

Data and Materials for the
Fiscal Year 1993
Finance Committee Report

Under the
Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

Lloyd Bentsen, *Chairman*



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SUMMARY: IMPACT OF CONGRESSIONAL BUDGET PROCESS ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I-IX of Public Law 93-344) established the mechanisms and procedures for Congress to develop its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The original budget act was substantially amended by Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (also known as the Gramm-Rudman-Hollings Act), by Public Law 100-119, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, and by Public Law 101-508, the Budget Enforcement Act of 1990.

In addition to revising the budget act, the 1985, 1987, and 1990 amendments set up temporary procedures designed to constrain the deficit by providing an automatic spending reduction mechanism called sequestration if the Congress fails to meet the overall targets established through fiscal year 1995. For each of these years, targets are established for discretionary appropriations, for entitlement and revenue legislation, and for the overall deficit.

For discretionary appropriations, the legislation establishes overall caps. If amounts are appropriated in excess of the caps, a sequestration is triggered which reduces all discretionary accounts by a uniform percentage to the extent necessary to eliminate the excess. For fiscal years 1991-1993, the rules are applied separately in the categories of domestic, military, and international appropriations. For fiscal years 1994 and 1995, all discretionary appropriations are lumped together in a single category.

For revenue and entitlement legislation, there is a pay-as-you-go rule. If any such legislation is not paid for by offsetting revenue or entitlement savings, spending under non-exempt entitlement programs is automatically reduced by a uniform percentage necessary to achieve a status where the net impact of all such legislation does not increase the deficit. (Certain programs are reduced under special rules rather than by the uniform percentage. In particular, Medicare reductions cannot exceed 4 percent.)

With respect to the overall deficit, the legislation establishes target maximum deficit amounts. Initially, the legislation requires that deficits not exceed \$317 billion in fiscal 1992, \$236 billion in 1993, \$102 billion in fiscal 1994, and \$83 billion in fiscal 1995. However, these targets are to be adjusted for economic and technical changes at the start of calendar year 1991 and 1992 (and may, at the President's option, be further adjusted in 1993 and 1994). Under the 1991 and 1992 adjustments, the targets have been revised to \$371 billion for 1992, \$419 billion for 1993, \$305 billion for 1994, and \$301 billion for 1995. If these deficit targets are not met, both discretionary and non-exempt entitlement accounts are subject to a sequester sufficient to achieve the targets. Half of any re-

quired reduction comes from defense and half from non-defense programs. Within these two categories, each program is reduced by a uniform percentage except for a few special rule programs. Medicare is limited to a maximum reduction of 2 percent (including any reduction previously made under a pay-as-you-go sequester). Because of the economic and technical adjustments to the targets, no deficit sequester will be needed for fiscal years 1991-1993.

The Congressional Budget Act, as amended, has a number of effects on the consideration of legislation handled by the Committee on Finance. Major provisions affecting the Committee include:

1. *"Views and Estimates" Letter to Budget Committee.*—After the President's budget submission for the upcoming fiscal year, the Finance Committee submits a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, the debt limit, and Social Security outlays and revenues and presenting the Committee's views and estimates with respect to such matters. (The report for fiscal year 1993 appears as Appendix A of this document.)

2. *Timing restrictions on tax and spending bills.*—Certain kinds of legislation becoming effective in a fiscal year may not be considered prior to the adoption by Congress of a budget resolution covering that fiscal year. This restriction applies to most of the legislation considered by the Finance Committee: revenue and debt limit changes and legislation increasing expenditures in such areas as Social Security and welfare. For the next several years (through fiscal 1995), budget resolutions will cover a period of five fiscal years. Consequently this timing restriction will apply only to legislation which would first take effect beyond the five year window of the most recent budget resolution.

3. *Budget allocation reports.*—Spending totals in each budget resolution are allocated among Committees having jurisdiction over spending authority (i.e., generally appropriations or entitlements). The Appropriations Committee is required, and other spending Committees are authorized, to file an allocation report. Such a report for the Finance Committee shows how the aggregate spending authority assumed in the budget resolution for all Finance Committee programs will be subdivided. This subdivision can be by program or by subcommittee. A point of order will lie against any bill or amendment affecting Finance Committee spending program jurisdiction if the allocation report is inconsistent with the proposed legislation. Also, for non-trust fund entitlement programs, bills reported from the Finance Committee could be subject to 15-day referrals to the Appropriations Committee if they have not been provided for in an allocation report. As it acts on legislation throughout the year, the Committee can file revised allocation reports.

4. *Resolution totals binding.*—By April 15, Congress is required to complete action on the concurrent budget resolution setting appropriate revenue, spending, and deficit levels for the upcoming fiscal year and each of the next 4 years. For the duration of the Budget Enforcement Act, the budget resolution must set a deficit which is no greater (but can be smaller) than the Budget Enforcement Act maximum deficit amounts described above. After the res-

olution is adopted, points of order can be raised against bills or amendments which would cause its overall spending ceiling to be exceeded, or would cause revenues to fall below its revenue floor, or would cause the Budget Enforcement Act maximum deficit amount to be breached. In the case of revenue and spending totals, the point of order applies to the total for the first year covered by the resolution and to the aggregate 5-year total. In the case of the maximum deficit amount, the point of order applies solely with respect to the maximum deficit amount for the first fiscal year covered by the resolution.

5. *Reconciliation.*—The budget resolution can require the Finance Committee to report “reconciliation” legislation within the committee’s jurisdiction by a specified date to achieve the budgetary goals of the resolution. The reconciliation instructions can specifically direct the Committee to change spending or revenue levels or both or it can simply direct the Committee to achieve a specified total of deficit reduction. Reconciliation instructions can also be given to report legislation modifying the statutory debt limit. Reconciliation legislation is considered under special procedures which establish automatic time limits for consideration and prohibit non-germane amendments. The Budget Act schedule calls for Congress to complete action on reconciliation legislation by June 15.

6. *Sequestration.*—Fifteen days after the end of each session, the Office of Management and Budget (OMB) makes a determination as to whether there has been a violation of the appropriations caps, the pay-as-you go principle for revenue and entitlement legislation, or the maximum deficit amount. To the extent necessary to remedy any such violation, the President issues a “sequestration” order reducing spending under non-exempt programs in the appropriate categories.

