(a)(2)(ii)(I) provide that if the Budget Resolution assumes an increase in revenues and a like increase in benefits, a failure to pass the revenue increase means that a point of order will nevertheless lie against the benefit increase).
- **Social Security Surplus Protected:** §301(i) prohibits consideration of a Bud. Res. reported to the Senate which decreases the Social Security surplus for any of the 5 yrs. covered by the Resolution. Recent Budget Resolutions have applied this same restriction to floor amendments.
 - Exception:* A reduction in the Soc. Sec. surplus may be reflected in the Budget Resolution when it results from tax changes having an incidental Social Security effect—specifi-

cally: tax provisions amending chapter 1 of the Internal Revenue Code (unless the provision changes the income tax treatment of Soc. Sec. benefits.)

- **No Reconciliation Provisions:** §310(g) and §313 (the Byrd Rule) prohibit consideration of Reconciliation bills, amendments or conference reports, which contain “recommendations with respect to the old-age, survivors, and disability insurance program established under title II of the Social Security Act.” (60-vote waiver) [Does not include taxing Soc. Sec. benefits.]
- **Actuarial Balance—House:** In the House—but not in the Senate—the Budget Enforcement Act of 1990 created a point of order against legislation changing Social Security’s 5-year or 75-year actuarial balance. (In the case of legislation decreasing Social Security revenues, the prohibition would not apply if the legislation also included an equivalent increase in Medicare taxes for the period covered by the legislation.)
- **No Scoring Instructions:** §306 prohibits consideration of leg. within jurisdiction of the Budget Committee unless reported by Budget Committee; most common example is a provision which requires that legislation be scored in a certain way. (60 vote waiver)
- **No New Entitlement Authority Beginning in Current Fiscal Year:** §401(b)(1) prohibits consideration of entitlement leg. which becomes effective during the fiscal year that ends in the calendar year in which measure is reported. (Maj. Waiver)
- **Direct Spending Review:** Executive Order 12587 (issued 8/4/93) established direct spending targets through FY 97, which are implemented through OMB reports and special Reconciliation procedures in the House. However, because the caps are adjusted to reflect projected beneficiaries as well as any revenue offsets, this mechanism does not appear to place any direct constraints on new entitlement spending legislation as long as it is deficit neutral (applies to Social Security).

[NOTE: Always check Social Security legislation for on-budget Revenue effects; different restrictions may apply in such cases.]

Budget Restrictions on Revenue Legislation (Including Trade Legislation) in the 103d Congress, Second Session

Note on Scoring: Senate Budget Comm. has authority to make all scoring decisions (usually based on CBO) for points of order; however, OMB determines scoring for PAY-GO purposes.

Section References: Unless otherwise noted, all sections refer to the Congressional Budget Act of 1974, as amended.

"Leg." = bills, resolutions, motions, amendments & conf. reports.

Quick Summary—the several rules explained below have the following effect, when taken together:

- No deficit increases permitted in FY95, FY95–99, or FY2000–2004 unless covered by cumulative surpluses since OBRA–93;
- Cannot go below the FY95 or FY95–99 budget resolution revenue floors unless covered by a reserve clause and offsetting spending cuts; and
- No deficit increases permitted in FY95, FY96, FY97, or FY98 (individually) unless covered by a PAY-GO surplus.

- **Deficit Neutrality Through 2004:** §23 of the FY95 Budget Resolution (see text below) established a point of order in the Senate against new entitlement or revenue leg. which would cause a deficit increase in (1) FY95; or (2) over FY95–99; or (3) FY2000–2004. (60-vote waiver)
 - However, cumulative surpluses resulting from legislation enacted since OBRA–93 may be used to offset deficit increases.
- **PAY-GO:** This is the process—administered by OMB—which triggers a sequester (across-the-board cuts in non-exempt entitlement spending) if spending or revenue legislation cause a net deficit increase in any fiscal year through FY 98.
 - Revenue losses may be offset by entitlement spending reductions or revenue increases, or both.
 - Spending offsets are not considered “used” until the conference report has passed House and Senate.
 - Deficit effects of laws passed since 1991 are totaled up cumulatively; surpluses from one year are carried over to the next year.
 - Waivers: declaration of war, presidential emergency designation, or enactment of a low-growth joint resolution. (No 60-vote waiver)

- **Breaching the Revenue Floor:** §311(a) prohibits consideration of leg. which would cause the Budget Resolution's revenue floors for FY95 or FY95-99 to be breached. (60-vote waiver)
 - The reserve funds for trade legislation, PBGC Reforms, and Nanny Tax legislation permit the revenue floor to be adjusted downward to accommodate deficit neutral legislation which is paid for with spending cuts (legislation paid for entirely with revenue increases would have no net effect on the revenue floor). (See reserve clause language at the end of this appendix)
- **No Revenue Legislation Before Budget Res.:** §303(a) prohibits consideration of leg. which would make changes in revenues effective for a fiscal year before a budget resolution "covering such fiscal year" has been adopted. (Majority Waiver)
- **No Scoring Instructions:** §306 prohibits consideration of leg. within jurisdiction of the Budget Committee unless reported by Budget Committee; most common example is a provision which requires that legislation be scored in a certain way. (60 vote waiver)
- **Legislation Must Not Violate GRH Deficit Limit:** §605(b) prohibits consideration of legislation which would cause the GRH deficit limit for FY 95 (as adjusted) to be exceeded. A deficit increase of more than \$1.1 billion would cause a violation; a larger deficit increase could trigger a general sequester. (Majority Waiver for the point of order)
- **Restrictions on New Entitlement Authority:** If new entitlement authority is included in Revenue Legislation, different budget restrictions apply. See: "Budget Restrictions on New Entitlement Spending" [which covers Aggregate Spending Limits; Comm. Allocations; New Entitlement Authority in the current budget year; new "backdoor" Contract, Borrowing or Credit Authority; and Direct Spending Review.]
- **Restrictions on Social Security Effects:** Revenue provisions may sometimes have unforeseen Social Security Effects. Different budget restrictions apply to Social Security provisions. See: "Budget Restrictions on Social Security Legislation" [which covers Decreasing Social Security Revenues; Increasing Social Security Outlays; and Direct Spending Review].

**Section 23 of the FY 95 Budget Resolution
(10-Year Rule)**

SEC. 23. ENFORCING PAY-AS-YOU-GO.

(a) **PURPOSE.**—The Senate declares that it is essential to—

(1) ensure continued compliance with the deficit reduction embodied in the Omnibus Budget Reconciliation Act of 1993; and

(2) continue the pay-as-you-go enforcement system.

(b) **POINT OF ORDER.**—

(1) **IN GENERAL.**—It shall not be in order in the Senate to consider any direct-spending or receipts legislation (as defined in paragraph (3)) that would increase the deficit for any one of the three applicable time periods (as defined in paragraph (2)) as measured pursuant to paragraphs (4) and (5).

(2) **APPLICABLE TIME PERIODS.**—For purposes of this subsection, the term “applicable time period” means any one of the three following periods—

(A) the first fiscal year covered by the most recently adopted concurrent resolution on the budget;

(B) the period of the 5 fiscal years covered by the most recently adopted concurrent resolution on the budget; or

(C) the period of the 5 fiscal years following the first 5 years covered by the most recently adopted concurrent resolution on the budget.

(3) **DIRECT-SPENDING OR RECEIPTS LEGISLATION.**—For purposes of this subsection, the term “direct-spending or receipts legislation” shall—

(A) include any bill, joint resolution, amendment, motion, or conference report to which this subsection otherwise applies;

(B) exclude concurrent resolutions on the budget;

(C) exclude full finding of, and continuation of, the deposit insurance guarantee commitment in effect on the date of enactment of the Budget Enforcement Act of 1990;

(D) exclude emergency provisions so designated under section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985;

(E) include the estimated amount of savings in direct-spending programs applicable to that fiscal year resulting from the prior year’s sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985, if any (except for any amounts sequestered as a result of a net deficit increase in the fiscal year immediately preceding the prior fiscal year); and

(F) except as otherwise provided in this subsection, include all direct spending legislation as that term is interpreted for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

(4) **BASELINE.**—Estimates prepared pursuant to this section shall use the baseline used for the most recent concurrent resolution on the budget, and for years beyond those covered by that concurrent resolution, shall abide by the requirements of section 257 of the Balanced Budget and Emergency Deficit

Control Act of 1985, except that references to "outyears" in that section shall be deemed to apply to any year (other than the budget year) covered by any one of the time periods defined in paragraph (2) of this subsection.

(5) **PRIOR SURPLUS AVAILABLE.**—If direct-spending or receipts legislation increases the deficit when taken individually (as a bill, joint resolution, amendment, motion, or conference report, as the case may be), then it must also increase the deficit when taken together with all direct-spending and receipts legislation enacted after the date of enactment of the Omnibus Budget Reconciliation Act of 1993, in order to violate the prohibition of this subsection.

(c) **WAIVER.**—This section may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.

(d) **APPEALS.**—Appeals in the Senate from the decisions of the Chair relating to any provision of this section shall be limited to 1 hour, to be equally divided between, and controlled by, the appellant and the manager of the bill or joint resolution, as the case may be. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

(e) **DETERMINATION OF BUDGET LEVELS.**—For purposes of this section, the levels of new budget authority, outlays, and receipts for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the Senate.

(f) **CONFORMING AMENDMENT.**—Section 12 of House Concurrent Resolution 64 (103d Congress) is repealed.

(g) **TECHNICAL CORRECTION.**—Notwithstanding section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by sections 13112(b) and 13208(b)(3) of the Budget Enforcement Act of 1990), the second sentence of section 904(c) of the Congressional Budget Act of 1974 (except insofar as it relates to section 313 of that Act) and the final sentence of section 904(d) of that Act (except insofar as it relates to section 313 of that Act) shall continue to have effect as rules of the Senate through (but no later than) September 30, 1998.

(h) **SUNSET.**—Subsections (a) through (e) of this section shall expire September 30, 1998.

FY 1995 Budget Resolution Reserve Clauses

(Provisions affecting Finance Committee are in bold type.)

SEC. 27. DEFICIT-NEUTRAL RESERVE FUND IN THE SENATE.

(a)(1) **BUDGET AUTHORITY AND OUTLAY ALLOCATIONS.**—In the Senate, budget authority and outlays may be allocated (as provided under subsection (c)) to a committee (or committees) for direct-spending legislation that increases funding for any of the purposes described in subsection (b)(1) within that committee's jurisdiction, if, to the extent that this concurrent resolution on the budget does not include the costs of that legislation, the enactment of that legislation will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution for—

(A) fiscal year 1995; or

(B) the period of fiscal years 1995 through 1999.

(2) **BUDGET AUTHORITY AND OUTLAY ALLOCATIONS AND REVENUE AGGREGATES.**—In the Senate, budget authority and outlays may be allocated to a committee (or committees) and the revenue aggregates may be reduced (as provided under subsection (c)) for direct-spending or receipts legislation in furtherance of any of the purposes described in subsection (b)(2) within that committee's jurisdiction, if, to the extent that this concurrent resolution on the budget does not include the costs of that legislation, the enactment of that legislation will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution for—

(A) fiscal year 1995; or

(B) the period of fiscal years 1995 through 1999.

(3) **OUTLAY-NEUTRAL BUDGET AUTHORITY ALLOCATIONS.**—In the Senate, budget authority may be allocated (as provided under subsection (c)) to a committee (or committees) for any direct-spending legislation within that committee's jurisdiction, if, to the extent that this concurrent resolution on the budget does not include the costs of that legislation, the enactment of that legislation will not increase (by virtue of either contemporaneous or previously passed outlay reductions) the deficit or aggregate outlays in this resolution for—

(A) fiscal year 1995; or

(B) the period of fiscal years 1995 through 1999.

(b)(1) **PURPOSES UNDER SUBSECTION (a)(1).**—Budget authority and outlay allocations may be revised under subsection (a)(1) for legislation—

(A) to provide comprehensive training or job search assistance (including reemployment or job training programs or dislocated worker programs), or to reform unemployment compensation, or to provide for other related programs;

(B) to preserve or rebuild the United States maritime industry;

(C) to reform the financing of Federal elections; or

(D) to reform the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

(2) **PURPOSES UNDER SUBSECTION (a)(2).**—Budget authority and outlay allocations may be revised or the revenue floor reduced under subsection (a)(2) for—

(A) legislation to improve the well-being of families through welfare or other reforms (including promoting self-sufficiency through improvements in job training or employment programs), to provide for services to support or protect children (including assuring increased parental support for children through improvements in the child support enforcement program), or to improve the health, nutrition, or care of children;

(B) to make continuing improvements in ongoing health care programs, to provide for comprehensive health care reform, to control health care costs, or to accomplish other health care reforms;

(C) trade-related legislation (including legislation to implement the Uruguay Round of the General Agreement on Tariffs and Trade or to extend the Generalized System of Preferences);

(D) reforms relating to the Pension Benefit Guaranty Corporation (including legislation to improve the funding of government-insured pension plans, to protect plan participants, or to limit growth in exposure of the Pension Benefit Guaranty Corporation) or other employee benefit-related legislation;

(E) reforms relating to providing for simplified collection of employment taxes on domestic services;

(F) reforms to consolidate the supervision of depository institutions insured under the Federal Deposit Insurance Act, or

(G) initiatives to preserve United States energy security.

(c) REVISED ALLOCATIONS AND AGGREGATES.—

(1) UPON REPORTING.—Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on that legislation (if a conference report is submitted), the chairman of the Committee on the Budget of the Senate may submit to the Senate appropriately revised allocations under sections 302(a) and 602(a) of the Congressional Budget Act of 1974 and revised aggregates to carry out this section.

(2) ADJUSTMENTS FOR AMENDMENTS.—If the chairman of the Committee on the Budget submits an adjustment under this section for legislation in furtherance of the purpose described in subsection (b)(2)(B), upon the offering of an amendment to that legislation that would necessitate such a submission, the chairman shall submit to the Senate appropriately revised allocations under sections 302(a) and 602(a) of the Congressional Budget Act of 1974 and revised aggregates, if the enactment of that legislation (as proposed to be amended) will not increase (by virtue of either contemporaneous or previously passed deficit reduction) the deficit in this resolution for—

(A) fiscal year 1995; or

(B) the period of fiscal years 1995 through 1999.

(d) EFFECT OF REVISED ALLOCATIONS AND AGGREGATES.—Revised allocations and aggregates submitted under subsection (c) shall be considered for the purposes of the Congressional Budget Act of 1974 as allocations and aggregates contained in this concurrent resolution on the budget.

(e) REPORTING REVISED SUBDIVISIONS.—The appropriate committee may report appropriately revised subdivisions of allocations pursuant to sections 302(b)(2) and 602(b)(2) of the Congressional Budget Act of 1974 to carry out this section.

APPENDIX E

**Tax Expenditures by Function (Excerpt From
Analytical Perspectives, the Budget of the
United States Government for Fiscal Year 1995)**

TABLE 6-1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

[In millions of dollars]

| | Total Revenue Loss | | | | | | |
|--|--------------------|-------|-------|-------|-------|-------|-------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| National defense: | | | | | | | |
| Exclusion of benefits and allowances to armed forces personnel | 2,115 | 2,060 | 2,030 | 2,020 | 2,015 | 2,030 | 2,055 |
| International affairs: | | | | | | | |
| Exclusion of income earned abroad by United States citizens | 510 | 860 | 885 | 945 | 1,000 | 1,055 | 1,115 |
| Exclusion of income of foreign sales corporations | 1,200 | 1,300 | 1,400 | 1,500 | 1,600 | 1,700 | 1,800 |
| Inventory property sales source rules exception | 1,100 | 1,200 | 1,300 | 1,400 | 1,500 | 1,600 | 1,700 |
| Interest allocation rules exception for certain financial operations | 100 | 95 | 95 | 95 | 95 | 95 | 95 |
| Deferral of income from controlled foreign corporations (normal tax method) | 1,600 | 1,600 | 1,700 | 1,800 | 2,000 | 2,200 | 2,400 |
| General science, space, and technology: | | | | | | | |
| Expensing of research and experimentation expenditures (normal tax method) | 2,060 | 2,230 | 2,330 | 2,560 | 2,740 | 2,930 | 3,130 |
| Credit for increasing research activities | 1,240 | 1,395 | 1,270 | 740 | 315 | 135 | 45 |
| Suspension of the allocation of research and experimentation expenditures | 0 | 270 | 270 | 0 | 0 | 0 | 0 |
| Energy: | | | | | | | |
| Expensing of exploration and development costs: | | | | | | | |
| Oil and gas | 185 | 145 | 140 | 100 | 60 | 55 | 95 |
| Other fuels | 20 | 20 | 20 | 20 | 20 | 25 | 25 |
| Excess of percentage over cost depletion: | | | | | | | |
| Oil and gas | 995 | 1,010 | 1,035 | 1,055 | 1,065 | 1,090 | 1,105 |
| Other fuels | 100 | 100 | 100 | 100 | 105 | 105 | 105 |
| Alternative fuel production credit | 760 | 900 | 970 | 1,000 | 990 | 940 | 880 |
| Exception from passive loss limitation for working interests in oil and gas properties | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Capital gains treatment of royalties on coal | 10 | 15 | 15 | 15 | 15 | 15 | 15 |
| Exclusion of interest on State and local IDBs for energy facilities | 165 | 175 | 175 | 175 | 175 | 175 | 165 |
| New technology credit | 55 | 60 | 65 | 70 | 75 | 80 | 85 |

| | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|
| Alcohol fuel credit ¹ | 15 | 15 | 35 | 45 | 50 | 50 | 50 |
| Tax credit and deduction for clean-fuel burning vehicles and properties | 15 | 50 | 65 | 65 | 65 | 75 | 80 |
| Exclusion from income of conservation subsidies provided by public utilities | 50 | 100 | 145 | 175 | 190 | 190 | 190 |
| Natural resources and environment: | | | | | | | |
| Expensing of exploration and development costs, nonfuel minerals | 50 | 50 | 50 | 50 | 50 | 50 | 55 |
| Excess of percentage over cost depletion, nonfuel minerals | 185 | 195 | 195 | 195 | 200 | 205 | 210 |
| Capital gains treatment of iron ore | * | * | * | * | * | * | * |
| Special rules for mining reclamation reserves | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Exclusion of interest on State and local IDBs for pollution control and sewage | 595 | 610 | 625 | 615 | 600 | 585 | 565 |
| Capital gains treatment of certain timber income | 10 | 15 | 15 | 15 | 15 | 15 | 15 |
| Expensing of multiperiod timber growing costs | 535 | 560 | 575 | 600 | 635 | 670 | 695 |
| Investment credit and seven-year amortization for reforestation expenditures | 35 | 35 | 35 | 40 | 40 | 40 | 45 |
| Tax incentives for preservation of historic structures | 135 | 130 | 125 | 125 | 120 | 115 | 115 |
| Agriculture: | | | | | | | |
| Expensing of certain capital outlays | 75 | 70 | 70 | 65 | 65 | 65 | 70 |
| Expensing of certain multiperiod production costs | 90 | 85 | 85 | 80 | 80 | 80 | 85 |
| Treatment of loans forgiven solvent farmers as if insolvent | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Capital gains treatment of certain income | 115 | 135 | 140 | 145 | 145 | 145 | 150 |
| Commerce and housing: | | | | | | | |
| Financial institutions and insurance: | | | | | | | |
| Exemption of credit union income | 300 | 340 | 380 | 420 | 465 | 510 | 560 |
| Excess bad debt reserves of financial institutions | 30 | 35 | 40 | 40 | 45 | 50 | 55 |
| Exclusion of interest on life insurance savings | 7,520 | 8,115 | 8,730 | 9,385 | 10,090 | 10,805 | 11,660 |
| Special alternative tax on small property and casualty insurance companies | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Tax exemption of certain insurance companies | 105 | 110 | 110 | 115 | 120 | 130 | 135 |
| Small life insurance company deduction | 120 | 125 | 135 | 140 | 145 | 155 | 160 |
| Exemption of RIC expenses from the 2% floor for miscellaneous itemized deductions | 525 | 600 | 690 | 810 | 925 | 1,055 | 1,205 |
| Housing: | | | | | | | |
| Exclusion of interest on owner-occupied mortgage revenue bonds | 1,715 | 1,760 | 1,785 | 1,775 | 1,715 | 1,640 | 1,575 |
| Exclusion of interest on State and local debt for rental housing | 1,000 | 970 | 920 | 870 | 810 | 750 | 685 |
| Deductibility of mortgage interest on owner-occupied homes | 48,705 | 51,835 | 54,800 | 57,985 | 61,420 | 65,050 | 68,785 |

TABLE 6-1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
 (In millions of dollars)

| | Total Revenue Loss | | | | | | |
|--|--------------------|--------|--------|--------|--------|--------|--------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Deductibility of State and local property tax on owner-occupied homes | 13,055 | 13,865 | 14,655 | 15,545 | 16,425 | 17,395 | 18,395 |
| Deferral of income from post 1987 installment sales | 820 | 915 | 935 | 950 | 965 | 980 | 995 |
| Deferral of capital gains on home sales | 13,265 | 13,925 | 14,620 | 15,195 | 15,620 | 15,915 | 16,065 |
| Exclusion of capital gains on home sales for persons age 55 and over | 4,625 | 4,770 | 4,960 | 5,155 | 5,300 | 5,400 | 5,450 |
| Exception from passive loss rules for \$25,000 of rental loss | 6,070 | 5,945 | 5,775 | 5,680 | 5,625 | 5,595 | 5,545 |
| Accelerated depreciation of rental housing (normal tax method) | 1,190 | 1,085 | 1,100 | 1,145 | 1,220 | 1,290 | 1,345 |
| Commerce: | | | | | | | |
| Cancellation of indebtedness | 60 | 120 | 110 | 70 | 35 | 10 | - 10 |
| Permanent exceptions from imputed interest rules | 140 | 150 | 150 | 150 | 155 | 155 | 160 |
| Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method) | 5,510 | 6,565 | 6,920 | 7,045 | 7,120 | 7,160 | 7,225 |
| Step-up basis of capital gains at death | 25,340 | 26,850 | 28,305 | 29,480 | 30,265 | 30,710 | 30,655 |
| Carryover basis of capital gains on gifts | 120 | 125 | 130 | 135 | 140 | 145 | 150 |
| Ordinary income treatment of loss from small business corp. stock sale | 25 | 30 | 30 | 35 | 35 | 35 | 35 |
| Accelerated depreciation of buildings other than rental housing (normal tax method) | 2,895 | 2,995 | 3,185 | 3,430 | 3,745 | 4,075 | 4,410 |
| Accelerated depreciation of machinery and equipment (normal tax method) | 19,625 | 22,775 | 23,210 | 22,550 | 22,330 | 21,380 | 20,155 |
| Expensing of certain small investments (normal tax method) | 1,540 | 2,095 | 1,560 | 1,235 | 905 | 610 | 385 |
| Amortization of start-up costs (normal tax method) | 200 | 200 | 200 | 210 | 215 | 220 | 225 |
| Graduated corporation income tax rate (normal tax method) | 3,325 | 3,655 | 3,890 | 4,140 | 4,340 | 4,540 | 4,745 |
| Exclusion of interest on small-issue IDBs | 865 | 690 | 545 | 420 | 325 | 280 | 255 |
| Deferral of gains from sale of broadcasting facilities to minority owned business | 260 | 275 | 290 | 305 | 320 | 335 | 350 |
| Treatment of Alaska Native Corporations | 65 | 45 | 30 | 20 | 15 | 10 | 5 |
| Transportation: | | | | | | | |
| Deferral of tax on shipping companies | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Exclusion of reimbursed employee parking expenses | 1,790 | 1,845 | 1,930 | 2,015 | 2,100 | 2,190 | 2,275 |
| Exclusion for employer-provided transit passes | 10 | 30 | 40 | 50 | 65 | 80 | 95 |

Community and regional development

| | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|
| Credit for low-income housing investments | 1,545 | 1,925 | 2,265 | 2,600 | 2,945 | 3,270 | 3,500 |
| Investment credit for rehabilitation of structures (other than historic) | 90 | 90 | 80 | 80 | 80 | 70 | 70 |
| Exclusion of interest on IDBs for airports, docks, and sports and convention facilities | 730 | 785 | 830 | 870 | 915 | 960 | 1,005 |
| Exemption of certain mutuals' and cooperatives' income | 25 | 25 | 30 | 30 | 30 | 35 | 35 |
| Empowerment zones | 5 | 155 | 330 | 440 | 510 | 565 | 620 |

Education, training, employment, and social services:
Education:

| | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| Exclusion of scholarship and fellowship income (normal tax method) | 790 | 835 | 875 | 920 | 965 | 1,015 | 1,065 |
| Exclusion of interest on State and local student loan bonds | 310 | 310 | 305 | 295 | 275 | 255 | 240 |
| Exclusion of interest on State and local debt for private nonprofit educational institutions | 705 | 735 | 750 | 770 | 785 | 810 | 845 |
| Exclusion of interest on savings bonds transferred to educational institutions | * | 5 | 5 | 5 | 10 | 10 | 15 |
| Parental personal exemption for students age 19 or over | 505 | 520 | 535 | 545 | 565 | 580 | 595 |
| Deductibility of charitable contributions (education) | 1,960 | 2,120 | 2,230 | 2,340 | 2,460 | 2,590 | 2,720 |
| Exclusion of employer provided educational assistance | 215 | 235 | 85 | 0 | 0 | 0 | 0 |

Training, employment, and social services:
Targeted jobs credit:

| | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|
| Exclusion of employer provided child care | 160 | 305 | 395 | 325 | 60 | 40 | 20 |
| Exclusion of employee meals and lodging (other than military) | 620 | 675 | 725 | 775 | 830 | 890 | 955 |
| Credit for child and dependent care expenses | 490 | 525 | 550 | 580 | 610 | 640 | 670 |
| Credit for disabled access expenditures | 2,540 | 2,675 | 2,820 | 2,975 | 3,145 | 3,320 | 3,510 |
| Expensing of costs of removing certain architectural barriers to the handicapped | 150 | 160 | 160 | 160 | 165 | 165 | 165 |
| Deductibility of charitable contributions, other than education and health | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Exclusion of certain foster care payments | 13,130 | 14,290 | 15,080 | 15,830 | 16,630 | 17,460 | 18,330 |
| Exclusion of parsonage allowances | 25 | 30 | 30 | 35 | 35 | 40 | 40 |
| Exclusion of employer contributions for medical insurance premiums and medical care | 235 | 260 | 290 | 320 | 355 | 395 | 440 |

Health:

| | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|
| Exclusion of employer contributions for medical insurance premiums and medical care | 46,895 | 51,445 | 56,265 | 61,675 | 67,345 | 73,450 | 79,995 |
| Credit for child medical insurance premiums ² | 110 | 125 | 0 | 0 | 0 | 0 | 0 |
| Deductibility of medical expenses | 3,010 | 3,270 | 3,560 | 3,870 | 4,195 | 4,535 | 4,890 |
| Exclusion of interest on State and local debt for private nonprofit health facilities | 1,405 | 1,455 | 1,495 | 1,535 | 1,585 | 1,640 | 1,700 |
| Deductibility of charitable contributions (health) | 1,770 | 1,910 | 2,020 | 2,130 | 2,230 | 2,340 | 2,460 |

TABLE 6-1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
 [In millions of dollars]

| | Total Revenue Loss | | | | | | |
|---|--------------------|--------|--------|--------|--------|--------|--------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Tax credit for orphan drug research | 0 | 35 | 15 | 0 | 0 | 0 | 0 |
| Special Blue Cross/Blue Shield deduction | 105 | 115 | 125 | 140 | 100 | 170 | 185 |
| Income security: | | | | | | | |
| Exclusion of railroad retirement system benefits | 415 | 395 | 400 | 405 | 410 | 420 | 425 |
| Exclusion of workmen's compensation benefits | 3,815 | 4,240 | 4,455 | 4,740 | 5,065 | 5,565 | 6,100 |
| Exclusion of public assistance benefits (normal tax method) | 500 | 545 | 585 | 605 | 640 | 695 | 735 |
| Exclusion of special benefits for disabled coal miners | 100 | 100 | 100 | 95 | 95 | 90 | 80 |
| Exclusion of military disability pensions | 130 | 130 | 130 | 130 | 130 | 130 | 130 |
| Net exclusion of pension contributions and earnings: | | | | | | | |
| Employer plans | 49,430 | 48,750 | 55,540 | 59,010 | 59,490 | 59,950 | 60,400 |
| Individual Retirement Accounts | 5,720 | 5,415 | 5,290 | 5,275 | 5,175 | 4,970 | 4,615 |
| Keogh plans | 3,245 | 3,670 | 3,875 | 4,130 | 4,400 | 4,650 | 5,000 |
| Exclusion of employer provided death benefits | 25 | 30 | 35 | 35 | 40 | 40 | 45 |
| Exclusion of other employee benefits: | | | | | | | |
| Premiums on group term life insurance | 2,620 | 2,750 | 2,880 | 3,020 | 3,170 | 3,325 | 3,485 |
| Premiums on accident and disability insurance | 135 | 140 | 140 | 145 | 150 | 160 | 165 |
| Income of trusts to finance supplementary unemployment benefits | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Special ESOP rules (other than investment credit) | 2,070 | 2,035 | 1,760 | 1,635 | 1,545 | 1,415 | 1,285 |
| Additional deduction for the blind | 40 | 45 | 45 | 45 | 50 | 50 | 55 |
| Additional deduction for the elderly | 1,510 | 1,535 | 1,555 | 1,570 | 1,585 | 1,600 | 1,605 |
| Tax credit for the elderly and disabled | 60 | 65 | 65 | 70 | 70 | 75 | 75 |
| Deductibility of casualty losses | 695 | 770 | 230 | 230 | 230 | 230 | 230 |
| Earned income credit ³ | 3,605 | 3,940 | 5,100 | 5,795 | 6,435 | 6,740 | 7,125 |

Social Security:

Exclusion of social security benefits:

| | | | | | | |
|---|--------|--------|--------|--------|--------|--------|
| OASI benefits for retired workers | 18,310 | 16,695 | 17,370 | 18,140 | 18,880 | 19,670 |
| Disability insurance benefits | 1,725 | 1,905 | 2,105 | 2,320 | 2,540 | 2,765 |
| Benefits for dependents and survivors | 3,620 | 3,610 | 3,940 | 4,150 | 4,365 | 4,590 |

Veterans benefits and services:

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Exclusion of veterans disability compensation | 1,755 | 1,860 | 1,855 | 1,885 | 1,985 | 2,025 |
| Exclusion of veterans pensions | 80 | 80 | 70 | 70 | 75 | 85 |
| Exclusion of GI bill benefits | 45 | 55 | 70 | 75 | 80 | 80 |
| Exclusion of interest on State and local debt for veterans housing | 100 | 90 | 80 | 75 | 75 | 75 |

General purpose fiscal assistance:

| | | | | | | |
|---|--------|--------|--------|--------|--------|--------|
| Exclusion of interest on public purpose State and local debt | 11,575 | 11,970 | 12,690 | 13,085 | 13,535 | 14,040 |
| Deductibility of nonbusiness State and local taxes other than on owner-occupied homes | 22,555 | 24,255 | 27,130 | 28,740 | 30,435 | 32,185 |
| Tax credit for corporations receiving income from doing business in U.S. possessions | 3,075 | 2,890 | 2,680 | 2,735 | 2,815 | 2,960 |

Interest:

| | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| Deferral of interest on savings bonds | 1,130 | 1,190 | 1,310 | 1,380 | 1,450 | 1,520 |
|---|-------|-------|-------|-------|-------|-------|

Addendum—Aid to State and local governments:

Deductibility of:

| | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| Property taxes on owner-occupied homes | 13,055 | 13,865 | 15,545 | 16,425 | 17,395 | 18,395 |
| Nonbusiness State and local taxes other than on owner-occupied homes | 22,555 | 24,255 | 27,130 | 28,740 | 30,435 | 32,185 |

Exclusion of interest on:

| | | | | | | |
|---|--------|--------|--------|--------|--------|--------|
| Public purpose State and local debt | 11,575 | 11,970 | 12,690 | 13,085 | 13,535 | 14,040 |
| IDBs for certain energy facilities | 165 | 175 | 175 | 175 | 175 | 165 |
| IDBs for pollution control and sewage and waste disposal facilities | 595 | 610 | 615 | 600 | 585 | 565 |
| Small-issue IDBs | 865 | 690 | 420 | 325 | 280 | 255 |
| Owner-occupied mortgage revenue bonds | 1,715 | 1,760 | 1,775 | 1,715 | 1,640 | 1,575 |
| State and local debt for rental housing | 1,000 | 970 | 870 | 810 | 750 | 685 |
| IDBs for airports, docks, and sports and convention facilities | 730 | 785 | 870 | 915 | 960 | 1,005 |

TABLE 6-1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
 [In millions of dollars]

| | Total Revenue Loss | | | | | | |
|---|--------------------|-------|-------|-------|-------|-------|-------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| State and local student loan bonds | 310 | 310 | 305 | 295 | 275 | 255 | 240 |
| State and local debt for private nonprofit educational facilities | 705 | 735 | 750 | 770 | 785 | 810 | 845 |
| State and local debt for private nonprofit health facilities | 1,405 | 1,455 | 1,495 | 1,535 | 1,585 | 1,640 | 1,700 |
| State and local debt for veterans housing | 100 | 90 | 85 | 80 | 75 | 75 | 75 |

Note: Provisions with estimates denoted "normal tax method" have no revenue loss under the reference tax law method. All estimates have been rounded to the nearest \$5 million. Totals in table 6-1 may differ from figures in table 6-2 because of rounding.

* \$2.5 million or less.

- 1 In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of \$675 million in 1995.
- 2 The figures in the table indicate the effect of the child medical insurance premium credit on receipts. The effect on outlays in 1994 is \$395 million.
- 3 The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in 1995 is \$15,795 million.