THE BUDGET PROCESS

1. Key Concepts

Federal Budget.—There are two separate and distinct Federal budgets: the President’s budget and the congressional budget.

By the first Monday in February of each year, the President submits to the Congress his budget plan for the fiscal year which will start on 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.

Baseline.—Both the President's budget and the congressional budget set forth plans as to what the ultimate levels of taxes, spending, and deficit or surplus should be for the next several years, taking into account any legislative changes which are proposed or assumed to be enacted. In order to determine how much of a change in law or policy is required to reach the budgetary goals, it is necessary to compare the budget plan with a "baseline" budget which represents the continuation of current law and policy. A baseline would generally assume continuation of entitlement programs and revenue laws without substantive change and the enactment of discretionary appropriations at a level which permits the continuation of existing policies. Ordinarily, in order to construct a baseline that represents a continuation of existing policy, an inflation factor would be applied to discretionary appropriations. However, the 1990 budget legislation established specific "caps" for discretionary programs which are adjusted according to a number of statutory factors which do not, in the aggregate, correspond with the traditional baseline inflation adjustments used by CBO.

Spending Authority.—Federal laws which control the expenditure of Federal funds can be generically referred to as "spending authority." Some of the more significant types of spending authority are:

DISCRETIONARY APPROPRIATIONS

For many programs, the amount of spending is controlled by the annual appropriations process. This is the case with respect to the administrative costs of Federal agencies such as IRS, the Social Security Administration, and the Customs Bureau. For most Finance Committee programs, however, actual programmatic costs are not controlled by annual appropriations acts. (Exceptions to this rule are the Child Welfare Services program and the Maternal and Child Health program.)

ENTITLEMENTS

In general, most Finance Committee spending programs are entitlements. From a budgetary perspective, this means that the actual control of spending levels is exercised by the substantive legislation under the jurisdiction of this Committee rather than by annual appropriations acts. There are two types of entitlements: entitlements such as Social Security which do not require annual appropriations because their funding is based on a permanent appropriation and "appropriated entitlements" such as Medicaid and the program of aid to families with dependent children. The costs of these appropriated entitlement programs are controlled by the substantive legislation, but their funding is nevertheless included, as a mandatory or non-discretionary item, in annual appropriations bills.

Outlays.—Although Congress exercises control over spending by enacting, modifying, or repealing various forms of spending authority, the annual deficit or surplus is determined by comparing revenues and outlays. Outlays take place when the spending authority actually results in the expenditure of funds. In some programs (for example, defense procurement activities), there can be major differences between spending authority and outlays. For practical purposes, however, Finance Committee programs are assumed to have annual outlays approximately equal to annual spending authority (which is generally the same as “budget authority”).

Treatment of Social Security and Medicare.—Public Laws 98-21 and 99-177 established special rules for the budgetary treatment of the Old-Age, Survivors, and Disability Insurance (OASDI) and the Hospital Insurance (HI) programs. Effective starting in FY 1993 for HI and effective starting with FY 1986 for the OASDI program, these laws required that the expenditures and revenues of these programs be excluded in computing budgetary totals for purposes of both the President’s budget and the Congressional budget. Prior to the 1990 Budget Enforcement Act, however, the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) statute specified that the income and outgo of the OASDI program were to be included in determining whether or not the deficit targets were met. The 1990 legislation removed Social Security (OASDI) from all budgetary calculations but provided that “the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act (the Congressional Budget Act).”

Although the 1990 Budget Enforcement Act requires that the income and outgo of the OASDI trust funds “not be counted” for purposes of the budget “as submitted by the President” or the “congressional budget”, both the OMB and CBO budget documents for fiscal 1993 display the budget and the deficit primarily in terms of a “consolidated” budget which includes the impact of Social Security income and outgo. In addition the OMB budget continues to include the administrative expenditures from the OASDI trust funds as a part of (and subject to) the discretionary spending caps under the Budget Enforcement Act of 1990.

In addition, the Budget Act provides that reconciliation legislation will be subject to a point of order if it includes any provisions affecting the OASDI program.

2. Outline of Congressional Budget Process

By April 1 of each year, the Senate Budget Committee is required to report to the Senate a concurrent resolution which is, in effect, a congressional budget document setting forth recommended levels of spending, revenues, and public debt for the coming fiscal year and each of the four following years. The spending levels are, for informational purposes, broken down into broad functional categories (such as “health,” “income security,” “national defense”). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment.

When agreed to by the House and the Senate (which is required to happen by April 15), the budget resolution represents congress-

sional judgment of the appropriate fiscal situation for the 5 years covered by the resolution. The resolution is intended to guide the development of legislation providing for taxes and spending, and such legislation can be subject to points of order if it is inconsistent with meeting the overall revenue and spending totals in the resolution.

The budget resolution also may include "reconciliation" instructions to the appropriate committees to report legislation changing spending, revenue, or debt limit levels. Upon adoption by Congress of the resolution, committees affected by such instructions report legislation meeting the spending or revenue totals in the instructions. This legislation is then debated by Congress as part of a reconciliation bill under special expedited procedures. Action on this reconciliation bill is to be completed by June 15.

3. Waiver of Rules Regarding Budget Procedure

Some of the rules applicable to Senate procedures under the Congressional Budget Act can be waived by a majority vote of the Senate. Others require a vote of three-fifths of the full Senate membership (60 votes). In addition, the act includes a special waiver procedure in connection with the provisions relating to action on revenue, debt limit, and spending bills before the adoption of the budget resolution. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee, which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is reported by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted on by the Senate. If it were approved, the Senate could then proceed to consider the legislation.

4. Impact of the Budget Act on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the concurrent resolution on the budget, each committee makes a report to the Budget Committee presenting its views and estimates concerning spending under its jurisdiction. By statute this report is due no later than six weeks after the submission of the President's budget. This year the reporting date was February 28.