TABLE 6-2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES
 [In millions of dollars]

| | Revenue Loss | | | | | | | | | | | | | |
|---|--------------|-------|-------|-------|-------|-------|-------------|-------|-------|-------|-------|-------|-------|-------|
| | Corporations | | | | | | Individuals | | | | | | | |
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| National defense: | | | | | | | | | | | | | | |
| Exclusion of benefits and allowances to armed forces personnel | — | — | — | — | — | — | — | — | 2,115 | 2,060 | 2,020 | 2,015 | 2,090 | 2,055 |
| International affairs: | | | | | | | | | | | | | | |
| Exclusion of income earned abroad by United States citizens | — | — | — | — | — | — | — | — | 510 | 860 | 895 | 1,000 | 1,055 | 1,115 |
| Exclusion of income of foreign sales corporations | 1,200 | 1,300 | 1,400 | 1,500 | 1,600 | 1,700 | 1,800 | 1,800 | — | — | — | — | — | — |
| Inventory property sales source rules exception | 1,100 | 1,200 | 1,300 | 1,400 | 1,500 | 1,600 | 1,700 | 1,700 | — | — | — | — | — | — |
| Interest allocation rules exception for certain financial operations | 100 | 95 | 95 | 95 | 95 | 95 | 95 | 95 | — | — | — | — | — | — |
| Deferral of income from controlled foreign corporations (normal tax method) | 1,600 | 1,600 | 1,700 | 1,800 | 2,000 | 2,200 | 2,400 | 2,400 | — | — | — | — | — | — |
| General science, space, and technology: | | | | | | | | | | | | | | |
| Expensing of research and experimentation expenditures (normal tax method) | 2,025 | 2,195 | 2,345 | 2,515 | 2,685 | 2,875 | 3,075 | 3,075 | 35 | 35 | 45 | 55 | 55 | 55 |
| Credit for increasing research activities | 1,210 | 1,365 | 1,240 | 730 | 315 | 135 | 45 | 45 | 30 | 30 | 10 | — | — | — |
| Suspension of the allocation of research and experimentation expenditures | 0 | 270 | 270 | — | — | — | — | — | — | — | — | — | — | — |
| Energy: | | | | | | | | | | | | | | |
| Expensing of exploration and development costs: | | | | | | | | | | | | | | |
| Oil and gas | 140 | 110 | 105 | 75 | 45 | 40 | 70 | 70 | 45 | 35 | 35 | 15 | 15 | 25 |
| Other fuels | 15 | 15 | 15 | 15 | 15 | 20 | 20 | 20 | 5 | 5 | 5 | 5 | 5 | 5 |
| Excess of percentage over cost depletion: | | | | | | | | | | | | | | |
| Oil and gas | 745 | 760 | 775 | 790 | 800 | 815 | 830 | 830 | 250 | 260 | 265 | 265 | 275 | 275 |
| Other fuels | 85 | 85 | 85 | 85 | 90 | 90 | 90 | 90 | 15 | 15 | 15 | 15 | 15 | 15 |
| Alternative fuel production credit | 640 | 760 | 820 | 850 | 840 | 800 | 750 | 750 | 120 | 140 | 150 | 150 | 140 | 130 |

TABLE 6-2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued
 [in millions of dollars]

| | Revenue Loss | | | | | | | | | | | | | |
|--|--------------|------|------|------|------|------|-------------|------|------|------|------|------|------|------|
| | Corporations | | | | | | Individuals | | | | | | | |
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Exception from passive loss limitation for working interests in oil and gas properties | — | — | — | — | — | — | — | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Capital gains treatment of royalties on coal | — | — | — | — | — | — | — | 10 | 15 | 15 | 15 | 15 | 15 | 15 |
| Exclusion of interest on State and local IDBs for energy facilities | 65 | 70 | 70 | 70 | 70 | 70 | 65 | 100 | 105 | 105 | 105 | 105 | 105 | 105 |
| New technology credit | 55 | 60 | 65 | 70 | 75 | 80 | 85 | * | * | * | * | * | * | * |
| Alcohol fuel credit ¹ | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 10 | 10 | 30 | 40 | 45 | 45 | 45 |
| Tax credit and deduction for clean-fuel burning vehicles and properties | 15 | 45 | 55 | 55 | 55 | 60 | 60 | 0 | 5 | 10 | 10 | 10 | 10 | 10 |
| Exclusion from income of conservation subsidies provided by public utilities | 35 | 45 | 85 | 110 | 120 | 120 | 120 | 15 | 55 | 60 | 65 | 70 | 70 | 70 |
| Natural resources and environment: | | | | | | | | | | | | | | |
| Expensing of exploration and development costs, nonfuel minerals | 45 | 45 | 45 | 45 | 45 | 45 | 50 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Excess of percentage over cost depletion, nonfuel minerals | 160 | 165 | 165 | 165 | 170 | 175 | 180 | 25 | 30 | 30 | 30 | 30 | 30 | 30 |
| Capital gains treatment of iron ore | — | — | — | — | — | — | — | * | * | * | * | * | * | * |
| Special rules for mining reclamation reserves | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities | 240 | 245 | 250 | 245 | 240 | 235 | 225 | 355 | 365 | 375 | 370 | 360 | 350 | 340 |
| Capital gains treatment of certain timber income | — | — | — | — | — | — | — | 10 | 15 | 15 | 15 | 15 | 15 | 15 |
| Expensing of multiperiod timber growing costs | 390 | 405 | 415 | 435 | 460 | 485 | 505 | 145 | 155 | 160 | 165 | 175 | 185 | 190 |
| Investment credit and seven-year amortization for reforestation expenditures | 20 | 20 | 20 | 20 | 20 | 20 | 25 | 15 | 15 | 15 | 20 | 20 | 20 | 20 |
| Tax incentives for preservation of historic structures | 45 | 40 | 40 | 40 | 35 | 35 | 35 | 90 | 90 | 85 | 85 | 85 | 80 | 80 |
| Agriculture: | | | | | | | | | | | | | | |
| Expensing of certain capital outlays | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 65 | 60 | 60 | 55 | 55 | 55 | 60 |

| | | | | | | | | | | | |
|---|-----|-----|-----|-----|-----|-----|-----|--------|--------|--------|--------|
| Expensing of certain multiperiod production costs | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 75 | 70 | 70 | 75 |
| Treatment of loans forgiven solvent farmers as if insolvent | - | - | - | - | - | - | - | - | - | - | - |
| Capital gains treatment of certain income | - | - | - | - | - | - | - | - | - | - | - |
| Commerce and housing: | | | | | | | | | | | |
| Financial institutions and insurance: | | | | | | | | | | | |
| Exemption of credit union income | 300 | 340 | 380 | 420 | 465 | 510 | 560 | - | - | - | - |
| Excess bad debt reserves of financial institutions | 30 | 35 | 40 | 40 | 45 | 50 | 55 | - | - | - | - |
| Exclusion of interest on life insurance savings | 210 | 225 | 245 | 265 | 280 | 305 | 325 | 7,890 | 9,120 | 9,810 | 10,500 |
| Special alternative tax on small property and casualty insurance companies | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 8,485 | 9,120 | 9,810 | 11,335 |
| Tax exemption of certain insurance companies | 105 | 110 | 110 | 115 | 120 | 130 | 135 | - | - | - | - |
| Small life insurance company deduction | 120 | 125 | 135 | 140 | 145 | 155 | 160 | - | - | - | - |
| Exemption of RIC expenses from the 2% floor for miscellaneous itemized deductions | - | - | - | - | - | - | - | 600 | 810 | 925 | 1,285 |
| Housing: | | | | | | | | | | | |
| Exclusion of interest on owner-occupied mortgage subsidiary bonds | 690 | 705 | 715 | 705 | 680 | 650 | 625 | 1,055 | 1,070 | 1,035 | 990 |
| Exclusion of interest on State and local debt for rental housing | 400 | 385 | 365 | 345 | 320 | 295 | 270 | 585 | 525 | 490 | 455 |
| Deductibility of mortgage interest on owner-occupied homes | - | - | - | - | - | - | - | 51,835 | 57,985 | 61,420 | 65,050 |
| Deductibility of State and local property tax on owner-occupied homes | - | - | - | - | - | - | - | 54,800 | 57,985 | 61,420 | 65,050 |
| Deferral of income from post 1987 installment sales | 210 | 225 | 235 | 240 | 245 | 250 | 255 | 13,865 | 15,545 | 16,425 | 17,395 |
| Deferral of capital gains on home sales | - | - | - | - | - | - | - | 690 | 710 | 720 | 730 |
| Exclusion of capital gains on home sales for persons age 55 and over | - | - | - | - | - | - | - | 13,925 | 15,195 | 15,620 | 15,915 |
| Exception from passive loss rules for \$25,000 of rental loss | - | - | - | - | - | - | - | 4,625 | 5,155 | 5,300 | 5,450 |
| Accelerated depreciation on rental housing (normal tax method) | 780 | 720 | 730 | 765 | 815 | 855 | 895 | 5,945 | 5,680 | 5,625 | 5,595 |
| Commerce: | | | | | | | | | | | |
| Cancellation of indebtedness | - | - | - | - | - | - | - | 365 | 385 | 405 | 450 |
| Permanent exceptions from imputed interest rules | - | - | - | - | - | - | - | 120 | 70 | 35 | 10 |
| | - | - | - | - | - | - | - | 150 | 150 | 155 | 160 |

TABLE 6-2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued
 [In millions of dollars]

| | Revenue Loss | | | | | | | | | | | | | |
|--|--------------|--------|--------|--------|--------|--------|-------------|--------|--------|--------|--------|--------|--------|--------|
| | Corporations | | | | | | Individuals | | | | | | | |
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method) | — | — | — | — | — | — | — | 5,510 | 6,565 | 6,920 | 7,045 | 7,120 | 7,160 | 7,225 |
| Step-up basis of capital gains at death | — | — | — | — | — | — | — | 25,340 | 26,850 | 28,305 | 29,480 | 30,265 | 30,710 | 30,655 |
| Carryover basis of capital gains on gifts | — | — | — | — | — | — | — | 120 | 125 | 130 | 135 | 140 | 145 | 150 |
| Ordinary income treatment of loss from small business corporation stock sale | — | — | — | — | — | — | — | 25 | 30 | 30 | 35 | 35 | 35 | 35 |
| Accelerated depreciation of buildings other than rental housing (normal tax method) | 2,190 | 2,275 | 2,415 | 2,605 | 2,845 | 3,100 | 3,350 | 705 | 720 | 765 | 820 | 895 | 960 | 1,060 |
| Accelerated depreciation of machinery and equipment (normal tax method) | 15,840 | 18,420 | 18,720 | 18,140 | 17,965 | 17,200 | 16,210 | 3,785 | 4,355 | 4,490 | 4,410 | 4,365 | 4,180 | 3,940 |
| Expensing of certain small investments (normal tax method) | 590 | 785 | 595 | 470 | 345 | 235 | 145 | 945 | 1,310 | 965 | 765 | 560 | 380 | 240 |
| Ameritization of start-up costs (normal tax method) | 100 | 100 | 100 | 105 | 105 | 110 | 110 | 100 | 100 | 100 | 105 | 110 | 110 | 115 |
| Graduated corporation income tax rate (normal tax method) | 3,325 | 3,655 | 3,890 | 4,140 | 4,340 | 4,540 | 4,745 | — | — | — | — | — | — | — |
| Exclusion of interest on small issue IDBs | 335 | 265 | 210 | 160 | 125 | 110 | 100 | 530 | 425 | 335 | 260 | 200 | 170 | 155 |
| Deferral of gains from sale of broadcasting facilities to minority owned business | 260 | 275 | 290 | 305 | 320 | 335 | 350 | • | • | • | • | • | • | • |
| Treatment of Alaska Native Corporations | 65 | 45 | 30 | 20 | 15 | 10 | 5 | — | — | — | — | — | — | — |
| Transportation: | | | | | | | | | | | | | | |
| Deferral of tax on shipping companies | 15 | 15 | 15 | 15 | 15 | 15 | 15 | — | — | — | — | — | — | — |
| Exclusion of reimbursed employee parking expenses | — | — | — | — | — | — | — | 1,790 | 1,845 | 1,930 | 2,015 | 2,100 | 2,190 | 2,275 |
| Exclusion for employer-provided transit passes | — | — | — | — | — | — | — | 10 | 30 | 40 | 50 | 65 | 80 | 95 |
| Community and regional development: | | | | | | | | | | | | | | |
| Credit for low-income housing investments | 465 | 580 | 680 | 780 | 885 | 980 | 1,050 | 1,080 | 1,345 | 1,585 | 1,820 | 2,060 | 2,290 | 2,450 |

| | 30 | 30 | 25 | 25 | 20 | 20 | 60 | 60 | 55 | 55 | 55 | 50 | 50 |
|--|-----|-----|-----|-----|-----|-----|--------|--------|--------|--------|--------|--------|--------|
| Investment credit for rehabilitation of structures (other than historic) | 30 | 30 | 25 | 25 | 20 | 20 | 60 | 60 | 55 | 55 | 55 | 50 | 50 |
| Exclusion of interest on IRBs for airports, docks, and sports and convention facilities | 295 | 315 | 350 | 370 | 385 | 385 | 470 | 470 | 495 | 520 | 545 | 575 | 575 |
| Exemption of certain mutuals' and cooperatives' income | 25 | 25 | 30 | 30 | 35 | 35 | — | — | — | — | — | — | — |
| Empowerment zones | 0 | 45 | 130 | 155 | 175 | 175 | 5 | 5 | 235 | 310 | 355 | 390 | 390 |
| Education, training, employment, and social services: | | | | | | | | | | | | | |
| Education: | | | | | | | | | | | | | |
| Exclusion of scholarship and fellowship income (normal tax method) | — | — | — | — | — | — | 790 | 835 | 875 | 920 | 965 | 1,015 | 1,065 |
| Exclusion of interest on State and local student loan bonds | 125 | 125 | 115 | 110 | 100 | 100 | 185 | 185 | 185 | 180 | 165 | 155 | 145 |
| Exclusion of interest on State and local debt for private nonprofit educational facilities | 285 | 295 | 310 | 315 | 325 | 325 | 420 | 440 | 450 | 460 | 470 | 485 | 505 |
| Exclusion of interest on savings bonds transferred to educational institutions | — | — | — | — | — | — | — | 5 | 5 | 5 | 10 | 10 | 15 |
| Parental personal exemption for students age 19 or over | — | — | — | — | — | — | 505 | 520 | 535 | 545 | 565 | 580 | 595 |
| Deductibility of charitable contributions (education) | 600 | 640 | 700 | 740 | 780 | 780 | 1,360 | 1,480 | 1,560 | 1,640 | 1,720 | 1,810 | 1,900 |
| Exclusion of employer provided educational assistance | — | — | — | — | — | — | 215 | 235 | 85 | — | — | — | — |
| Training, employment, and social services: | | | | | | | | | | | | | |
| Targeted jobs credit | 130 | 260 | 270 | 50 | 30 | 30 | 30 | 45 | 75 | 55 | 10 | 10 | 5 |
| Exclusion of employer provided child care | — | — | — | — | — | — | 620 | 675 | 725 | 775 | 830 | 890 | 955 |
| Exclusion of employee meals and lodging (other than military) | — | — | — | — | — | — | 490 | 525 | 550 | 580 | 610 | 640 | 670 |
| Credit for child and dependent care expenses | — | — | — | — | — | — | 2,540 | 2,675 | 2,820 | 2,975 | 3,145 | 3,320 | 3,510 |
| Credit for disabled access expenditures | 120 | 130 | 130 | 135 | 135 | 135 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Expensing of costs of removing certain architectural barriers to the handicapped | 15 | 15 | 15 | 15 | 15 | 15 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Deductibility of charitable contributions, other than education and health | 750 | 800 | 880 | 930 | 980 | 980 | 12,380 | 13,490 | 14,240 | 14,950 | 15,700 | 16,480 | 17,310 |
| Exclusion of certain foster care payments | — | — | — | — | — | — | 25 | 30 | 30 | 35 | 35 | 40 | 40 |
| Exclusion of personaage allowances | — | — | — | — | — | — | 235 | 260 | 290 | 320 | 355 | 395 | 440 |
| Health: | | | | | | | | | | | | | |
| Exclusion of employer contributions for medical insurance premiums and medical care | — | — | — | — | — | — | 46,895 | 51,445 | 56,265 | 61,675 | 67,345 | 73,450 | 79,985 |

TABLE 6-2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued
 [In millions of dollars]

| | Revenue Loss | | | | | | | | | | | | | |
|---|--------------|-------|-------|-------|-------|-------------|-------|--------|--------|--------|--------|--------|--------|--------|
| | Corporations | | | | | Individuals | | | | | | | | |
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Credit for child medical insurance premiums ² | — | — | — | — | — | — | — | 110 | 125 | — | — | — | — | — |
| Deductibility of medical expenses | — | — | — | — | — | — | 3,010 | 3,270 | 3,560 | 3,870 | 4,195 | 4,535 | 4,880 | — |
| Exclusion of interest on State and local debt for private nonprofit health facilities | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Deductibility of charitable contributions (health) | 565 | 585 | 600 | 615 | 635 | 660 | 685 | 840 | 870 | 895 | 920 | 960 | 900 | 1,015 |
| Tax credit for orphan drug research | 380 | 400 | 420 | 450 | 470 | 490 | 520 | 1,390 | 1,510 | 1,600 | 1,680 | 1,760 | 1,850 | 1,940 |
| Special Blue Cross/Blue Shield deduction | 0 | 35 | 15 | — | — | — | — | — | — | — | — | — | — | — |
| Special Blue Cross/Blue Shield deduction | 105 | 115 | 125 | 140 | 100 | 170 | 185 | — | — | — | — | — | — | — |
| Income security: | | | | | | | | | | | | | | |
| Exclusion of railroad retirement system benefits | — | — | — | — | — | — | — | 415 | 395 | 400 | 405 | 410 | 420 | 425 |
| Exclusion of workman's compensation benefits | — | — | — | — | — | — | — | 3,815 | 4,240 | 4,455 | 4,740 | 5,065 | 5,565 | 6,100 |
| Exclusion of public assistance benefits (normal tax method) | — | — | — | — | — | — | — | 500 | 545 | 585 | 605 | 640 | 695 | 735 |
| Exclusion of special benefits for disabled coal miners | — | — | — | — | — | — | — | 100 | 100 | 100 | 95 | 95 | 90 | 80 |
| Exclusion of military disability pensions | — | — | — | — | — | — | — | 130 | 130 | 130 | 130 | 130 | 130 | 130 |
| Net exclusion of pension contributions and earnings: | | | | | | | | | | | | | | |
| Employer plans | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Individual Retirement Accounts | — | — | — | — | — | — | — | 49,430 | 48,750 | 55,540 | 59,010 | 59,490 | 59,950 | 60,400 |
| Keogh plans | — | — | — | — | — | — | — | 5,720 | 5,415 | 5,290 | 5,275 | 5,175 | 4,970 | 4,615 |
| Exclusion of employer provided death benefits | — | — | — | — | — | — | — | 3,245 | 3,670 | 3,875 | 4,130 | 4,400 | 4,690 | 5,000 |
| Exclusion of other employee benefits: | | | | | | | | | | | | | | |
| Premiums on group term life insurance | — | — | — | — | — | — | — | 25 | 30 | 35 | 35 | 40 | 40 | 45 |
| Premiums on accident and disability insurance | — | — | — | — | — | — | — | 2,620 | 2,750 | 2,800 | 3,020 | 3,170 | 3,325 | 3,485 |
| Income of trusts to finance supplementary unemployment benefits | — | — | — | — | — | — | — | 135 | 140 | 140 | 145 | 150 | 160 | 165 |
| Special ESOP rules (other than investment credit) | — | — | — | — | — | — | — | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Additional deduction for the blind | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Additional deduction for the elderly | — | — | — | — | — | — | — | 40 | 45 | 45 | 45 | 50 | 50 | 55 |
| Tax credit for the elderly and disabled | 2,070 | 2,035 | 1,760 | 1,635 | 1,545 | 1,415 | 1,285 | 1,510 | 1,535 | 1,555 | 1,570 | 1,585 | 1,600 | 1,605 |
| | | | | | | | | 60 | 65 | 65 | 70 | 70 | 75 | 75 |

| | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| Deductibility of casualty losses | 695 | 770 | 230 | 230 | 230 | 230 | 230 | 230 | 230 |
| Earned income credit ¹ | 3,605 | 3,940 | 5,100 | 5,795 | 6,435 | 6,740 | 6,740 | 6,740 | 7,125 |
| Social Security: | | | | | | | | | |
| Exclusion of social security benefits: | | | | | | | | | |
| OASDI benefits for retired workers | 18,310 | 16,695 | 16,525 | 17,370 | 18,140 | 18,880 | 18,880 | 19,578 | |
| Disability insurance benefits | 1,725 | 1,765 | 1,905 | 2,105 | 2,320 | 2,540 | 2,540 | 2,785 | |
| Benefits for dependents and survivors | 3,620 | 3,610 | 3,730 | 3,940 | 4,150 | 4,365 | 4,365 | 4,590 | |
| Veterans benefits and services: | | | | | | | | | |
| Exclusion of veterans disability compensation | 1,755 | 1,860 | 1,920 | 1,855 | 1,885 | 1,985 | 1,985 | 2,025 | |
| Exclusion of veterans pensions | 80 | 80 | 75 | 70 | 75 | 75 | 75 | 85 | |
| Exclusion of GI bill benefits | 45 | 55 | 65 | 70 | 75 | 80 | 80 | 80 | |
| Exclusion of interest on State and local debt for veterans housing | 30 | 55 | 50 | 50 | 45 | 45 | 45 | 45 | |
| General purpose fiscal assistance: | | | | | | | | | |
| Exclusion of interest on public purpose State and local debt | 4,660 | 4,810 | 4,955 | 5,095 | 5,255 | 5,440 | 5,645 | 5,895 | |
| Deductibility of nonbusiness State and local taxes other than on owner-occupied homes | | | | | | | | | |
| Tax credit for corporations receiving income from doing business in U.S. possessions | 3,075 | 2,890 | 2,630 | 2,680 | 2,735 | 2,815 | 2,960 | 3,185 | |
| Interest: | | | | | | | | | |
| Deferral of interest on savings bonds | | | | | | | | | |
| Admissions—All to State and local governments: | | | | | | | | | |
| Deductibility of: | | | | | | | | | |
| Property taxes on owner-occupied homes | 13,055 | 13,865 | 14,655 | 15,545 | 16,425 | 17,395 | 17,395 | 18,395 | |
| Nonbusiness State and local taxes other than on owner-occupied homes | 22,555 | 24,255 | 25,640 | 27,130 | 28,740 | 30,435 | 30,435 | 32,185 | |
| Exclusion of interest on: | | | | | | | | | |
| Public purpose State and local debt | 6,915 | 7,160 | 7,395 | 7,595 | 7,830 | 8,065 | 8,065 | 8,395 | |
| IDBs for certain energy facilities | 100 | 105 | 105 | 105 | 105 | 105 | 105 | 100 | |
| IDBs for pollution control and sewage and waste disposal facilities | 355 | 365 | 375 | 370 | 360 | 350 | 350 | 340 | |
| Small-issue IDBs | 530 | 425 | 335 | 260 | 200 | 170 | 170 | 155 | |
| Owner-occupied mortgage revenue bonds | 1,025 | 1,055 | 1,070 | 1,070 | 1,035 | 990 | 990 | 950 | |

TABLE 6-2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued
 [In millions of dollars]

| | Revenue Loss | | | | | | | | | | | | | |
|---|--------------|------|------|------|------|------|-------------|------|------|------|------|------|------|-------|
| | Corporations | | | | | | Individuals | | | | | | | |
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| State and local debt for rental housing | 400 | 385 | 365 | 345 | 320 | 295 | 270 | 600 | 585 | 555 | 525 | 490 | 455 | 415 |
| IDBs for airports, docks, and sports and convention facilities | 295 | 315 | 335 | 350 | 370 | 385 | 405 | 435 | 470 | 495 | 520 | 545 | 575 | 600 |
| State and local student loan bonds | 125 | 125 | 120 | 115 | 110 | 100 | 95 | 185 | 185 | 185 | 180 | 165 | 155 | 145 |
| State and local debt for private nonprofit educational facilities | 285 | 295 | 300 | 310 | 315 | 325 | 340 | 420 | 440 | 450 | 460 | 470 | 485 | 505 |
| State and local debt for private nonprofit health facilities | 565 | 585 | 600 | 615 | 635 | 660 | 685 | 840 | 870 | 895 | 920 | 950 | 980 | 1,015 |
| State and local debt for veterans housing | 40 | 35 | 35 | 30 | 30 | 30 | 30 | 60 | 55 | 50 | 50 | 45 | 45 | 45 |

Note: Provisions with estimates denoted "normal tax method" have no revenue loss under the reference tax law method. All estimates have been rounded to the nearest \$5 million.

¹ In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of \$675 million in 1995.

² The figures in the table indicate the effect of the child medical insurance premium credit on receipts. The effect on outlays in 1994 is \$395 million.

³ The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in 1995 is \$15,795 million.

TABLE 6-4. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX
(In millions of dollars)

| | Outlay Equivalents | | | | | | |
|--|--------------------|-------|-------|-------|-------|-------|-------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| National defense: | | | | | | | |
| Exclusion of benefits and allowances to armed forces personnel | 2,465 | 2,395 | 2,365 | 2,350 | 2,355 | 2,375 | 2,395 |
| International affairs: | | | | | | | |
| Exclusion of income earned abroad by United States citizens | 675 | 1,135 | 1,185 | 1,255 | 1,325 | 1,400 | 1,480 |
| Exclusion of income of foreign sales corporations | 1,845 | 2,000 | 2,155 | 2,310 | 2,460 | 2,615 | 2,770 |
| Inventory property sales source rules exception | 1,690 | 1,845 | 2,000 | 2,155 | 2,310 | 2,460 | 2,615 |
| Interest allocation rules exception for certain financial operations | 150 | 140 | 140 | 140 | 140 | 140 | 140 |
| Deferral of income from controlled foreign corporations (normal tax method) | 1,600 | 1,600 | 1,700 | 1,800 | 2,000 | 2,200 | 2,400 |
| General science, space, and technology: | | | | | | | |
| Expensing of research and experimentation expenditures (normal tax method) | 2,060 | 2,230 | 2,390 | 2,560 | 2,740 | 2,930 | 3,130 |
| Credit for increasing research activities | 1,900 | 2,150 | 1,950 | 1,145 | 485 | 205 | 65 |
| Suspension of the allocation of research and experimentation expenditures | 0 | 385 | 385 | — | — | — | — |
| Energy: | | | | | | | |
| Expensing of exploration and development costs: | | | | | | | |
| Oil and gas | 185 | 145 | 140 | 100 | 60 | 55 | 95 |
| Other fuels | 20 | 20 | 20 | 20 | 20 | 25 | 25 |
| Excess of percentage over cost depletion: | | | | | | | |
| Oil and gas | 1,400 | 1,425 | 1,455 | 1,480 | 1,505 | 1,535 | 1,560 |
| Other fuels | 140 | 140 | 140 | 140 | 150 | 150 | 150 |
| Alternative fuel production credit | 1,070 | 1,260 | 1,370 | 1,400 | 1,390 | 1,330 | 1,240 |
| Exception from passive loss limitation for working interests in oil and gas properties | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Capital gains treatment of royalties on coal | 15 | 20 | 20 | 20 | 20 | 20 | 20 |
| Exclusion of interest on State and local IDBs for energy facilities | 235 | 245 | 250 | 255 | 250 | 245 | 240 |
| New technology credit | 85 | 90 | 95 | 100 | 105 | 110 | 115 |

TABLE 6-4. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(In millions of dollars)

| | Outlay Equivalents | | | | | | |
|--|--------------------|--------|--------|--------|--------|--------|--------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Alcohol fuel credit ¹ | 15 | 15 | 35 | 45 | 50 | 50 | 50 |
| Tax credit and deduction for clean-fuel burning vehicles and properties | 20 | 65 | 90 | 90 | 95 | 105 | 110 |
| Exclusion from income of conservation subsidies provided by public utilities | 70 | 140 | 205 | 245 | 265 | 265 | 265 |
| Natural resources and environment: | | | | | | | |
| Expensing of exploration and development costs, nonfuel minerals | 50 | 50 | 50 | 50 | 50 | 50 | 55 |
| Excess of percentage over cost depletion, nonfuel minerals | 260 | 270 | 270 | 275 | 280 | 285 | 300 |
| Capital gains treatment of iron ore | * | * | * | * | * | * | * |
| Special rules for mining reclamation reserves | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities | 855 | 885 | 895 | 885 | 865 | 840 | 815 |
| Capital gains treatment of certain timber income | 15 | 20 | 20 | 20 | 20 | 20 | 20 |
| Expensing of multiperiod timber growing costs | 535 | 555 | 575 | 605 | 635 | 665 | 700 |
| Investment credit and seven-year amortization for reforestation expenditures | 40 | 40 | 40 | 40 | 45 | 45 | 45 |
| Tax incentives for preservation of historic structures | 135 | 130 | 125 | 125 | 120 | 115 | 115 |
| Agriculture: | | | | | | | |
| Expensing of certain capital outlays | 75 | 70 | 65 | 65 | 60 | 65 | 65 |
| Expensing of certain multiperiod production costs | 90 | 90 | 85 | 80 | 80 | 80 | 85 |
| Treatment of loans forgiven solvent farmers as if insolvent | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Capital gains treatment of certain income | 155 | 180 | 185 | 195 | 195 | 195 | 200 |
| Commerce and housing: | | | | | | | |
| Financial institutions and insurance: | | | | | | | |
| Exemption of credit union income | 380 | 435 | 490 | 535 | 590 | 650 | 715 |
| Excess bad debt reserves of financial institutions | 45 | 50 | 55 | 65 | 70 | 75 | 80 |
| Exclusion of interest on life insurance savings | 10,580 | 11,415 | 12,275 | 13,190 | 14,185 | 15,250 | 16,395 |

| | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Special alternative tax on small property and casualty insurance companies | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Tax exemption of certain insurance companies | 145 | 150 | 160 | 165 | 170 | 170 | 180 | 180 | 190 |
| Small life insurance company deduction | 170 | 180 | 190 | 200 | 210 | 210 | 220 | 220 | 230 |
| Exemption of RIC expenses from the 2% floor for miscellaneous itemized deductions | 700 | 800 | 915 | 1,075 | 1,230 | 1,230 | 1,405 | 1,405 | 1,605 |
| Housing: | | | | | | | | | |
| Exclusion of interest on owner-occupied mortgage revenue bonds | 2,460 | 2,540 | 2,575 | 2,545 | 2,465 | 2,465 | 2,360 | 2,360 | 2,260 |
| Exclusion of interest on State and local debt for rental housing | 1,425 | 1,395 | 1,325 | 1,245 | 1,160 | 1,160 | 1,070 | 1,070 | 985 |
| Deductibility of mortgage interest on owner-occupied homes | 48,705 | 51,835 | 54,800 | 57,985 | 61,420 | 61,420 | 65,050 | 65,050 | 68,785 |
| Deductibility of State and local property tax on owner-occupied homes | 13,055 | 13,865 | 14,655 | 15,545 | 16,425 | 16,425 | 17,395 | 17,395 | 18,395 |
| Deferral of income from post 1987 installment sales | 820 | 915 | 935 | 950 | 965 | 965 | 980 | 980 | 995 |
| Deferral of capital gains on home sales | 13,265 | 13,925 | 14,620 | 15,195 | 15,620 | 15,620 | 15,915 | 15,915 | 16,065 |
| Exclusion of capital gains on home sales for persons age 55 and over | 6,165 | 6,360 | 6,615 | 6,875 | 7,065 | 7,065 | 7,200 | 7,200 | 7,265 |
| Exception from passive loss rules for \$25,000 of rental loss | 6,070 | 5,945 | 5,775 | 5,680 | 5,625 | 5,625 | 5,596 | 5,596 | 5,545 |
| Accelerated depreciation on rental housing (normal tax method) | 1,190 | 1,085 | 1,100 | 1,145 | 1,220 | 1,220 | 1,290 | 1,290 | 1,345 |
| Commerce: | | | | | | | | | |
| Cancellation of indebtedness | 60 | 120 | 110 | 70 | 35 | 35 | 10 | 10 | -10 |
| Permanent exceptions from imputed interest rules | 140 | 150 | 150 | 150 | 155 | 155 | 155 | 155 | 160 |
| Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method) | 7,345 | 8,755 | 9,225 | 9,395 | 9,495 | 9,495 | 9,545 | 9,545 | 9,635 |
| Step-up basis of capital gains at death | 34,060 | 36,090 | 38,045 | 39,625 | 40,679 | 40,679 | 41,280 | 41,280 | 41,209 |
| Carryover basis of capital gains on gifts | 120 | 125 | 130 | 135 | 140 | 140 | 145 | 145 | 150 |
| Ordinary income treatment of loss from small business corp. stock sale | 35 | 40 | 40 | 50 | 50 | 50 | 50 | 50 | 50 |
| Accelerated depreciation of buildings other than rental housing (normal tax method) | 2,895 | 2,995 | 3,185 | 3,430 | 3,745 | 3,745 | 4,075 | 4,075 | 4,410 |
| Accelerated depreciation of machinery and equipment (normal tax method) | 19,625 | 22,775 | 23,210 | 22,550 | 22,330 | 22,330 | 21,380 | 21,380 | 20,155 |
| Expensing of certain small investments (normal tax method) | 1,540 | 2,095 | 1,560 | 1,235 | 905 | 905 | 610 | 610 | 385 |
| Amortization of start-up costs (normal tax method) | 200 | 200 | 200 | 210 | 215 | 215 | 220 | 220 | 225 |
| Graduated corporation income tax rate (normal tax method) | 4,750 | 5,220 | 5,555 | 5,910 | 6,200 | 6,200 | 6,485 | 6,485 | 6,780 |
| Exclusion of interest on small issue industrial development bonds | 1,220 | 985 | 770 | 595 | 465 | 465 | 400 | 400 | 370 |
| Deferral of gains from sale of broadcasting facilities to minority owned business | 260 | 275 | 290 | 305 | 320 | 320 | 335 | 335 | 350 |
| Treatment of Alaska Native Corporations | 65 | 45 | 30 | 20 | 15 | 15 | 10 | 10 | 5 |
| Transportation: | | | | | | | | | |
| Deferral of tax on shipping companies | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Exclusion of reimbursed employee parking expenses | 2,330 | 2,400 | 2,510 | 2,625 | 2,735 | 2,735 | 2,845 | 2,845 | 2,960 |

TABLE 6-4. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

| | Outlay Equivalents | | | | | | |
|--|--------------------|--------|--------|--------|--------|--------|--------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Exclusion for employer-provided transit passes | 15 | 35 | 50 | 65 | 80 | 100 | 115 |
| Community and regional development: | | | | | | | |
| Credit for low-income housing investments | 1,555 | 1,935 | 2,275 | 2,610 | 2,955 | 3,280 | 3,510 |
| Investment credit for rehabilitation of structures (other than historic) | 90 | 90 | 80 | 80 | 80 | 70 | 70 |
| Exclusion of interest on IDBs for airports, docks, and sports and convention facilities | 1,055 | 1,135 | 1,200 | 1,260 | 1,320 | 1,385 | 1,450 |
| Exemption of certain mutuals' and cooperatives' income | 25 | 25 | 30 | 30 | 30 | 35 | 35 |
| Empowerment zones | 5 | 150 | 330 | 440 | 510 | 565 | 620 |
| Education, training, employment, and social services: | | | | | | | |
| Education: | | | | | | | |
| Exclusion of scholarship and fellowship income (normal tax method) | 1,000 | 1,070 | 1,120 | 1,180 | 1,235 | 1,300 | 1,365 |
| Exclusion of interest on State and local student loan bonds | 445 | 445 | 440 | 420 | 395 | 370 | 345 |
| Exclusion of interest on State and local debt for private nonprofit educational facilities | 1,015 | 1,055 | 1,080 | 1,105 | 1,135 | 1,170 | 1,210 |
| Exclusion of interest on savings bonds transferred to educational institutions | 5 | 5 | 5 | 10 | 10 | 15 | 20 |
| Parental personal exemption for students age 19 or over | 560 | 575 | 595 | 605 | 630 | 645 | 660 |
| Deductibility of charitable contributions (education) | 1,960 | 2,120 | 2,230 | 2,340 | 2,460 | 2,590 | 2,720 |
| Exclusion of employer provided educational assistance | 255 | 275 | 100 | — | — | — | — |
| Training, employment, and social services: | | | | | | | |
| Targeted jobs credit | 160 | 305 | 395 | 325 | 60 | 40 | 20 |
| Exclusion of employer provided child care | 810 | 880 | 945 | 1,010 | 1,085 | 1,160 | 1,245 |
| Exclusion of employer meals and lodging (other than military) | 600 | 640 | 670 | 705 | 740 | 780 | 815 |
| Credit for child and dependent care expenses | 3,200 | 3,375 | 3,555 | 3,755 | 3,965 | 4,190 | 4,425 |
| Credit for disabled access expenditures | 205 | 220 | 220 | 220 | 225 | 225 | 225 |
| Expensing of costs of removing certain architectural barriers to the handicapped | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Deductibility of charitable contributions, other than education and health | 13,130 | 14,290 | 15,080 | 15,830 | 16,630 | 17,460 | 18,330 |

| | | | | | | |
|---|--------|--------|--------|--------|--------|---------|
| Exclusion of certain foster care payments | 30 | 40 | 45 | 45 | 50 | 50 |
| Exclusion of permissive allowances | 290 | 320 | 395 | 440 | 485 | 540 |
| Health: | | | | | | |
| Exclusion of employer contributions for medical insurance premiums and medical care | 58,910 | 64,670 | 77,615 | 84,750 | 92,435 | 100,675 |
| Credit for child medical insurance premiums ² | 130 | 145 | — | — | — | — |
| Deductibility of medical expenses | 3,010 | 3,270 | 3,870 | 4,195 | 4,535 | 4,890 |
| Exclusion of interest on State and local debt for private nonprofit health facilities | 2,015 | 2,100 | 2,215 | 2,285 | 2,365 | 2,455 |
| Deductibility of charitable contributions (health) | 1,770 | 1,910 | 2,130 | 2,230 | 2,340 | 2,460 |
| Tax credit for orphan drug research | 0 | 50 | — | — | — | — |
| Special Blue Cross/Blue Shield deduction | 150 | 160 | 185 | 140 | 240 | 260 |
| Income security: | | | | | | |
| Exclusion of railroad retirement system benefits | 415 | 395 | 405 | 410 | 420 | 425 |
| Exclusion of workmen's compensation benefits | 3,815 | 4,240 | 4,740 | 5,065 | 5,565 | 6,100 |
| Exclusion of public assistance benefits (normal tax method) | 500 | 545 | 605 | 640 | 695 | 735 |
| Exclusion of special benefits for disabled coal miners | 100 | 100 | 95 | 95 | 90 | 80 |
| Exclusion of military disability pensions | 130 | 130 | 130 | 130 | 130 | 130 |
| Net exclusion of pension contributions and earnings: | | | | | | |
| Employer plans | 67,320 | 66,960 | 80,410 | 81,040 | 81,650 | 82,230 |
| Individual Retirement Accounts | 7,790 | 7,510 | 7,475 | 7,430 | 7,245 | 6,885 |
| Keogh plans | 4,270 | 4,965 | 5,585 | 5,955 | 6,345 | 6,760 |
| Exclusion of employer provided death benefits | 30 | 40 | 45 | 50 | 50 | 55 |
| Exclusion of other employee benefits: | | | | | | |
| Premiums on group term life insurance | 3,440 | 3,610 | 3,970 | 4,165 | 4,365 | 4,580 |
| Premiums on accident and disability insurance | 180 | 185 | 195 | 205 | 215 | 225 |
| Income of trusts to finance supplementary unemployment benefits | 35 | 35 | 35 | 35 | 35 | 35 |
| Special ESOP rules (other than investment credit) | 2,955 | 2,910 | 2,340 | 2,205 | 2,020 | 1,840 |
| Additional deduction for the blind | 50 | 55 | 55 | 60 | 60 | 65 |
| Additional deduction for the elderly | 1,830 | 1,855 | 1,900 | 1,920 | 1,935 | 1,940 |
| Tax credit for the elderly and disabled | 75 | 80 | 85 | 90 | 90 | 95 |
| Deductibility of casualty losses | 900 | 1,000 | 300 | 300 | 300 | 300 |
| Earned income credit ³ | 4,240 | 4,635 | 6,815 | 7,575 | 7,925 | 8,380 |

TABLE 6-4. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(in millions of dollars)

| | Outlay Equivalents | | | | | | |
|---|--------------------|--------|--------|--------|--------|--------|--------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Social Security: | | | | | | | |
| Exclusion of social security benefits: | | | | | | | |
| OASI benefits for retired workers | 18,310 | 16,695 | 16,525 | 17,370 | 18,140 | 18,880 | 19,670 |
| Disability insurance benefits | 1,725 | 1,765 | 1,905 | 2,105 | 2,320 | 2,540 | 2,765 |
| Benefits for dependents and survivors | 3,620 | 3,610 | 3,730 | 3,940 | 4,150 | 4,365 | 4,590 |
| Veterans benefits and services: | | | | | | | |
| Exclusion of veterans disability compensation | 1,755 | 1,860 | 1,920 | 1,855 | 1,885 | 1,985 | 2,025 |
| Exclusion of veterans pensions | 80 | 80 | 75 | 70 | 70 | 75 | 85 |
| Exclusion of GI bill benefits | 45 | 55 | 65 | 70 | 75 | 80 | 80 |
| Exclusion of interest on State and local debt for veterans housing | 140 | 130 | 120 | 115 | 110 | 105 | 105 |
| General purpose fiscal assistance: | | | | | | | |
| Exclusion of interest on public purpose State and local debt | 16,585 | 17,265 | 17,800 | 18,295 | 18,870 | 19,525 | 20,250 |
| Deductibility of nonbusiness State and local taxes other than on owner-occupied homes | 22,555 | 24,255 | 25,640 | 27,130 | 28,740 | 30,435 | 32,185 |
| Tax credit for corporations receiving income from doing business in U.S. possessions | 4,395 | 4,160 | 3,810 | 3,885 | 3,960 | 4,065 | 4,295 |
| Interest: | | | | | | | |
| Deferral of interest on savings bonds | 1,130 | 1,190 | 1,250 | 1,310 | 1,380 | 1,450 | 1,520 |
| Addendum—Aid to State and local governments: | | | | | | | |
| Deductibility of: | | | | | | | |
| Property taxes on owner-occupied homes | 13,055 | 13,865 | 14,655 | 15,545 | 16,425 | 17,395 | 18,395 |
| Nonbusiness State and local taxes other than on owner-occupied homes | 22,555 | 24,255 | 25,640 | 27,130 | 28,740 | 30,435 | 32,185 |
| Exclusion of interest on: | | | | | | | |
| Public purpose State and local debt | 16,585 | 17,265 | 17,800 | 18,295 | 18,870 | 19,525 | 20,250 |
| IDBs for certain energy facilities | 235 | 245 | 250 | 255 | 250 | 245 | 240 |
| IDBs for pollution control and sewage and waste disposal facilities | 855 | 885 | 895 | 885 | 865 | 840 | 815 |

| | | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|--|--|--|--|--|
| Small-issue IDBs | | | | | | | | | | | | |
| Owner-occupied mortgage revenue bonds | 1,220 | 985 | 770 | 595 | 465 | 400 | 370 | | | | | |
| State and local debt for rental housing | 2,460 | 2,540 | 2,575 | 2,545 | 2,465 | 2,360 | 2,260 | | | | | |
| IDBs for airports, docks, and sports and convention facilities | 1,425 | 1,395 | 1,325 | 1,245 | 1,160 | 1,070 | 985 | | | | | |
| State and local student loan bonds | 1,055 | 1,135 | 1,200 | 1,260 | 1,320 | 1,385 | 1,450 | | | | | |
| State and local debt for private nonprofit educational facilities | 445 | 445 | 440 | 420 | 395 | 370 | 345 | | | | | |
| State and local debt for private nonprofit health facilities | 1,015 | 1,055 | 1,080 | 1,105 | 1,135 | 1,170 | 1,210 | | | | | |
| State and local debt for veterans housing | 2,015 | 2,100 | 2,155 | 2,215 | 2,285 | 2,365 | 2,455 | | | | | |
| | 140 | 130 | 120 | 115 | 110 | 105 | 105 | | | | | |

Note: Provisions with estimates denoted "normal tax method" have outlay equivalents of zero under the reference tax law method. All estimates have been rounded to the nearest \$5 million.

* \$2.5 million or less.

¹ In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of \$675 million in 1995.

² The figures in the table indicate the effect of the child medical insurance premium credit on receipts. The effect on outlays in 1994 is \$395 million.

³ The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in 1995 is \$15,795 million.

TABLE 6-5. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE FEDERAL UNIFIED TRANSFER TAX
 [In millions of dollars]

| Description | Fiscal Years | | | | | | |
|--|--------------|-------|-------|-------|-------|-------|-------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Natural Resources and Environment: | | | | | | | |
| Deductions for donations of conservation easements | * | * | * | * | * | * | * |
| Agriculture: | | | | | | | |
| Special use valuation of farm real property | 70 | 70 | 75 | 80 | 85 | 90 | 95 |
| Tax deferral of closely held farms | 55 | 55 | 60 | 65 | 70 | 75 | 80 |
| Commerce: | | | | | | | |
| Special use valuation of real property used in closely held businesses | 20 | 20 | 20 | 20 | 25 | 25 | 25 |
| Tax deferral of closely held business | 10 | 10 | 10 | 10 | 10 | 15 | 15 |
| Education, training, employment, and social services: | | | | | | | |
| Deduction for charitable contributions (education) | 500 | 505 | 550 | 590 | 630 | 670 | 715 |
| Deduction for charitable contributions (other than education and health) | 1,480 | 1,490 | 1,620 | 1,735 | 1,850 | 1,965 | 2,095 |
| Health: | | | | | | | |
| Deduction for charitable contributions (health) | 455 | 460 | 500 | 535 | 570 | 605 | 645 |
| General government: | | | | | | | |
| Credit for State death taxes | 2,775 | 2,795 | 3,035 | 3,255 | 3,475 | 3,695 | 3,935 |

Notes: All estimates have been rounded to the nearest \$5 million.
 * \$2.5 million or less.

APPENDIX F

**Perspectives on Federal Receipts
Budget of the United States Government—
Analytical Perspectives, Fiscal Year 1995**

TABLE 4-1. RECEIPTS BY SOURCE—SUMMARY
 [Reflects the effects of the Health Security Act and other Administrative proposals]
 [In billions of dollars]

| Source | 1993 actual | Estimate | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Individual income taxes | 509.7 | 549.9 | 595.0 | 627.7 | 664.1 | 701.6 | 745.1 |
| Corporation income taxes | 117.5 | 130.7 | 140.4 | 145.8 | 149.8 | 152.5 | 157.2 |
| Social insurance taxes and contributions | 428.3 | 461.9 | 490.4 | 518.3 | 548.5 | 580.0 | 610.2 |
| (On-budget) | (116.4) | (125.7) | (135.2) | (143.6) | (151.0) | (158.6) | (165.0) |
| (Off-budget) | (311.9) | (336.2) | (355.2) | (374.7) | (397.5) | (421.4) | (445.1) |
| Excise taxes | 48.1 | 54.6 | 71.9 | 71.7 | 72.7 | 73.6 | 74.9 |
| Estate and gift taxes | 12.6 | 12.7 | 13.9 | 15.0 | 16.1 | 17.3 | 18.5 |
| Customs duties | 18.8 | 19.2 | 20.9 | 21.3 | 22.2 | 23.1 | 24.0 |
| Miscellaneous receipts | 18.6 | 20.0 | 21.3 | 27.6 | 31.6 | 38.7 | 43.1 |
| Total receipts | 1,153.5 | 1,248.1 | 1,353.8 | 1,427.3 | 1,505.1 | 1,588.9 | 1,672.9 |
| (On-budget) | (841.6) | (912.9) | (998.6) | (1,052.6) | (1,107.6) | (1,165.6) | (1,237.8) |
| (Off-budget) | (311.9) | (336.2) | (355.2) | (374.7) | (397.5) | (421.4) | (445.1) |

Source: Analytical Perspectives, Budget of the United States Government, Fiscal Year 1995.

TABLE 4-2. CHANGES IN RECEIPTS
 [Reflecting Changes Enacted in 1993 and Proposed Changes]
 [In billions of dollars]

| | Estimate | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Receipts under tax rates and structure in effect January 1, 1993¹ | 1,224.0 | 1,292.8 | 1,352.4 | 1,405.2 | 1,478.7 | 1,555.5 |
| Enacted legislative changes: | | | | | | |
| Omnibus Budget Reconciliation Act of 1993 ² | 24.3 | 45.3 | 52.5 | 65.9 | 58.3 | 57.9 |
| North America Free Trade Agreement Implementation Act ² | -0.1 | -0.1 | -0.2 | -0.1 | 1.2 | -1.6 |
| Social security (OASDI) taxable earnings base increases: | | | | | | |
| \$57,600 to \$60,600 on Jan. 1, 1994 | 1.0 | 3.1 | 3.4 | 3.9 | 4.4 | 5.0 |
| \$60,600 to \$62,100 on Jan. 1, 1995 | | 0.5 | 1.5 | 1.8 | 2.0 | 2.2 |
| \$62,100 to \$63,900 on Jan. 1, 1996 | | | 0.7 | 2.0 | 2.2 | 2.5 |
| \$63,900 to \$66,600 on Jan. 1, 1997 | | | | 1.0 | 3.1 | 3.4 |
| \$66,600 to \$69,300 on Jan. 1, 1998 | | | | | 1.1 | 3.1 |
| \$69,300 to \$72,300 on Jan. 1, 1999 | | | | | | 1.2 |
| Proposals ² | -0.1 | 12.2 | 16.9 | 25.5 | 35.9 | 43.7 |
| Total, receipts under existing and proposed legislation | 1,248.1 | 1,353.8 | 1,427.3 | 1,505.1 | 1,588.9 | 1,672.9 |

¹ These estimates assume social security and medicare taxable earnings bases of \$57,600 and \$135,000, respectively, through 1999.
² Net of income offsets.

Source: Analytical Perspectives, Budget of the United States Government, Fiscal Year 1995.

TABLE 4-3. EFFECT OF MAJOR LEGISLATION ENACTED IN 1993 ON RECEIPTS

(In billions of dollars)

| | Estimate | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| Omnibus Budget Reconciliation Act of 1993 | | | | | | |
| Individual income taxes | 9.8 | 24.5 | 26.1 | 32.1 | 26.0 | 27.3 |
| Corporation income taxes | 6.8 | 7.6 | 8.9 | 14.2 | 11.9 | 10.7 |
| Social insurance taxes and contributions | 2.0 | 6.6 | 7.1 | 8.8 | 9.8 | 9.2 |
| Excise taxes | 6.0 | 6.1 | 9.8 | 10.0 | 9.9 | 9.9 |
| Estate and gift taxes | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 |
| Customs duties | -0.9 | ..... | ..... | ..... | ..... | ..... |
| Miscellaneous receipts ..... | ..... | ..... | ..... | 0.1 | 0.1 | ..... |
| Total, Omnibus Budget Reconciliation Act of 1993¹ | 24.3 | 45.3 | 52.5 | 65.9 | 58.3 | 57.9 |
| North America Free Trade Agreement Implementation Act | | | | | | |
| Individual income taxes | * | 0.2 | 0.2 | 0.2 | 1.0 | -0.5 |
| Corporation income taxes | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 |
| Social insurance taxes and contributions | * | 0.1 | 0.2 | 0.2 | 0.9 | -0.5 |
| Excise taxes | * | 0.1 | * | 0.1 | * | 0.2 |
| Customs duties | -0.3 | -0.6 | -0.8 | -0.9 | -1.0 | -1.1 |
| Total, North America Free Trade Agreement Implementation Act¹ | -0.1 | -0.1 | -0.2 | -0.1 | 1.2 | -1.6 |
| ADDENDUM | | | | | | |
| Total effect on receipts by source: | | | | | | |
| Individual income taxes | 9.9 | 24.6 | 26.3 | 32.3 | 27.0 | 26.9 |
| Corporation income taxes | 6.9 | 7.8 | 9.1 | 14.5 | 12.2 | 11.0 |
| Social insurance taxes and contributions | 2.1 | 6.7 | 7.3 | 9.0 | 10.7 | 8.8 |
| Excise taxes | 6.0 | 6.2 | 9.9 | 10.1 | 9.9 | 10.1 |
| Estate and gift taxes | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 |
| Customs duties | -1.2 | -0.6 | -0.8 | -0.9 | -1.0 | -1.1 |
| Miscellaneous receipts ..... | ..... | ..... | ..... | 0.1 | 0.1 | ..... |
| Total effect on receipts¹ | 24.1 | 45.2 | 52.4 | 65.7 | 59.5 | 56.3 |

* \$50 million or less.

¹ Net of income offsets.

Source: Analytical Perspectives, Budget of the United States Government, Fiscal Year 1995.

APPENDIX G

**Historical Trends in the Federal Debt
From: Historical Tables
Budget of the United States Government
Fiscal Year 1995**

Table 7.1—FEDERAL DEBT AT THE END OF YEAR: 1940—1999

| End of Fiscal Year | In Millions of Dollars | | | | As Percentages of GDP | | | | | |
|--------------------|------------------------|---|----------------------------|------------------------|-----------------------|---|----------------------------|-------|------------------------|-------|
| | Gross Federal Debt | Less: Held by Federal Government Accounts | Equals: Held by the Public | | Gross Federal Debt | Less: Held by Federal Government Accounts | Equals: Held by the Public | | | |
| | | | Total | Federal Reserve System | | | Other | Total | Federal Reserve System | Other |
| 1940 | 50,696 | 7,924 | 42,772 | 2,458 | 40,314 | 53.1 | 8.3 | 44.8 | 2.6 | 42.3 |
| 1941 | 57,531 | 9,308 | 48,223 | 2,180 | 46,043 | 51.1 | 8.3 | 42.9 | 1.9 | 40.9 |
| 1942 | 79,200 | 11,447 | 67,753 | 2,640 | 65,113 | 55.9 | 8.1 | 47.8 | 1.9 | 45.9 |
| 1943 | 142,648 | 14,882 | 127,766 | 7,149 | 120,617 | 81.3 | 8.5 | 72.8 | 4.1 | 68.8 |
| 1944 | 204,079 | 19,283 | 184,796 | 14,899 | 169,897 | 101.2 | 9.6 | 91.6 | 7.4 | 84.2 |
| 1945 | 260,123 | 24,941 | 235,182 | 21,792 | 213,390 | 122.7 | 11.8 | 110.9 | 10.3 | 100.7 |
| 1946 | 270,991 | 29,130 | 241,861 | 23,783 | 218,078 | 127.5 | 13.7 | 113.8 | 11.2 | 102.6 |
| 1947 | 257,149 | 32,810 | 224,339 | 21,872 | 202,467 | 115.4 | 14.7 | 100.6 | 9.8 | 90.8 |
| 1948 | 252,031 | 35,761 | 216,270 | 21,366 | 194,904 | 102.2 | 14.5 | 87.7 | 8.7 | 79.0 |
| 1949 | 252,610 | 38,288 | 214,322 | 19,343 | 194,979 | 96.2 | 14.6 | 81.6 | 7.4 | 74.2 |
| 1950 | 256,853 | 37,830 | 219,023 | 18,331 | 200,692 | 96.6 | 14.2 | 82.4 | 6.9 | 75.5 |
| 1951 | 255,288 | 40,962 | 214,326 | 22,982 | 191,344 | 81.4 | 13.1 | 68.4 | 7.3 | 61.0 |
| 1952 | 259,097 | 44,339 | 214,758 | 22,906 | 191,852 | 76.1 | 13.0 | 63.1 | 6.7 | 56.3 |
| 1953 | 265,963 | 47,580 | 218,383 | 24,746 | 193,637 | 73.1 | 13.1 | 60.0 | 6.8 | 53.2 |
| 1954 | 270,812 | 48,313 | 224,499 | 25,037 | 199,462 | 73.6 | 12.6 | 61.0 | 6.8 | 54.2 |
| 1955 | 274,366 | 47,751 | 226,616 | 23,607 | 203,009 | 71.3 | 12.4 | 58.9 | 6.1 | 52.8 |
| 1956 | 272,693 | 50,537 | 222,156 | 23,758 | 196,396 | 65.5 | 12.1 | 53.4 | 5.7 | 47.7 |
| 1957 | 272,252 | 52,931 | 219,320 | 23,035 | 196,285 | 62.1 | 12.1 | 50.0 | 5.3 | 44.8 |
| 1958 | 279,666 | 53,329 | 226,336 | 25,438 | 200,898 | 62.4 | 11.9 | 50.5 | 5.7 | 44.8 |

| | | | | | | | | | | |
|------|-----------|---------|-----------|---------|-----------|------|------|------|-----|------|
| 1959 | 287,465 | 52,764 | 234,701 | 29,044 | 208,657 | 59.9 | 11.0 | 48.9 | 5.4 | 43.5 |
| 1960 | 290,525 | 53,686 | 236,840 | 26,523 | 210,317 | 57.6 | 10.6 | 46.9 | 5.3 | 41.7 |
| 1961 | 292,648 | 54,291 | 238,357 | 27,253 | 211,104 | 56.6 | 10.5 | 46.1 | 5.3 | 40.8 |
| 1962 | 302,928 | 54,918 | 248,010 | 29,663 | 218,347 | 54.6 | 9.9 | 44.7 | 5.3 | 39.3 |
| 1963 | 310,324 | 56,345 | 253,978 | 32,027 | 221,951 | 53.1 | 9.6 | 43.5 | 5.5 | 38.0 |
| 1964 | 316,059 | 59,210 | 256,849 | 34,794 | 222,055 | 50.5 | 9.5 | 41.1 | 5.6 | 35.5 |
| 1965 | 322,318 | 61,540 | 260,778 | 39,100 | 221,678 | 48.0 | 9.2 | 38.9 | 5.8 | 33.0 |
| 1966 | 328,498 | 64,784 | 263,714 | 42,169 | 221,545 | 44.7 | 8.8 | 35.9 | 5.7 | 30.1 |
| 1967 | 340,445 | 73,819 | 266,626 | 46,719 | 219,907 | 42.9 | 9.3 | 33.6 | 5.9 | 27.7 |
| 1968 | 368,685 | 79,140 | 289,545 | 52,230 | 237,315 | 43.5 | 9.3 | 34.2 | 6.2 | 28.0 |
| 1969 | 365,769 | 87,661 | 278,108 | 54,095 | 224,013 | 39.5 | 9.5 | 30.0 | 5.8 | 24.2 |
| 1970 | 380,921 | 97,723 | 283,198 | 57,714 | 225,484 | 38.7 | 9.9 | 28.7 | 5.9 | 22.9 |
| 1971 | 408,176 | 105,140 | 303,037 | 65,518 | 237,519 | 38.8 | 10.0 | 28.8 | 6.2 | 22.6 |
| 1972 | 435,936 | 113,559 | 322,377 | 71,426 | 250,951 | 38.0 | 9.9 | 28.1 | 6.2 | 21.9 |
| 1973 | 466,291 | 125,381 | 340,910 | 75,181 | 265,729 | 36.6 | 9.8 | 26.8 | 5.9 | 20.9 |
| 1974 | 483,893 | 140,194 | 343,699 | 80,648 | 263,051 | 34.5 | 10.0 | 24.5 | 5.7 | 18.7 |
| 1975 | 541,925 | 147,225 | 394,700 | 84,993 | 309,707 | 35.9 | 9.8 | 26.1 | 5.6 | 20.5 |
| 1976 | 628,970 | 151,566 | 477,404 | 94,714 | 382,690 | 37.3 | 9.0 | 28.3 | 5.6 | 22.7 |
| TQ | 643,561 | 148,052 | 495,509 | 96,702 | 398,807 | 36.2 | 8.3 | 27.8 | 5.4 | 22.4 |
| 1977 | 706,398 | 157,295 | 549,103 | 105,004 | 444,099 | 36.8 | 8.2 | 28.6 | 5.5 | 23.2 |
| 1978 | 776,602 | 169,477 | 607,125 | 115,480 | 491,645 | 36.0 | 7.9 | 28.2 | 5.4 | 22.8 |
| 1979 | 828,923 | 189,162 | 639,761 | 115,594 | 524,167 | 34.1 | 7.8 | 26.3 | 4.8 | 21.6 |
| 1980 | 908,503 | 199,212 | 709,291 | 120,846 | 588,445 | 34.4 | 7.5 | 26.8 | 4.6 | 22.3 |
| 1981 | 994,298 | 209,507 | 784,791 | 124,466 | 660,325 | 33.5 | 7.1 | 26.5 | 4.2 | 22.3 |
| 1982 | 1,136,798 | 217,560 | 919,238 | 134,497 | 784,741 | 36.4 | 7.0 | 29.4 | 4.3 | 25.1 |
| 1983 | 1,371,164 | 240,114 | 1,131,049 | 155,527 | 975,522 | 41.3 | 7.2 | 34.1 | 4.7 | 29.4 |
| 1984 | 1,564,110 | 264,159 | 1,299,951 | 155,122 | 1,144,829 | 42.3 | 7.1 | 35.2 | 4.2 | 31.0 |

Table 7.1—FEDERAL DEBT AT THE END OF YEAR, 1940–1999—Continued

| End of Fiscal Year | In Millions of Dollars | | | | As Percentages of GDP | | | | | |
|---------------------|------------------------|---|----------------------------|------------------------|-----------------------|---|----------------------------|------------------------|-------|------|
| | Gross Federal Debt | Less: Held by Federal Government Accounts | Equals: Held by the Public | | Gross Federal Debt | Less: Held by Federal Government Accounts | Equals: Held by the Public | | | |
| | | | Total | Federal Reserve System | | | Total | Federal Reserve System | Other | |
| 1985 | 1,816,974 | 317,612 | 1,499,362 | 169,806 | 1,329,556 | 45.8 | 8.0 | 37.8 | 4.3 | 33.5 |
| 1986 | 2,120,082 | 383,919 | 1,736,163 | 190,855 | 1,545,308 | 50.3 | 9.1 | 41.2 | 4.5 | 36.6 |
| 1987 | 2,345,578 | 457,444 | 1,888,134 | 212,040 | 1,676,094 | 52.7 | 10.3 | 42.4 | 4.8 | 37.6 |
| 1988 | 2,600,760 | 550,507 | 2,050,252 | 229,218 | 1,821,034 | 54.1 | 11.4 | 42.6 | 4.8 | 37.9 |
| 1989 | 2,867,493 | 678,157 | 2,189,336 | 220,088 | 1,969,248 | 55.4 | 13.1 | 42.3 | 4.3 | 38.1 |
| 1990 | 3,206,207 | 795,841 | 2,410,366 | 234,410 | 2,175,956 | 58.5 | 14.5 | 44.0 | 4.3 | 39.7 |
| 1991 | 3,598,303 | 910,362 | 2,687,942 | 258,591 | 2,429,351 | 63.4 | 16.0 | 47.4 | 4.6 | 42.8 |
| 1992 | 4,001,941 | 1,003,302 | 2,998,639 | 296,397 | 2,702,243 | 67.4 | 16.9 | 50.5 | 5.0 | 45.5 |
| 1993 | 4,351,223 | 1,104,045 | 3,247,178 | 325,653 | 2,921,526 | 69.1 | 17.5 | 51.6 | 5.2 | 46.4 |
| 1994 estimate | 4,676,029 | 1,203,617 | 3,472,412 | N/A | N/A | 70.4 | 18.1 | 52.3 | N/A | N/A |
| 1995 estimate | 4,960,128 | 1,314,001 | 3,646,127 | N/A | N/A | 70.6 | 18.7 | 51.9 | N/A | N/A |
| 1996 estimate | 5,267,077 | 1,438,548 | 3,828,529 | N/A | N/A | 71.0 | 19.4 | 51.6 | N/A | N/A |
| 1997 estimate | 5,601,255 | 1,571,338 | 4,029,917 | N/A | N/A | 71.4 | 20.0 | 51.4 | N/A | N/A |
| 1998 estimate | 5,953,494 | 1,716,255 | 4,237,239 | N/A | N/A | 71.9 | 20.7 | 51.1 | N/A | N/A |
| 1999 estimate | 6,305,432 | 1,869,133 | 4,436,299 | N/A | N/A | 72.1 | 21.4 | 50.7 | N/A | N/A |

N/A: Not available.

Table 7.2—DEBT SUBJECT TO STATUTORY LIMIT: 1940—1989

[In millions of dollars]

| End of Fiscal Year | Debt Subject to Limit | End of Fiscal Year | Debt Subject to Limit | End of Fiscal Year | Debt Subject to Limit | End of Fiscal Year | Debt Subject to Limit |
|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|
| 1940 | 43,219 | 1956 | 270,519 | 1971 | 398,650 | 1985 | 1,823,775 |
| 1941 | 49,494 | 1957 | 269,120 | 1972 | 427,751 | 1986 | 2,110,975 |
| 1942 | 74,154 | 1958 | 275,395 | 1973 | 458,264 | 1987 | 2,336,014 |
| 1943 | 140,469 | 1959 | 282,419 | 1974 | 475,181 | 1988 | 2,586,869 |
| 1944 | 208,077 | 1960 | 283,827 | 1975 | 534,207 | 1989 | 2,829,770 |
| 1945 | 268,671 | 1961 | 286,308 | 1976 | 621,556 | 1990 | 3,161,223 |
| 1946 | 268,932 | 1962 | 295,374 | TQ | 635,822 | 1991 | 3,569,300 |
| 1947 | 255,767 | 1963 | 302,923 | 1977 | 699,963 | 1992 | 3,972,578 |
| 1948 | 250,381 | 1964 | 308,583 | 1978 | 772,691 | 1993 | 4,315,571 |
| 1949 | 250,965 | 1965 | 314,126 | 1979 | 827,615 | 1994 estimate | 4,641,097 |
| 1950 | 255,382 | 1966 | 316,293 | 1980 | 908,723 | 1995 estimate | 4,924,951 |
| 1951 | 253,284 | 1967 | 323,143 | 1981 | 998,818 | 1996 estimate | 5,231,973 |
| 1952 | 257,233 | 1968 | 348,534 | 1982 | 1,142,913 | 1997 estimate | 5,566,157 |
| 1953 | 264,220 | 1969 | 356,107 | 1983 | 1,377,953 | 1998 estimate | 5,918,402 |
| 1954 | 269,379 | 1970 | 372,600 | 1984 | 1,572,975 | 1999 estimate | 6,270,347 |
| 1955 | 272,348 | | | | | | |



APPENDIX H

**CBO Baseline Outlays From Finance Committee
Spending Programs for Fiscal Years 1995-1999**

| | | | | | | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|---------|--|--|--|--|
| SSI | | | | | | | | | | |
| mandatory | 24,483 | 24,477 | 29,338 | 32,122 | 35,052 | 145,472 | | | | |
| discretionary | 1,852 | 1,924 | 1,995 | 2,068 | 2,144 | 9,983 | | | | |
| subtotal | 26,335 | 26,401 | 31,333 | 34,190 | 37,196 | 155,455 | | | | |
| AFDC AND CHILD SUPPORT | | | | | | | | | | |
| mandatory | 17,042 | 17,566 | 18,022 | 18,589 | 19,206 | 90,425 | | | | |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| subtotal | 17,042 | 17,566 | 18,022 | 18,589 | 19,206 | 90,425 | | | | |
| AFDC (JOBS) | | | | | | | | | | |
| mandatory | 860 | 900 | 930 | 950 | 960 | 4,600 | | | | |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| subtotal | 860 | 900 | 930 | 950 | 960 | 4,600 | | | | |
| EITC | | | | | | | | | | |
| mandatory | 15,348 | 18,057 | 20,065 | 20,838 | 21,670 | 95,978 | | | | |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| subtotal | 15,348 | 18,057 | 20,065 | 20,838 | 21,670 | 95,978 | | | | |
| CHILD HEALTH TAX CREDIT | | | | | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| subtotal | 0 | 0 | 0 | 0 | 0 | 0 | | | | |

CBO BASELINE OUTLAYS FROM FINANCE COMMITTEE SPENDING PROGRAMS FOR FISCAL YEARS 1995-1999
 Continued

[In millions of dollars]

| | FISCAL YEARS | | | | | Total 1995-1999 |
|--|--------------|--------------|--------------|--------------|--------------|--------------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | |
| FOSTER CARE/ADOPTION | | | | | | |
| mandatory | 3,355 | 3,757 | 4,049 | 4,371 | 4,710 | 20,242 |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 |
| subtotal | 3,355 | 3,757 | 4,049 | 4,371 | 4,710 | 20,242 |
| FAMILY PRESERVATION AND SUPPORT ... | | | | | | |
| mandatory | 132 | 210 | 237 | 252 | 51 | 882 |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 |
| subtotal | 132 | 210 | 237 | 252 | 51 | 882 |
| CHILD WELFARE TRAINING | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 |
| discretionary | 4 | 5 | 5 | 5 | 5 | 24 |
| subtotal | 4 | 5 | 5 | 5 | 5 | 24 |
| CHILD WELFARE SERVICES | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 |
| discretionary | 301 | 309 | 318 | 326 | 335 | 1,589 |
| subtotal | 301 | 309 | 318 | 326 | 335 | 1,589 |

CBO BASELINE OUTLAYS FROM FINANCE COMMITTEE SPENDING PROGRAMS FOR FISCAL YEARS 1995-1999
 Continued

[In millions of dollars]

| | FISCAL YEARS | | | | | Total 1995-1999 |
|--|----------------|----------------|----------------|----------------|----------------|--------------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | |
| PUERTO RICO CUSTOMS REBATES | | | | | | |
| mandatory | 151 | 156 | 160 | 165 | 170 | 802 |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 |
| subtotal | 151 | 156 | 160 | 165 | 170 | 802 |
| PUBLIC DEBT ADMINISTRATION | | | | | | |
| mandatory | 122 | 125 | 129 | 132 | 136 | 644 |
| discretionary | 193 | 199 | 206 | 212 | 219 | 1,029 |
| subtotal | 315 | 324 | 335 | 344 | 355 | 1,673 |
| INTEREST ON PUBLIC DEBT | | | | | | |
| mandatory | 311,771 | 331,188 | 347,790 | 365,300 | 384,785 | 1,740,834 |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 |
| subtotal | 311,771 | 331,188 | 347,790 | 365,300 | 384,785 | 1,740,834 |
| INTEREST ON TAX REFUNDS | | | | | | |
| mandatory | 2,486 | 2,977 | 3,106 | 3,242 | 3,371 | 15,182 |
| discretionary | 0 | 0 | 0 | 0 | 0 | 0 |
| subtotal | 2,486 | 2,977 | 3,106 | 3,242 | 3,371 | 15,182 |

| | | | | | | | | | |
|--------------------------------------|-------|-------|-------|-------|-------|--------|--|--|--|
| P8GC | | | | | | | | | |
| mandatory | -870 | -850 | -824 | -799 | -761 | -4,104 | | | |
| discretionary | 12 | 12 | 12 | 12 | 12 | 60 | | | |
| subtotal | -858 | -838 | -812 | -787 | -749 | -4,044 | | | |
| U.S. TRADE REPRESENTATIVE | | | | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| discretionary | 22 | 23 | 24 | 25 | 26 | 120 | | | |
| subtotal | 22 | 23 | 24 | 25 | 26 | 120 | | | |
| INTERNATIONAL TRADE COMMISSION | | | | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| discretionary | 45 | 46 | 48 | 50 | 52 | 241 | | | |
| subtotal | 45 | 46 | 48 | 50 | 52 | 241 | | | |
| CUSTOMS—GENERAL ADMINISTRATION .. | | | | | | | | | |
| mandatory | 214 | 229 | 244 | 263 | 281 | 1,231 | | | |
| discretionary | 1,410 | 1,468 | 1,526 | 1,585 | 1,646 | 7,635 | | | |
| subtotal | 1,624 | 1,697 | 1,770 | 1,848 | 1,927 | 8,866 | | | |
| CUSTOMS—AIR INTERDICTION | | | | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| discretionary | 53 | 53 | 52 | 53 | 54 | 265 | | | |
| subtotal | 53 | 53 | 52 | 53 | 54 | 265 | | | |

CBO BASELINE OUTLAYS FROM FINANCE COMMITTEE SPENDING PROGRAMS FOR FISCAL YEARS 1995-1999
 Continued

[In millions of dollars]

| | FISCAL YEARS | | | | | Total 1995-1999 |
|--|--------------|--------------|--------------|--------------|--------------|--------------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | |
| CUSTOMS REFUNDS, FORFEITURES, ETC | | | | | | |
| mandatory | 236 | 236 | 236 | 237 | 237 | 1,182 |
| discretionary | 33 | 34 | 35 | 36 | 37 | 175 |
| subtotal | 269 | 270 | 271 | 273 | 274 | 1,357 |
| TAX COURT | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 |
| discretionary | 35 | 36 | 37 | 39 | 40 | 187 |
| subtotal | 35 | 36 | 37 | 39 | 40 | 187 |
| INTERNAL REVENUE SERVICE | | | | | | |
| mandatory | 0 | 0 | 0 | 0 | 0 | 0 |
| discretionary | 7,652 | 7,961 | 8,270 | 8,589 | 8,921 | 41,393 |
| subtotal | 7,652 | 7,961 | 8,270 | 8,589 | 8,921 | 41,393 |

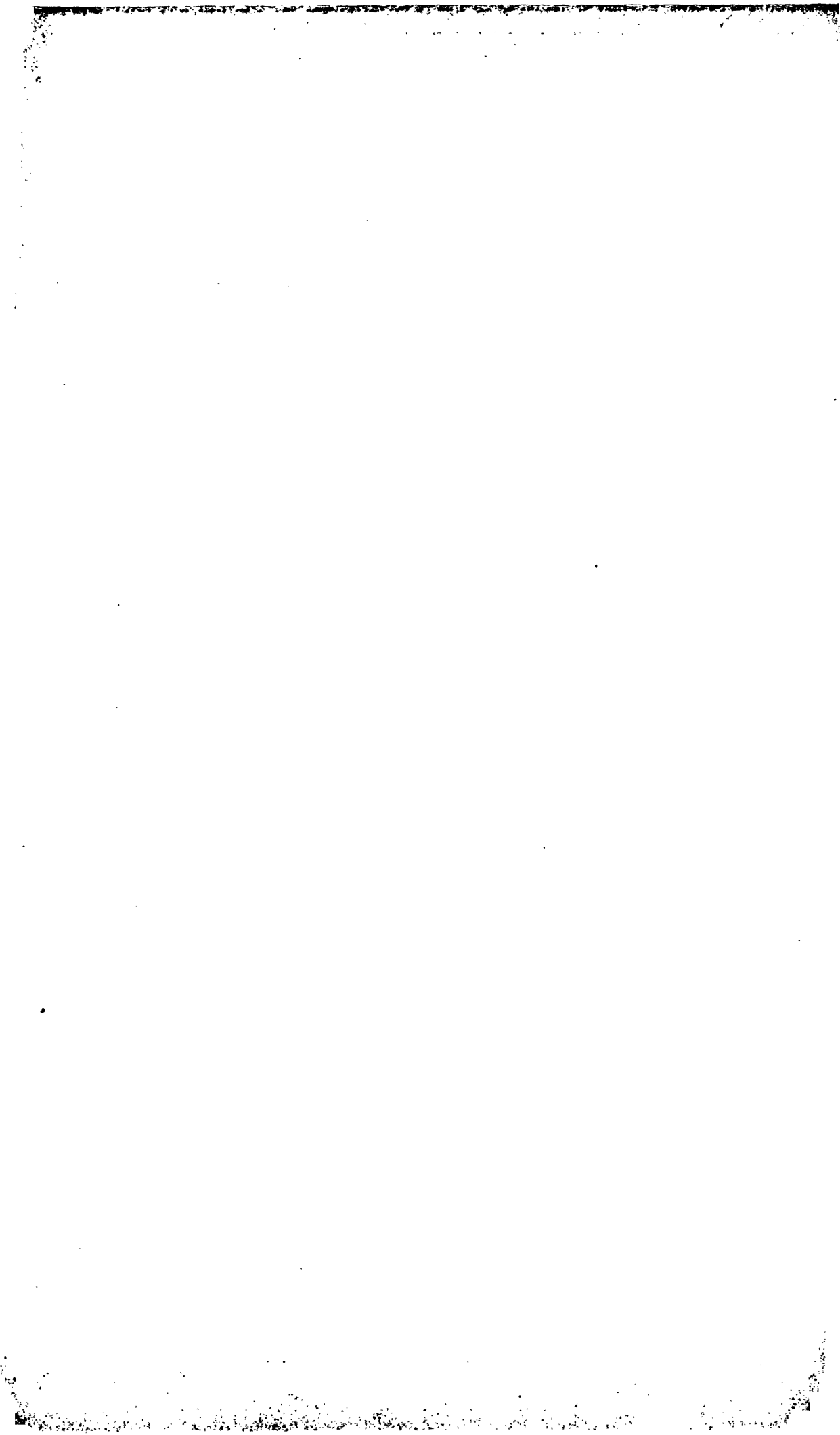
TOTALS:

| | FY 95 | FY 95-99 |
|---------------------------------|------------------|------------------|
| Mandatory | 1,012,014 | 5,813,594 |
| Discretionary | 22,075 | 119,482 |
| TOTAL | 1,034,089 | 5,933,076 |
| Social Security (OASDI) | 337,702 | 1,869,006 |
| Other (excl interest on debt) . | 384,616 | 2,323,236 |
| Interest on the debt | 311,771 | 1,740,834 |
| | 1,034,089 | 5,933,076 |

(Mandatory and discretionary)

Source: Congressional Budget Office.

Note: Discretionary spending levels are from CBO's unconstrained baseline and assume no program cuts to comply with the discretionary spending caps.