Allocation report after adoption of budget resolution.—The conference report on each budget resolution allocates to the Finance Committee an amount of new budget authority, outlays, and Social Security outlays which represents the Finance Committee's share of the total of these items in the budget resolution. The Committee is authorized to file a report which subdivides its allocation of new budget authority and outlays among the programs under its jurisdiction or among its subcommittees. These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution. Failure to adhere to the allocations can trigger points of

order. These points of order apply to the first fiscal year covered by the resolution and to the aggregate 5-year total.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving appropriated entitlement programs (such as AFDC or Medicaid) and bills directly increasing spending authority (such as Medicare) may be considered only after adoption of a concurrent budget resolution which addresses the fiscal year in which the legislation first becomes effective. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. In addition, unless the Senate waives this requirement, entitlement legislation (other than trust fund legislation) reported after January 1 of any year must have an effective date of October 1st or thereafter.

Impact of concurrent budget resolutions on legislation.—The concurrent resolution, which is to be passed by April 15, not only sets anticipated spending levels but may call upon the committees having jurisdiction over spending legislation to report reconciliation legislation to rescind previously enacted spending authority so as to bring spending within these levels. In the case of the Committee on Finance, in order to meet such a requirement the committee could report legislation to defer or reduce benefits under entitlement programs, including both trust fund programs (such as unemployment insurance or Medicare) and non-trust-fund programs (such as welfare, social services or Medicaid). Reconciliation legislation may not include changes in the Social Security programs of Old-Age, Survivors and Disability Insurance (OASDI).

After the adoption of the budget resolution, new spending measures would be subject to a point of order if they cause the spending levels anticipated in the concurrent resolution to be exceeded in the first fiscal year covered by the resolution or, in the aggregate, over the 5-year period covered by the resolution. A point of order also lies against legislation which would cause the deficit for the first fiscal year to exceed the maximum deficit amount agreed upon by the Congress in the Budget Enforcement Act. In the case of the Committee on Finance, these limitations apply to entitlement legislation dealing with both trust fund and non-trust-fund programs.

Appropriations Committee review of certain entitlement bills.—Legislation in such areas as supplemental security income, welfare, social services, or Medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriations acts. The Congressional Budget Act requires that any future legislation to create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if the spending which would result from its enactment exceeds the amount provided for in the committee's allocation of its spending authority under the most recent budget resolution. The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending or extending the

general revenue sharing program to the extent that such legislation included an exemption from that requirement.

Once the Appropriations Committee receives the legislation, it could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such an amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit. -

At one time, refundable tax credits were treated for purposes of the congressional budget process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose in the case of any new programs of this type which may be enacted.

Report on spending legislation.—Under the Budget Act, the committee, in reporting legislation involving increased spending, must include in the report information showing how that spending compares with the amount of spending provided for in the most recent budget resolution. In addition, if this information is provided by the Congressional Budget Office (CBO) on a timely basis, the report must also include CBO projections showing the extent to which the legislation provides financial aid to States and localities and a projection for five fiscal years of the spending which will result from the legislation. This requirement also applies to conference reports, if the information is provided by CBO on a timely basis.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The annual report to the Budget Committee, which is described above, is also the vehicle through which the Finance Committee presents its views and estimates with regard to revenues and the debt limit.

No revenue legislation prior to adoption of the budget resolution.—Normally, under the Budget Act, debt limit or revenue legislation which becomes effective in a fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of a resolution on the budget which covers that fiscal year. Since budget resolutions will cover 5 fiscal years, this rule does not prevent action on revenue changes unless they are first effective in years after the five year period covered by the most recent budget resolution. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

Impact of a budget resolution.—As with spending measures, the concurrent resolution adopted in mid-April sets levels for revenue and debt limit legislation, and may "instruct" the Committee on Finance to report reconciliation legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determined to be appropriate. Ordinarily, such legislation would be

reported in time to be included in the reconciliation bill which, under the Budget Act, is to be acted upon by June 15.

Once a budget resolution is adopted by the Congress, legislation which would cause the total revenues to be reduced below the levels specified in the budget resolution is subject to a point of order. The point of order applies to the first fiscal year covered by the budget resolution and to the aggregate revenue totals for the five-year period covered by the resolution.

Required report on tax expenditures.—The Budget Act defines the term “tax expenditures” to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. Under the Budget Act, the committee report accompanying legislation to provide new or increased tax expenditures is to include a projection by CBO (if timely received) as to how such legislation will affect the level of tax expenditures under existing law. The report should also include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of 5 years. This requirement also applies to conference reports.

CHARTS AND DESCRIPTIONS

Report to Budget Committee

Views and estimates of Finance Committee on:

1. Expenditures
2. Revenues
3. Tax expenditures
4. Public Debt

Relating both to existing law and proposals to
change existing law

Chart 1

Report to Budget Committee

Under the Congressional Budget Act of 1974, as amended, the Committee on the Budget is required by April 1 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a budget, the Act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by 6 weeks after the submission of the President's budget. For 1992, this deadline is February 28.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 5, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal years 1993 through 1997. The report sent to the Budget Committee this year is reprinted in Appendix A.

Section 301(d) of the Budget Act, which deals with the views and estimates report to the Budget Committee, is included in the excerpts from that Act which appear in Appendix B.

Chart 2.—ECONOMIC ASSUMPTIONS

[Calendar years; dollars in billions]

	1992		1993		1994		1995	
	CBO	OMB	CBO	OMB	CBO	OMB	CBO	OMB
Gross Domestic Product:								
Current dollars	5,931	5,926	6,337	6,307	6,714	6,712	7,104	7,141
Percent change	1.6	1.5	3.6	3.0	2.7	3.0	2.5	3.0
Wages and salaries	2,933	2,943	3,131	3,134	3,322	3,335	3,524	3,548
Other personal income	2,138	2,094	2,260	2,244	2,411	2,377	2,568	2,536
Corporate profits ¹	358	341	416	423	435	456	451	493
Percent change in CPI	3.3	3.0	3.6	3.3	3.6	3.2	3.6	3.2
Unemployment rate, total (percent)	6.9	6.9	6.4	6.5	6.2	6.1	6.0	5.8
Treasury bill rate, 91-day (percent)	4.4	4.1	5.1	4.9	5.2	5.3	5.4	5.3

¹ Book, not economic, profits are reported.