APPENDIX I

**Outlays by Category
1962-1999
From: Historical Tables (Section 8)
Budget of the United States Government
Fiscal Year 1995**

Table 8.1—OUTLAYS BY BUDGET ENFORCEMENT ACT CATEGORY: 1962–1999
 [In billions of dollars]

| Fiscal year | Discretionary | | | | Mandatory and net interest | | | | | | | | |
|-------------|---------------|---------------|------------------|----------------|----------------------------|-----------|-------|-----------------|-------------------|-------|-------|-----------------------------------|--------------|
| | Total outlays | Discretionary | | | Total | Mandatory | | | | | | | Net interest |
| | | Total | National defense | Inter-national | | Domestic | Total | Programmatic | | | | Undistributed offsetting receipts | |
| | | | | | | | | Social Security | Deposit insurance | Other | Total | | |
| 1962 | 106.8 | 74.9 | 52.6 | 5.5 | 16.8 | 32.0 | 25.1 | 30.3 | 14.0 | -0.4 | 16.7 | -5.3 | 6.9 |
| 1963 | 111.3 | 78.3 | 53.7 | 5.2 | 19.3 | 33.0 | 25.3 | 31.1 | 15.5 | -0.4 | 16.0 | -5.8 | 7.7 |
| 1964 | 118.5 | 82.8 | 55.0 | 4.6 | 23.1 | 35.8 | 27.6 | 33.3 | 16.2 | -0.4 | 17.4 | -5.7 | 8.2 |
| 1965 | 118.2 | 81.8 | 51.0 | 4.7 | 26.1 | 36.4 | 27.8 | 33.7 | 17.1 | -0.4 | 17.0 | -5.9 | 8.6 |
| 1966 | 134.5 | 94.1 | 59.0 | 5.1 | 30.0 | 40.4 | 31.0 | 37.6 | 20.3 | -0.5 | 17.8 | -6.5 | 9.4 |
| 1967 | 157.5 | 110.4 | 72.0 | 5.3 | 33.1 | 47.0 | 36.8 | 44.1 | 21.3 | -0.4 | 23.2 | -7.3 | 10.3 |
| 1968 | 178.1 | 122.1 | 82.2 | 4.9 | 35.1 | 56.0 | 44.9 | 53.0 | 23.3 | -0.5 | 30.2 | -8.0 | 11.1 |
| 1969 | 183.6 | 121.4 | 82.7 | 4.1 | 34.6 | 62.2 | 49.5 | 57.5 | 26.7 | -0.6 | 31.4 | -8.0 | 12.7 |
| 1970 | 195.6 | 124.6 | 81.9 | 4.0 | 38.7 | 71.1 | 56.7 | 65.3 | 29.6 | -0.5 | 36.2 | -8.6 | 14.4 |
| 1971 | 210.2 | 127.1 | 79.0 | 3.8 | 44.3 | 83.1 | 68.2 | 78.3 | 35.1 | -0.4 | 43.6 | -10.1 | 14.8 |
| 1972 | 230.7 | 133.1 | 79.3 | 4.6 | 49.2 | 97.6 | 82.1 | 91.7 | 39.4 | -0.6 | 52.9 | -9.6 | 15.5 |
| 1973 | 245.7 | 135.0 | 77.1 | 4.8 | 53.0 | 110.7 | 93.4 | 106.8 | 48.2 | -0.8 | 59.4 | -13.4 | 17.3 |
| 1974 | 269.4 | 142.5 | 80.7 | 6.2 | 55.6 | 126.8 | 105.4 | 122.1 | 55.0 | -0.6 | 67.8 | -16.7 | 21.4 |
| 1975 | 332.3 | 162.5 | 87.6 | 8.2 | 66.7 | 169.9 | 146.6 | 160.2 | 63.6 | 0.5 | 96.1 | -13.6 | 23.2 |
| 1976 | 371.8 | 175.6 | 89.9 | 7.5 | 78.2 | 196.2 | 169.5 | 183.9 | 72.7 | -0.6 | 111.8 | -14.4 | 26.7 |
| TQ | 96.0 | 48.0 | 22.3 | 3.3 | 22.4 | 48.0 | 41.0 | 45.2 | 19.5 | -0.1 | 25.8 | -4.2 | 6.9 |
| 1977 | 409.2 | 197.1 | 97.5 | 8.0 | 91.5 | 212.1 | 182.2 | 197.1 | 83.7 | -2.8 | 116.2 | -14.9 | 29.9 |
| 1978 | 458.7 | 218.7 | 104.6 | 8.5 | 105.5 | 240.0 | 204.6 | 220.3 | 92.4 | -1.0 | 128.8 | -15.7 | 35.5 |
| 1979 | 503.5 | 240.0 | 116.8 | 9.1 | 114.1 | 263.5 | 220.9 | 238.3 | 102.6 | -1.7 | 137.5 | -17.5 | 42.6 |

| | | | | | | | | | | | | | |
|---------------|---------|-------|-------|------|-------|---------|---------|---------|-------|-------|-------|-------|-------|
| 1980 | 590.9 | 276.5 | 134.6 | 12.8 | 129.1 | 314.5 | 261.9 | 281.9 | 117.1 | -0.4 | 165.2 | -19.9 | 52.5 |
| 1981 | 678.2 | 308.2 | 158.0 | 13.6 | 136.5 | 370.1 | 301.3 | 329.4 | 137.9 | -1.4 | 192.9 | -28.0 | 68.8 |
| 1982 | 745.8 | 326.2 | 185.9 | 12.9 | 127.4 | 419.6 | 334.5 | 360.6 | 153.9 | -2.1 | 208.8 | -26.1 | 85.0 |
| 1983 | 808.4 | 353.4 | 209.9 | 13.6 | 130.0 | 454.9 | 365.1 | 399.1 | 168.5 | -1.2 | 231.7 | -34.0 | 89.8 |
| 1984 | 851.8 | 379.6 | 228.0 | 16.3 | 135.3 | 472.2 | 361.1 | 393.1 | 176.1 | -0.8 | 217.8 | -32.0 | 111.1 |
| 1985 | 946.4 | 416.2 | 253.1 | 17.4 | 145.7 | 530.2 | 400.7 | 433.4 | 186.4 | -2.2 | 249.1 | -32.7 | 129.5 |
| 1986 | 990.3 | 439.0 | 273.8 | 17.7 | 147.5 | 551.3 | 415.2 | 448.2 | 196.5 | 1.5 | 250.2 | -33.0 | 136.0 |
| 1987 | 1,003.9 | 444.9 | 282.5 | 15.2 | 147.2 | 559.0 | 420.3 | 462.7 | 205.1 | 3.1 | 254.5 | -42.3 | 138.7 |
| 1988 | 1,064.1 | 465.1 | 290.9 | 15.7 | 158.4 | 599.1 | 447.2 | 491.9 | 216.8 | 10.0 | 265.1 | -44.7 | 151.8 |
| 1989 | 1,143.2 | 489.7 | 304.0 | 16.6 | 169.0 | 653.5 | 484.2 | 528.6 | 230.4 | 22.0 | 276.2 | -44.3 | 169.3 |
| 1990 | 1,252.7 | 501.7 | 300.1 | 19.1 | 182.5 | 751.0 | 566.8 | 603.5 | 246.5 | 58.1 | 298.8 | -36.7 | 184.2 |
| 1991 | 1,323.8 | 534.8 | 319.7 | 19.7 | 195.4 | 789.0 | 594.5 | 633.8 | 266.8 | 66.3 | 300.7 | -39.4 | 194.5 |
| 1992 | 1,380.9 | 535.9 | 302.6 | 19.2 | 214.2 | 844.9 | 645.5 | 684.8 | 285.2 | 2.6 | 397.0 | -39.3 | 199.4 |
| 1993 | 1,408.2 | 542.5 | 292.4 | 21.6 | 228.4 | 865.8 | 666.9 | 704.3 | 302.0 | -28.0 | 430.3 | -37.4 | 198.8 |
| 1994 estimate | 1,483.8 | 550.1 | 280.6 | 21.8 | 247.7 | 933.7 | 730.3 | 768.5 | 317.6 | -3.3 | 454.2 | -38.2 | 203.4 |
| 1995 estimate | 1,518.9 | 542.4 | 271.1 | 20.8 | 250.5 | 976.6 | 763.7 | 806.3 | 334.5 | -11.1 | 482.9 | -42.5 | 212.8 |
| 1996 estimate | 1,596.9 | 546.1 | 261.6 | 21.2 | 263.4 | 1,050.8 | 826.6 | 868.2 | 353.6 | -11.3 | 525.9 | -41.6 | 224.2 |
| 1997 estimate | 1,691.4 | 547.8 | 257.0 | 21.3 | 269.5 | 1,143.7 | 909.7 | 949.1 | 369.5 | -6.1 | 585.7 | -39.4 | 234.0 |
| 1998 estimate | 1,777.4 | 544.4 | 257.1 | 21.2 | 266.1 | 1,233.0 | 988.3 | 1,029.7 | 389.6 | -4.9 | 645.0 | -41.4 | 244.6 |
| 1999 estimate | 1,854.0 | 548.3 | 258.1 | 21.3 | 269.0 | 1,305.7 | 1,051.3 | 1,091.8 | 410.8 | -3.3 | 694.3 | -40.5 | 254.4 |

¹Including asset sales.

Source: Budget of the U.S. Government, fiscal year 1995, Historical Tables.

Table 8.3—PERCENTAGE DISTRIBUTION OF OUTLAYS BY BUDGET ENFORCEMENT ACT CATEGORY: 1962-1999

| Fiscal year | Discretionary | | | | Mandatory and net interest | | | | | | | Net interest | |
|-------------|---------------|-------|------------------|----------------|----------------------------|-------|-----------|--------------|-----------------|-------------------|-----------------------------------|--------------|-------|
| | Total Outlays | Total | National defense | Inter-national | Domestic | Total | Mandatory | | | | Undistributed offsetting receipts | | |
| | | | | | | | Total | Programmatic | | | | | Other |
| | | | | | | | | Total | Social Security | Deposit insurance |  |  |  | Other |
| 1962 | 100.0 | 70.1 | 49.2 | 5.2 | 15.7 | 29.9 | 23.5 | 28.4 | 13.2 | -0.4 | 15.6 | -4.9 | 6.4 |
| 1963 | 100.0 | 70.4 | 48.3 | 4.7 | 17.4 | 29.6 | 22.7 | 27.9 | 13.9 | -0.4 | 14.4 | -5.2 | 7.0 |
| 1964 | 100.0 | 69.8 | 46.4 | 3.9 | 19.5 | 30.2 | 23.2 | 28.1 | 13.7 | -0.4 | 14.7 | -4.8 | 6.9 |
| 1965 | 100.0 | 69.2 | 43.2 | 4.0 | 22.1 | 30.8 | 23.5 | 28.5 | 14.4 | -0.3 | 14.4 | -5.0 | 7.3 |
| 1966 | 100.0 | 69.9 | 43.9 | 3.8 | 22.3 | 30.1 | 23.1 | 27.9 | 15.1 | -0.4 | 13.2 | -4.9 | 7.0 |
| 1967 | 100.0 | 70.1 | 45.7 | 3.4 | 21.0 | 29.9 | 23.4 | 28.0 | 13.5 | -0.3 | 14.7 | -4.6 | 6.5 |
| 1968 | 100.0 | 68.6 | 46.1 | 2.7 | 19.7 | 31.4 | 25.2 | 29.7 | 13.1 | -0.3 | 17.0 | -4.5 | 6.2 |
| 1969 | 100.0 | 66.1 | 45.0 | 2.2 | 18.9 | 33.9 | 27.0 | 31.3 | 14.5 | -0.3 | 17.1 | -4.3 | 6.9 |
| 1970 | 100.0 | 63.7 | 41.9 | 2.0 | 19.8 | 36.3 | 29.0 | 33.4 | 15.2 | -0.3 | 18.5 | -4.4 | 7.4 |
| 1971 | 100.0 | 60.5 | 37.6 | 1.8 | 21.1 | 39.5 | 32.5 | 37.3 | 16.7 | -0.2 | 20.7 | -4.8 | 7.1 |
| 1972 | 100.0 | 57.7 | 34.4 | 2.0 | 21.3 | 42.3 | 35.6 | 39.7 | 17.1 | -0.3 | 22.9 | -4.2 | 6.7 |
| 1973 | 100.0 | 54.9 | 31.4 | 2.0 | 21.6 | 45.1 | 38.0 | 43.5 | 19.6 | -0.3 | 24.2 | -5.5 | 7.1 |
| 1974 | 100.0 | 52.9 | 30.0 | 2.3 | 20.6 | 47.1 | 39.1 | 45.3 | 20.4 | -0.2 | 25.2 | -6.2 | 8.0 |
| 1975 | 100.0 | 48.9 | 26.4 | 2.5 | 20.1 | 51.1 | 44.1 | 48.2 | 19.1 | 0.2 | 28.9 | -4.1 | 7.0 |
| 1976 | 100.0 | 47.2 | 24.2 | 2.0 | 21.0 | 52.8 | 45.6 | 49.5 | 19.6 | -0.2 | 30.1 | -3.9 | 7.2 |
| 1977 | 100.0 | 50.0 | 23.2 | 3.5 | 23.3 | 50.0 | 42.7 | 47.1 | 20.3 | -0.1 | 26.9 | -4.4 | 7.2 |
| 1978 | 100.0 | 48.2 | 23.8 | 2.0 | 22.4 | 51.8 | 44.5 | 48.2 | 20.5 | -0.7 | 28.4 | -3.6 | 7.3 |
| 1979 | 100.0 | 47.7 | 22.8 | 1.9 | 23.0 | 52.3 | 44.6 | 48.0 | 20.2 | -0.2 | 28.1 | -3.4 | 7.7 |
| 1979 | 100.0 | 47.7 | 23.2 | 1.8 | 22.7 | 52.3 | 43.9 | 47.3 | 20.4 | -0.3 | 27.3 | -3.5 | 8.5 |
| 1980 | 100.0 | 46.8 | 22.8 | 2.2 | 21.8 | 53.2 | 44.3 | 47.7 | 19.8 | -0.1 | 28.0 | -3.4 | 8.9 |
| 1981 | 100.0 | 45.4 | 23.3 | 2.0 | 20.1 | 54.6 | 44.4 | 48.6 | 20.3 | -0.2 | 28.4 | -4.1 | 10.1 |
| 1982 | 100.0 | 43.7 | 24.9 | 1.7 | 17.1 | 56.3 | 44.9 | 48.4 | 20.6 | -0.3 | 28.0 | -3.5 | 11.4 |

| | | | | | | | | | | | | | |
|---------------|-------|------|------|-----|------|------|------|------|------|------|------|------|------|
| 1983 | 100.0 | 43.7 | 26.0 | 1.7 | 16.1 | 56.3 | 45.2 | 49.4 | 20.8 | -0.1 | 28.7 | -4.2 | 11.1 |
| 1984 | 100.0 | 44.6 | 26.8 | 1.9 | 15.9 | 55.4 | 42.4 | 46.1 | 20.7 | -0.1 | 25.6 | -3.8 | 13.0 |
| 1985 | 100.0 | 44.0 | 26.7 | 1.8 | 15.4 | 56.0 | 42.3 | 45.8 | 19.7 | -0.2 | 26.3 | -3.5 | 13.7 |
| 1986 | 100.0 | 44.3 | 27.7 | 1.8 | 14.9 | 55.7 | 41.9 | 45.3 | 19.8 | 0.2 | 25.3 | -3.3 | 13.7 |
| 1987 | 100.0 | 44.3 | 28.1 | 1.5 | 14.7 | 55.7 | 41.9 | 46.1 | 20.4 | 0.3 | 25.3 | -4.2 | 13.8 |
| 1988 | 100.0 | 43.7 | 27.3 | 1.5 | 14.9 | 56.3 | 42.0 | 46.2 | 20.4 | 0.9 | 24.9 | -4.2 | 14.3 |
| 1989 | 100.0 | 42.8 | 26.6 | 1.5 | 14.8 | 57.2 | 42.4 | 46.2 | 20.2 | 1.9 | 24.2 | -3.9 | 14.8 |
| 1990 | 100.0 | 40.1 | 24.0 | 1.5 | 14.6 | 59.9 | 45.2 | 48.2 | 19.7 | 4.6 | 23.9 | -2.9 | 14.7 |
| 1991 | 100.0 | 40.4 | 24.2 | 1.5 | 14.8 | 59.6 | 44.9 | 47.9 | 20.2 | 5.0 | 22.7 | -3.0 | 14.7 |
| 1992 | 100.0 | 38.8 | 21.9 | 1.4 | 15.5 | 61.2 | 46.7 | 49.6 | 20.7 | 0.2 | 28.7 | -2.8 | 14.4 |
| 1993 | 100.0 | 38.5 | 20.8 | 1.5 | 16.2 | 61.5 | 47.4 | 50.0 | 21.4 | -2.0 | 30.6 | -2.7 | 14.1 |
| 1994 estimate | 100.0 | 37.1 | 18.9 | 1.5 | 16.7 | 62.9 | 49.2 | 51.8 | 21.4 | -0.2 | 30.6 | -2.6 | 13.7 |
| 1995 estimate | 100.0 | 35.7 | 17.8 | 1.4 | 16.5 | 64.3 | 50.3 | 53.1 | 22.0 | -0.7 | 31.8 | -2.8 | 14.0 |
| 1996 estimate | 100.0 | 34.2 | 16.4 | 1.3 | 16.5 | 65.8 | 51.8 | 54.4 | 22.1 | -0.7 | 32.9 | -2.6 | 14.0 |
| 1997 estimate | 100.0 | 32.4 | 15.2 | 1.3 | 15.9 | 67.6 | 53.8 | 56.1 | 21.8 | -0.4 | 34.6 | -2.3 | 13.8 |
| 1998 estimate | 100.0 | 30.6 | 14.5 | 1.2 | 15.0 | 69.4 | 55.6 | 57.9 | 21.9 | -0.3 | 36.3 | -2.3 | 13.8 |
| 1999 estimate | 100.0 | 29.6 | 13.9 | 1.1 | 14.5 | 70.4 | 56.7 | 58.9 | 22.2 | -0.2 | 36.9 | -2.2 | 13.7 |

¹ Including asset sales.

Source: Budget of the U.S. Government, fiscal year 1995, Historical Tables.

Table 8.4—OUTLAYS BY BUDGET ENFORCEMENT ACT CATEGORY AS PERCENTAGES OF GDP: 1962-1999

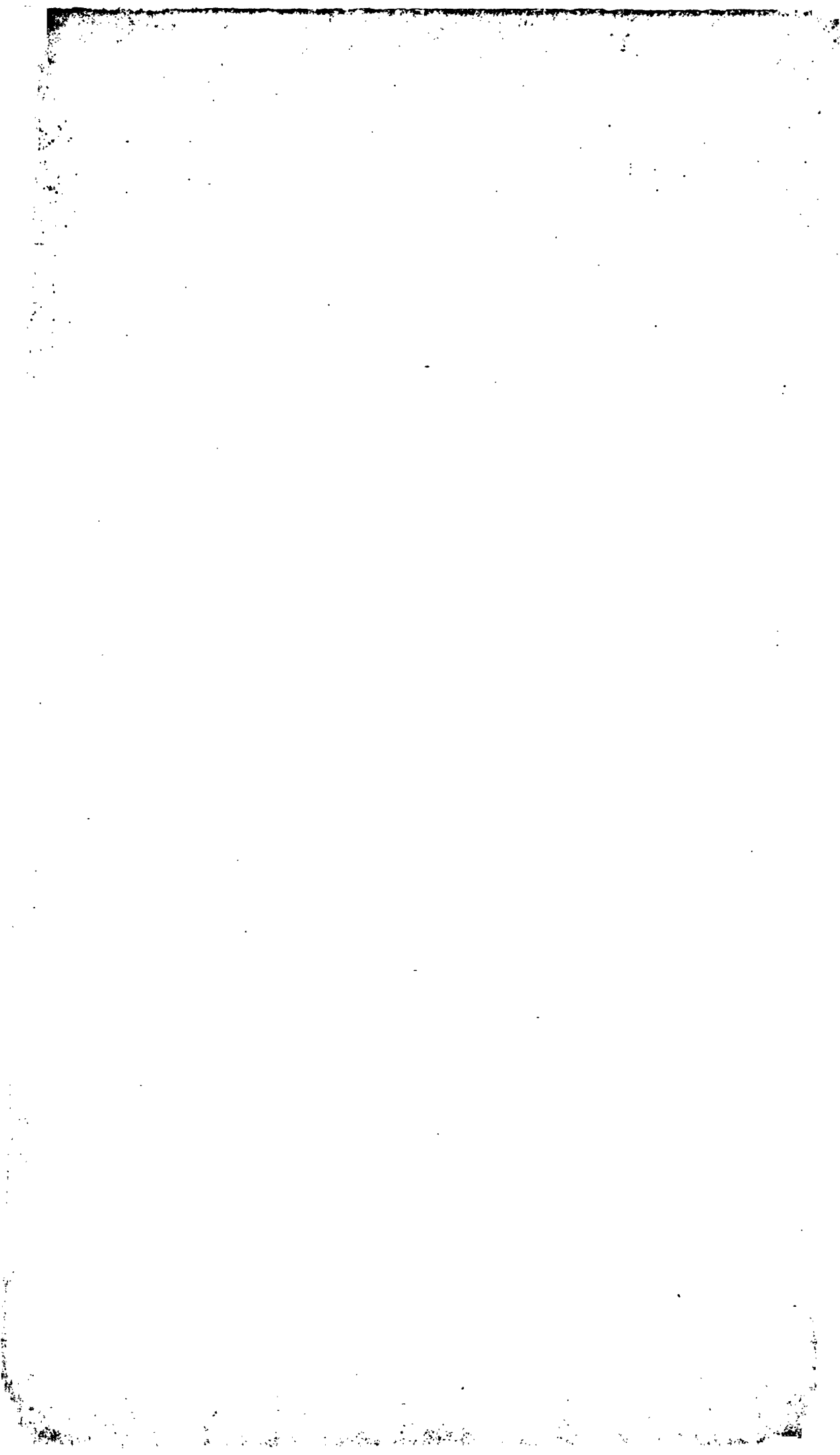
| Fiscal year | Discretionary | | | | Mandatory and net interest | | | | | | | Net interest | |
|-------------|---------------|-------|------------------|----------------|----------------------------|-------|-----------|-----------------|--------------|-------------------|-----------------------------------|--------------|-------|
| | Total Outlays | Total | National defense | Inter-national | Domestic | Total | Mandatory | | | | Undistributed offsetting receipts | | |
| | | | | | | | Total | Social Security | Programmatic | Deposit insurance | | | Other |
| 1962 | 19.2 | 13.5 | 9.5 | 1.0 | 3.0 | 5.8 | 4.5 | 5.5 | 2.5 | -0.1 | 3.0 | -0.9 | 1.2 |
| 1963 | 19.0 | 13.4 | 9.2 | 0.9 | 3.3 | 5.6 | 4.3 | 5.3 | 2.6 | -0.1 | 2.7 | -1.0 | 1.3 |
| 1964 | 19.0 | 13.2 | 8.8 | 0.7 | 3.7 | 5.7 | 4.4 | 5.3 | 2.6 | -0.1 | 2.8 | -0.9 | 1.3 |
| 1965 | 17.6 | 12.2 | 7.6 | 0.7 | 3.9 | 5.4 | 4.1 | 5.0 | 2.5 | -0.1 | 2.5 | -0.9 | 1.3 |
| 1966 | 18.3 | 12.8 | 8.0 | 0.7 | 4.1 | 5.5 | 4.2 | 5.1 | 2.8 | -0.1 | 2.4 | -0.9 | 1.3 |
| 1967 | 19.8 | 13.9 | 9.1 | 0.7 | 4.2 | 5.9 | 4.6 | 5.6 | 2.7 | -0.1 | 2.9 | -0.9 | 1.3 |
| 1968 | 21.0 | 14.4 | 9.7 | 0.6 | 4.1 | 6.6 | 5.3 | 6.3 | 2.7 | -0.1 | 3.6 | -0.9 | 1.3 |
| 1969 | 19.8 | 13.1 | 8.9 | 0.4 | 3.7 | 6.7 | 5.3 | 6.2 | 2.9 | -0.1 | 3.4 | -0.9 | 1.4 |
| 1970 | 19.9 | 12.6 | 8.3 | 0.4 | 3.9 | 7.2 | 5.8 | 6.6 | 3.0 | -0.1 | 3.7 | -0.9 | 1.5 |
| 1971 | 20.0 | 12.1 | 7.5 | 0.4 | 4.2 | 7.9 | 6.5 | 7.5 | 3.3 | (-) | 4.1 | -1.0 | 1.4 |
| 1972 | 20.1 | 11.6 | 6.9 | 0.4 | 4.3 | 8.5 | 7.2 | 8.0 | 3.4 | -0.1 | 4.6 | -0.8 | 1.3 |
| 1973 | 19.3 | 10.6 | 6.1 | 0.4 | 4.2 | 8.7 | 7.3 | 8.4 | 3.8 | -0.1 | 4.7 | -1.1 | 1.4 |
| 1974 | 19.2 | 10.2 | 5.8 | 0.4 | 4.0 | 9.0 | 7.5 | 8.7 | 3.9 | (-) | 4.8 | -1.2 | 1.5 |
| 1975 | 22.0 | 10.8 | 5.8 | 0.5 | 4.4 | 11.2 | 9.7 | 10.6 | 4.2 | (*) | 6.4 | -0.9 | 1.5 |
| 1976 | 22.1 | 10.4 | 5.3 | 0.4 | 4.6 | 11.7 | 10.1 | 10.9 | 4.3 | (-) | 6.6 | -0.9 | 1.6 |
| TQ | 21.6 | 10.8 | 5.0 | 0.7 | 5.0 | 10.8 | 9.2 | 10.2 | 4.4 | (-) | 5.8 | -0.9 | 1.6 |
| 1977 | 21.3 | 10.3 | 5.1 | 0.4 | 4.8 | 11.1 | 9.5 | 10.3 | 4.4 | -0.1 | 6.1 | -0.8 | 1.6 |
| 1978 | 21.3 | 10.1 | 4.9 | 0.4 | 4.9 | 11.1 | 9.5 | 10.2 | 4.3 | (-) | 6.0 | -0.7 | 1.6 |
| 1979 | 20.7 | 9.9 | 4.8 | 0.4 | 4.7 | 10.8 | 9.1 | 9.8 | 4.2 | -0.1 | 5.7 | -0.7 | 1.8 |
| 1980 | 22.3 | 10.5 | 5.1 | 0.5 | 4.9 | 11.9 | 9.9 | 10.7 | 4.4 | (-) | 6.2 | -0.8 | 2.0 |
| 1981 | 22.9 | 10.4 | 5.3 | 0.5 | 4.6 | 12.5 | 10.2 | 11.1 | 4.7 | (-) | 6.5 | -0.9 | 2.3 |
| 1982 | 23.9 | 10.4 | 6.0 | 0.4 | 4.1 | 13.4 | 10.7 | 11.5 | 4.9 | -0.1 | 6.7 | -0.8 | 2.7 |

| | | | | | | | | | | | | | |
|---------------|------|------|-----|-----|-----|------|------|------|-----|------|-----|------|-----|
| 1983 | 24.4 | 10.7 | 6.3 | 0.4 | 3.9 | 13.7 | 11.0 | 12.0 | 5.1 | (-*) | 7.0 | -1.0 | 2.7 |
| 1984 | 23.1 | 10.3 | 6.2 | 0.4 | 3.7 | 12.8 | 9.8 | 10.6 | 4.8 | (-*) | 5.9 | -0.9 | 3.0 |
| 1985 | 23.9 | 10.5 | 6.4 | 0.4 | 3.7 | 13.4 | 10.1 | 10.9 | 4.7 | -0.1 | 6.3 | -0.8 | 3.3 |
| 1986 | 23.5 | 10.4 | 6.5 | 0.4 | 3.5 | 13.1 | 9.8 | 10.6 | 4.7 | (*) | 5.9 | -0.8 | 3.2 |
| 1987 | 22.5 | 10.0 | 6.3 | 0.3 | 3.3 | 12.6 | 9.4 | 10.4 | 4.6 | 0.1 | 5.7 | -1.0 | 3.1 |
| 1988 | 22.1 | 9.7 | 6.1 | 0.3 | 3.3 | 12.5 | 9.3 | 10.2 | 4.5 | 0.2 | 5.5 | -0.9 | 3.2 |
| 1989 | 22.1 | 9.5 | 5.9 | 0.3 | 3.3 | 12.6 | 9.4 | 10.2 | 4.5 | 0.4 | 5.3 | -0.9 | 3.3 |
| 1990 | 22.9 | 9.2 | 5.5 | 0.3 | 3.3 | 13.7 | 10.3 | 11.0 | 4.5 | 1.1 | 5.5 | -0.7 | 3.4 |
| 1991 | 23.3 | 9.4 | 5.6 | 0.3 | 3.4 | 13.9 | 10.5 | 11.2 | 4.7 | 1.2 | 5.3 | -0.7 | 3.4 |
| 1992 | 23.3 | 9.0 | 5.1 | 0.3 | 3.6 | 14.2 | 10.9 | 11.5 | 4.8 | (*) | 6.7 | -0.7 | 3.4 |
| 1993 | 22.4 | 8.6 | 4.6 | 0.3 | 3.6 | 13.8 | 10.6 | 11.2 | 4.8 | -0.4 | 6.8 | -0.6 | 3.2 |
| 1994 estimate | 22.3 | 8.3 | 4.2 | 0.3 | 3.7 | 14.1 | 11.0 | 11.6 | 4.8 | (-*) | 6.8 | -0.6 | 3.1 |
| 1995 estimate | 21.6 | 7.7 | 3.9 | 0.3 | 3.6 | 13.9 | 10.9 | 11.5 | 4.8 | -0.2 | 6.9 | -0.6 | 3.0 |
| 1996 estimate | 21.5 | 7.4 | 3.5 | 0.3 | 3.5 | 14.2 | 11.1 | 11.7 | 4.8 | -0.2 | 7.1 | -0.6 | 3.0 |
| 1997 estimate | 21.6 | 7.0 | 3.3 | 0.3 | 3.4 | 14.6 | 11.6 | 12.1 | 4.7 | -0.1 | 7.5 | -0.5 | 3.0 |
| 1998 estimate | 21.5 | 6.6 | 3.1 | 0.3 | 3.2 | 14.9 | 11.9 | 12.4 | 4.7 | -0.1 | 7.8 | -0.5 | 3.0 |
| 1999 estimate | 21.2 | 6.3 | 2.9 | 0.2 | 3.1 | 14.9 | 12.0 | 12.5 | 4.7 | (-*) | 7.8 | -0.5 | 2.9 |

*0.05 percent or less.

† Including asset sales.

Source: Budget of the U.S. Government, fiscal year 1995, Historical Tables.



APPENDIX J

**Entitlement Cap Proposals: Impact on
Finance Committee Programs**



Entitlement Cap Proposals: Impact On Finance Committee Programs

On March 25, 1994, during consideration of the Concurrent Resolution on the Budget for Fiscal Year 1995, the Senate adopted a Sense of the Senate amendment, sponsored by Senator Nunn, providing the following:

SEC. 55. SENSE OF THE SENATE ON CONTROLLING NON-SOCIAL SECURITY MANDATORY SPENDING

It is the sense of the Senate that the Congress should:

(1) enact, after health care reform legislation is enacted, annual caps on mandatory spending that take effect beginning in fiscal year 1996;

(2) include within such caps all mandatory spending programs except Social Security, deposit insurance and net interest;

(3) provide that the caps shall be set so that program providing benefits to individuals may grow for inflation, changes in the numbers of beneficiaries, and an additional growth allowance of:

(A) 4 percent in 1996,

(B) 3.5 percent in 1997,

(C) 3 percent in 1998, and

(D) 2 percent in 1999 and thereafter;

(4) provide that the caps shall be adjusted annually in the President's budget for changes in inflation and the number of beneficiaries in mandatory spending programs since the caps were enacted (excluding any changes due to legislation); and

(5) provide that if total mandatory spending exceeds the formula in subsection (3), the caps shall be enforced by:

(A) requiring the President's budget to comply with the caps, including submission of proposals to reduce mandatory spending to stay within the caps if a breach is expected under current law;

(B) super majority points-of-order prohibiting the consideration of future budget resolutions or legislation that would breach the caps; and

(C) at the conclusion of each session of Congress, a sequestration procedure that would reduce mandatory spending by the amount of any breach of the cap in the upcoming year by reducing those programs growing faster than inflation, beneficiary changes, and the additional growth allowance for that year,

(6) provides for a period of not less than 60 days before such sequestration for committees of the House and the Senate with

jurisdiction over mandatory programs which are determined to be exceeding these allowable spending levels to report legislation that reduces direct spending in their jurisdiction by an amount sufficient to eliminate the excess spending;

(7) ensures that reductions in Federal spending for mandatory programs required by such legislation is not to be achieved by shifting costs to State and local governments.

For future reference, it is useful to consider the effects which enforceable entitlement caps would have on mandatory spending programs. The following table, prepared by the Congressional Budget Office, displays the effects enforceable entitlement caps (as called for by the Nunn amendment) would have on mandatory spending programs within the jurisdiction of the Finance Committee.

**OUTLAYS FOR SELECTED MANDATORY PROGRAMS
CBO FEBRUARY BASELINE VS. PROPOSED CAP**

[Numbers in bold type indicate programs which would be reduced under the proposed entitlement caps]

[Amounts in Millions]

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------------------|-----------|---------------|---------------|----------------|----------------|
| Medicare, Part A | | | | | |
| Baseline | 110,542 | 119,532 | 130,056 | 141,663 | 155,475 |
| Cap | 110,542 | 119,532 | 128,970 | 138,200 | 146,923 |
| Difference | 0 | 0 | -1,086 | -3,463 | -8,552 |
| Percentage Difference | 0% | 0% | -0.8% | -2.5% | -5.6% |
| Medicare, Part B | | | | | |
| Baseline | 66,826 | 75,559 | 85,494 | 96,070 | 107,893 |
| Cap | 66,826 | 72,539 | 78,190 | 83,672 | 88,801 |
| Difference | 0 | -3,020 | -7,304 | -12,398 | -19,092 |
| Percentage Difference | 0% | -4.2% | -9.3% | -14.8% | -21.5% |
| Medicaid | | | | | |
| Baseline | 96,199 | 108,119 | 120,927 | 135,362 | 151,050 |
| Cap | 96,199 | 105,654 | 115,026 | 123,927 | 132,912 |
| Difference | 0 | -2,465 | -5,901 | -11,435 | -18,138 |
| Percentage Difference | 0% | -2.3% | -5.1% | -9.2% | -13.6% |
| Supplemental Security Income | | | | | |
| Baseline | 24,483 | 24,477 | 29,338 | 32,122 | 35,052 |
| Cap | 24,483 | 24,477 | 29,338 | 32,122 | 35,052 |
| Difference | 0 | 0 | 0 | 0 | 0 |
| Percentage Difference | 0% | 0% | 0% | 0% | 0% |
| Unemployment Compensation | | | | | |
| Baseline | 23,984 | 24,874 | 25,196 | 25,533 | 26,513 |
| Cap | 23,984 | 24,874 | 25,196 | 25,533 | 26,513 |
| Difference | 0 | 0 | 0 | 0 | 0 |
| Percentage Difference | 0% | 0% | 0% | 0% | 0% |

OUTLAYS FOR SELECTED MANDATORY PROGRAMS—Continued
CBO FEBRUARY BASELINE VS. PROPOSED CAP

(Numbers in bold type indicate programs which would be reduced under the proposed entitlement caps)

(Amounts in Millions)

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--|--------|--------|--------|--------|--------|
| Family Support Payments¹ | | | | | |
| Baseline | 17,042 | 17,566 | 18,022 | 18,589 | 19,206 |
| Cap | 17,042 | 17,566 | 18,022 | 18,589 | 19,206 |
| Difference | 0 | 0 | 0 | 0 | 0 |
| Percentage Difference | 0% | 0% | 0% | 0% | 0% |
| Earned Income Tax Credit | | | | | |
| Baseline | 15,348 | 18,057 | 20,065 | 20,838 | 21,670 |
| Cap | 15,348 | 17,129 | 18,427 | 19,713 | 20,889 |
| Difference | 0 | -928 | -1,638 | -1,125 | -781 |
| Percentage Difference | 0% | -5.4% | -8.9% | -5.7% | -3.7% |
| Foster Care/Adoption Assistance | | | | | |
| Baseline | 3,355 | 3,757 | 4,049 | 4,371 | 4,710 |
| Cap | 3,355 | 3,750 | 4,049 | 4,371 | 4,710 |
| Difference | 0 | -7 | 0 | 0 | 0 |
| Percentage Difference | 0% | -0.2% | 0% | 0% | 0% |

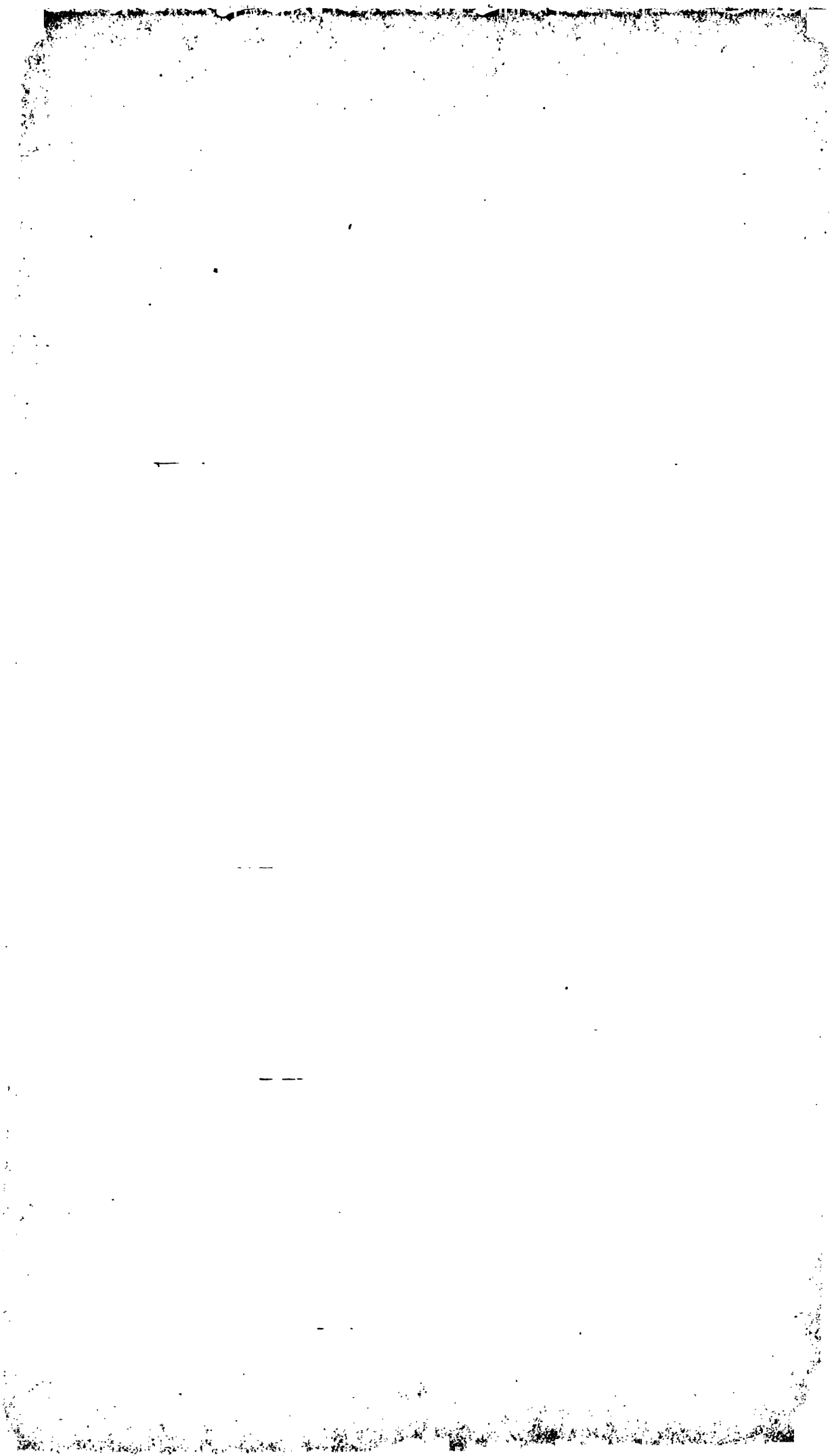
¹ Family support payments includes AFDC; JOBS; and Child Support Enforcement.

Estimated outlays for selected mandatory programs under CBO February 1994 baseline assumptions and under a cap that would limit growth in outlays beginning in fiscal year 1996. The cap would limit growth in each mandatory program to the annual percentage change in program enrollment plus the percentage change in the CPI, plus 4.0% in 1996, 3.5% in 1997, 3.0% in 1998, and 2.0% in 1999.



APPENDIX K

Glossary of Budget Terms



Glossary of Budget Terms Relevant to the Committee on Finance

Following are excerpts from "A Glossary of Terms Used in the Federal Budget Process" (January 1993) prepared by the General Accounting Office (GAO). GAO has statutory responsibility (31 U.S.C. 1112) for publishing standard terminology, definitions, classifications, and codes for federal fiscal, budgetary, and program-related information. Following are terms often used by the Committee on Finance as defined in GAO's most recent glossary.

(The notations "See" and "See also," when used in this appendix, refer to GAO's publication.)

Abbreviations

| | |
|-------|---------------------------------|
| BEA | Budget Enforcement Act |
| CBO | Congressional Budget Office |
| CEA | Council of Economic Advisors |
| GAO | General Accounting Office |
| GRH | Gramm-Rudman-Hollings |
| OMB | Office of Management and Budget |
| PAYGO | pay-as-you-go |

Account in the President's Budget: Expenditure/Appropriation and Receipt Accounts Classified by Fund Types

Accounts used by the federal government to record outlays (expenditure accounts) and income (receipt accounts) primarily for budgeting or management information purposes but also for accounting purposes. All budget (and off-budget) accounts are classified as being either expenditure or receipt (including offsetting receipt) accounts and by fund group. Budget (and off-budget) transactions fall within either of two fund groups: (1) federal funds and (2) trust funds.

All federal fund and trust fund accounts are included within the budget (that is, they are on-budget) unless they are excluded from the budget by law. Federal and trust funds excluded from the budget by law are classified as being off-budget. The term *off-budget* differs from the term *non-budgetary*. Non-budgetary refers to activities (such as the credit financing accounts) that do not belong in the budget under existing concepts, while off-budget refers to accounts that belong on-budget under budget concepts but that are excluded from the budget under terms of law.

Federal Fund Accounts

Accounts composed of moneys collected and spent by the federal government other than those designated as trust funds. Federal fund accounts include general, special, public enterprise, and intragovernmental fund accounts.

General Fund Accounts. Federal fund accounts composed of all federal money not allocated to any other fund account.

General Fund Receipt Account. A receipt account credited with all collections that are not earmarked by law for a specific purpose. These collections are presented in the *Budget of the United States Government* as either governmental (budget) receipts or offsetting receipts. These include taxes, customs duties, and miscellaneous receipts.

General Fund Expenditure Account. An appropriation account established to record amounts appropriated by law for the general support of federal government

activities and the subsequent expenditure of these funds. It includes spending from both annual and permanent appropriations.

Special Fund Accounts. Federal fund accounts earmarked by law for a specific purpose.

Special Fund Receipt Account. A receipt account credited with collections that are earmarked by law but included in the federal funds group rather than classified as trust fund collections. These collections are presented in the *Budget of the United States Government* as either governmental (budget) receipts or offsetting receipts. (See also Earmarking.)

Special Fund Expenditure Account. An appropriation account established to record appropriations, obligations, and outlays financed by the proceeds of special fund receipts. (See also Earmarking.)

Public Enterprise Revolving Fund Accounts. Expenditure accounts authorized by law to be credited with offsetting collections, primarily from the public, that are generated by and earmarked to finance a continuing cycle of business-type operations. Such funds may be financed in part from appropriations.

Intragovernmental Fund Accounts. Expenditure accounts authorized by law to facilitate financing transactions primarily within and between federal agencies on a revolving fund basis.

Intragovernmental Revolving Fund Account. An appropriation account authorized to be credited with collections, primarily from other agencies and accounts, that are earmarked to finance a continuing cycle of business-type operations, including working capital funds, industrial funds, stock funds, and supply funds. (See also Working Capital Fund.)

Management Fund Account. An account authorized by law to credit collections from two or more appropriations to finance activity not involving a continuing cycle of business-type operations. Such accounts do not generally own a significant amount of assets such as supplies, equipment, or loans, nor do they have a specified amount of capital provided—a corpus. The Navy Management Fund is an example of such an account.

Consolidated Working Fund Accounts are a subset of management funds. These are special working funds established under the authority of Section 601 of the Economy Act (31 U.S.C. 1535, 1536) to receive advance payments from other agencies or accounts. Consolidated working fund accounts are not used to finance the work directly but only to reimburse the appropriation or fund account that will finance the work to be performed. Amounts in consolidated working fund accounts are available for the same periods as those of the accounts advancing the funds. Consolidated working fund accounts are shown as separate accounts on the books of Treasury, but are not separately identified in the President's budget. Transactions of these accounts are included in the presentation of the appropriation or fund account actually performing the service or providing the materials.

Trust Fund Accounts

Accounts designated as "trust funds" by law, regardless of any other meaning of the words "trust fund." A trust fund account is usually either a receipt or an expenditure account. A trust revolving fund, however, receives offsetting collections authorized to be credited to an expenditure account. (See also Earmarking.)

Trust Fund Receipt Account. A receipt account credited with collections classified as trust fund collections. These collections are presented as either governmental (on-budget or off-budget) receipts or offsetting receipts.

Trust Fund Expenditure Account. An appropriation account established to record amounts appropriated to finance programs specified by law as being trust funds. Such funds may be on-budget or off-budget.

Trust Revolving Fund Account. A trust fund expenditure account that is an appropriation account authorized to be credited with collections and used to carry out a cycle of business-type operations in accordance with statute.

Appropriated Entitlement

An entitlement whose budget authority is provided in an annual appropriation act. Such entitlements require annual appropriations but are beyond the effective control of the appropriations process because of statutory eligibility and benefit criteria. The food stamp program is an example of such an entitlement. (See also Apportionment; Entitlement Authority.)

Authorizing Committee

A standing committee of the House or Senate with legislative jurisdiction over the subject matter of those laws, or parts of laws, that set up or continue the operations of federal programs or agencies. An authorizing committee also has jurisdiction in those instances where backdoor authority is provided in the substantive legislation. (See also Backdoor Authority/Backdoor Spending; Oversight Committee; Spending Committee.)

Authorizing Legislation

Substantive legislation that sets up or continues the operation of a federal program or agency either indefinitely or for a specific period of time or that sanctions a particular type of obligation or expenditure within a program.

Authorizing legislation is normally a prerequisite for appropriations. It may place a limit on the amount of budget authority to be included in appropriation acts or it may authorize the appropriation of "such sums as may be necessary." In some instances, authorizing legislation may provide authority to incur debts or may mandate payment to particular persons or political subdivisions of the country. (See also Appropriation Act; Backdoor Authority/Backdoor Spending; Entitlement Authority; Limitation; Substantive Law.)

Automatic Spending Increase (Budget Enforcement Act Term)

For the purposes of calculating a sequestration under the Budget Enforcement Act of 1990, an increase in outlays in a specifically designated program due to a change in an index, not a change in law. (2 U.S.C. 906(a)). Such an increase may be reduced by sequestration. In those programs all amounts other than the automatic spending increase are exempt from reduction under a sequestration order. Under current law three programs—the National Wool Act, the special milk program, and the vocational rehabilitation basic state grants—are included under this provision. Many federal programs automatically increase their budgetary resources by law, but these increases are not defined as "automatic spending increases" and, therefore, sequestration may not reduce them or may not reduce them by the full uniform reduction percentage. (See also Gramm-Rudman-Hollings; Sequestration; Special Rules; Uniform Reduction Percentage.)

Backdoor Authority/Backdoor Spending

A collective designation for authority provided in laws other than appropriation acts to obligate the government to make payments. It includes contract authority, authority to borrow, and entitlement authority for which the budget authority is not provided in advance by appropriation acts. It also includes authority to forgo the collection of proprietary offsetting receipts and to make any other payments for which the budget authority is not provided in advance by appropriation acts. (For the statutorily defined equivalent term, see Spending Authority. See also Appropriations and Contract Authority under Budget Authority; Authorizing Legislation; Entitlement Authority; Spending Committee.)

Baseline

An estimate of spending, revenue, the deficit or surplus, and the public debt expected during a fiscal year under current laws and current policy. For the purposes of the Budget Enforcement Act, the baseline is defined as the projection of current-year levels of new budget authority, outlays, revenues, and the surplus or deficit into the budget year and outyears based on laws enacted through the applicable date. Section 257 of Gramm-Rudman-Hollings sets forth rules for calculating the baseline. (See also Projections.)

CBO Baseline

The Congressional Budget Office's baseline for the upcoming fiscal year. This baseline shows the pattern of federal government revenues and expenditures for the next 5 years if current policies continue. It appears in CBO's annual report for the Budget Committees on the economic and budget outlook for the upcoming year. The CBO baseline is revised, as necessary, once the President's budget is released. It is also modified, as necessary, to conform to new legislative requirements, such as those imposed by the Gramm-Rudman-Hollings Act and the Budget Enforcement Act.

Budget Authority

Authority provided by law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. Budget authority includes the credit subsidy cost for direct loan and loan guarantee programs, but does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority include (1) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting receipts and collections. Budget authority may be classified by its duration (1-year, multiple-year, or no-year), by the timing of the legislation providing the authority (current or permanent), by the manner of determining the amount available (definite or indefinite), or by its availability for new obligations. (See also Current Level Estimate.)

Forms of Budget Authority

Appropriations. Authority given to federal agencies to incur obligations and to make payments from Treasury for specified purposes. An appropriation act, the most common means of providing budget authority, usually follows the enactment of authorizing legislation, but in some cases the authorizing legislation itself provides the budget authority. (See also Backdoor Authority/Backdoor Spending.)

Appropriations do not represent cash actually set aside in Treasury for purposes specified in the appropriation act; they represent amounts that agencies may obligate during the period of time specified in the respective appropriation acts. Certain types of appropriations are not counted as budget authority because they do not provide authority to incur obligations. Among these are appropriations

- to liquidate contract authority (legislation to provide funds to pay obligations incurred against contract authority),
- to redeem outstanding debt (legislation to provide funds for debt retirement), and
- to refund receipts.

(See also Appropriation Act; Discretionary; Expired Budget Authority under Availability for New Obligations; Mandatory.)

Borrowing Authority. Authority that permits agencies to incur obligations and make payments to liquidate the obligations out of borrowed moneys. Usually the funds are borrowed from Treasury, but in a few cases agencies borrow directly from the public. Borrowing authority does not include Treasury's authority to borrow from the public or other sources. (See also Debt, Federal.)

Contract Authority. Authority that permits obligations to be incurred in advance of appropriations or receipts. Contract authority is therefore unfunded and a subsequent appropriation or offsetting collection is needed to liquidate the obligations. (See also Backdoor Authority/Backdoor Spending.)

Offsetting Receipts and Collections. Authority to obligate and expend the proceeds of offsetting receipts and collections. The Congressional Budget Act of 1974, as amended by the Budget Enforcement Act of 1990, defines offsetting receipts and collections as negative budget authority and the reductions thereof as positive budget authority.

Determination of Amount

Definite Authority. Budget authority which is stated as a specific sum at the time the authority is granted. This type of authority, whether in an appropriation act or other law, includes authority stated as "not to exceed" a specified figure.

Indefinite Authority. Budget authority of an unspecified amount of money. Indefinite budget authority (usually an appropriation) may be appropriated as all or part of the amount of proceeds from the sale of financial assets, the amount necessary to cover obligations associated with payments, the receipts from specified sources—the exact amount of which is determinable only at some future date—or it may be appropriated as such "sums as may be necessary" for a given purpose.

Duration

One-Year (Annual) Authority. Budget authority which is available for obligation only during a specific fiscal year and which expires, if not obligated, at the end of that time. It is also known as a "fiscal year" or "annual" budget authority. (See also Discretionary.)

Multiple-Year Authority. Budget authority which is available for a specified period of time in excess of 1 fiscal year. This authority generally takes the form of

2-year, 3-year, etc., availability but may cover periods that do not coincide with the start or end of a fiscal year. For example, the authority may be available from July 1 of one year through September 30 of the following fiscal year, a period of 15 months. This type of multiple-year authority is sometimes referred to as "forward funding." (For a distinction, see Advance Appropriation; Advance Funding. See also Full Funding; Mandatory.)

No-Year Authority. Budget authority that remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are attained. (See also Mandatory.)

Extensions of Budget Authority

Reappropriation. Statutory action to continue the availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. Reappropriations are counted as budget authority in the first year for which the availability is extended. (For a distinction, see Restoration.)

Continuing Appropriation/Continuing Resolution. Legislation that may be enacted to provide budget authority for federal agencies and/or specific activities to continue in operation when the Congress and the President have not completed action on appropriations by the beginning of the fiscal year. Until regular appropriations are enacted, continuing appropriations may take their place. Continuing appropriations usually are passed in the legislative form of joint resolutions. A continuing resolution may be enacted for the full year, up to a specified date, or until regular appropriations are enacted. A continuing resolution usually specifies a maximum rate at which the obligations may be incurred based on levels specified in the resolution. The resolution may state that obligations may not exceed the current rate or must be the lower of the amounts provided in the appropriations bills passed in the House or Senate. If enacted to cover the entire fiscal year, the resolution will usually specify amounts provided for each appropriation account. (See also Appropriation Act; Joint Resolution; Supplemental Appropriation.)

Timing of Legislative Action

Current Authority. Budget authority made available by the Congress in, or immediately prior to, the fiscal year or years during which the funds are available for obligation.

Permanent Authority. Budget authority that is available as the result of previously enacted legislation and which does not require new legislation for the current year. Such budget authority can be the result of substantive legislation or appropriation acts. When budget authority is enacted that will be treated as permanent authority in subsequent years, it is treated as permanent authority the first year it becomes available, as well as in succeeding years.

Availability for New Obligations

Expired Budget Authority. Budget authority which is no longer available to incur new obligations. Such authority is still available for 5 years after the account expires for the payment of those valid obligations which were incurred before the authority expired. Unobligated balances of expired budget authority remain available for 5 years after the account expires to cover adjustments to prior obligations or obligations that should have been but may not have been recorded at that time. (For a statutory reference, see 31 U.S.C. 1552(a)(2). See also Expired Account; Unobligated Balance under Obligational Authority; Warrant.)

Unexpired Budget Authority. Budget authority which is available for incurring new obligations.

Budget Enforcement Act

Title XIII of the Omnibus Budget Reconciliation Act of 1990. These statutory provisions amended the Balanced Budget and Emergency Deficit Control Act of 1985 and related amendments (Gramm-Rudman-Hollings) and the Congressional Budget and Impoundment Control Act of 1974. The Budget Enforcement Act modified procedures and definitions for sequestration and deficit reduction, reformed budgetary credit accounting, maintained the off-budget status of the Old Age Survivor's and Disability Insurance Trust Funds, and removed Social Security trust fund receipts and outlays from deficit and sequestration calculations. (See also Adjustments to Discretionary Spending Limits; Category of Discretionary Spending; Credit Reform; Direct Spending Authority; Gramm-Rudman-Hollings; Mandatory; Off-budget.)

Budget Receipts

See under *Governmental Receipts under Collections.*

Collections

Amounts received by the federal government during the fiscal year. Collections are classified into two major categories: (1) governmental receipts (also called budget receipts) and (2) offsetting collections. (See also *Account in the President's Budget; Off-Budget; On-Budget; Revenue.*)

Governmental Receipts

Collections from the public based on the government's exercise of its sovereign powers, including collections from payments by participants in compulsory social insurance programs. Governmental receipts consist of receipts from taxes, duties, social insurance premiums, court fines, compulsory licenses, and deposits of earnings by the Federal Reserve System. Gifts and contributions (as distinguished from payments for services or cost sharing deposits by state and local governments) are also counted as governmental receipts. Governmental receipts do not include offsetting receipts, which are treated as offsets to outlays. Total governmental receipts include those specifically designated as off-budget by provisions of law. Total governmental receipts are compared with total outlays in calculating the budget surplus or deficit. (See also *Expenditure and Receipt Accounts under Account in the President's Budget; Gross Basis and Net Basis under Budgeting in Relation to Totals under Bases of Budgeting.*)

Offsetting Collections

All collections by government accounts from other government accounts and any collections from the public that are of a business-type or market-oriented nature. They are classified into two major categories: (1) collections credited to appropriation or fund accounts, and (2) offsetting receipts, which are amounts deposited in receipt accounts. For collections credited to appropriation or fund accounts (that is, all revolving funds and some appropriation accounts), laws authorize collections to be credited directly to expenditure accounts and may make them available for obligation to meet the account's purpose without further legislative action. However, it is not uncommon for annual appropriations acts to include limitations on the obligations to be financed by these collections.

Offsetting receipts cannot be used without being appropriated. However, a significant portion of such collections, for example, most trust fund offsetting receipts, are permanently appropriated and, therefore, can be used without subsequent appropriation legislation. The Congressional Budget Act of 1974, as amended by the Budget Enforcement Act of 1990, defines offsetting receipts and collections as negative budget authority and the reductions thereof as positive budget authority. (See also *Earmarking; Reimbursements.*)

Collections Credited to Appropriation or Fund Accounts. These include two categories:

Reimbursements. When authorized by law, amounts collected for materials or services furnished to the public or other government accounts are treated as reimbursements to appropriations. (For accounting purposes, earned reimbursements are also known as revenues.) These offsetting collections are netted against gross outlays in determining net outlays from such appropriations. (See also *Unfilled Customer Orders.*)

Revolving Fund Collections. In all three types of revolving funds—public enterprise, intragovernmental, and trust revolving—offsetting collections are netted against spending, and outlays are reported as the net amount.

Offsetting Receipts. Offsetting collections which are deposited in general, special, or trust fund receipt accounts. These receipts generally are deducted from budget authority and outlays by subfunction and by agency, but some are undistributed and are deducted from total budget authority and outlays. Offsetting receipts are subdivided into three categories: (1) intragovernmental transactions, (2) offsetting governmental receipts, and (3) proprietary receipts from the public.

Intragovernmental Transactions. Payments into receipt accounts from governmental appropriations or fund accounts. They are treated as offsets to budget authority and outlays rather than as governmental receipts.

Intragovernmental transactions may be (1) intrabudgetary (on-budget), (2) off-budget, or (3) transactions between on-budget and off-budget accounts. Normally, intragovernmental transactions are deducted from both outlays and budget author-

ity for the subfunction and agency receiving the payment. However, an agency's payment as an employer into employee retirement trust funds and interest received by trust funds appear as offsets to total budget authority and outlays for the government, rather than offsets at the agency level.

Intrabudgetary transactions are further subdivided into three categories: (1) interfund transactions, where the payment is from one fund group, either federal or trust, to a receipt account in the other fund group, (2) federal intrafund transactions, where the payment and receipt both occur within the federal fund group, and (3) trust intrafund transactions, where the payment and receipt both occur within the trust fund group.

Offsetting Governmental Receipts. These receipts are governmental in nature but are required by law to be treated as offsetting. Currently, receipts in this category include foreign cash contributions for the costs of Operation Desert Shield/Desert Storm.

Proprietary Receipts From the Public. Collections from outside the government which are deposited in receipt accounts that arise as a result of the government's business-type or market-oriented activities. Among these are interest received, proceeds from the sale of property and products, charges for nonregulatory services, and rents and royalties. Such collections may be credited to general fund, special fund, or trust fund receipt accounts and are offset against budget authority and outlays. In most cases, such offsets are by agency and by subfunction but some proprietary receipts are deducted from total budget authority and outlays for the government as a whole. An example of the latter is rents and royalties on the Outer Continental Shelf. (See Subfunction 953 in appendix II. See also Earmarking.)

Committee Allocation

Amounts of spending recommended in the joint explanatory statement that accompanies the conference report on the congressional budget resolution and divided among the congressional committees according to their jurisdiction. House and Senate committees receive allocations of total new budget authority and total outlays. House committees also receive allocations of total entitlement authority and Senate committees also receive allocations of Social Security outlays.

For purposes of section 302(a) and 602(a) of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 633 and 665a), an allocation is the distribution of total new budget authority, entitlement authority, and outlays to relevant committees based on the levels contained in a concurrent resolution on the budget. (See also Allocation.)

Concurrent Resolution on the Budget

A resolution passed by both Houses of the Congress, but not requiring the signature of the President, setting forth or revising the congressional budget for the United States government for a fiscal year.

The concurrent resolution on the budget as provided in section 301 of the Congressional Budget Act, as amended (2 U.S.C. 632) is scheduled to be adopted by the Congress on or before April 15. For fiscal years 1992-1995, the resolution must contain budget levels for the fiscal year beginning on October 1 of the calendar year in which it is reported and for each of the four succeeding fiscal years. The budget resolution may also contain "reconciliation directives" to specified committees. The Congress may pass additional concurrent resolutions which revise the previously established budget levels, as provided in section 304 of the Congressional Budget Act, as amended (2 U.S.C. 635). (See also Congressional Budget; Congressional Budget Act; Reconciliation.)

Congressional Budget

The budget as set forth by the Congress in a concurrent resolution on the budget. By law, the resolution establishes, for the fiscal year beginning on October 1 of the year of the resolution, planning levels for the 2 following fiscal years and appropriate levels for the following:

- total federal revenues;
- the surplus or deficit in the budget;
- new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments in total and for each major functional category;
- the public (Treasury) debt—practically defined as debt subject to statutory limit; and for purposes of protecting Social Security trust funds in the Senate, Social Security outlays and revenues.

For fiscal years 1992-1995, the resolution must contain budget levels for the fiscal year beginning on October 1 of the calendar year in which it is reported and for each of the 4 succeeding fiscal years. (See also Concurrent Resolution on the Budget.)

Congressional Budget Act

The law (Titles I-IX of the Congressional Budget and Impoundment Control Act of 1974, as amended, 2 U.S.C. 601-661) that established the congressional budget process and created the Senate and House Budget Committees and Congressional Budget Office. The act created a timetable for the budget process, established a requirement for a yearly concurrent resolution on the budget and procedures concerning its adoption and set forth a procedure called "reconciliation" to assure congressional committee compliance with the concurrent resolution on the budget. (For a further discussion of the act, see appendix I. See also Committee Allocation; Concurrent Resolution on the Budget; Current Level Estimate; New Spending Authority; Reconciliation; Reconciliation Bill; Special Rules; Spending Authority. For terms relating to the Impoundment Control Act of 1974, see Deferral of Budget Authority; Expenditure; Impoundment.)

Consumer Price Index (CPI) (Economics Term)

A measure of the price level of a fixed "market basket" of goods and services relative to the value of that same basket in a designated base period. Measures for two population groups are currently published, CPI-U and CPI-W. CPI-U is based on a market basket determined by expenditure patterns of all urban households, while the market basket for CPI-W is determined by expenditure patterns of only urban wage-earner and clerical-worker families. The urban wage-earner and clerical-worker population consists of clerical workers, sales workers, craft workers, operatives, service workers, and laborers. Both indexes are published monthly by the Bureau of Labor Statistics. The CPI is used to adjust for inflation, the income payments of Social Security beneficiaries, and payments made by other programs.

Current Level Estimate

An estimate of the amounts of new budget authority, outlays, and revenues for a full fiscal year, based upon enacted law. Current level estimates used by the Congress do not take into account the potential effects of pending legislation. Current level estimates include a tabulation comparing estimates with the aggregates approved in the most recent budget resolution. Section 308(b) of the Congressional Budget and Impoundment Control Act of 1974, as amended (2 U.S.C. 639(b)), requires the respective Budget Committees to make this tabulation at least once a month. The Congressional Budget Office assists these committees by submitting reports on a regular basis of the budgetary impact of congressional actions. (See also Budget Authority; Committee Allocation; Congressional Budget Act; Scorekeeping.)

Current Services Estimates

Estimates submitted by the President of the levels of budget authority and outlays for the ensuing fiscal year based on the continuation of existing levels of service. These estimates reflect the anticipated costs of continuing federal programs and activities at present levels without policy changes. Such estimates ignore all new presidential or congressional initiatives, including reductions, that are not yet law.

With his proposed budget each year, the President must transmit current services estimates and the economic assumptions upon which they are based. Current services estimates are also included in the "Mid-Session Review of the Budget," but are not identified by that title, and are confined to those programs that are essentially automatic (that is, they exclude programs controlled through annual appropriations). The current services data in the Mid-Session Review are identified as being for "mandatory and related programs under current law."

The Congressional Budget Office also prepares similar estimates. (For a more detailed discussion of this term, see "Baseline Estimates" in the *Budget of the United States Government*. See also Baseline; Multiyear Budget Planning.)

Debt, Federal

There are three basic tabulations of federal debt: (1) gross federal debt, (2) debt held by the public, and (3) debt subject to statutory limit. (See also Borrowing Authority under Budget Authority; Means of Financing.)

Gross Federal Debt

All federal government debt securities outstanding, whether issued by Treasury or by other agencies and whether held by the public or by government accounts. Gross federal debt is categorized as debt issued by the Department of Treasury or by other agencies.

Treasury Debt/Public Debt. That portion of the gross federal debt issued by Treasury (which includes the Federal Financing Bank (FFB)) to the public or another fund or account. To avoid double counting, FFB borrowing from Treasury is not included in Treasury debt. Treasury debt has also been called "public debt" but is not the same as "debt held by the public."

Agency Debt. That portion of the gross federal debt incurred when a federal agency other than Treasury is authorized by law to issue debt securities directly to the public or another fund or account. Since Treasury or FFB borrowing required to obtain the money to lend to the agency is already part of the gross federal debt, to avoid double counting, agency borrowing from Treasury or the FFB and federal fund advances to trust funds are not included in the gross federal debt. Debt of government-sponsored, privately owned enterprises, such as the Federal National Mortgage Association, is not included in the federal debt.

Debt Held by the Public

That part of the gross federal debt held outside of the federal government. This includes any federal debt held by individuals, corporations, state or local governments, the Federal Reserve System, and foreign governments and central banks. Debt held by government trust funds, revolving funds, and special funds is excluded from debt held by the public. Debt held by the public is distinct from public debt or Treasury debt.

Debt Subject to Statutory Limit

As defined by the Second Liberty Bond Act of 1917, as amended, it includes virtually all Treasury debt. However, only a small portion of agency debt is included in this tabulation of federal debt. The Tennessee Valley Authority is an example of an entity whose debt is not subject to the statutory limitation on the federal debt. Debt subject to statutory limit is a broader category than debt held by the public. (For an explanation of "limit," see Limitation.)

The Rules of the House of Representatives provide that whenever the House adopts a budget resolution that includes an increase in the public debt limit, the House automatically passes a joint resolution increasing the statutory limit.

Debt Service

Payment of interest on and repayment of principal on borrowed funds. The term may also be used to refer to payment of interest alone. (See also Means of Financing.)

Deficit

Budget Deficit

The amount by which the government's budget outlays exceed its budget receipts for a given period, usually a fiscal year. For purposes of defining deficits under Gramm-Rudman-Hollings as amended by the Budget Enforcement Act, this amount excludes the off-budget activities such as the outlays and receipts of the Postal Service and Social Security. (See also Budget Surplus under Surplus.)

Total Deficit

The amount by which the government's on-budget and off-budget outlays exceed the sum of its on-budget and off-budget receipts for a given period, usually a fiscal year. (See also Budget Surplus under Surplus; Off-Budget Federal Entity.)

Direct Spending Authority (Budget Enforcement Act Term)

Entitlement authority, the Food Stamp Program, and budget authority provided by law other than appropriations acts. Direct spending authority is under the control of the authorizing committees as contrasted with discretionary spending under the control of the appropriations committees that is controlled year-to-year in the

appropriations process. From the perspective of the appropriations process, direct spending is mandatory (not controllable through appropriations). New direct spending is subject to pay-as-you-go requirements. (See also Entitlement Authority; Mandatory; Pay-As-You-Go; Spending Authority. For a distinction, see Discretionary Appropriations.)

Discount Rate (Economics Term)

One of the following:

(1) The interest rate that a commercial bank pays when it borrows from a Federal Reserve bank. The discount rate is one of the tools of monetary policy used by the Federal Reserve System. The Federal Reserve customarily raises or lowers the discount rate to signal a shift toward restraining or easing its money and credit policy. (See also Monetary Policy.)

(2) The interest rate used to determine the present value of a future stream of receipts and outlays, or in cost-benefit analysis, of benefits and costs. This use of the term is completely distinct from that in monetary policy, and the interest rates involved are generally not those charged by Federal Reserve banks.

Discount rate policies of the three major oversight and budget agencies—GAO, OMB, and CBO—are consistent with basic economic principles but vary significantly in their formulations for different analyses. *Discount Rate Policy* (GAO/OCE-17.1.1), May 1991, describes the different policies and their applications.

(3) In estimating net present values under credit reform, the average interest rate on marketable Treasury securities of similar maturity to the direct loan or loan guarantee for which the estimate is being made.

Discretionary

A term that usually modifies either "spending," "appropriation," or "amount." "Discretionary spending" refers to outlays controllable through the congressional appropriation process. The Budget Enforcement Act uses the term "discretionary appropriations" to refer to budgetary resources (except to fund direct-spending programs) provided in appropriations acts. (See also Appropriation Act; Appropriations and One-Year (Annual) Authority under Budget Authority; Gramm-Rudman-Hollings. For a contrast, see Entitlement Authority; Mandatory.)

Discretionary Appropriations (Budget Enforcement Act Term)

Budgetary resources (except to fund direct spending programs) provided in appropriation acts. The Budget Enforcement Act sets forth spending limitations or caps for discretionary appropriations. (See also Appropriations under Budget Authority; Baseline; Direct Spending; Discretionary; Discretionary Spending Limits; Mandatory.)

Entitlement Authority

Authority to make payments (including loans and grants) for which budget authority is not provided in advance by appropriation acts to any person or government if, under the provisions of the law containing such authority, the U.S. government is obligated to make the payments to persons or governments who meet the requirements established by law (2 U.S.C. 622(9), 651(c)(2)(C)).

[NOTE: The above definition of "entitlement," taken from section 401(c)(2)(C) of the Budget Act, may be understood as setting forth a three-part test for defining programs as "entitlements":

1. **Specified Benefits:** *The program's authorizing legislation specifies particular sums of money to be paid;*

2. **Specified Beneficiaries:** *The payments are to be made to a class of persons or governments who meet specified eligibility requirements;*

3. **Federal Government has a Legal Obligation To Pay Which Is Not Subject to Appropriations:** *The payment is not discretionary, i.e., the legislation obligates the United States to make the specified payments to the eligible class and the legal obligation to make the specified payments to the eligible class of recipients is not contingent on appropriations being enacted; therefore, if insufficient appropriations are available, the government may nevertheless be sued for payment of the benefits.*

Note that although entitlements financially obligate the United States to make specified payments, funds must still be appropriated to cover those payments. Some entitlement programs, such as social security, are permanently appropriated. Others

are annually appropriated. Both permanently-appropriated and annually-appropriated entitlements share the common characteristic that the cost of the program has been determined outside of the appropriations process through the establishment of a formula-driven program. Although annually appropriated entitlements might appear to be subject to annual funding decisions of the Appropriations Committees, in actuality they are not.]

Under the Budget Enforcement Act, new entitlement authority is considered direct spending and subject to the pay-as-you-go provisions. (See also Appropriated Entitlement; Authorizing Legislation; Backdoor Authority/Backdoor Spending; Budget Enforcement Act; Mandatory; Pay-As-You-Go; Spending Authority.)

Functional Classification

A system of classifying budget resources so that budget authority, outlays, receipts, and tax expenditures can be related to the national needs being addressed. Each concurrent resolution on the budget allocates these budgetary resources—except receipts and tax expenditures—among the various functions in the budget.

Each budget account is generally placed in the single budget function (for example, national defense or health) that best reflects its major purpose, an important national need. A function may be divided into two or more subfunctions, depending upon the complexity of the national need addressed. (See also Budget Activity; National Needs.)

(For a presentation of the functional classification for the fiscal 1993 budget, see appendix II. For a distinction, see Object Classification. See also Agency Mission; Budget Activity; Mission Budgeting; National Needs; Subfunction.)

Gross Domestic Product (GDP) (Economics Term)

The value of all final goods and services produced within the borders of the United States in a given period of time, whether produced by residents or nonresidents. (See also Gross National Product; National Income and Product Accounts.)

Gross National Product (GNP) (Economics Term)

The value of all final goods and services produced by labor and capital supplied by residents of the United States in a given period of time, whether or not the residents are located within the United States. Depreciation charges and other allowances for business and institutional consumption of fixed capital goods are subtracted from GNP to derive net national product. GNP is the sum of the purchases of final goods and services by persons and governments, gross private domestic investment (including the change in business inventories), and net exports (exports less imports). The GNP can be expressed in current or constant dollars. (See also Gross Domestic Product; National Income and Product Accounts.)

Mandatory

A term that usually modifies either "spending," "amount," or "appropriation." "Mandatory spending" refers to outlays for entitlement programs such as food stamps, Medicare, veterans' pensions, payment of interest on the public debt, and nonentitlements such as payments to states from Forest Service receipts. By defining eligibility and setting the benefit or payment rules, the Congress controls spending for these programs indirectly rather than directly through the appropriations process. "Mandatory amount" is used in the Congressional Budget Act, as modified by Gramm-Rudman-Hollings, as a synonym for "relatively uncontrollable." "Relatively uncontrollable" generally means budget authority or budget outlays that the Congress and the President cannot increase or decrease in a given year without changing existing substantive law. (See also Appropriations, Multiple-Year Authority, and No-Year Authority *under* Budget Authority; Committee Allocation; Direct Spending Authority; Discretionary; Entitlement Authority; Gramm-Rudman-Hollings.)

For purposes of Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 (GRH), as amended by the Budget Enforcement Act, entitlement authority includes the list of mandatory appropriations included in the joint explanatory statement of managers accompanying the conference report on the Omnibus Budget Reconciliation Act of 1990.

Midsession Review of the Budget

A supplemental summary to the budget the President submits to the Congress in January or February of that year. As required by 31 U.S.C. 1106, the midsession review contains revised estimates of budget receipts, outlays, and budget authority and other summary information. OMB is required to issue it by July 15 of each year.

New Budget Authority

Budget authority that first becomes available for obligation in a given fiscal year. This includes budget authority that becomes available as a result of a reappropriation or a statutory change in the availability of unobligated balances from a prior fiscal year. It also includes a change in the estimated level of indefinite budget authority. (See also Budget Authority.)

New Spending Authority

A term from the Congressional Budget Act (2 U.S.C. 651(c)) used in the congressional budget process for any statutory changes in permanent, contract, borrowing, or entitlement authority that would increase amounts otherwise available by law. (See also Congressional Budget Act; Spending Authority.)

Nonbudgetary

A term used to refer to transactions of the government that do not belong within the budget. Nonbudgetary transactions (such as deposit funds, direct loan and loan guarantee financing accounts, and seigniorage) are outside the budget because they do not represent net budget authority or outlays, but rather are means of financing and do not belong within the budget. This contrasts with "off-budget," which refers to activities that are budgetary in nature but that are required by law to be excluded from the budget. (See Means of Financing.)

Object Classification

A uniform classification identifying the obligations of the federal government by the types of goods or services purchased (such as personnel compensation, supplies and materials, and equipment) without regard to the agency involved or the purpose of the programs for which they are used. If the obligations are in a single object classification category, the classification is identified in the Program and Financing Schedule in the *Budget of the United States Government*. For the activities distributed among two or more object classification categories, the budget has a separate object classification schedule to show the distribution of the obligations by object classification. (See also Explanation of Estimates in the "Detailed Budget Estimates" section of the *Budget of the United States Government*. General instructions are provided in OMB Circular A-11, revised. See also Allocation. For a distinction, see Functional Classification.)

Obligational Authority

The sum of (1) budget authority provided for a given fiscal year, (2) unobligated balances of amounts brought forward from prior years, (3) amounts of offsetting collections to be credited to specific funds or accounts during that year, and (4) transfers between funds or accounts. The balance of obligational authority is an amount carried over from one year to the next because not all obligational authority that becomes available in a fiscal year is obligated and paid out in that same year. Balances are described as (1) obligated, (2) unobligated, or (3) unexpended.

Obligated Balance

The amount of obligations already incurred for which payment has not yet been made. For a fixed appropriation account, this balance can be carried forward and retains its fiscal year identity for five fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. Obligated balances of an appropriation account available for an indefinite period may be closed if (1) specifically rescinded by law, or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been

made against the appropriation for 2 consecutive years. (See also *Duration under Budget Authority; Fixed Appropriation Account.*)

Unobligated Balance

The portion of obligational authority that has not yet been obligated. Unobligated balances whose period of availability has expired are not available for new obligation and may only be used for recording, adjusting, and liquidating obligations properly chargeable to the fiscal year account. For a fixed appropriation account, the balance can be carried forward for five fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward indefinitely until (1) specifically rescinded by law, or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for 2 consecutive years. (See also *Duration under Budget Authority; Expired Account; Expired Budget Authority under Availability for New Obligations under Budget Authority; Fixed Appropriation Account.*)

Unexpended Balance

The sum of the obligated and unobligated balances.

Off-Budget

The term refers to the status of transactions of the government (either federal funds or trust funds) that belong on-budget according to budget concepts but that are required by law to be excluded from the budget. The budget documents routinely report the on-budget and off-budget amounts separately and then add them together to arrive at the consolidated government totals. (See also *Nonbudgetary; Off-Budget Federal Entity; Outlay; Trust Fund Expenditure Accounts under Trust Fund Accounts under Account in the President's Budget.*)

Off-Budget Federal Entity

Any federal fund or trust fund whose transactions are required by law to be excluded from the totals of the President's budget and the Congress's budget resolutions, even though these are part of total government transactions. (See 2 U.S.C. 622(8).) Current law requires that the Social Security trust funds (the Federal Old Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service be off-budget. Currently these are the only off-budget entities; all other federal funds and trust funds are on-budget. Off-budget federal entities are discussed in the *Budget of the United States Government*. (See also *Government-Sponsored Enterprise; Mixed-Ownership Government Corporation; Off-Budget; Total Deficit under Deficit; Wholly-Owned Government Corporation.*)

On-Budget

The term referring to transactions that are included within the budget.

Outlay

The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. Also, under credit reform, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed.

Outlays during a fiscal year may be for payment of obligations incurred in prior years (prior-year obligations) or in the same year. Outlays, therefore, flow in part from unexpended balances of prior-year budgetary resources and in part from budgetary resources provided for the year in which the money is spent.

Outlays are stated both gross and net of offsetting collections. (See *Offsetting Collections under Collections.*) Total government outlays include outlays of off-budget federal entities. (See also *Expenditure; Expense.*)

Outyear

Any year (or years) beyond the budget year for which projections are made. For Budget Enforcement Act purposes, the term outyear means, with respect to a budget year, any of the fiscal years that follow the budget year through fiscal year 1995. (See also Multiyear Budget Planning.)

Oversight Committee

The congressional committee charged with general oversight of an agency's or program's operations. In most cases, the oversight committee for an agency or program is also its authorizing committee. The Senate Committee on Governmental Affairs and the House Committee on Government Operations also have general oversight on budget and accounting measures other than appropriations, except as provided in the Congressional Budget Act of 1974. (See also Authorizing Committee.)