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, the Congress has most frequently used the economic assumptions of the Congressional Budget Office. This chart shows the major economic assumptions underlying the budget as submitted by President Bush in January and also those which have been adopted by CBO.

Chart 3—THE OVERALL BUDGET

[In billions of dollars]

	FY92	FY93	FY94	FY95	FY96	FY97
On-Budget Totals:						
CBO Baseline (with caps):						
Outlays	1,203	1,246	1,255	1,258	1,305	1,416
Revenues	783	845	911	968	1,018	1,070
Deficit	420	401	344	290	287	346
President's Budget:						
Outlays	1,224	1,251	1,201	1,252	1,316	1,382
Revenues	775	840	914	973	1,033	1,078
Deficit	449	412	287	279	283	304
GRH Target (adjusted)	371	419	305	301	NA	NA
Off-Budget Totals:						
(President's Budget):						
Outlays	252	264	274	284	292	302
Revenues	301	326	349	370	394	418
Surplus	(49)	(62)	(75)	(86)	(102)	(116)

Chart 3

The Overall Budget

In considering its legislative plans 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 (FY93-FY97). 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 appropriations caps in the new Budget Enforcement Act will be observed.

The President's budget totals shown in the table represent the projected levels under the OMB economic assumptions and assuming the enactment of the policy proposals included in the President's budget plan.

The Gramm-Rudman-Hollings deficit targets under the new Budget Enforcement Act are required to be adjusted with the President's budget submissions at the start of calendar years 1991 and 1992 to compensate for any economic or technical changes since the targets were statutorily adjusted in the 1990 reconciliation act. The chart shows the targets as they have been adjusted in this year's budget. The President's budget totals for fiscal year 1993 would produce a deficit about \$7 billion below the adjusted GRH target.

The Budget Enforcement Act 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 budgetary 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 an unofficial "consolidated" budget which includes both on-budget and off-budget items. The off-budget totals for the President's budget are shown as the last item on this chart.

Chart 4 FEDERAL SPENDING

Role of Finance Committee Programs

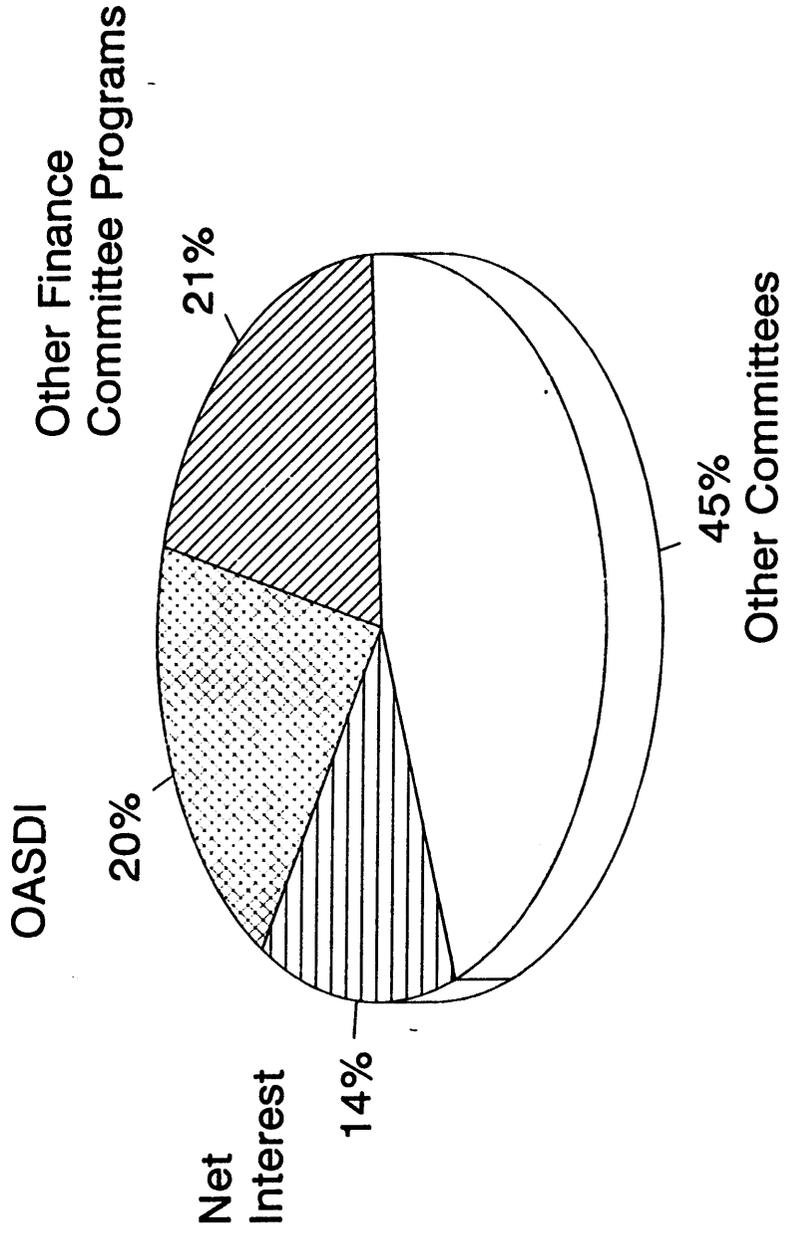


Chart 4

Federal Spending: Role of Finance Committee Programs

Chart 4 shows how the budgetary impact of Finance Committee spending jurisdiction relates to total Federal spending for fiscal year 1993. Amounts shown reflect the current policy estimates of the Congressional Budget Office as follows:

[In billions of dollars]

Total Spending:	
Finance Committee programs:	
Social Security (OASDI) ¹	301
Other accounts	310
Net interest	214
Non-Finance Committee programs	685
Total outlays	1,510

¹ The amount shown here represents actual programmatic outlays. It differs from the budgetary presentation in table 3.