Pay-As-You-Go (Budget Enforcement Act Term)

Under the Budget Enforcement Act, the principle that all direct spending and tax legislation enacted after BEA for a fiscal year must be deficit-neutral in the aggregate. If Congress enacts direct spending or receipts legislation that causes a net increase in the deficit, it must offset that increase by either increasing revenues or decreasing another direct spending program in the same fiscal year. This requirement is enforced by sequestration. (See also Pay-As-You-Go Sequestration under Sequestration.)

Real Economic Growth

The increase in the gross domestic product, adjusted for inflation. For purposes of the Budget Enforcement Act, real economic growth must be determined in a way consistent with Department of Commerce definitions. (See also Low-Growth Report.)

Receipts

See under Governmental Receipts under Collections.

Recession (Economics Term)

A pervasive, substantial decline in overall business activity that is of at least several months' duration. The National Bureau of Economic Research identifies recessions on the basis of several indicators. As a rule of thumb, recessions are commonly identified by a decline in real gross domestic product for at least two consecutive quarters.

Reconciliation

A process the Congress uses to reconcile amounts determined by tax, spending, credit, and debt legislation for a given fiscal year with levels set in the concurrent resolution on the budget for the year. Section 310 of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 641) provides that the resolution may direct committees to determine and recommend changes to laws, bills, and resolutions as required to conform to totals for budget authority, revenues, and the public debt. Such changes are incorporated into either a reconciliation resolution or a reconciliation bill. (See also Concurrent Resolution on the Budget; Congressional Budget Act.)

Reconciliation Bill

A bill reported pursuant to reconciliation instructions in a congressional budget resolution changing enacted legislation. (See also Congressional Budget Act.)

Reconciliation Instruction

A provision in a concurrent resolution directing one or more committees to report (or submit to the Budget Committee) legislation changing existing laws or pending legislation in order to bring spending, revenues, or the debt limit into conformity with the budget resolution. The instructions specify the committees to which they apply, indicate the appropriate dollar changes to be achieved, and usually provide a deadline by which the legislation is to be reported or submitted.

Required Outlay Reduction (Gramm-Rudman-Hollings Term)

The total amount of outlays to be sequestered in a given fiscal year. The amount of excess deficit above the annual target. (See also *Excess Deficit; Margin.*)

Rescission

Legislation enacted by Congress that cancels the availability of budgetary resources previously provided by law before the authority would otherwise lapse.

The Impoundment Control Act of 1974 (2 U.S.C. 683) provides for the President to propose rescissions whenever the President determines that all or part of any budget authority will not be needed to carry out the full objectives or scope of programs for which the authority was provided. Likewise, a rescission will be proposed if all or part of any budget authority limited to a fiscal year—that is, annual appropriations or budget authority of a multiple-year appropriation in the last year of availability—is to be reserved from obligation for the entire fiscal year. Rescission of budget authority may also be proposed for fiscal policy or other reasons. Generally, amounts proposed for rescission are withheld for up to 45 calendar days of continuous session while the Congress considers the proposals.

All funds proposed for rescission, including those withheld, must be reported to the Congress in a special message. If both houses have not completed action on a rescission proposed by the President within 45 calendar days of continuous session, any funds being withheld must be made available for obligation. Congress may also initiate rescissions through its own appropriations process. Such congressional action occurs for various reasons, including changing priorities, program terminations, excessive unobligated balances, and program slippage. (See also *Apportionment; Budgetary Reserves; Deferral of Budget Authority; Impoundment; Rescission Bill.*)

Revenue

Either of the following:

(1) As used in the congressional budget process, a synonym for governmental receipts. Revenues result from amounts, such as receipts from individual income taxes, that are owed to the government but for which no current government action is required. Article I, section 7 of the U.S. Constitution requires that revenue bills originate in the House of Representatives.

(2) As used in an accounting sense, the increase in assets (or decrease in liabilities) that results from operations. Revenues result from (1) services performed by the federal government and (2) goods and other property delivered to purchasers. (See *Collections.*)

Sequestrable Resource

Budgetary resources subject to reduction or cancellation under a presidential sequester order. Sequestrable budgetary resources are new budget authority, unobligated balances, direct spending authority, and obligation limitations. Certain programs are exempt from sequestration under the Budget Enforcement Act. (See also *Entitlement Authority; Exempt Programs and Activities; Gramm-Rudman-Hollings; Sequestration; Special Rules.*)

Sequestration (Budget Enforcement Act Term)

The cancellation, in accordance with the Budget Enforcement Act, of budgetary resources provided by discretionary appropriations or direct spending law. The Budget Enforcement Act created three types of sequestration—discretionary spending sequestration, pay-as-you-go sequestration, and deficit-reduction sequestration. (For a further discussion of sequestration, see appendix I. See also *Automatic Spending Increase; Budgetary Resources; Category of Discretionary Spending; Excess Deficit; Gramm-Rudman-Hollings; Impoundment; Margin; Maximum Deficit Amount; Rescission; Sequestrable Resource; Special Rules; Uniform Reduction Percentage.*)

Discretionary Spending Sequestration

Sequestration designed to prevent spending from exceeding the discretionary spending limits set by the Budget Enforcement Act and adjusted by OMB for specific reasons provided by law. The timing of such a sequestration depends on when the appropriations that cause the limits to be exceeded are enacted.

(1) An end-of-session sequestration occurs within 15 days after Congress adjourns to end a session, if appropriations enacted before Congress adjourns cause a breach in the limits for that fiscal year.

(2) If an appropriation is enacted during the next session of Congress (after Congress adjourns to end the session for the budget year), but before July 1, that causes a breach in the limits for that fiscal year, a within-session sequestration occurs 15 days later.

If an appropriation is enacted between June 30 and September 30 for the fiscal year in progress that causes a breach in a spending limit, the applicable spending limit for the next fiscal year is reduced by the amount of the breach.

Pay-As-You-Go Sequestration

Sequestration of direct spending programs required if direct spending or receipts legislation enacted subsequent to the enactment of BEA causes a net increase in the deficit. Pay-as-you-go sequestrations are always end-of-session sequestrations.

Deficit-Reduction Sequestration

Sequestration resembling the Gramm-Rudman-Hollings sequestration in that it is designed to eliminate the overall excess deficit. However, provisions for a deficit-reduction sequestration are designed so that there should be no deficit-reduction sequestration necessary for fiscal years 1991 through 1993. For fiscal years 1994 and 1995, the President may choose to adjust the maximum deficit amount to reflect up-to-date reestimates of economic and technical assumptions if he does so, a deficit-reduction sequestration should not be necessary.

Sequestration Reports (Budget Enforcement Act Term)

Reports issued by CBO and OMB to the Congress on Budget Enforcement Act consequences of legislation and indicating the necessity for a sequestration.

Sequestration Reports Classified by Content

Discretionary Sequestration Report. A sequestration report setting forth, in the preview and update reports, estimates for the current year and each subsequent year through 1995 of the applicable spending limits for each category and an explanation of any adjustments in such limits.

The final report also includes a discretionary sequestration report that sets forth estimates (1) for the current year and the budget year, the estimated new budget authority and outlays for each category and the breach, if any, in each category; (2) for each category for which a sequestration is required, the sequestration percentages necessary to achieve the required reduction; and (3) for the budget year, for each account to be sequestered, estimates of the baseline level of sequestrable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions. (See also Adjustments to Discretionary Spending Limits; Breach; Discretionary; Sequestration; Sequestration Reports Classified by Timing.)

Pay-As-You-Go Sequestration Report. A sequestration report containing, in the preview and update reports, the following: (1) the amount of net deficit increase or decrease, if any, calculated under pay-as-you-go look-back procedures; (2) a list identifying each law enacted and sequestration implemented (after the date of enactment of the Budget Enforcement Act) included in the calculation of the amount of deficit increase or decrease with a specification of the budgetary effect of each such law; and (3) the sequestration percentage or percentage necessary to prevent a deficit increase.

The final pay-as-you-go sequestration report contains (1) all of the information required in the preview report; (2) for the budget year, for each account to be sequestered, estimates of the baseline level of sequestrable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions; and (3) estimates of the effects on outlays of the sequestration in each outyear through 1995 for direct spending programs. (See also Look-Back; Pay-As-You-Go; Sequestration Reports Classified by Timing.)

Deficit Sequestration Report. A sequestration report containing, in the preview and update reports, the following: (1) the maximum deficit amount, the estimated deficit, the amount by which the estimated exceeds the maximum deficit (the excess deficit), and the margin, (2) the amount of required pay-as-you-go reductions, the excess deficit remaining after those reductions have been made, and the amount of additional reductions required from defense and nondefense accounts.

The final deficit sequestration report contains (1) all of the information required in the preview report, (2) for the budget year, for each account to be sequestered, estimates of the baseline level of sequestrable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions, and (3) estimates of the effects on outlays of the sequestration in each outyear through 1995 for direct spending programs. (See also *Sequestration Reports Classified by Timing*.)

Sequestration Reports Classified by Timing

Preview Reports. Discretionary, pay-as-you-go, and deficit sequestration reports issued by OMB and CBO based upon laws enacted through their issuance dates. CBO issues its preview report five days before the President's annual budget submission to the Congress. OMB issues its preview report the day of the President's budget submission. CBO issues its report to OMB, the Senate, and the House of Representatives and OMB issues its report to the Senate, the House of Representatives, and the President. (See also *Sequestration Reports Classified by Content*.)

Sequestration Update Reports. Deficit, discretionary, and pay-as-you-go reports issued on August 15 by CBO to OMB, the House of Representatives, and the Senate and by OMB on August 20 to the President, the House of Representatives, and the Senate. These reports are to reflect laws enacted through those dates and must contain all the information required in the sequestration preview reports. (See also *Sequestration Reports Classified by Content*.)

Within-Session Sequestration Report. Discretionary sequestration reports that are issued by CBO and OMB 10 and 15 days respectively, after enactment of an appropriation for a fiscal year in progress that causes a breach of discretionary spending limits, if the Congress enacts such appropriations after the Congress adjourns to end the session for that budget year and before July 1 of that fiscal year. (See also *Sequestration Reports Classified by Content*.)

Final Sequestration Reports. Deficit, discretionary, and pay-as-you-go reports issued 10 days after the end of a congressional session by CBO to OMB, the House of Representatives, and the Senate and by OMB 15 days after the end of session to the President, the House of Representatives, and the Senate. These reports reflect laws enacted through their dates of issuance and contain all information contained in the preview reports as well as additional information on sequestrations if necessary. (See also *Sequestration Reports Classified by Content*.)

Spending Authority

As defined by section 401(c) of the Congressional Budget Act of 1974, as amended (2 U.S.C. 651(c)), a collective designation for authority provided in laws other than appropriation acts to obligate the government to make payments. It includes contract authority, authority to borrow, and entitlement authority for which the budget authority is not provided in advance by appropriation acts. It also includes authority to forgo the collection of proprietary offsetting receipts and to make any other payments for which the budget authority is not provided in advance by appropriation acts. Spending authority is commonly referred to as backdoor authority or 401(c) authority. (See also *Backdoor Authority/Backdoor Spending*; *Congressional Budget Act*; *Direct Spending Authority*; *Entitlement Authority*; *New Spending Authority*; *Spending Committee*.)

Standardized Employment Budget (Economics Term)

A budget that removes the influence of economic fluctuations by calculating the level of receipts and expenditures that would occur under current law if economic activity were equal to some estimate of the economy's high-employment potential.

Structural Deficit

The portion of the budget deficit that would remain even if the unemployment rate were at the inflation threshold level (that is, the lowest level of unemployment possible without increasing inflation). (See also *High Employment Budget*.)

Subfunction

A subdivision of a budget function. For example, health care services and health research are subfunctions of the health budget function. (For a presentation of the budget in terms of subfunctions, see appendix II. See also *Functional Classification*.)

Tax

A sum that a government authority imposes upon persons or property to pay for government activities.

The power to impose and collect federal taxes is given to the Congress in Article I, Section 8 of the Constitution. Collections that arise from the sovereign powers of the federal government constitute the bulk of governmental receipts, which are compared with budget outlays in calculating the budget surplus or deficit. (*See also* Governmental Receipts *under* Collections; Revenue.)

Tax Credit

An amount that offsets or reduces tax liability. When the allowable tax credit amount exceeds the tax liability, and the difference is paid to the taxpayer, the credit is considered refundable. Otherwise, the difference can be (1) allowed as a carryforward against future tax liability, (2) allowed as a carryback against past taxes paid, or (3) lost as a tax benefit. (*See also* Tax Expenditure.)

Tax Deduction

An amount that is subtracted from the tax base before tax liability is calculated.

Tax Expenditure

A revenue loss attributable to a provision of the federal tax laws that (1) allows a special exclusion, exemption, or deduction from gross income or (2) provides a special credit, preferential tax rate, or deferral of tax liability.

Tax expenditures are subsidies provided through the tax system. Rather than transferring funds from the government to the private sector, the U.S. Treasury Department forgoes some of the receipts that it would have collected, and the beneficiary taxpayers pay lower taxes than they would have had to pay. Examples include tax expenditures for child care and the exclusion of fringe benefits from taxation. (*See also* Subsidy; Tax Credit; Tax Expenditures Budget.)

Tax Expenditures Budget

A list of legally sanctioned tax expenditures for each fiscal year and an estimate of revenue loss which, according to the 1974 Congressional Budget and Impoundment Control Act, as amended (31 U.S.C. 1105(a)(16)), must be part of the President's budget submission to the Congress. The Tax Expenditures Budget is for display purposes only and is not a budget that allocates these tax expenditures annually. (*See also* Tax Expenditure.)

Technical and Economic Assumptions

Assumptions about factors affecting estimations of future outlays and receipts that are not a direct function of legislation. Economic assumptions involve such factors as the future inflation and interest rates. Technical assumptions involve all other nonpolicy factors. For example, in the Medicare program, estimations regarding demography, hospitalization versus out-patient treatment, and morbidity all affect estimations of future outlays. (*See also* Adjustments to Maximum Deficit Amount.)

Treasury Security

A debt instrument of the U.S. Treasury issued to finance the operations of the government or refinance the government's debt.

Treasury Bill

The shortest term federal security. Maturity dates for Treasury bills normally vary from 3 to 12 months and are sold at a discount from face value rather than carrying a coupon rate of interest.

Treasury Note

A federal debt instrument with a maturity from 1 to 10 years.

Treasury Bond

A federal debt instrument with a maturity of more than 10 years.

Trust Fund Accounts

See under Account in the President's Budget.

Undistributed Offsetting Receipts

Offsetting receipts that are deducted from totals for the government as a whole rather than from a single agency or subfunction in order to avoid distortion of agency or subfunction totals. Offsetting receipts that are undistributed in both agency and functional tables are the collections of employer share of employee retirement payments, rents and royalties on the Outer Continental Shelf and the sales of major assets.

Interest received by trust funds are undistributed offsetting receipts in the agency tables, but are distributed by function (that is, they are subfunctions 902 and 903 in functional tables). (For a more detailed description, see "Federal Programs by Function" and the introduction to "Technical Perspectives on Expenditures, Off-Budget Activities, Capital Outlays, and Borrowing" in the *Budget of the United States Government*.)

Unemployment Rate (Economics Term)

The share of the labor force that is unemployed. It is the number of unemployed persons, most commonly expressed as a percentage of the civilian labor force but sometimes as a percentage of other relevant labor forces or of the total labor force, including the armed forces residing in the United States.

Unified Budget

Under budget concepts set forth in the *Report of the President's Commission on Budget Concepts*, a comprehensive budget in which receipts and outlays from federal and trust funds are consolidated. When these fund groups are consolidated to display budget totals, transactions that are outlays of one fund group for payment to the other fund group (that is, interfund transactions) are deducted to avoid double counting. The unified budget should, as conceived by the President's Commission, be comprehensive of the full range of federal activities. However, by law, budget authority, outlays, and receipts of off-budget programs (currently only the U.S. Postal Service and Social Security) are excluded from the current budget, but data relating to off-budget programs are displayed in the budget documents.

Uniform Reduction Percentage (Budget Enforcement Act Term)

The proportion of accounts to be sequestered. For most sequestrable budgetary resources, the amount to be sequestered is determined by multiplying the amount included in the baseline for that resource by the defense or nondefense uniform reduction percentage. For some programs with automatic spending increases or covered by special rules in Gramm-Rudman-Hollings, as amended by the Budget Enforcement Act, special procedures for calculating sequestrable amounts are applied. (See also Automatic Spending Increase; Sequestrable Resource; Sequestration. For exceptions to the uniform reduction percentage, see Special Rules.)

User Fee

A fee charged to users for goods or services provided by the federal government. User fees generally apply to federal activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public. User fees are normally related to the cost of the goods or services provided. They may be paid into the general fund or, under specific statutory authority, may be made available to an agency carrying out the activity. An example is a fee for entering a national park.

From an economic point of view, user fees may also be collected through a tax such as an excise tax. Since these collections result from the government's sovereign powers, the proceeds are recorded as budget receipts, not as offsetting receipts or offsetting collections.

In the narrow budgetary sense, a toll for the use of a highway is considered a user fee because it is related to the specific use of a particular section of highway.

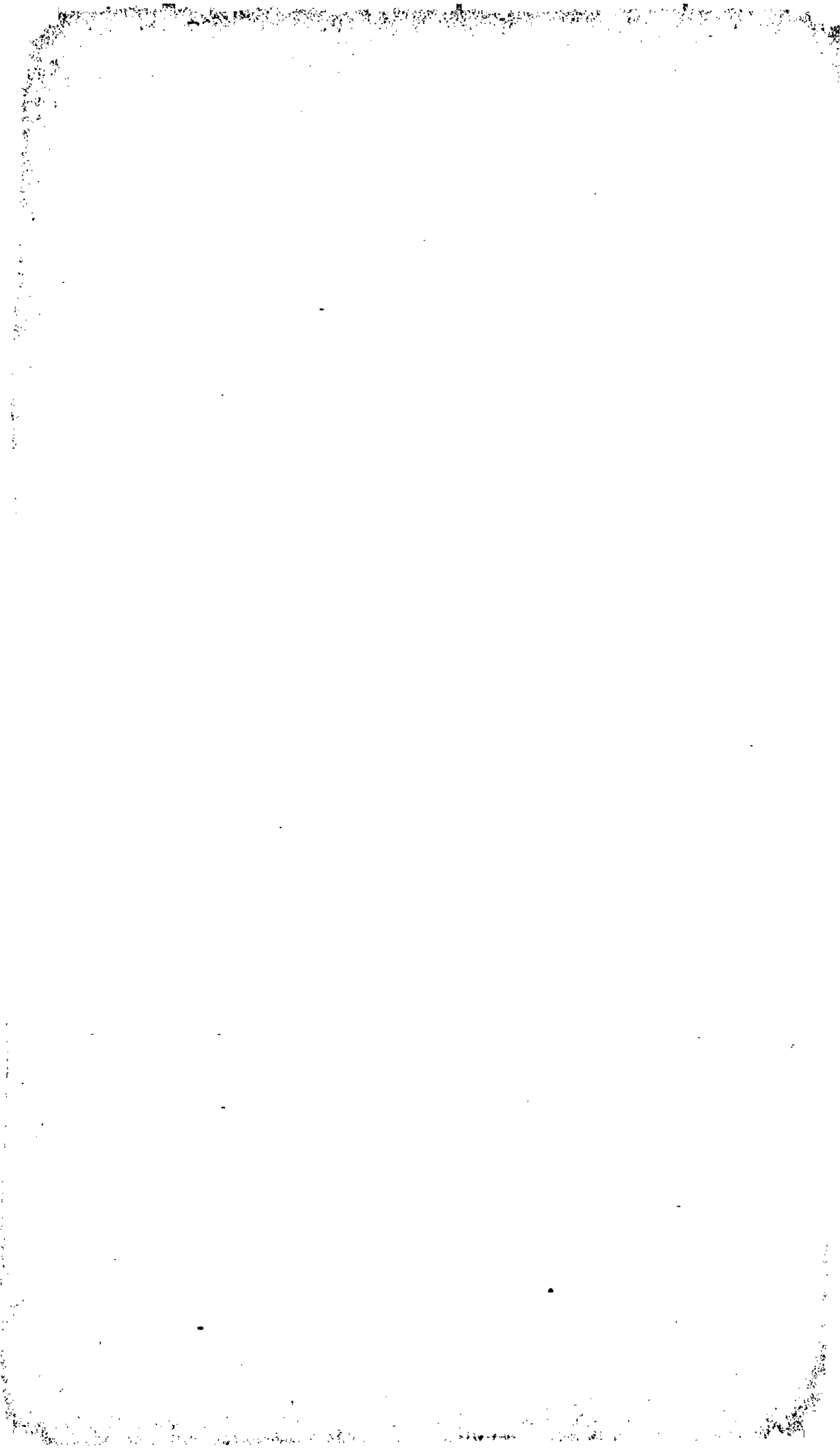
Such a fee would be counted as an offsetting receipt or collection and might be available for use by the agency. Alternatively, highway excise taxes on gasoline are considered a form of user charge in the economic sense, but since the tax must be paid regardless of how the gasoline is used and since it is not directly linked with the provision of the specific service, it is considered a tax and is recorded as a governmental receipt in the budget. (*See also* Offsetting Collections *under* Collections; Tax.) (*See* Appendix O of this Finance Committee print, pg. 401.)

Views and Estimates Report

A report that the Congressional Budget Act of 1974 requires each House and Senate committee with jurisdiction over federal programs to submit to their respective Budget Committees each year within 6 weeks of the submission of the President's budget. Each report contains a committee's comments or recommendations on budgetary matters within its jurisdiction.

APPENDIX L

Jurisdiction of the Finance Committee



SENATE FINANCE COMMITTEE JURISDICTION

[PROVISIONS OF SENATE RULE XXV IN BOLD TYPE]

SOCIAL SECURITY, HEALTH, WELFARE & OTHER SPENDING:

- **“Health programs under the Social Security Act and health programs financed by a specific tax or trust fund.”**
 - (Soc. Sec. Act:)
 - Title V: Maternal & Child Health Services Block Grant
 - Title XVIII: Medicare—
 - Part A—HI
 - Part B—Supplemental
 - Title XIX: Medicaid
- **“National social security.”**
 - When legislation amends the Social Security Act, there is a strong presumption that it falls within Finance Committee jurisdiction:
 - Title II: OASI and DI
 - Title III: Unemployment Comp Admin.
 - Title IV: AFDC; Child Welfare Services; Child Support & Paternity; JOBS; Foster Care & Adoption Assis.
 - Title VII: Administration at SSA and HHS
 - Title IX: Unemployment Trust Fund
 - Title X: Aid to the Blind: Guam, P.R., V.I.
 - Title XI: General Provisions and Peer Review-Health Care Services
 - Title XII: Advances to Unemployment Funds
 - Title XIV: Aid to Disabled—Guam, P.R., V.I.
 - [Old] XVI: Aid: Aged/Blind—Guam, P.R., V.I.
 - Title XVI: SSI for Aged, Blind & Disabled
 - Title XVII: Mental Retardation Grants
 - [Titles XVIII and XIX—see “health” above]
 - Title XX: Block Grants to States for Social Services
- **“General revenue sharing.”**

PUBLIC DEBT AND THE TREASURY:

- **“Bonded debt of the U.S., except as provided in the Congressional Budget Act of 1974.”**
 - Statutory limit on the public debt.
 - Issuance and auctioning of Treasury securities falls within Finance juris., whereas marketing of Treasury securities falls within Banking Comm. juris.
- **“Deposit of public moneys.”**

REVENUES AND TAXATION:

- **“Revenue measures generally, except as provided in the Congressional Budget Act of 1974.”**
 - Under Senate Rule 17, bills are referred to committees based on a predominance of the subject matter; however, by precedent, a bill containing *any* non-incidental tax provisions is automatically referred to Finance, even if the tax provisions are not the predominant matter in the bill.
 - Includes all revenue provisions, whether or not they amend the Internal Revenue Code.
 - “Revenues” includes broad-based “fees” collected by the government *unless* they are in the nature of specific “user” fees designed to pay for government products or activities; but mere use of the term “user fees” is not dispositive. (see CBO 9/93 “Growth of Federal User Charges”)
 - ERISA: jurisdiction over Title II which amends the IRC and other revenue-related provisions.
 - **“Revenue measures relating to the insular possessions.”**
-

INTERNATIONAL TRADE:

- **“Reciprocal trade agreements.”**
 - Fast-Track Negotiating Procedures; GATT; NAFTA; Bilateral Trade Agreements.
 - **“Tariffs and import quotas, and matters related thereto.”**
 - Generalized System of Preferences (GSP).
 - Certain trade agreements (see above).
 - Internat’l Trade Commission and USTR.
 - Tariff Act of 1930; Trade Act of 1974; Omnibus Trade & Competitiveness Act of 1988; Foreign Trade Zones Act of 1934; Customs and Trade Act of 1990.
 - Countervailing Duties; Antidumping laws.
 - Trade Adjustment Assistance.
 - Most-Favored-Nation status; Jackson-Vanik.
 - Harmonized Tariff Schedule.
 - Caribbean Basin Initiative; Andean Trade Initiative.
 - Authority to restrict imports under certain environmental laws.
 - **“Customs, collection districts, and ports of entry and delivery.”**
 - **“Transportation of dutiable goods.”**
-

Senate Finance Committee—Department & Agency Jurisdiction

The Senate Finance Committee's jurisdiction is defined by subject matter—not by Agency or Department. As a consequence of the Committee's broad subject matter jurisdiction, the Finance Committee has sole or shared jurisdiction over the activities of numerous Agencies and offices. Following is a summary of Agencies and Departments which administer programs in the jurisdiction of the Finance Committee. Other committees sharing oversight over these Agencies or offices are indicated in parentheses.

EXECUTIVE OFFICE OF THE PRESIDENT

- Office of the U.S. Trade Representative [*leads internat'l trade negotiations; advises & coordinates trade policy*]

DEPARTMENT OF AGRICULTURE

- Foreign Agricultural Service (w/Agriculture Committee) [*foreign barriers to U.S. agricultural goods*]

DEPARTMENT OF COMMERCE

- International Trade Administration (w/Banking Committee) [*administration of antidumping and countervailing duty laws; trade adjustment assistance to firms; compliance with internat'l trade agreements*]

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- Health Care Financing Administration [*Medicare Parts A & B; Medicaid*]
- Social Security Administration [*OASDI and SSI*]
- Administration for Children and Families (w/Labor Committee) [*AFDC; Child Welfare Services; Child Support & Paternity; JOBS program; Foster Care & Adoption Assistance; Maternal & Child Health; Title XX Social Services Block Grant Program*]

DEPARTMENT OF LABOR

- Employment and Training Administration (w/Labor Committee) [*unemployment compensation; Trade Adjustment Assistance for workers*]
- Pension and Welfare Benefits Administration (w/Labor Committee) [*ERISA*]

DEPARTMENT OF STATE

- Bureau of Economic and Business Affairs (w/Foreign Relations Committee) [*formulating and implementing internat'l trade policy*]

DEPARTMENT OF THE TREASURY

- Internal Revenue Service
- Bureau of the Public Debt
- U.S. Customs Service
- Asst Secretary for International Affairs (w/Foreign Relations)
- U.S. Secret Service (w/Judiciary Committee; Banking Committee)
- Financial Management Service (w/Governmental Affairs Committee)
- Bureau of Alcohol, Tobacco, and Firearms (w/Judiciary Committee)

UNITED STATES INTERNATIONAL TRADE COMMISSION

[Furnishes studies/recommendations on numerous trade issues to the President & Congress; may order certain remedial actions in response to trade violations]

PENSION BENEFIT GUARANTY CORPORATION (PBGC)
(w/Labor Committee)

[Guarantees payment of nonforfeitable pension benefits in covered private sector defined benefit pension plans; Title IV of ERISA.]

Also, numerous boards, commissions and advisory committees including: Prospective Payment Assessment Commission; Physician Payment Review Commission; and the Advisory Comm. for Trade Policy and Negotiations.

APPENDIX M

**Income, Outgo, and Surpluses of the
Social Security and Medicare Trust Funds
From: Historical Tables (Section 13)
Budget of the United States Government
Fiscal Year 1995**

OLD AGE AND SURVIVORS INSURANCE FUND

[In millions of dollars]

| | 1937 | 1945 | 1955 | 1965 | 1975 | 1985 | 1990 | 1991 | 1992 | 1993 |
|---|-------|-------|--------|--------|--------|---------|---------|---------|---------|---------|
| Old age and survivors insurance fund: | | | | | | | | | | |
| Cash income: | | | | | | | | | | |
| Social insurance taxes and contributions | 265 | 1,310 | 5,081 | 15,567 | 55,207 | 169,822 | 255,031 | 265,503 | 273,137 | 281,735 |
| Intragovernmental receipts: | | | | | | | | | | |
| Employer share, employee retirement (1952) ..... | ..... | ..... | 6 | 263 | 810 | 2,288 | 5,038 | 5,242 | 5,508 | 5,796 |
| Interest (903) | 2 | 124 | 438 | 583 | 2,292 | 3,537 | 15,125 | 19,164 | 22,557 | 25,822 |
| Other ..... | ..... | ..... | 10 | 3 | 447 | 6,639 | 4,405 | 5,838 | 5,949 | 5,967 |
| Total intragovernmental receipts | 2 | 124 | 454 | 849 | 3,549 | 12,465 | 24,568 | 30,244 | 34,015 | 37,585 |
| Other cash income ..... | ..... | ..... | * | * | * | * | * | * | * | 4 |
| Total cash income | 267 | 1,434 | 5,535 | 16,417 | 58,756 | 182,287 | 279,599 | 295,747 | 307,152 | 319,325 |
| Cash outgo: | | | | | | | | | | |
| Benefit payments | * | 240 | 4,333 | 15,226 | 54,839 | 165,422 | 218,957 | 236,120 | 251,317 | 264,582 |
| Payments to the railroad retirement account ..... | ..... | ..... | ..... | 436 | 982 | 2,310 | 2,969 | 3,375 | 3,148 | 3,353 |
| Interest payments ..... | ..... | ..... | ..... | ..... | ..... | 2,293 | 982 | 418 | -* | ..... |
| Administrative expenses ..... | ..... | 27 | 103 | 300 | 848 | 1,588 | 1,566 | 1,747 | 1,824 | 2,026 |
| Military service credit adjustment ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Other outgo (mainly for vocational rehabilitation) ..... | ..... | ..... | ..... | 3 | 8 | ..... | ..... | 2,114 | ..... | ..... |
| Total cash outgo | * | 267 | 4,436 | 15,965 | 56,676 | 171,614 | 224,475 | 243,774 | 256,290 | 269,960 |
| Surplus or deficit (-) | 267 | 1,167 | 1,098 | 452 | 2,080 | 10,673 | 56,125 | 51,972 | 50,862 | 49,364 |
| Borrowing or repayment (-) of borrowing from other trust funds | | | | | | | | | | |
| Fund balance, end of year | 267 | 6,613 | 21,141 | 20,198 | 39,961 | -4,364 | 203,445 | 255,417 | -4,364 | 355,644 |
| Invested balance | 267 | 6,546 | 20,580 | 18,783 | 39,892 | 30,971 | 203,717 | 255,557 | 306,524 | 355,510 |
| Uninvested balance | * | 67 | 560 | 1,415 | 69 | 2,909 | -271 | -140 | -244 | 134 |

* \$500 thousand or less.

SOURCE: Budget of the U.S. Government for Fiscal Year 1995, Historical Tables.

DISABILITY INSURANCE TRUST FUND

[In millions of dollars]

| | 1956 | 1965 | 1975 | 1985 | 1990 | 1991 | 1992 | 1993 |
|---|------|-------|-------|--------|--------|--------|--------|--------|
| Disability insurance trust fund: | | | | | | | | |
| Cash income: | | | | | | | | |
| Social insurance taxes and contributions | | | 7,250 | 16,348 | 26,625 | 28,382 | 29,289 | 30,199 |
| Intragovernmental receipts: | | | | | | | | |
| Employer share, employee retirement (952) | | 19 | 106 | 221 | 529 | 562 | 593 | 620 |
| Interest (903) | | 65 | 512 | 580 | 866 | 1,058 | 1,080 | 966 |
| Other | | | 52 | 548 | 302 | 133 | 217 | 279 |
| Total interfund receipts | | 85 | 670 | 1,349 | 1,697 | 1,753 | 1,890 | 1,865 |
| Total intragovernmental receipts | | 85 | 670 | 365 | * | * | * | 2 |
| Inter-trust interest (from OASI) | | | | | | | | |
| Other cash income | | | | | | | | |
| Total cash income | | 1,241 | 7,920 | 18,062 | 28,322 | 30,135 | 31,179 | 32,065 |
| Cash outgo: | | | | | | | | |
| Benefit payments | | 1,392 | 7,630 | 18,654 | 24,306 | 26,871 | 30,360 | 33,588 |
| Payments to the railroad retirement account | | 24 | 29 | 43 | 80 | 82 | 58 | 83 |
| Administrative expenses | | 82 | 253 | 603 | 707 | 785 | 843 | 932 |
| Interest payments | | | | 69 | 100 | 45 | | |
| Military service credit adjustment | | | | | | 775 | | |
| Other outgo (mainly vocational rehabilitation) | | * | 71 | 3 | 38 | 34 | 34 | 38 |
| Total cash outgo | | 1,498 | 7,962 | 19,372 | 25,230 | 28,592 | 31,295 | 34,641 |
| Surplus or deficit (-) | | -258 | -62 | -1,310 | 3,091 | 1,543 | -116 | 2,576 |
| Lending (-) or repayment of loans to OASI fund | | | | | | | | |
| Fund balance, end of year | | 2,009 | 8,192 | 2,540 | 11,455 | 12,998 | 12,881 | 10,305 |
| Invested balance | | 1,878 | 8,158 | 5,704 | 11,505 | 13,105 | 12,918 | 10,237 |
| Uninvested balance | | 131 | 35 | 170 | -50 | -107 | -36 | 69 |

* \$500 thousand or less.

SOURCE: Budget of the U.S. Government for Fiscal Year 1995, Historical Tables.

HOSPITAL INSURANCE TRUST FUND

[In millions of dollars]

| | 1966 | 1975 | 1985 | 1990 | 1991 | 1992 | 1993 |
|--|------|--------|--------|--------|---------|---------|---------|
| Benefit insurance trust fund: | | | | | | | |
| Cash income: | | | | | | | |
| Social insurance taxes and contributions | | | | 68,556 | 72,842 | 79,108 | 81,224 |
| Intergovernmental receipts: | | | | | | | |
| Employer share, employee retirement (SEI) | | 11,252 | 44,871 | | | | |
| Interest (SOZ) ¹ | 16 | 166 | 1,449 | 2,153 | 2,205 | 2,324 | 2,375 |
| Interest from OASI | 6 | 614 | 2,016 | 7,943 | 8,982 | 10,054 | 10,581 |
| Federal Payment (OASI taxes) | | | | | | | |
| Other | | 529 | 1,348 | 798 | 631 | | |
| Total intergovernmental receipts | | 1,309 | 6,020 | 10,894 | 11,823 | 13,084 | 13,459 |
| Other (proprietary) receipts: | 22 | | 38 | 113 | 367 | 484 | 622 |
| Premium income | | 6 | | | | | |
| Other (mainly proprietary interest) | | 1 | | | | | |
| Other (after 1984, mainly for kidney dialysis) | | | | | | | |
| Total cash income | 915 | 12,568 | 50,928 | 79,563 | 85,038 | 92,577 | 95,297 |
| Cash outgo: | | | | | | | |
| Benefit payments ² | | | | | | | |
| Administrative expenses | | 10,353 | 47,710 | 65,722 | 68,486 | 80,584 | 90,252 |
| Interest on nonmarketed transfers | 64 | 256 | 813 | 774 | 937 | 1,187 | 1,149 |
| Military service credit adjustment | | | 13 | | | | |
| Other | | | | | 1,100 | | |
| Total cash outgo | 64 | 10,612 | 48,667 | 66,687 | 70,742 | 81,971 | 91,604 |
| Surplus or deficit (-) | 851 | 1,956 | 2,261 | 12,876 | 14,296 | 10,706 | 3,693 |
| Lending (-) or repayment of loans to OASI fund | | | | | | | |
| Transfer of CH balances | | | 1,824 | | | | |
| Fund balances, end of year | 851 | 9,870 | 21,322 | 95,631 | 109,927 | 120,633 | 126,131 |
| Invested balances | | | | | | | 1,805 |
| Uninvested balances | 786 | 9,761 | 21,176 | 96,249 | 109,327 | 120,647 | 126,078 |
| | 65 | 109 | 146 | - 617 | 600 | - 13 | 52 |

¹ \$509 thousand of loans.

² Starting in 1983, includes amounts from Postal Service.

³ For years after 1985, outlays for peer review organizations are included in the benefit payments line.

SOURCE: Budget of the U.S. Government for Fiscal Year 1995, Historical Tables.

SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND
 [In millions of dollars]

| | 1967 | 1975 | 1985 | 1990 | 1991 | 1992 | 1993 |
|---|-------|-------|--------|--------|--------|--------|--------|
| Supplementary medical insurance trust fund: | | | | | | | |
| Cash income: | | | | | | | |
| Individual income taxes ² | 14 | 106 | 1,154 | 1,427 | 1,627 | 1,716 | 1,888 |
| Outstanding collections: | 623 | 2,330 | 17,898 | 33,210 | 34,730 | 38,684 | 44,227 |
| Intragovernmental receipts: | | | | | | | |
| Interest (802) ² | 637 | 2,435 | 19,052 | 34,637 | 36,358 | 40,400 | 46,114 |
| Federal contributions | | | | | | | |
| Total intragovernmental receipts | | | | | | | |
| Premium income: | | | | | | | |
| From aged participants | 647 | 1,750 | 5,042 | 10,499 | 10,741 | 11,564 | 13,255 |
| From disabled participants | | 151 | 482 | 995 | 1,066 | 1,184 | 1,428 |
| Total premium income | 647 | 1,901 | 5,524 | 11,494 | 11,807 | 12,748 | 14,683 |
| Other ³ | | | | 3 | 1 | 1 | 1 |
| Total cash income | 1,284 | 4,336 | 24,576 | 45,607 | 48,166 | 53,149 | 60,799 |
| Cash outgo: | | | | | | | |
| Benefit payments ¹ | 664 | 3,765 | 21,808 | 41,450 | 45,456 | 48,595 | 52,572 |
| Administrative expenses ² | 134 | 404 | 923 | 1,524 | 1,507 | 1,658 | 1,682 |
| Other ¹ | | | | 47 | 58 | 32 | |
| Total cash outgo | 798 | 4,170 | 22,730 | 43,022 | 47,021 | 50,285 | 54,254 |
| Surplus or deficit (-) | 486 | 166 | 1,846 | 2,585 | 1,145 | 2,863 | 6,545 |
| Transfer of CIB balances | | | | | | | -1,805 |
| Fund balance at end of year | 486 | 1,424 | 10,645 | 14,527 | 15,672 | 18,535 | 23,276 |
| Invested balance | 479 | 1,378 | 10,736 | 14,286 | 16,241 | 18,534 | 23,268 |
| Uninvested balance | 7 | 46 | -91 | 241 | -569 | 2 | 8 |

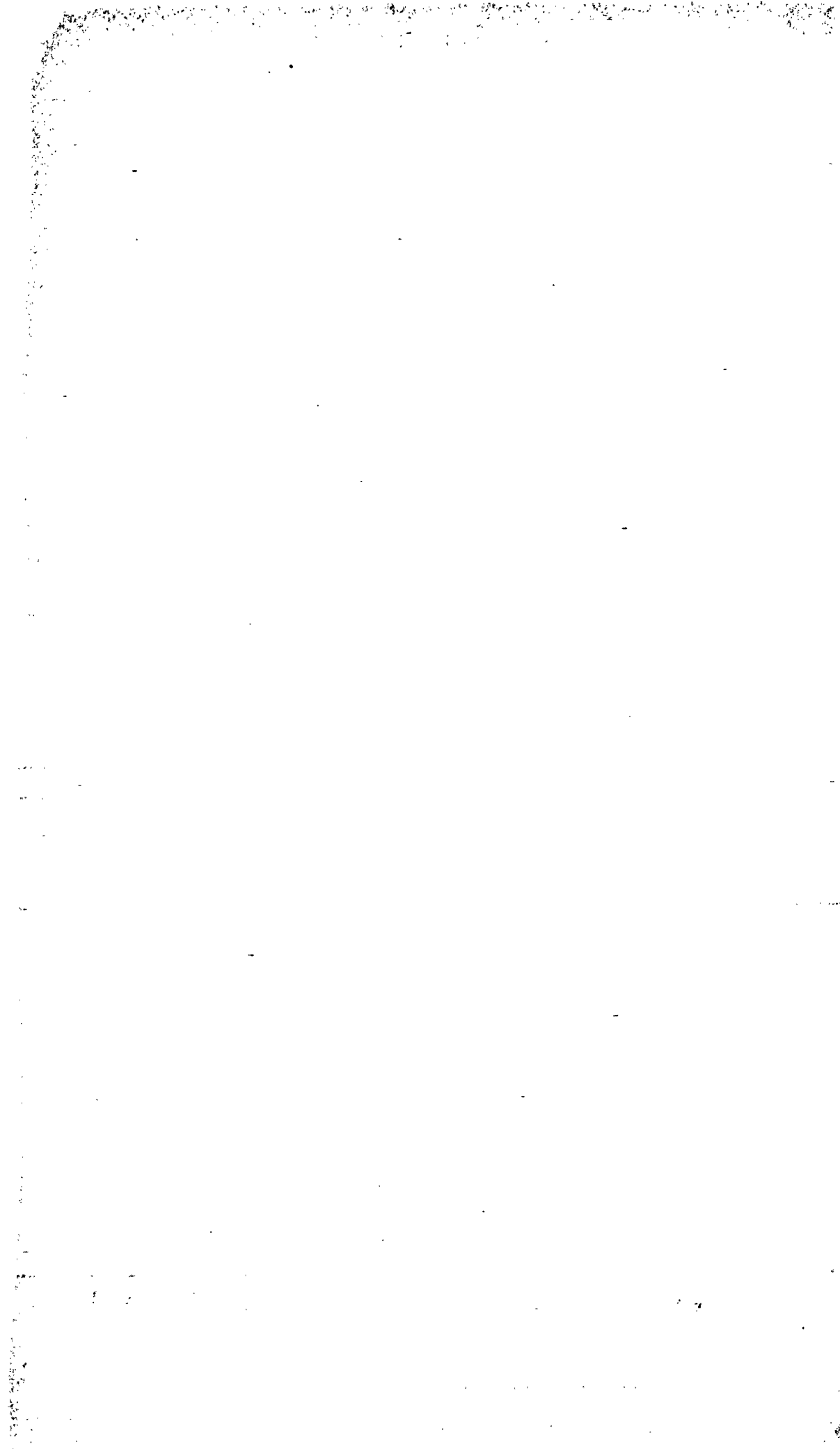
¹ \$900 increased or less.

² For years after 1995, outlays for peer review organizations are included in the benefit payments line.

³ For 1989 and 1990, includes transactions and balances of the HI and SMI Catastrophic Insurance trust funds, which began in 1989 and were abolished in 1990.

For years after 1989, receipts for kidney dialysis.

SOURCE: Budget of the U.S. Government for Fiscal Year 1995, Historical Tables.



EXCERPT FROM THE "STATUS OF THE SOCIAL SECURITY AND MEDICARE PROGRAM—A SUMMARY OF THE 1994 ANNUAL REPORT," PUBLISHED BY THE SOCIAL SECURITY AND MEDICARE BOARDS OF TRUSTEES (APRIL 1994)

Status of the Social Security and Medicare Programs

A SUMMARY OF THE 1994 ANNUAL REPORTS

What Are the Trust Funds? Four trust funds have been established by law to finance the Social Security and Medicare programs. For Social Security, the Federal Old-Age and Survivors Insurance (OASI) Trust Fund pays retirement and survivors benefits; and the Federal Disability Insurance (DI) Trust Fund pays benefits after a worker becomes disabled. When both OASI and DI are considered together, they are called the OASDI program.

For Medicare, the Federal Hospital Insurance (HI) Trust Fund pays for hospital and related care (often called "Part A") for people over 65 and workers who are disabled. The Federal Supplementary Medical Insurance (SMI) Trust Fund pays for physician and outpatient services (often called "Part B") for people over 65 and workers who are disabled. These two trust funds are not usually considered together, because they are funded differently.

Who Are the Boards of Trustees? Five people serve on the Social Security and Medicare Boards of Trustees: the Secretary of the Treasury, the Secretary of Labor, the Secretary of Health and Human Services, and two members appointed by the President and confirmed by the Senate to represent the public. The Boards are required by law to report to the Congress each year on the operation of the trust funds during the preceding years and the projected financial status for future years.

What Were the Trust Fund Results in 1993? Assets of the OASI and HI trust funds increased during calendar year 1993, while the DI and SMI funds' assets declined. At the end of the year, 42.2 million people were receiving OASDI benefits and about 36 million people were covered under Medicare. Trust fund operations, in billions of dollars, were:

| | OASI | DI | OASDI | HI | SMI |
|----------------------------|-------|------|-------|-------|------|
| Assets (end of 1992) | 319.1 | 12.3 | 331.5 | 124.0 | 24.2 |
| Income during 1993 | 323.3 | 32.3 | 355.6 | 98.2 | 57.7 |
| Outgo during 1993 | 273.1 | 35.7 | 308.8 | 94.4 | 57.8 |
| Net Increase | 50.2 | -3.4 | 46.8 | 3.8 | -0.1 |
| Assets (end of 1993) | 369.3 | 9.0 | 378.3 | 127.8 | 24.1 |

What Were the Administrative Expenses in 1993? The cost of administering the programs in fiscal year 1993, shown as a percentage of benefit payments from each trust fund, was:

| | OASI | DI | OASDI | HI | SMI |
|---|------|-----|-------|-----|-----|
| Administrative Expenses (FY 1993) | 0.8 | 2.8 | 1.0 | 1.0 | 3.7 |

How Are the Trust Funds Financed? Most OASDI and HI revenue consists of taxes on earnings that are paid by employees, their employers, and the self-employed. The tax rates are set by law and, for OASDI, apply to earnings that do not exceed a certain annual amount. This amount, called the earnings base, rises as average wages increase. In 1994, the earnings base for OASDI is \$60,600. Beginning in 1994, HI taxes are paid on total earnings. The rates employees and employers each are scheduled to pay under current law are:

| Year | OASI | DI | OASDI | HI | Total |
|----------------------|------|------|-------|------|-------|
| 1990-99 | 5.60 | 0.60 | 6.20 | 1.45 | 7.65 |
| 2000 and later | 5.49 | 0.71 | 6.20 | 1.45 | 7.65 |

People who are self-employed are charged the equivalent of the combined employer and employee shares, but only on 92.35 percent of net earnings, and may deduct one-half of the combined tax from income subject to federal income tax.

All the trust funds receive income from interest earnings on trust fund assets and from miscellaneous sources. The OASI, DI and, beginning in 1994, HI trust funds also receive revenue from the taxation of Social Security benefits.

The SMI or Part B program is financed similarly to yearly renewable, term insurance. Participants pay a monthly premium in 1994 of \$41.10; the remainder of SMI costs is paid for by the Federal government from general revenues.

In all trust funds, assets that are not needed to pay current benefits or administrative expenses (the only purposes for which trust funds may be used) are invested in special issue U.S. Government securities guaranteed as to both principal and interest and backed by the full faith and credit of the U.S. Government.

How Are Estimates of Trust Fund Balances Made? Short-range (10-year) estimates are reported for all funds, and, for the OASI, DI, and HI trust funds, long-range (75-year) estimates are reported. Because the future cannot be predicted with certainty, three alternative sets of economic and demographic assumptions are used to show a range of possibilities. Assumptions are made about economic growth, wage growth, inflation, unemployment, fertility, immigration, and mortality, as well as specific factors relating to disability, hospital, and medical services costs.

The intermediate assumptions reflect the Trustees' best estimate of what the future experience will be. The low cost alternative is more optimistic; the high cost alternative is more pessimistic; they

show how the trust funds would operate if economic and demographic conditions are better or worse than the best estimate.

What Concepts Are Used to Describe the Trust Funds? The measures used to evaluate the financial status of the trust funds are based on several concepts. Some of the important concepts are:

- *Taxable payroll* is that portion of total wages and self-employment income that is covered and taxed under the OASDI and HI programs.
- The annual *income rate* is the income to the trust fund from taxes, expressed as a percentage of taxable payroll.
- The annual *cost rate* is the outgo from the trust fund, also expressed as a percentage of taxable payroll.
- The *percentage of taxable payroll* is used to measure income rates and cost rates for the OASDI and HI programs. Measuring the funds' income and outgo over long periods of time by describing what portion of taxable earnings they represent is more meaningful than using dollar amounts, because the value of a dollar changes over time.
- The annual *balance* is the difference between the income rate and the cost rate. If the balance is negative, the trust fund has a *deficit* for that year.
- Annual balances are summarized for periods of up to 75 years and adjusted to include the beginning fund balance and the cost of ending the projection period with a trust fund ratio of 100 percent; the resulting figure is called the *actuarial balance*; if the balance is negative, the fund has an *actuarial deficit*.
- The *trust fund ratio* is the amount in the trust fund at the beginning of a year divided by the projected outgo for the year. It shows what percentage of the year's expenditures the trust fund has on hand. For example, a trust fund ratio of 50 percent would reflect an amount equal to six months' of projected expenditures.
- The *year of exhaustion* is the first year a trust fund is projected to run out of funds and to be unable to pay benefits on time and in full.

How Is the Financial Status of the Trust Funds Tested? Several tests, based on the intermediate assumptions, are used to review the financial status of the trust funds.

- The *short-range test* is met if, throughout the next 10 years, the trust fund ratio is at least 100 percent. Or, if the trust fund ratio is initially less, but reaches 100 percent within the first five years and stays at or above 100 percent, and there is enough income to pay benefits on time every month during the 10 years, the short-range test is met.
- The *long-range test* is met if a fund has an actuarial deficit of no more than five percent of the cost rate over the 75 years, and the actuarial deficit for any period of the first 10 years or longer is less than a graduated amount of five percent. If the long-range test is met, the trust fund is in *close actuarial balance*.
- The test for *SMI actuarial soundness* is met for any time period if the trust fund assets and projected income are enough

to cover the projected outgo and there are enough assets to cover costs incurred but not yet paid. The adequacy of the SMI Trust Fund is measured only for years for which both the beneficiary premiums and the general revenue contributions have been set.

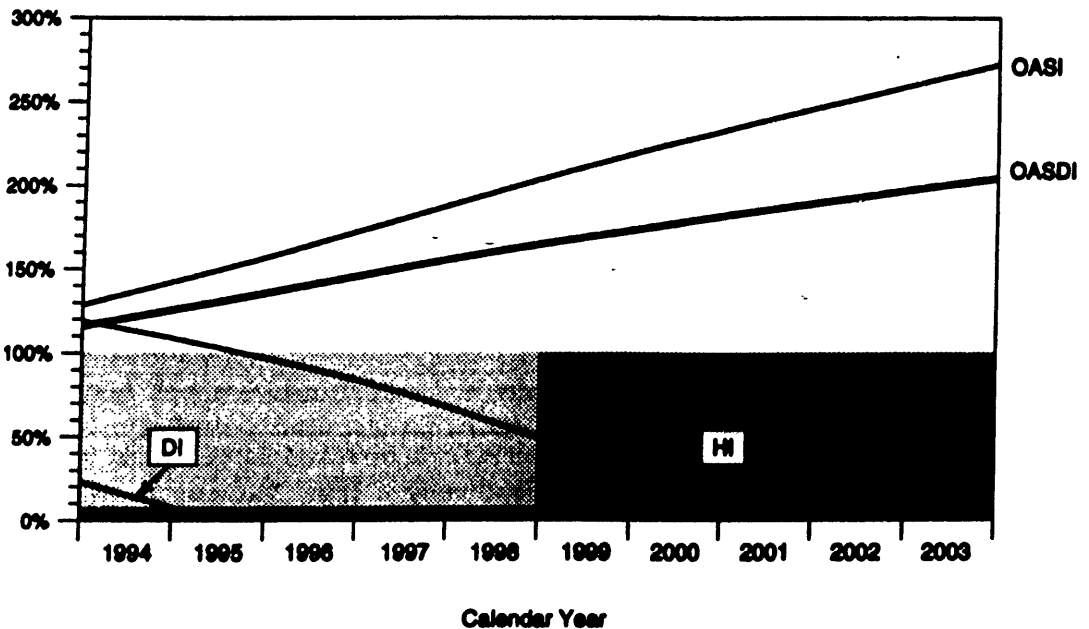
What Is the Future Outlook for the Trust Funds?

The status of the OASI, DI, and HI trust funds is shown together on charts because they are financed the same way. SMI is financed differently, so its status is described separately.

THE SHORT-RANGE OUTLOOK (1994-2003)

Chart A shows the projected trust fund ratio under intermediate assumptions for OASI, DI, and HI separately. It also shows the ratio for the combined OASI and DI trust funds.

Chart A.—Trust Fund Ratio and Short-Range Test of Financial Adequacy



The OASI trust fund ratio line is over the 100 percent level at the beginning of the 10-year period and stays over that level through the year 2003. Therefore, the OASI trust fund meets the short-range test of financial adequacy.

However, the trust fund ratio line for DI starts at 23 percent and does not reach the 100 percent level at any time in this period; it does not meet the short-range test. Moreover, the DI trust fund is expected to be exhausted in mid 1995 under the intermediate assumptions, and in early 1995 if economic and other conditions in the future turn out to be more pessimistic, as under the high cost alternative.

The trust fund ratio line for the combined OASI and DI trust funds begins above the 100 percent level and stays over that level

throughout the 10-year period; thus, the OASDI program, as a whole, meets the short-range test of financial adequacy.

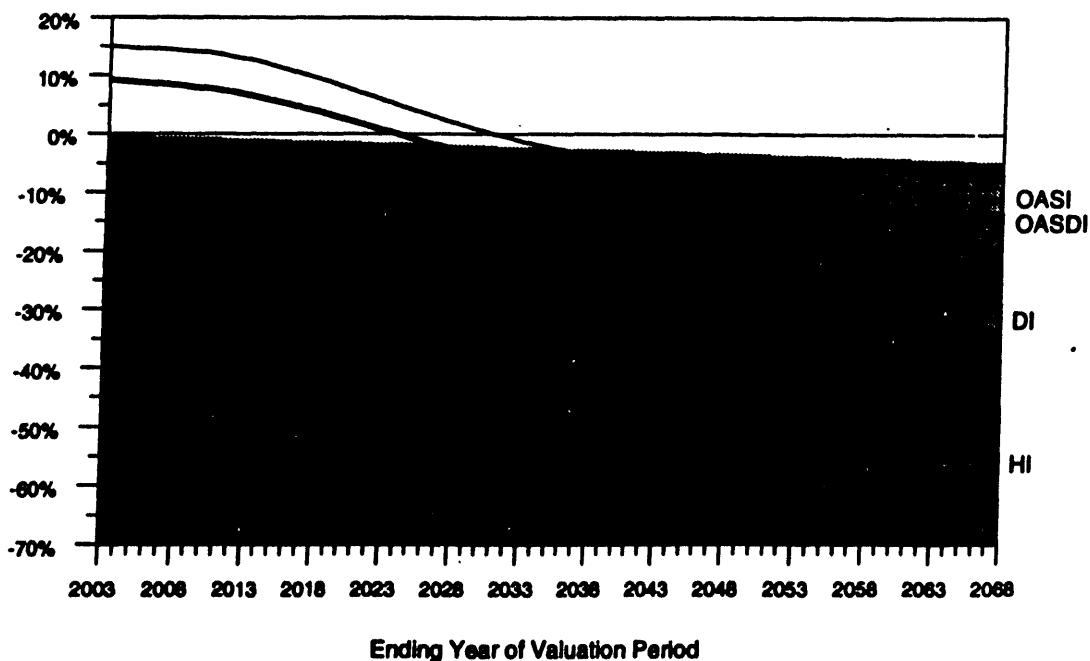
Although the trust fund ratio line for HI is over the 100 percent level at the beginning of the 10-year period, it falls below that level in 1995. As a result, it does not meet the short-range test. Under the intermediate assumptions, the projected year of exhaustion for the HI trust fund is 2001; under more adverse conditions, as in the high cost alternative, it could be as soon as 2000.

The financing for the SMI trust fund has been set through 1994, and the projected operations of the trust fund meet the test of SMI actuarial soundness.

THE LONG-RANGE OUTLOOK (1994-2068)

Chart B shows the actuarial balance, as a percentage of the cost rate, for OASI, DI, and HI separately under the intermediate assumptions. It also shows the actuarial balance for the combined OASI and DI trust funds.

Chart B.--Actuarial Balance as a Percentage of Summarized Cost Rate and Long-Range Test of Close Actuarial Balance



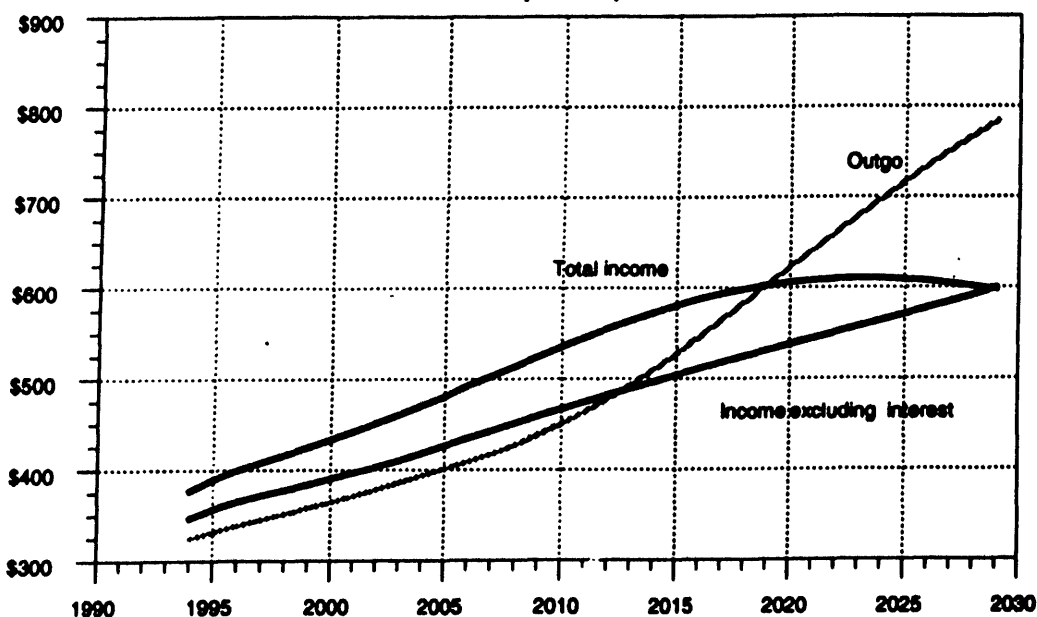
For a trust fund to meet the long-range test of close actuarial balance, the actuarial balance line for that trust fund must stay above the shaded area throughout the 75-year period. The triangle above the shaded area but below the zero percent level shows the range of allowable deficits a fund can have and still be in close actuarial balance.

None of the three trust funds is in close actuarial balance over the next 75 years. However, the chart shows that the actuarial balance line for OASI, as well as for the OASDI program, as a whole, stays above the shaded area for many years to come.

The actuarial balance line for DI alone starts well into the shaded area and declines slightly over the 75-year period. The actuarial balance line for HI also starts well into the shaded area but then declines sharply over the long-range period.

The year of exhaustion for the OASI trust fund under intermediate assumptions does not occur until 2036—42 years from now. For the combined OASI and DI trust funds, the year of exhaustion is 2029—in 35 years. However, combined OASDI expenditures will exceed current tax income beginning in 2013. Thus, as Chart C illustrates, current tax income plus a portion of annual interest income will be needed to meet expenditures for years 2013 through 2018, and current tax income, annual interest income, plus a portion of the principal balance in the trust funds will be needed for years 2019–2029.

Chart C.--Estimated OASDI Income and Outgo in Constant Dollars
(in billions)



Another useful way to view the outlook of the trust funds is to compare the income rate for each fund with its estimated cost rate. The income rates for OASI, DI and HI remain relatively constant over the 75-year period, while the cost rates increase by widely differing amounts.

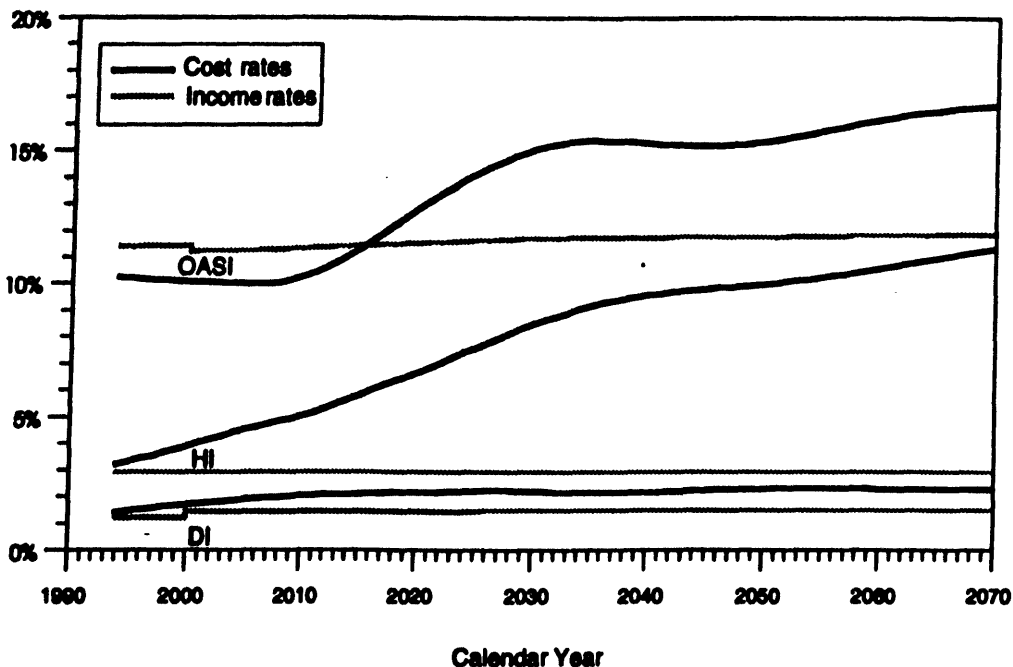
For OASI, the income rate is projected to remain significantly above the cost rate for a number of years. Starting in about 2010, however, the OASI cost rate will begin increasing rapidly as the baby boom generation begins to reach retirement age. In 2013 and later, the cost rate for OASI will exceed the income rate.

The cost rate for DI is slightly higher than the income rate initially, and the shortfall is projected to increase slowly over the 75-year period.

The cost rate for HI also is higher than the income rate throughout the next 75 years but by rapidly growing amounts—by the end

of the period, the HI cost rate is projected to be roughly 4 times greater than the HI income rate. Chart D shows the virtually level income rates and rising cost rates for OASI, DI and HI.

Chart D.—Income Rates and Cost Rates



An additional way to view the outlook for the trust funds as projected under current law is in relation to the economy as a whole. The table below shows the estimated outgo from each trust fund as a percentage of estimated gross domestic product (GDP) in selected years and the percentage increase in outgo in relation to GDP from 1994 to 2068. OASI and DI increase at about the same rate over this period, while the increases in HI and particularly in SMI are much greater.

OASI, DI, HI, AND SMI OUTGO AS A PERCENT OF GROSS DOMESTIC PRODUCT

| Trust Fund | 1994 | 2020 | 2045 | 2068 | % Increase |
|------------|------|------|------|------|------------|
| OASI | 4.25 | 5.09 | 5.75 | 6.03 | 42 |
| DI | .58 | .85 | .85 | .83 | 43 |
| HI | 1.60 | 3.22 | 4.55 | 4.98 | 211 |
| SMI | .93 | 3.27 | 4.10 | 4.37 | 370 |

* * *

CONCLUSIONS

The status of the Social Security and Medicare programs can be summarized by looking at the results of the tests used to evaluate

the financial status of the trust funds and at the number of years before each trust fund is expected to be exhausted under the intermediate assumptions:

FINANCIAL STATUS OF THE OASI, DI, HI, AND SMI PROGRAMS

| Trust Fund | Is the Test Met: | | |
|------------------------|-------------------------|------------------------|---------------------------|
| | Short-Range 10 Years | Long-Range 75 Years | Years Until Exhaustion |
| OASI | Yes | No | 42 |
| DI | No | No | 1 |
| OASDI (combined) | Yes | No | 35 |
| HI | No | No | 7 |

The SMI Trust Fund meets its test of actuarial soundness.

Based on the Trustees best estimates (intermediate assumptions):

The OASI trust fund is expected to be able to pay benefits for about the next 42 years, but the fund is not in close actuarial balance for the 75-year long-range period.

The DI trust fund is not adequately financed, and it will be able to continue paying benefits only until some time in 1995 without corrective legislation. The Board recommends prompt action by the Congress to allocate to the DI trust fund a larger portion of the combined OASDI tax rate in order to improve the financial integrity of the DI program.

A reallocation of the OASDI tax rate is possible because the combined OASI and DI trust funds are estimated to continue growing for 25 years into the future and would not be exhausted until 2029. In view of the lack of close actuarial balance in the OASDI program over the next 75 years, the Board believes that the long-range deficits of both the OASI and DI trust funds should be addressed. Accordingly, the Board recommends that the Advisory Council on Social Security conduct an extensive review of Social Security financing issues and develop recommendations for restoring the long-range actuarial balance of the OASDI program.

The HI trust fund will be able to pay benefits for only about 7 years and is severely out of actuarial balance over the next 75 years. Because of the magnitude of the projected actuarial deficit in the HI program and the high probability that the HI Trust Fund will be exhausted before the turn of the century, the Trustees urge the Congress to take additional actions to control HI program costs through specific program legislation and as a part of enacting comprehensive health care reform.

The SMI program, though actuarially sound, has experienced rapid growth: program outlays have increased 59 percent in the last five years and grew 23 percent faster than the economy as a whole. Because this growth shows little sign of abating, the Trustees urge the Congress to take additional actions to control SMI costs through specific program legislation and as a part of enacting comprehensive health care reform.

APPENDIX N

CBO Summary of the Budget Reconciliation Act of 1993



In developing budget policies for fiscal 1995 and later years, it is helpful to understand the impact of the Omnibus Budget Reconciliation Act of 1993 (OBRA-93) on the current budget outlook. Following are excerpts from two recent Congressional Budget Office publications which summarize the impact of OBRA-93. (The views expressed below are not intended to reflect the position of any Member of the Finance Committee or the Committee staff.)

Excerpt from CBO Economic and Budget Outlook: Fiscal Years 1995-1999:

* * * * *

Last August, an ambitious deficit reduction package—the Omnibus Budget Reconciliation Act of 1993 (OBRA-93)—cleared the Congress and was signed by the President. Enacted with barely a month left in the fiscal year, the package was not responsible for the deficit's decline between 1992 and 1993. Instead, the main reason that the 1993 deficit lay below 1992's tally was a swing in spending for deposit insurance, down \$31 billion from the previous year's figure largely because of a hiatus in funding that delayed the cleanup of troubled savings and loan institutions. But OBRA-93 contributes enormously to holding down the deficit in 1994 and beyond. When OBRA-93 was passed, CBO credited its backers with having achieved \$433 billion in savings in 1994 through 1998—and, of course, most of the savings persist even after that period.¹

The last time that the Congress and the Administration hammered out a major deficit reduction package, namely the budget summit agreement of late 1990, the ink was barely dry before a spate of bad news hit. The 1990 summit slashed almost \$500 billion from the deficit over the 1991-1995 period, and CBO and others initially thought that it would succeed in virtually balancing the budget by the mid-1990s. That was not to be. Although policymakers did not backpedal on the savings achieved in 1990, slow economic growth, sagging revenues, and an unexpected explosion in spending for health care and other benefit programs swelled the deficit and created the need for additional rounds of budgetary surgery.

So far, however, this situation does not appear to be repeating itself. The budget outlook now is no worse, and in fact is slightly better, than CBO reported last September. The modest improvement stems from undramatic but favorable news on several fronts: strong revenues, subdued spending on net interest, lower outlays for deposit insurance, and a mild deceleration in the growth of benefit programs. Of course, these small revisions leave the underlying

¹The Administration estimated that OBRA-93 reduced the deficit by \$504.8 billion. See "Mid-Session Review of the Budget 1994 Budget" (September 1993).

message broadcast by CBO last September intact: policymakers have cut the deficit but have by no means erased it.

* * * * *

Excerpt from CBO Economic and Budget Outlook—September 1993 Update:

CBO estimates that the Omnibus Budget Reconciliation Act of 1993 (OBBA-93) will reduce deficits in 1994 through 1998 by \$433 billion compared with CBO's winter 1993 baseline (see Table 2-2). Tax increases account for \$241 billion of the five-year savings; direct spending cuts for \$77 billion; new limits on discretionary appropriations in 1996, 1997, and 1998 for \$69 billion; and debt-service savings for \$47 billion. OBRA-93 also included a provision increasing the limit on the public debt to \$4.9 trillion (see Box 2-2).

The estimate of the deficit reduction assumes that the President and the Congress will comply with the new discretionary limits when enacting appropriations. The \$69 billion in discretionary savings is calculated by subtracting the new limits (including CBO's estimate of required adjustments) for 1996, 1997, and 1998 from CBO's winter baseline projection for discretionary spending in those years. CBO's winter baseline assumed that lawmakers would comply with the 1994 and 1995 discretionary spending limits established by the 1990 reconciliation act and that appropriations would equal the 1995 limit plus inflation after 1995. If the new limits are compared instead with alternative baselines that had not already incorporated the cuts required to reach the 1994 and 1995 limits, the estimated discretionary savings attributed to the new limits would be higher, although the new baseline deficit projections would not be affected.

Revenues

Changes in tax policy under OBRA-93 increase revenues by an estimated \$241 billion in 1994 through 1998. The reconciliation act's major tax increases over five years include the following:

- \$115 billion from changes in the income tax that affect high-income individuals, including new tax brackets of 36.0 percent and 39.6 percent, an increase in the alternative minimum tax, and the permanent extension of the limitation on itemized deductions and the phaseout of personal exemptions;
- \$31 billion from extending through 1999 a tax of 2.5 cents a gallon on gasoline and other motor fuels that was scheduled to expire at the end of 1995, and imposing an additional permanent tax of 4.3 cents a gallon on motor fuels;
- \$29 billion from repealing the cap on earnings (now \$135,000) subject to the Medicare payroll tax;
- \$25 billion from subjecting to the income tax up to 85 percent of an individual's Social Security benefits (the change affects only taxpayers whose other income plus one-half of their Social Security benefits exceeds \$34,000 for single filers or \$44,000 for joint filers);
- \$16 billion from increasing the corporate tax rate to 35 percent for taxable income above \$10 million; and

- **\$15 billion from reducing the deductible portion of business meal and entertainment expenses from 80 percent to 50 percent.**

In addition to other, smaller tax increases, OBRA-93 contained a number of revenue-losing provisions, including temporary extension of the credit for research and experimentation and permanent extension of the low-income housing credit; more generous depreciation for certain firms; incentives for investments in empowerment zones and enterprise communities; expansion of the earned income tax credit (EITC); repeal of the luxury excise tax on boats, aircraft, jewelry, and furs; and reduction of the luxury excise tax on automobiles.

CBO estimates that over 80 percent of the net tax increase from OBRA-93 will be paid by families with incomes of at least \$200,000, and over 90 percent by families with incomes of at least \$100,000 (see Table 2-3). Two provisions that affect only families with incomes of \$100,000 or more—changes in individual income tax rates and the elimination of the cap on wages subject to the Medicare payroll tax—account for nearly two-thirds of the net increase in revenues. CBO estimates that high-income families will also bear a large share of the burden of increases in the corporate income tax. The OBRA-93 tax changes will bring the effective tax rate on the 1 percent of families with the highest incomes to its highest level since 1979.

By 1996, when the expansion of the earned income tax credit is fully phased in, the average family with income under \$30,000 will pay less tax than if OBBA-93 had not been enacted. For the average family in this category, the increase in the EITC (including the refundable portion that is treated as an outlay for budgetary purposes) will be larger than the added fuel taxes. OBRA-93 will raise the EITC for families with two or more children, increase the income level at which eligibility for the credit ceases, and expand the credit to include childless households. When these changes are fully phased in, the effective tax rate on the 20 percent of families with the lowest incomes will be less than half its 1985 level and lower than it has been for at least 16 years.

For families with incomes between \$30,000 and \$50,000, OBRA-93's higher motor fuel taxes will have the greatest impact—about \$62 a year for the average family in this category. Families with incomes between \$50,000 and \$100,000 will be affected almost equally by the taxation of Social Security benefits, the increases in the motor fuels tax, and the increase in corporate taxes.

Because OBRA-93's increases in the marginal income tax rate are substantial but apply only to a small share of taxpayers, the estimates of revenue gains are more uncertain than are estimates of smaller tax increases that apply more uniformly to the entire population. This uncertainty stems from two sources. First, the share of total income reported by the highest-income taxpayers varies considerably from year to year even when there are no changes in tax rates. Thus, forecasts of the tax base to which the higher OBBA-93 rates apply are uncertain. Second, the new rates themselves probably affect the tax base; high-income taxpayers may respond to higher tax rates by working less, taking more of their

compensation in tax-free or tax-advantaged forms, adjusting their asset portfolios, or converting ordinary income to capital gains.

Official revenue estimates attempt to take into account many of these behavioral responses. Some analysts have suggested, however, that the behavioral response will be much larger than official estimates assume and could even wipe out most of the estimated revenue gain. Although the extent of the behavioral response is uncertain, CBO's current assessment is that it is likely to offset a small share of the revenue increase that would otherwise occur.

Direct Spending

Changes in direct spending policy in OBRA-93 reduce the deficit by \$77 billion in 1994 through 1998 (see Table 2-2). The major cuts in mandatory programs include the following:

- \$56 billion from Medicare, primarily from reducing payments to hospitals, physicians, and other providers but including \$8 billion from requiring Medicare premiums to cover 25 percent of the costs for Supplementary Medical Insurance (Medicare Part B) in 1996, 1997, and 1998;
- \$12 billion from delaying cost-of-living adjustments for military and civil service retirees, permanently eliminating the lump-sum payment option for most federal retirees, and other changes that affect retirement and health benefits for federal employees;
- \$7 billion from the Federal Communications Commission's auction of licenses for commercial use of a portion of the electromagnetic spectrum previously reserved for the government;
- \$7 billion from Medicaid, primarily from repealing the requirement that states provide personal care services (but leaving states the option to cover such services under Medicaid) and limiting additional payments to hospitals serving large numbers of low-income or uninsured patients;
- \$4 billion from changes in the Federal Family Education Loan program (formerly known as the Guaranteed Student Loan, or GSL, program), including a transition to a Federal Direct Student Loan program that is intended to handle 60 percent of loan volume by the 1998-1999 school year;
- \$3 billion from a variety of provisions affecting programs of the Department of Veterans Affairs, including higher origination fees on VA-guaranteed loans, the extension through 1998 of the current authority to collect payments from commercial insurers for medical services provided by the VA to privately insured individuals, and a limitation on VA pensions to beneficiaries of nursing home care covered by Medicaid; and
- \$2 billion from limiting the ratio of losses to premiums in the crop insurance program, increasing minimum acreage set-asides, and other changes in farm programs.

OBBA-93 achieved other, smaller savings by requiring the Department of Housing and Urban Development to use Internal Revenue Service data to verify the income of beneficiaries of assisted housing, capping the number of acres enrolled in the conservation and wetlands reserve programs, and imposing or increasing a number of user fees. The savings in direct spending are partially offset

by \$19 billion in additional spending for the refundable portions of the earned income tax credit, which is considered an outlay (the EITC liberalization also reduced revenues by \$2 billion); \$2 billion in increased spending for the Food Stamp program; and increases in a few other programs.

Discretionary Spending

New discretionary spending limits for 1996, 1997, and 1998 included in OBRA-93 have reduced estimated discretionary spending by \$69 billion in 1994 through 1998, relative to CBO's winter 1993 baseline. Estimated savings are larger if the level of spending allowed under the new caps is compared with baselines that, unlike CBO's baseline, do not assume compliance with the discretionary caps for 1994 and 1995 that were established by the Budget Enforcement Act of 1990 (see Box 2-3).