Chart 5**Major Expenditure Programs Under Finance
Committee Jurisdiction**

1. Social security cash benefits (see chart 6):
 - A. Old-age and survivors insurance (OASI)
 - B. Disability insurance (DI)
2. Unemployment compensation (UC) (see chart 7)
3. Welfare programs for families (see chart 8):
 - A. Aid to families with dependent children (AFDC)
 - B. Job Opportunities and Basic Skills Training (JOBS) program
 - C. Child support enforcement (CSE)
 - D. Child Welfare, Foster Care, and Adoption Assistance
4. Earned income tax credit (EITC) (see chart 9)
5. Social services (see chart 10)
6. Child care (see chart 11)
7. Supplemental security income (SSI) for the aged, blind, and disabled (see chart 12)
8. Health programs (see charts 13–14):
 - A. Medicare
 - B. Medicaid
 - C. Maternal and child health (MCH)
9. Interest on the public debt (see chart 15)

Note: See Appendix F for a more detailed listing of Finance Committee expenditure accounts.

Chart 5

Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it constitutes a significant part of the Federal budget even though the level of expenditure is not subject to legislative control in the same sense as expenditures under the other programs listed.

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.

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

[In billions of dollars]

	Fiscal year—					
	1992	1993	1994	1995	1996	1997
Present law: ¹						
Income to trust funds	340.8	365.7	393.6	420.3	449.7	482.4
Outgo from trust funds	286.7	302.2	317.6	333.5	350.1	367.6
Difference.....	54.1	63.5	76.0	86.8	99.6	114.8
End of year balance in trust funds.....	322.5	386.0	462.1	548.9	648.5	763.3
Trust fund ratio (percent) ²	94	107	122	139	157	176

¹ These are projections under current law based on the economic and demographic assumptions used in the fiscal year 1993 budget submitted by President Bush.

² Start-of-year assets as a percent of outgo for the year.
Source: SSA Office of the Actuary, January 17, 1992.

Chart 6

Social Security Cash Benefit (OASDI) Trust Funds: Financial Status and Relationship to the Budget

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 1993 a total of 36.6 million individuals will receive benefits from the OASI Trust Funds as retired workers or their dependents, or as survivors of deceased workers. In addition, some 4.7 million individuals will receive benefits from the DI Trust Fund as disabled workers or as dependents of disabled workers. In total, 41.3 million people will be receiving some type of monthly Social Security cash benefit.

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, OMB 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.

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

[In percent]

	Calendar year—						
	1991	1992	1993	1994	1995	1996	1997
Percent change in CPI.....	4.0	2.9	3.3	3.2	3.2	3.2	3.1
Benefit increase ¹	3.7	3.0	3.2	3.2	3.2	3.1	3.2
Real wage differential.....	-.3	2.3	2.4	1.7	1.8	1.4	1.8
Civilian unemployment rate.....	6.7	6.8	6.5	6.1	5.8	5.4	5.3

¹ Benefit increase payable in January of the following year.

PROPOSED LEGISLATION

The budget submitted by President Bush for FY 1993 includes two legislative proposals that directly affect the Old-Age, Survivors, and Disability Insurance programs.

Temporarily liberalize the Social Security earnings limit. Under current law, Social Security beneficiaries have their benefits reduced if they have earned income above certain limits. For individuals under age 65 in 1992, \$1 in benefits is lost for every \$2 of earnings in excess of \$7,440 per year. For beneficiaries aged 65-69, \$1 in benefits is lost for every \$3 of earnings in excess of \$10,200 per year. (Individuals age 70 and over do not have their benefits reduced because of earnings.) This provision would liberalize the Social Security earnings test by allowing retirees aged 65-69 to earn more in 1993 and 1994 with no loss in earnings. The sum of the increase in the two years would be \$1,000, but the Administration has not yet determined how much of that amount would be used for the 1993 increase, and how much for 1994. In 1995, the earnings limit would revert to the amount it is projected to be under current law. The Administration estimates that the cost of this provision would be \$85 million in FY 1993. CBO cannot estimate the cost of the proposal until it is further specified.

Removing the exemption from the Debt Collection Act of 1982. The President's Budget indicates that legislation will be submitted to permit SSA to collect debts owed to the agency by former beneficiaries using collection bureaus and other means authorized in the Debt Collection Act of 1982. SSA reports that OMB has subsequently agreed to drop this proposal.

In addition, the President's Budget states that the government's payroll tax deposit system will be simplified and redesigned. The Administration will propose a single wage reporting system that would eliminate the multiple filings currently required to comply with Federal and State tax systems. Such a proposal could affect the way in which Social Security FICA taxes are collected and wages reported.

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 or mental impairments. They will also provide for a modest increase, probably on the order of \$20, in the monetary definition of Substantial Gainful Activity (SGA) that is used in determining disability.

**SOCIAL SECURITY DISABILITY REGULATIONS—ADMINISTRATION ESTIMATE OF BUDGET
IMPACT**

[Outlays in millions of dollars]

	Fiscal Year						1992- 97 total
	1992	1993	1994	1995	1996	1997	
DI program.....	-19	-53	-106	-155	-203	-258	-794
SSI program.....	-9	-33	-57	-86	-110	-134	-429

LIMITATION ON ADMINISTRATIVE EXPENSES

[Budget authority in millions of dollars]

	Fiscal year—		
	1991	1992	1993
Limitation.....	\$4,389	\$4,550	\$4,765
Full-time equivalent staff (FTE)	62,850	63,730	63,730
Zebley supplemental FTEs.....	510	1,000	298
Total FTEs.....	63,360	64,730	64,028

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 FY 1993. This level of increase assumes enactment of a requested change in appropriations language authorizing SSA to assess \$60 million from the States as fees for the Federal administration of State supplemental payments in the Supplemental Security Income (SSI) program. Including the income from this fee proposal, the Administration request would provide an additional \$222 million for the Federal administration of Social Security programs, and an additional \$87 million for the State organizations that make determinations of disability in the Social Security and SSI programs. More than half of these additional funds will be used to meet built-in cost increases for ongoing operations and payroll. The Administration's LAE request would fund 702 fewer full-time positions, reflecting a reduction in the staffing required in the third year of processing childhood disability claims as mandated by the Supreme Court in the case of *Zebley v. Sullivan*. It includes a con-

tingency reserve of \$50 million to provide SSA flexibility to deal with unanticipated workloads.

Notwithstanding these increases, the Administration forecasts a continued degradation during FY 1993 in the processing of Social Security and SSI disability applications, and no significant improvement in toll-free telephone service.