Table 2-2. Major Elements of Deficit Reduction Under OBRA-93 from the CBO Winter 1993 Baseline

(By fiscal year, in billions of dollars)

| | 1994 | 1995 | 1996 | 1997 | 1998 | Five-Year Total |
|---|------------------|--------------|--------------|--------------|--------------|-----------------|
| Revenues: | | | | | | |
| Increase in tax rate for high-income individuals | -15.4 | -22.8 | -25.7 | -24.6 | -26.3 | -114.8 |
| Extension and increase of motor fuels tax | -4.4 | -4.5 | -7.4 | -7.5 | -7.5 | -31.3 |
| Repeal of cap on earnings subject to Medicare tax | -2.8 | -6.0 | -6.4 | -6.8 | -7.2 | -29.2 |
| Increase in taxable portion of Social Security benefits | -1.9 | -4.6 | -5.3 | -6.0 | -6.7 | -24.6 |
| Increase in corporate tax rate | -4.4 | -2.8 | -2.9 | -3.1 | -3.2 | -16.4 |
| Reduced business meal and entertainment deduction | -1.8 | -3.1 | -3.3 | -3.4 | -3.6 | -15.3 |
| Expansion of earned income tax credit | (¹) | 0.2 | 0.4 | 0.5 | 0.6 | 1.7 |
| Other | 4.3 | 0.2 | -0.9 | -9.8 | -4.6 | -10.8 |
| Subtotal | -26.4 | -43.5 | -51.5 | -60.7 | -58.5 | -240.6 |
| Mandatory Spending: | | | | | | |
| Medicare | -2.1 | -5.5 | -11.6 | -16.4 | -20.2 | -55.8 |
| Federal employee retirement and health benefits | -0.4 | -0.8 | -2.9 | -3.7 | -4.0 | -12.0 |
| FCC electromagnetic spectrum auction | -1.7 | -1.8 | -1.7 | -1.0 | -1.0 | -7.2 |
| Medicaid | (¹) | -1.0 | -1.6 | -2.1 | -2.5 | -7.1 |
| Federal Family Education Loans | -0.6 | -0.4 | -0.8 | -1.2 | -1.2 | -4.3 |
| Veterans' benefits | -0.2 | -0.4 | -0.4 | -0.4 | -1.2 | -2.6 |
| Farm programs | -0.1 | -0.7 | -0.5 | -0.6 | -0.5 | -2.5 |
| Refundable earned income tax credit | 0.2 | 2.0 | 4.4 | 6.1 | 6.4 | 19.1 |
| Food stamps | (¹) | 0.2 | 0.4 | 0.8 | 1.0 | 2.5 |
| Other | -0.3 | -0.2 | -1.8 | -2.4 | -2.5 | -7.2 |
| Subtotal | -5.3 | -8.5 | -16.6 | -20.9 | -25.7 | -76.9 |
| Discretionary Spending | 0 | 0 | -7.7 | -23.0 | -37.9 | -68.5 |

Table 2-2. Major Elements of Deficit Reduction Under OBRA-93 from the CBO Winter 1993 Baseline—Continued

[By fiscal year, in billions of dollars]

| | 1994 | 1995 | 1996 | 1997 | 1998 | Five-Year Total |
|---|-------|-------|--------|--------|--------|-----------------|
| Debt Service | -0.9 | -3.4 | -7.5 | -13.6 | -21.3 | -46.8 |
| Total Deficit Reduction | -32.6 | -55.5 | -83.3 | -118.1 | -143.4 | -432.9 |
| Memorandum: Deficit Reduction from Alternative Baselines | | | | | | |
| Reduction from the CBO Uncapped Baseline ² | -47.4 | -83.2 | -111.8 | -147.4 | -174.5 | -564.4 |
| Reduction from the CBO Estimate of the Administration's Baseline ³ | -42.0 | -72.9 | -94.1 | -123.7 | -144.3 | -476.9 |

SOURCE: Congressional Budget Office.

NOTES: The CBO winter 1993 baseline assumed compliance with the discretionary spending limits of the Budget Enforcement Act through 1995. Discretionary outlays were assumed to grow at the same pace as inflation after 1995. See Congressional Budget Office, "An Analysis of the President's February Budgetary Proposals," CBO Paper (March 1993).

Revenue increases are shown with a negative sign because they reduce the deficit.

OBRA-93 = Omnibus Budget Reconciliation Act of 1993; FCC = Federal Communications Commission.

¹ Less than \$500 million.

² The CBO March 1993 uncapped baseline assumed that discretionary outlays would grow from 1993 appropriated levels at the same pace as inflation through 1998.

³ CBO's estimate of the Administration's baseline assumed that discretionary outlays for nondefense accounts would grow from the 1993 appropriated levels at the same pace as inflation. Defense discretionary outlays equaled the amounts requested in the Bush Administration's January 1992 budget request (with various adjustments by the Clinton Administration).

Table 2-3. Changes in Taxes Under the Omnibus Budget Reconciliation Act of 1993, by Income Group

| | Change in Taxes | | Percent- age Change in After-Tax Income | Effective Tax Rates | | Share of Change in Taxes |
|--|----------------------|---------------------------|---|---------------------|------------------|--------------------------------|
| | Average (Dollars) | Percent- age Change | | Before OBRA-93 | After OBRA-93 | |
| Families Ranked by Adjusted Family Income | | | | | | |
| Income Quintile: | | | | | | |
| Lowest | -166 | -28.1 | 2.1 | 7.0 | 5.0 | -8.3 |
| Second | -35 | -1.1 | 0.2 | 15.0 | 14.9 | -1.8 |
| Third | 64 | 1.0 | -0.2 | 19.3 | 19.5 | 3.2 |
| Fourth | 110 | 1.0 | -0.3 | 22.1 | 22.3 | 5.7 |
| Highest | 1,884 | 6.5 | -2.3 | 26.2 | 27.9 | 100.9 |
| All | 382 | 3.8 | -1.1 | 22.8 | 23.7 | 100.0 |
| Detail on Highest Quintile: | | | | | | |
| 81 percent to 90 percent | 239 | 1.4 | -0.5 | 24.6 | 24.9 | 6.3 |
| 91 percent to 95 percent | 388 | 1.7 | -0.6 | 25.9 | 26.3 | 5.3 |
| 96 percent to 99 percent | 1,177 | 3.3 | -1.2 | 26.8 | 27.7 | 13.1 |
| Top 1 percent | 29,417 | 18.5 | -7.2 | 28.0 | 33.2 | 76.3 |
| Families Ranked by Dollar Income | | | | | | |
| Income Level: | | | | | | |
| Less than \$10,000 | -68 | -14.9 | 1.2 | 7.5 | 6.4 | -2.5 |
| \$10,000 to \$20,000 | -86 | -5.0 | 0.6 | 11.5 | 10.9 | -3.9 |
| \$20,000 to \$30,000 | -41 | -1.0 | 0.2 | 16.9 | 16.8 | -1.7 |

Table 2-3. Changes in Taxes Under the Omnibus Budget Reconciliation Act of 1993, by Income Group—Continued

| | Change in Taxes | | Percent- age Change in After-Tax Income | Effective Tax Rates | | Share of Change in Taxes |
|------------------------------|----------------------|---------------------------|---|---------------------|------------------|--------------------------------|
| | Average (Dollars) | Percent- age Change | | Before OBRA-93 | After OBRA-93 | |
| \$30,000 to \$40,000 | 50 | 0.7 | -0.2 | 19.8 | 19.9 | 1.6 |
| \$40,000 to \$50,000 | 105 | 1.1 | -0.3 | 21.6 | 21.8 | 2.7 |
| \$50,000 to \$75,000 | 192 | 1.3 | -0.4 | 23.4 | 23.7 | 7.8 |
| \$75,000 to \$100,000 | 312 | 1.4 | -0.5 | 25.2 | 25.5 | 5.6 |
| \$100,000 to \$200,000 | 649 | 1.9 | -0.7 | 26.1 | 26.6 | 8.8 |
| \$200,000 or more | 23,521 | 17.4 | -6.7 | 27.9 | 32.7 | 81.3 |
| All | 382 | 3.8 | -1.1 | 22.8 | 23.7 | 100.0 |

SOURCE: Congressional Budget Office.

NOTES: The estimates assume 1998 tax law and 1994 income levels. They reflect both the revenue and outlay portion of the earned income tax credit. Before OBRA-93, 1998 tax law would have differed from 1994 tax law because of the scheduled expiration of the limitation on itemized deductions, the phaseout of personal exemptions, and the 2.5 cent component of the gasoline tax that goes into the general fund. The estimates exclude the provisions of OBRA-93 relating to enterprise zones, estimated income tax payments, improved tax compliance, and the temporary extension of the federal unemployment surtax.

Pretax family income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, pensions, and all cash transfer payments. Income also includes the employer's share of Social Security and federal unemployment insurance payroll taxes, and the corporate income tax. For purposes of ranking by adjusted family income, income for each family is divided by the projected 1994 poverty threshold for a family of that size. Quintiles contain equal numbers of people. Individuals are treated as families of one. Families with zero or negative income are excluded from the lowest income category but are included in the total.

Changes in individual income taxes are distributed directly to families paying those taxes. Changes in payroll taxes are distributed to families paying those taxes directly, or indirectly through their employers. Changes in federal excise taxes are distributed to families according to their consumption of the taxed good or service. Changes in corporate income taxes are distributed to families according to their income from capital.



APPENDIX O

User Fees vs. Revenues



User Fees vs. Revenues

The Committee on Finance has jurisdiction over "revenue measures generally." Issues sometimes arise as to whether specific Federal user charges should be scored as "revenues," or as "user fees" (which are spending offsets).

In August 1993, the Congressional Budget Office prepared a comprehensive study of user charges.* Following are excerpts which are helpful in understanding the distinction between revenues and user fees. (The views expressed below are not intended to reflect the position of any Member of the Finance Committee or the Committee staff.)

THE GROWTH OF FEDERAL USER CHARGES

[Congressional Budget Office, August 1993]

* * * * *

SUMMARY

User charges have for some time, and especially in recent years, played an important role in financing federal programs. In 1991, user charges—such as passport fees, national park entrance fees, and gasoline excise taxes—amounted to nearly \$120 billion and were the sole source of financing for some programs. User charges are not new. Since the founding of the republic, federal lawmakers have sought to make some programs partly or entirely self-supporting. But a large and persistent federal deficit has created new incentives to expand the scope of user charges and to substitute them for broad-based taxes as a source of program funds. This trend has been particularly marked since the passage of the Balanced Budget Act of 1985.

CHOOSING BETWEEN USER CHARGES AND BROAD-BASED TAXES

Apart from their role in the budget, user charges differ from broad-based taxes in their nature and function. User charges are fees or taxes that are based on benefits individuals or firms receive from the federal government or that in some way compensate for costs they might impose on society or its resources. By contrast, income and many other taxes bear little direct relationship to people's use of or benefits from public services or resources. User charges are feasible for a variety of goods and services that the government may provide or that it can control by denying access to nonpayers or by prohibiting nonpayers from engaging in certain activities.

*The principal author of the study was Pearl W. Richardson of the Congressional Budget Office's (CBO's) Tax Analysis Division, under the direction of Rosemary D. Marcuss, Eric J. Toder, and Joseph J. Cordes.

Most of the goods that the government provides are public and therefore more suitable for general-fund financing. For example, it would be impractical to impose user charges for such services as national defense because they benefit many people collectively and because excluding nonpayers from access to their benefits would be difficult, if not impossible. Imposing user charges that are based strictly on costs and benefits would also be unwarranted when the goal of a program is to make certain goods and services more accessible to lower-income individuals, or to provide equal access to all, regardless of their ability to pay.

From an economic standpoint, user charges serve two purposes: they allocate resources and distribute costs in proportion to the benefits received. The degree of difference between user charges and broad-based taxes depends on how direct the relationship is between the charge and the benefit. When the correlation is close, user charges function as prices. Thus, they serve as a mechanism for allocating resources, although, if the proceeds of user charges are subject to Congressional appropriation, the political system also plays a role. When general tax funds provide the financing for goods and services, the political process alone determines how much to supply.

THE GROWTH OF USER CHARGES

User charges are increasingly relied upon as a source of federal funds. Between 1980 and 1991, user charges increased by 54 percent in constant dollars (1991 = 100). User charges include four distinct types of levies: user fees, regulatory fees, benefit-based taxes, and liability-based taxes. Between 1980 and 1991 (measured in constant dollars):

- User fees—payments made by individuals or businesses for goods or services provided by the government, consumed voluntarily, and not generally shared by other members of society—increased by 46 percent to more than \$90 billion.
- Regulatory fees—charges that stem from the government's powers to regulate the economy and the activities of individuals—more than tripled to \$4 billion.
- Benefit-based taxes—taxes dedicated to trust funds and levied on bases correlated in varying degrees with use of a publicly provided good or service—increased by 61 percent to nearly \$23 billion.
- Liability-based taxes—excises dedicated to trust funds and levied for the purpose of abating hazards or compensating for injuries—starting from a small base, increased nearly sixfold to \$2.5 billion.

INTERAGENCY DIFFERENCES IN RELIANCE ON USER CHARGES

Although the general increase in user charges has been substantial, it has not been uniform. Some laws limit or prohibit charges; others authorize charges that assure the complete recovery of costs. Thus, user charges today finance a larger share of the budgets of some, but by no means all, programs. In view of the diversity of the goods and services that the federal government provides, practices in setting user charges naturally vary widely. But even pro-

grams that are similar in nature may not assess charges for goods or services in the same way or with the same effect and thus may or may not recover program costs or encourage optimal use of scarce resources. Depending on the circumstances, such differences may reflect deliberate policy or long-standing practice.

The natures of the agencies that are most likely to be financed from user charges vary. Some are primarily involved in producing and selling products, such as power. Others—the Postal Service, for example—sell services. These programs have traditionally received most of their funding from their customers.

Beginning within the past decade, several regulatory agencies have derived most or all of their operating funds from user charges. In most cases, as a result of a change in law or administrative action, agencies have assessed fees for programs that previously had been financed from general funds. But some agencies—for example, the Environmental Protection Agency and the Food and Drug Administration—have levied new fees and specifically earmarked the funds for hiring new staff and expediting regulatory processes.

Despite the recent growth in regulatory charges, practices may vary from agency to agency. For activities that are similar in nature, federal agencies may in some cases be collecting fees that fully recoup and even exceed program costs, as in the case of the Securities and Exchange Commission; in other cases, such as the Commodity Futures Trading Commission, the government may be assessing virtually no charges. These differences have evolved over time and suggest that user charges for some services may increase.

Again, notwithstanding recent trends, the federal government's practices in charging for the rights to use public lands and to extract natural resources vary widely. For example, the federal government charges market prices (through a lease-bidding process) for oil and gas leases on public lands (including the submerged lands of the Outer Continental Shelf). But charges for grazing on public lands, water resources, and hardrock mining claims are far below their market value and thus provide a subsidy that may encourage poor use of scarce resources. Fees for the use of federal recreational facilities administered by the Departments of Agriculture and Interior and the Army Corps of Engineers also are far below program and maintenance costs. All of these charges are for goods and services that benefit private parties but that all taxpayers are now subsidizing either partially or entirely. In these cases, too, the potential exists for increases in user charges.

EFFECTS OF CHANGES IN LAW AND BUDGET PROCESSES ON USER CHARGES

Most of the new and increased charges of the 1980s followed the passage of the Balanced Budget Act of 1985. As the search for new sources of funds intensified, changes in law and budget processes helped assure the enactment of new user charges.

Beginning with the Consolidated Budget Reconciliation Act of 1985, the legal basis for setting certain user charges expanded from reimbursing an agency's costs of providing services to financing all or a specified portion of an agency's budget. Previous statutes had set fees in relation to the costs of providing particular services to private beneficiaries, not to an agency's overall budget.

Recent decisions of the Supreme Court and of lower courts have upheld the broad user charge legislation enacted since 1985. Several Supreme Court cases in the past two decades have focused on the distinctions between fees and taxes and on the conditions for a constitutional delegation of authority from the Congress to executive agencies. In clarifying the constitutional issues that have been associated with user charges, these decisions provide a legal framework for expanding the scope of user charge financing.

Finally, the treatment of user charges in the budget differs from that of taxes levied on broad bases. Unlike most taxes, which flow into general revenues, most user charges are either offset against (that is, subtracted from) outlays or dedicated to trust or special funds for specific purposes.

Since 1985, policymakers have increasingly offset charges against outlays and, on occasion, devised fees that are much like taxes. This practice has developed for several reasons. The budget reports net outlays—the amount that remains after subtracting fees and other collections from gross outlays. Imposing fees that the budget measures as an offset against outlays thus allows supporters of a program to expand or maintain government services without increasing reported spending or revenues. Since offsetting collections reduce net outlays, a Congressional authorizing committee can meet its budget reconciliation targets by raising fees instead of cutting programs. For the same reason, the appropriations committees can impose or raise fees in order to comply with the discretionary spending limits in the Budget Enforcement Act.

* * * * *

CHAPTER FOUR.—USER CHARGES AND THE BUDGET

* * * * *

CLASSIFYING ITEMS IN THE BUDGET

Apart from proceeds of borrowing, all collections flowing from the public to the federal government are classified in the budget as governmental receipts (revenues) or as offsets against outlays (expenditures).

BUDGET NOMENCLATURE

The guidelines for assigning budget items to the revenue or spending side are relatively straightforward, but the terms are confusing and likely to vary with the user. For example, governmental receipts—which generally consist of taxes, customs duties, and miscellaneous collections, including some fees—are also known as “budget receipts” and are referred to in Congressional budget resolutions as “federal revenues.”

The general term for funds credited against outlays is “offsetting collections.” Offsetting collections include interest, miscellaneous recoveries and refunds, and a wide variety of fees. Offsetting collections show up in the budget in two different ways.

Reimbursements to Appropriations. In some cases, the law specifies that a collection be offset within an expenditure account. Such collections are “reimbursements to appropriations.” Reimbursements to appropriations are deposited as credits to the ex-

penditure accounts that they finance. Depending on whether the funds originate from inside or outside the government, budget documents identify reimbursements to appropriations as "offsetting collections from federal sources" (including trust and off-budget funds) or as "offsetting collections from nonfederal sources." (Commonly, reimbursements to appropriations are referred to simply as "offsetting collections," thus adding to the confusion of terms.)

Offsetting Receipts. If the law does not specify that a collection be assigned to an expenditure account, it will go into a receipt account and be classified as an offset to budget outlays, not as a governmental receipt. Such collections are entitled "offsetting receipts," and, if they come from outside the government, they are called "proprietary receipts from the public." Offsetting receipts, including proprietary receipts from the public, appear in the budget as negative outlays.¹

USER CHARGES WITHIN THE BUDGET CLASSIFICATION SCHEME

User charges classified as budget or governmental receipts include benefit- and liability-based excise taxes and some fees. User charges classified as offsetting collections, which may be either reimbursements to appropriations from nonfederal sources or proprietary receipts from the public, consist only of fees. All benefit- and liability-based taxes are recorded as budget receipts. About 1 percent of all fees also are classified as budget receipts; the remainder are offsetting collections (see Box 3). The ratio of budget receipts to offsetting collections has changed little since 1980, but the nature of some of the fees that are now offset against outlays has changed.

Recommendations of the President's Commission on Budget Concepts. In 1967, a commission appointed by the President recommended guidelines on budget concepts, including the classification for budgetary purposes of funds flowing to the federal government. The commission's most important recommendation was that a unified budget replace competing budget concepts—which at the time included an administrative budget and a consolidated cash budget. Among its many other recommendations were several dealing with when to offset collections against expenditures and when to record them as budgetary receipts.

At the time that the commission issued its report, the classification of a collection depended entirely upon provisions of law. Over the years, classification of items had become inconsistent and the commission sought to remedy the problem. The commission examined the nature of a collection to determine its classification. Specifically, the commission recommended that collections from activities that were "essentially governmental in character, involving regulation or compulsion, should be reported as receipts."² But collections associated with activities "operated as business-type enterprises," or that were "market-oriented" should be included as offsets to related expenditures.³ The commission distinguished be-

¹For a discussion of offsetting collections, see Thomas J. Cuny, "Offsetting Collections in the Federal Budget," *Public Budgeting and Finance* (Autumn 1988), pp. 98-99.

²Report of the President's Commission on Budget Concepts (October 1967), p. 65.

³*Ibid.*, p. 9.

tween fees and levies charged for the "primary purpose of channeling the private demand for, and use of, valuable resources or materials that happened to be owned by the government" and "taxes designed to raise revenues for the government," or fees that were "incidental to government regulatory activities."⁴ The basis for the distinction was the commission's conviction that budget receipts should reflect the activities that the government engages in by virtue of its powers as a sovereign state.

In examining federal collections, the commission identified the following types as basically governmental in character and recommended that they be treated as budget receipts: income, excise, franchise, and employment taxes; customs receipts; social insurance premiums (the commission recommended classifying those social insurance collections arising from the government's sovereign powers as budget receipts and those arising from noncompulsory insurance activities as offsetting collections); payments of excess earnings of the Federal Reserve System to the Treasury; gifts and contributions; patent and copyright fees; judiciary fees; immigration, passport, and consular fees; and registration and filing fees associated with regulatory activities.

The commission also recommended that the following types of collections be treated as offsets to expenditures: repayments of loans and advances; receipts of government enterprises and enterprise funds; permits and fees; hunting and grazing licenses and fees; interest, dividends, rents, and royalties; sales of products; sales of government property; and fees and charges for services and benefits of a voluntary character.⁵

The commission's recommendations were applied administratively (by Presidential direction) beginning with the budget for 1969. Thereafter, all collections except those arising from the sovereign powers of government were in principle offset against outlays. Where a provision of law authorizes the offset to occur within an expenditure account, the collections are reimbursements to appropriations. All other offsetting collections are offsetting receipts. There is no real difference between reimbursements to appropriations and offsetting receipts; both are offsetting collections.⁶

CLASSIFYING USER CHARGES

Although the commission did not address the question of what constitutes user charges, its recommendations provide a guide for classifying them. Following its recommendations consistently would involve offsetting user fees against expenditures (either as reimbursements to appropriations or as proprietary receipts) because the fees are similar to charges for goods and services that the private market routinely provides, but that the government happens to own or control. Most regulatory fees and benefit taxes would be budget receipts because they are charges for services or benefits that stem from the government's exercise of its sovereign powers.

In practice, the commission's recommendations have usually served as a guide—at least to the extent that business-type fees are offsets against outlays and taxes are always budget receipts. Al-

⁴ *Ibid.*, p. 69.

⁵ *Ibid.*, pp. 64–71.

⁶ Cuny, "Offsetting Collections in the Federal Budget," pp. 98–99.

though the commission's guidelines remain in force, provisions of law or administrative decisions are increasingly likely to intervene and lead to budget classifications that depart from the guidelines. Legal provisions always take precedence.

As a matter of administrative practice, the Office of Management and Budget usually follows the guidelines, but may depart from them. When the Congressional Budget Office (CBO) makes an independent judgment on budget classification, it follows the guidelines. But if OMB departs from the guidelines in classifying an item, CBO normally accepts the OMB treatment. The tendency to offset regulatory fees against outlays and, on occasion, to structure as fees charges that are much like taxes has been growing in recent years, particularly since the passage of the Balanced Budget Act.

The Budget Enforcement Act and scorekeeping rules encourage further departures from the guidelines. The BEA imposes different rules for discretionary and mandatory spending. Discretionary spending is subject to the annual appropriation process. Mandatory or direct spending (on entitlements, for example) is controlled outside of the annual appropriation process and falls under the jurisdiction of authorizing committees.

The BEA placed annual limits on discretionary spending and subjected mandatory spending to a pay-as-you-go (PAYGO) process, which requires that any increases in mandatory spending or decreases in budget receipts be offset by decreases in mandatory spending or increases in budget receipts. Thus, the Congress may increase funding for an entitlement program only if it cuts another entitlement or raises taxes, duties, or fees. Similarly, it may cut taxes only if it raises other taxes, duties, or fees or reduces entitlement spending. Under the BEA, combined changes in mandatory spending and taxation must not increase the deficit in any year.

Any of the federal government's income that is a budget receipt—whether a tax or a fee—is automatically subject to the PAYGO process. Income that is recorded as an offsetting collection may be discretionary or mandatory. A discretionary offsetting collection affects computations under the discretionary spending limits. A mandatory offsetting collection affects direct spending totals and becomes part of the PAYGO process.

Under current scorekeeping rules, a committee that cuts spending in a program gets credit for the savings (and an increase in offsetting collections is treated as a decrease in spending). Thus, for example, if an appropriation bill reduces spending by levying fees and offsetting them against outlays, the savings will count against the annual discretionary caps. Moreover, if an appropriation bill reduces outlays by increasing offsetting collections in an entitlement program (or in some other way), the savings also will be credited against the discretionary caps.⁷ In other words, the savings are credited to the committee that introduces the measure, rather than to the committee that might have jurisdiction over the program. This practice encourages the appropriating committees to reduce spending. But it also alters jurisdictional boundaries between ap-

⁷ U.S. House of Representatives, *Omnibus Budget Reconciliation Act of 1990, Conference Report to Accompany H.R. 5835*, Report 101-964 (October 27, 1990), p. 1173.

appropriating and authorizing committees, blurs distinctions between "discretionary" and "mandatory," and encourages efforts to levy fees and offset them against outlays, regardless of the nature of the charge. The only measures that are likely to be exempt from such efforts are provisions that actually amend the Internal Revenue Code, levy duties, or assess fines and penalties.

Under the Congressional Budget Act, CBO monitors the effects of legislative activity, periodically submitting to each house tabulations of levels of new budget authority, estimated outlays, and estimated revenues for the fiscal year in comparison with levels in the concurrent budget resolution for the fiscal year.

TRENDS IN BUDGET CLASSIFICATION SINCE THE MID-1980S

Since the mid-1980s, the dominant trend in budget classification has been to offset against outlays as many fees as possible, regardless of their nature. Thus, many fees that if based on the recommendations of the President's Commission on Budget Concepts would be governmental receipts are now offsets against outlays. These fees are primarily for regulatory activities.

Consistency with budget concepts decreases as more regulatory fees are enacted and offset against outlays. Thus, although the official documents of the federal government maintain that income arising from the exercise of the government's sovereign powers generally is classified as budget receipts,⁸ in the case of regulatory fees the exception is proving to be the rule. In 1980, one-third of all regulatory charges were offset against outlays; the remainder were classified as budget receipts. By 1991, nearly three-fourths of all regulatory charges were offset against outlays; the remainder were budget receipts (see Table A-7).

Several of the regulatory fees imposed since the mid-1980s have been offsets to outlays since their inception. Among them are:

- The fees of the Federal Energy Regulatory Commission (FERC) and the Department of Transportation's pipeline safety user fees. Both cover regulatory and inspection costs and are classified as proprietary receipts from the public.
- The Environmental Protection Agency's pesticide registration and licensing fees, which are classified as reimbursements to appropriations and proprietary receipts, respectively.
- The Federal Trade Commission's fees, which are classified as reimbursements to appropriations. (The Interstate Commerce Commission's fees, however, are classified as governmental receipts.)
- The Federal Communication Commission's fees, which are classified as proprietary receipts.
- The Department of Justice's immigration user and examination fees, which are classified as proprietary receipts. (The Department of State's immigration, passport, and consular fees are classified as governmental receipts).
- Customs Service user fees, which have been required by law to be classified as proprietary receipts ever since their enactment in 1986. (OMB sought to repeal the mandated classification be-

⁸ *Budget of the United States Government, Fiscal Year 1993, part 2, p. 15.*

cause the fees, in effect, were customs duties. The Congress, however, chose not to enact the change.)

With the exception of the FERC fees, which date back to 1984, all of the above fees were imposed in the years following passage of the Balanced Budget Act of 1985.

Some fees that were originally classified as governmental receipts are now also offsets to outlays. For example:

- Patent, trademark, and copyright fees, which were governmental or budget receipts through 1982, are now credited to appropriation accounts.
- The Nuclear Regulatory Commission's fees were classified as governmental receipts through 1987, when they were reclassified as proprietary receipts.
- The Security and Exchange Commission's registration and filing fees have traditionally been classified as governmental receipts, but when they were raised in 1990, the increases were classified as proprietary receipts. The increases were enacted in appropriation laws. The SEC registration fee is based on the dollar value of the offering and is therefore much like a tax. Most of the proceeds of SEC fees flow into general funds, along with tax revenues. The remainder, which is subtracted from the agency's outlays, is smaller and amounts to considerably less than the agency's gross outlays. Total fees, however, exceed outlays.

Recently, OMB began describing some collections as "offsetting governmental receipts." In line with the recommendations of the Commission on Budget Concepts, OMB distinguishes between "governmental receipts," which are "collections from the public that result from the exercise of the sovereign powers of the government," and "offsetting receipts," which are "derived either from business-type transactions with the public or from payments from one government account to another." OMB describes "offsetting governmental receipts" as those that are "governmental in nature but are required by law to be treated as offsetting."⁹ The new term blurs distinctions in order to accommodate current practice. OMB is now calling the following charges "offsetting governmental receipts": immigration user and examination, FERC, Customs Service user, pipeline safety user, and tariff filing fees; and charges associated with reclamation facilities and the U.S. Travel and Tourism Administration.

Interest in offsetting fees against outlays and, on occasion, structuring as fees charges that are much like taxes has grown recently for several reasons. Because increases in offsetting receipts or collections count as reductions in spending, a Congressional authorizing committee can meet its reconciliation targets by raising fees instead of cutting programs. For the same reason, the appropriations committees can impose or raise fees to comply with the limits on discretionary spending. And, finally, although budget receipts can be earmarked by crediting them to a special fund or trust fund, offsetting the fees against outlays may seem simpler and more direct.

⁹ Office of Management and Budget, Circular No. A-11 (1991), p. 67.

Box 3.

**Classification of Collections
from the Public
Within the Budget:
A Summary**

Funds flowing into federal coffers from the public may appear on the revenue side of the budget as governmental (or budget) receipts or on the spending side as offsetting collections. Offsetting collections include reimbursements to appropriations and proprietary receipts from the public.

Governmental (or Budget) Receipts**Taxes**

Income

Individual

Corporation

Social insurance

Estate and gift

Excise, including benefit- and liability-based taxes, which are user charges

Customs duties and fees, including some that are dedicated to trust funds and are user charges

Miscellaneous receipts**Taxes**

Deposit of earnings, Federal Reserve System

Fines, penalties, and forfeitures

Gifts and contributions

Restitutions, reparations, refunds, and recoveries

Regulatory fees

Offsetting Collections**Interest**Realization on loans and investments¹

Sale of government property

Miscellaneous recoveries and refunds

User fees

Charges for benefits and services

Rents

Royalties

Sales of products

Regulatory fees that are required by law to be classified as offsetting collections

¹ Only loan repayments before 1992 are recorded as offsetting collections. Under credit reform accounting, repayments of loans made after 1991 are not included in the budget totals; only the subsidy costs of loans made after 1991 are included in the budget totals.

APPENDIX P

Fiscal Year 1995 Finance Committee Spending Allocations



FISCAL YEAR 1995 FINANCE COMMITTEE SPENDING ALLOCATIONS

One mechanism by which the budget resolution is enforced is the committee allocation system, which is set forth in sections 302 and 602 of the Budget Act. Section 302(a) of the Budget Act provides: *"For the Senate, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of social security outlays for the fiscal year of the resolution and for each of the 4 succeeding fiscal years, total budget outlays and total new budget authority among each committee of the Senate which has jurisdiction over bills and resolutions providing such new budget authority."*

Section 602 of the Budget Act provides:

"(a)(2) SENATE ALLOCATION AMONG COMMITTEES. The joint explanatory statement accompanying a conference report on a budget resolution shall include an allocation, consistent with the resolution recommended in the conference report, of the appropriate levels of

(A) total new budget authority;

(B) total outlays; and

(C) social security outlays;

among each committee of the Senate that has jurisdiction over legislation providing or creating such amounts. . . .

(d) APPLICATION OF SUBSECTIONS (a) AND (b) to Fiscal Years 1992 to 1995.¹ In the case of concurrent resolutions on the budget for fiscal years 1992 through 1995,¹ allocations shall be made under subsection (a) instead of section 302(a) and shall be made under subsection (b) instead of section 302(b). For those fiscal years, all references in sections 302(c), (d), (e), (f), and (g) to section 302(a) shall be deemed to be to subsection (a). . . ."

Committee allocations are significant because the Budget Act prohibits consideration of legislation which would cause these committee allocations to be exceeded (see Budget Act sections 302(f) and 602(c) in Appendix B; see also summary of budget points of order in Appendix D.)

Note also that the Committee may, at its option, file sub-allocations (see Budget Act sections 602(b), 602(c), and 607).

¹ According to "Budget Process Law Annotated, 1993 Edition," Senate Committee on the Budget, S.Prt. 103-49 (October 1993): "This should read '1998.' Section 14002(c)(3)(B) of the Omnibus Budget Reconciliation Act of 1993, Pub.L.No. 103-66, §14002(c)(3)(B), 107 Stat. 312 (1993), extended title VI through fiscal year 1998, but the Act's drafters neglected to make the conforming change here. As the joint statement of managers accompanying the Act makes clear, the Act 'extends all of the temporary enforcement procedures in Title VI of the [Congressional Budget Act] of 1974 through the end of fiscal year 1998 without change.' H.R. Conf.Rep.No. 103-213, 103d Cong., 1st Sess. 961 (1993) (emphasis added), reprinted in 139 Cong. Rec. H5792, H6043 (daily ed. Aug. 4, 1993)."

**SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS
PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL: 1995**

[Dollars in millions]

| Committee | Direct Spending Jurisdiction | | Entitlements Funded in Annual Appropriations | |
|---|------------------------------|------------------|--|-----------------------------|
| | Budget Authority | Outlays | Budget Authority | Outlays |
| Appropriations | 784,939 | 805,972 | ..... | ..... |
| Agriculture, Nutrition, and Forestry | 8,888 | 7,257 | 15,967 | 7,544 |
| Armed Services | 40,588 | 40,574 | ..... | ..... |
| Banking, Housing, and Urban Affairs | 7,256 | (10,994) | ..... | ..... |
| Commerce, Science, and Transportation | 2,620 | 126 | 548 | 546 |
| Energy and Natural Resources | 1,751 | 1,489 | 43 | 36 |
| Environment and Public Works | 24,191 | 1,597 | ..... | ..... |
| Finance | 556,629 | 553,601 | ¹ 145,846 | ¹ 145,029 |
| Foreign Relations | 15,003 | 14,619 | ..... | ..... |
| Governmental Affairs | 51,458 | 49,609 | ..... | ..... |
| Judiciary | 2,270 | 2,262 | 173 | 173 |
| Labor and Human Resources | 4,330 | 4,265 | 4,337 | 4,162 |
| Rules and Administration | 102 | 43 | ..... | ..... |
| Veterans Affairs | 1,531 | 1,482 | 18,875 | 18,394 |
| Select Indian Affairs | 448 | 445 | ..... | ..... |
| Small Business | 6 | (383) | ..... | ..... |
| Not Allocated to Committees | (263,710) | (254,764) | ..... | ..... |
| Total | 1,238,300 | 1,217,200 | 185,789 | 176,684 |

Source: Joint explanatory statement of the Committee of Conference, Concurrent Resolution on the Budget for fiscal year 1995, H. Rpt. 103-490.

¹These amounts are technically included in the "direct spending" allocation to the Appropriations Committee. However, the Finance Committee determines the actual funding requirements (see discussion of entitlements in Appendix A).

**SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
FIVE YEAR TOTAL: 1995-1999**

[Dollars in millions]

| Committee | Direct Spending Jurisdiction | | Entitlements Funded in Annual Appropriations | |
|---|------------------------------|----------|--|---------|
| | Budget Authority | Outlays | Budget Authority | Outlays |
| Agriculture, Nutrition, and Forestry | 48,608 | 37,562 | 86,282 | 42,653 |
| Armed Services | 226,692 | 226,055 | ..... | ..... |
| Banking, Housing, and Urban Affairs | 32,143 | (40,441) | ..... | ..... |
| Commerce, Science, and Transportation | 13,152 | 569 | 3,066 | 3,051 |

**SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT—Continued
FIVE YEAR TOTAL: 1995–1999**

[Dollars in millions]

| Committee | Direct Spending Jurisdiction | | Entitlements Funded in Annual Appropriations | |
|------------------------------------|------------------------------|------------------|--|-----------------------------|
| | Budget Authority | Outlays | Budget Authority | Outlays |
| Energy and Natural Resources | 8,552 | 8,136 | 204 | 199 |
| Environment and Public Works | 123,341 | 7,165 | ..... | ..... |
| Finance | 3,213,173 | 3,194,730 | ¹ 888,895 | ¹ 889,099 |
| Foreign Relations | 59,238 | 64,761 | ..... | ..... |
| Governmental Affairs | 273,334 | 263,202 | ..... | ..... |
| Judiciary | 11,666 | 11,436 | 948 | 946 |
| Labor and Human Resources | 18,851 | 16,413 | 19,965 | 19,187 |
| Rules and Administration | 509 | 332 | ..... | ..... |
| Veterans Affairs | 7,062 | 7,417 | 96,908 | 93,944 |
| Select Indian Affairs | 2,268 | 2,227 | ..... | ..... |
| Small Business | 19 | (1,284) | ..... | ..... |

Source: Joint explanatory statement of the Committee of Conference, Concurrent Resolution on the Budget for fiscal year 1995, H. Rpt. 103-490.

¹These amounts are included in the "direct spending" allocation to the Appropriations Committee. However, the Finance Committee determines the actual funding requirements (see Chart 5 for a list of entitlements funded in appropriation acts; see also the discussion of entitlements in Appendix A).

**SENATE COMMITTEE REVENUE AND OUTLAY ALLOCATIONS
FOR SOCIAL SECURITY PURSUANT TO SECTION 301(a)
OF THE CONGRESSIONAL BUDGET ACT**

[Dollars in millions]

| | 1995 | Five-Year 1995–99 |
|--------------------------------------|------------------------------|-------------------------------|
| Outlays: | | |
| Finance Committee | 334,761 | 1,853,217 |
| Unassigned to Committee | ¹ (47,112) | ¹ (290,624) |
| Subtotal, outlays | 287,649 | 1,562,593 |
| Revenues | 360,456 | 1,998,386 |

Source: Joint explanatory statement of the Committee of Conference, Concurrent Resolution on the Budget for fiscal year 1995, H. Rpt. 103-490.

¹ Includes:

- function 650: various net receipts of trust fund from general fund, dominated by income taxes on OASDI benefits (75 9999 87 651); in 1995, for example, this is -\$6,797.
- function 900: interest income of trust fund (subfunction 903)
- function 950: employer share of retirement, Social Security (subfunction 952).