According to the Administration, disability claims increased dramatically in FY 1991 and FY 1992, and will continue to rise, though at a much lower rate, in FY 1993. SSA projects that the number of initial disability claims received in the State Disability Determination Services (DDS) will increase by 33.5 percent from FY 1990 to FY 1992, then will begin to level out in FY 1993 at 2,371,500, a 2.2 percent increase over FY 1992. Funding available in prior years has not been sufficient to allow SSA to keep pace with this growth, nor will funding requested in FY 1993. About 500,000 disability claims were pending in the DDS at the end of FY 1991. This number is expected to grow to close to 1 million at the end of FY 1992, and to around 1.4 million at the end of FY 1993. This growth in claims backlogs translates 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 5 months in FY 1992, and will reach 7 months in FY 1993. In contrast, processing times averaged 2½ to 3 months in FY 1990 and FY 1991.

PROVISIONS IN THE 1990 OBRA

The following OASDI provisions were enacted in the 1990 Omnibus Budget Reconciliation Act:

- Makes permanent temporary provisions authorizing payment of disability benefits through the hearings level of appeal when benefits are stopped in medical cessation cases.
- The stricter standard of disability previously required for disabled widows and widowers has been repealed, replacing it with the same standard used for disabled workers.
- The dependency requirements for children adopted by a worker's surviving spouse have been eased; now the child must either be living with or receiving one-half support from the worker at the time of the worker's death.
- A package of representative payee reforms were enacted, limiting the time a beneficiary can go without payment due to lack of a representative payee and tightening rules for the selection of a payee.
- The process required for approving fees for representing a person in proceedings before SSA has been streamlined.
- If an individual fails to appeal an adverse decision because of incorrect or inaccurate information from SSA employees concerning the need for appealing an adverse decision, SSA would be precluded from denying a subsequent application without substantive review because of the failure to file a timely appeal.
- SSA is required to conduct demonstration projects concerning the feasibility of issuing confirmatory receipts to certain callers to SSA's toll-free telephone service.

- Telephone access to certain local Social Security offices must be reestablished to the same level generally available as of September 30, 1989. Also, telephone companies must be requested to publish the address and phone number of offices maintaining local access.
- Starting October 1999, Social Security account statements must be mailed annually. Prior law required such statements to be mailed biennially.
- Trial work periods are now extended to people who become re-entitled to disability benefits. Also the TWP expires only if a beneficiary works in 9 months during a rolling 60-month period.
- The advance tax transfer of OASDI tax receipts was discontinued, although the provision continues to exist as a contingency to be used if it is needed in order to pay benefits.
- The provision enabling retired workers and their dependents to receive retroactive benefits under certain conditions for up to six months prior to reaching age 65 has been eliminated.
- Benefits to auxiliary beneficiaries are suspended when the disabled worker's benefits have been suspended because he is working and is in the 36-month period of extended eligibility.
- Benefits paid to a "deemed" spouse (i.e., a spouse who, in good faith, entered into an invalid marriage) can continue to be paid even though the lawful spouse is receiving benefits on the same record.
- The Secretary of HHS is required to conduct vocational rehabilitation demonstration projects permitting disabled workers to select either public or private VR providers.
- Under certain conditions, legalized aliens who were granted amnesty under the Immigration Reform and Control Act of 1986 are exempted from prosecution for fraudulent use of a Social Security card.
- The requirements for the special minimum Social Security benefit have been liberalized so that workers receiving the minimum wage can qualify for the benefit.

Chart 7.—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

Unemployment trust fund	Fiscal year—	
	1992	1993
Status of State accounts:		
Income:		
State taxes.....	16.7	19.6
Interest.....	2.2	1.7
Loans.....	1.4	2.9
Total.....	20.3	24.3
Outgo:		
State benefits.....	26.4	24.9
Federal loans repaid.....	0.0 -	0.2
Total.....	26.4	25.1
Balance at end of year.....	27.5	26.7
Less outstanding Federal loans.....	1.9	4.4
Net balance.....	25.6	22.3
Status of extended benefit account: ¹		
Income:		
Federal taxes/interest.....	1.1	0.7
General revenue advances.....	0.0	0.4
Transfer from or to (—) other account...	0.0	1.0
Total.....	1.1	2.1
Outgo.....	7.5	0.3
Balance at end of year.....	1.1	2.9
Status of administration account:		
Income:		
Federal taxes and interest.....	5.0	5.1

Chart 7.—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

Unemployment trust fund	Fiscal year—	
	1992	1993
Transfer from or to (—) other account...	—1.4	—1.0
Total.....	3.6	4.1
Outgo:		
State unemployment insurance service	2.6	2.3
State employment service.....	1.1	1.1
Federal administration.....	0.2	0.2
Total.....	3.8	3.6
Balance at end of year.....	2.5	3.0
Status of Federal unemployment (loan) account:		
Income:		
Federal taxes and interest	0.5	0.5
State loan repayments.....	0.2	0.5
Transfer from other account.....	1.6	0.0
Total.....	2.3	1.0
Outgo:		
Loans to States.....	1.4	2.9
Repayments to general fund.....	0.0	0.0
Total.....	1.4	2.9
Balance at end of year.....	5.1	3.2
Less outstanding loans from general fund.....	0.0	0.0
Net balance.....	5.1	3.2

¹Includes Administration estimate of effects of P.L. 102-244, enacted February 7, 1992.

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, and then through 1996 by the Emergency Unemployment Compensation Act of 1991 (P.L. 102-164).

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 an optional trigger which permits 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.

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. 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 provided an additional 20 weeks of benefits in States with a TUR of 9 percent or higher or an adjusted insured unemployment rate (AIUR) of 5 percent or higher, and an additional 13 weeks of benefits in all other States. States cannot provide both EUC benefits and extended benefits, but can decline to trigger on to extended benefits in order to pay EUC. The EUC program was scheduled to expire on June 13, 1992.

Legislation to extend the EUC program to July 4, 1992 was enacted as P.L. 102-244 on February 7, 1992. It also increases by 13 weeks the number of weeks of emergency benefits that may be paid to an unemployed worker, providing a total of 33 weeks of EUC in the States with the highest unemployment, and 26 weeks in all other States. This increase expires on June 13, 1992.

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. All outstanding general fund advances have now been repaid.

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 provides 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. Federal EUC benefits are not exempt from reduction.

Chart 8.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

	Fiscal year—	
	1992	1993
Aid to families with dependent children:		
Welfare payments	12.2	12.6
Administration.....	1.4	1.5
JOBS program	0.6	0.7
Child care:		
JOBS.....	0.3	0.4
Transitional assistance	0.1	0.1
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.....	1.1	1.2
Total AFDC/non-AFDC administrative costs	2.0	2.1
Federal share	1.3	1.4
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. Present 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 Public Law 101-508 sequestration procedures.

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—		
	1991	1992 est.	1993 est.
Families.....	4,362	4,804	4,885
Individuals.....	12,567	13,840	14,070

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

[In millions of dollars]

	Fiscal year—		
	1991	1992 est.	1993 est.
AFDC benefits ¹	10,331	11,118	11,353
Emergency assistance.....	167	176	177
Other assistance payments.....	28	34	26
State and local administration and training	1,344	1,403	1,466
Child care:			
JOBS.....	260	300	350
Transitional Assist.....	45	60	80
Families at risk.....	65	290	330
Total.....	12,240	13,381	13,782

¹ Includes reductions for child support enforcement collections of \$890 million in 1991, \$1,070 million in 1992, and \$1,200 million in 1993. 1991 outlay figure for at-risk is an estimate. Actual number is not available.

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 must be enrolled; in 1994, 15 percent must be enrolled; and in 1995, 20 percent must be enrolled. The Administration estimates that currently about 523,000 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 readi-

ness 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, there is 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—		
	1991	1992 est.	1993 est.
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
Total administrative costs: ¹			
(Federal and State)	1,797	1,930	2,346
(Federal share)	1,200	1,288	1,566
Federal incentive payments to States	296	363	406

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 754,681 AFDC cases and 1,546,273 non-AFDC cases in fiscal year 1991.

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 encouraged 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%) 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.

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 1992 appropriation for child welfare services was \$273.9 million; for child welfare training, \$3.6 million; and for child welfare research, \$6.7 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 1992 appropriation for foster care was \$2,224 million (including both maintenance payments and administration). There was an additional appropriation of \$118 million to be used to reimburse States for unpaid prior year claims.

In addition, there was an appropriation of \$70 million in fiscal year 1992 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 has been extended twice, most recently by P.L. 101-239, which extended the authorization for the program through fiscal year 1992. That legislation 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. A State match of 50 percent is required beginning in fiscal year 1991 on amounts above \$45 million. An evaluation of the program is also required.

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 1992 appropriation for this program was \$202 million (including both maintenance payments and administration).

PROPOSED LEGISLATION

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

AFDC PROPOSALS—SAVINGS/COSTS ¹

[In millions of dollars]

	Fiscal year—					5-year total
	1993	1994	1995	1996	1997	
Assets limits:						
Adm. estimate	3	8	17	17	18	63
CBO estimate.....	3	9	18	19	20	69
PASS disregard:						
Adm. estimate	3	15	54	55	56	193
CBO estimate.....	3	15	31	32	34	115
Emergency Assistance:						
Adm. estimate	-39	-40	-41	-41	-42	-203
CBO estimate.....	-39	-40	-41	-41	-42	-203

¹ Includes food stamp and Medicaid effects.

Assets Limits.—Under current law, a family is ineligible for AFDC if the family's countable assets exceed \$1,000. The Administration is proposing to give States the option of increasing the assets limit to \$10,000 for families who are already receiving benefits. The current limit of \$1,000 would be retained for applicants for benefits. The State agency administering the program would have to determine that any such disregarded resources are being retained for later expenditure for a purpose directly related to improving the education, training, or employability (including self-employment) of a family member or for the purchase of a home for the family.

PASS Disregard.—Currently, all income and resources of a family applying for or receiving AFDC must be counted in determining the family's eligibility and amount of benefits except for limited, specified exclusions. Under the Administration's budget proposal, States would be allowed to also exclude income and re-

sources that the State agency determines are necessary for carrying out an approved employability plan which includes self-employment as its employment goal. Income may be disregarded for no more than a 24-month period beginning with the first month in which self-employment income is produced under the plan. All disregards must cease 36 months after the employability plan is approved.

Emergency assistance.—The Omnibus Budget Reconciliation Act of 1989 (as amended by P.L. 101-508), prohibits the Secretary of Health and Human Services from issuing proposed regulations published on December 14, 1987 limiting the use of emergency assistance or special needs funds by the States. However, the legislation allows the Secretary to issue proposed rules that are consistent with the recommendations of a report entitled "Use of Emergency Assistance and AFDC Programs to Provide Shelter to Families," transmitted by the Secretary to the Congress on July 3, 1989. As amended by P.L. 101-508, the statute prohibits the Secretary from establishing an effective date for any final regulations relating to emergency assistance, or otherwise modifying current policy regarding the use of emergency assistance or special needs funds without specific legislative authority prior to October 1, 1991. Under that legislation, States are also required to submit financial reports on the use of emergency assistance and special needs funds. At this time, the Secretary has issued no regulations or policy changes related to the emergency assistance program.

The Administration is proposing legislation to place limits on assistance provided under the emergency assistance program. Under the proposal, no reimbursement would be provided for assistance furnished for periods beyond 30 consecutive days in a 12-month period. However, States would be able to use emergency assistance funds to pay shelter and utility arrearages for up to three months in order to prevent evictions or utility shut-offs. Emergency assistance could also include amounts necessary to secure permanent housing for homeless families. Any such amounts would have to be authorized by the State agency during the single allowable 30-day period.

Consolidated block grant.—Under current law, States are eligible to receive 50 percent Federal matching for the costs of administering their AFDC programs on an open-ended entitlement basis. The Administration proposes to include the Federal contribution toward State AFDC administrative costs in a single consolidated block grant. This block grant would include a total of 24 program authorities. According to the budget document, a legislative package containing this proposal will be submitted to Congress after further consultation with representatives of State and local governments. The document also states that the goal of the proposal is to provide State and local governments with maximum flexibility, and that the funding formula would approximate current funding distribution levels to the States.

Expediting waiver requests.—In addition to the above legislative proposals, the Administration proposes to establish an inter-agency review process to coordinate and expedite State requests for waivers of program rules. Proposals for demonstrations will be required to meet two conditions: the demonstration must be cost-neutral,

and participating States must agree to a rigorous evaluation of their demonstrations.

Proposed demonstrations.—The Administration also says it will support two large-scale demonstrations projects at a cost of \$4.5 million. One will test the effects of setting aside the amount by which a long-term AFDC family's benefits are reduced because of earnings, then paying that amount in a lump sum to the family if the family works its way off the AFDC rolls. The second will test the use of private sector "welfare-to-work" firms in moving welfare recipients into employment.

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

The Administration estimates that outlays for the JOBS program will grow to a total of \$885 million in fiscal year 1993, \$53 million more than in 1992. This is based on a request for new budget authority of \$1 billion, which is the full amount of the entitlement ceiling provided in the JOBS statute for 1993.

Coordination of vocational training programs.—The Administration proposes to require that all major Federal vocational training programs be administered or coordinated through the Private Industry Councils (PICs) established by the Job Training Partnership Act (under the jurisdiction of the Committee on Labor and Human Resources). Under this proposal, the JOBS program would continue to be administered through the existing welfare agency structure, but certification and approval of all vocational training programs would have to be approved by the Private Industry Council for each local area.

C. CHILD SUPPORT ENFORCEMENT

The budget includes two legislative proposals affecting the child support enforcement program. Estimates for these proposals are as follows:

CHILD SUPPORT ENFORCEMENT PROPOSALS—SAVINGS/COSTS

(In millions of dollars)

	Fiscal year—					5-year total
	1993	1994	1995	1996	1997	
Incentive payments:						
Administration estimate	-74	-84	-94	-105	-105	-462
CBO estimate ¹						
User fees:						
Administration estimate	-60	-65	-70	-76	-81	-352
CBO estimate.....	-43	-48	-52	-56	-64	-263
Extend to food stamps and HUD: ²						
Administration estimate	0	-0	-5	-16	-19	-40
CBO estimate.....	0	+20	-0	-35	-75	-90

¹ No independent CBO estimate because details of proposal were not available.

² Net of food stamp offsets and HUD offsets.

Revision of incentive payments.—Under current law, about 20 percent of Federal funding for State child support enforcement programs is in the form of “cost effectiveness” incentive funds, calculated on the basis of the ratio of child support collections to administrative costs. Under the Administration’s budget proposal, incentive funding for “cost-effectiveness” would be modified. The maximum incentive associated with cost effectiveness would be reduced from 10 to 5 percent. The method of computing cost-effectiveness incentives would not be changed. Additional incentives would be available to each State based on other aspects of performance, such as paternities or support obligations established. These incentives would be available up to an additional 10 percent of the amount collected on behalf of AFDC families. In addition, States would be required to reinvest their incentive payments in Federal, State, or local programs which benefit children. A similar proposal to limit incentive payments was included in the Administration’s 1992 budget.

Mandate “user fees” for non-AFDC cases.—Under present law, States are allowed to use several mechanisms to collect fees for child support enforcement and paternity establishment services provided to non-AFDC families. They must charge an application fee of up to \$25, which may be paid by the family applying for services, recovered from the non-custodial parent, or paid by the State out of its own funds. States may also impose a fee of not more than \$25 in any case where the State requests the IRS to withhold past-due support from an income tax refund due to a non-custodial parent. In addition, States are allowed to recover any costs in excess of fees recovered from non-AFDC families, but only if the State has in effect a procedure whereby all persons having authority to order support are informed that the costs are to be collected from the family that is being served. In practice, States are collecting only extremely small sums as payment for services—a total of about \$7 million nationwide in 1989.

The Administration’s 1993 budget includes a proposal that is designed to recover more of the costs of operating the child support program from non-AFDC families that use the services. States would be required to charge an application fee of \$25 (rather than “up to” \$25, as under present law). States would be given the option of absorbing all or part of the fee. States would also have to charge an annual \$25 user fee to non-AFDC families that actually receive support collections. This user fee could be paid by the custodial parent, the State, the non-custodial parent, or a combination of all three. States would have the option of increasing the amount of each of these fees to \$50, and charging only those non-AFDC individuals with incomes above 185 percent of poverty. This proposal was also included in the Administration’s 1992 budget.

Services for families receiving other Federal programs.—Currently, State child support enforcement programs must provide services to families receiving AFDC, and to non-AFDC families that apply for services. AFDC recipients are required to cooperate in the establishment of paternity and in the collection of child support as a condition of eligibility for benefits.

The Administration is proposing to require recipients of food stamps and housing benefits to cooperate in the establishment of

paternity and in the collection of child support as a condition of continued receipt of Federal assistance. Legislation to implement this proposal is not under the jurisdiction of the Finance Committee. Although the proposal is estimated to result in savings to the food stamp program, the child support enforcement program would experience an increase in administrative costs. This proposal was also included in the Administration's budget for 1992.

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

CHILD WELFARE, FOSTER CARE, ADOPTION ASSISTANCE—COSTS

[Outlays in millions of dollars]

	Fiscal year—					5-year total
	1993	1994	1995	1996	1997	
Cap entitlement funding:						
Admin. estimate.....	0	0	0	0	0	0
CBO estimate.....	23	79	130	115	73	420

Limit on Federal matching for costs of foster care placement/administrative activities.—Under present law, States may receive 50 percent Federal matching funds for the costs of administering their foster care and adoption assistance programs on an open-ended entitlement basis. They may also receive 75 percent Federal matching funds for the costs of training both child welfare personnel and foster or adoptive parents on an open-ended entitlement basis. Federal regulations provide that, in addition to eligibility determination, these matching funds may be used for such purposes as development of case plans, preparing for and participating in judicial proceedings, assessment of the child's and the family's situation, case reviews, case management and supervision, recruitment and licensing of foster homes and institutions, and a proportionate share of agency overhead.

The Administration has proposed legislation repealing the current open-ended entitlement authority for administrative and training costs (including child placement costs). This authority would be replaced with a new child welfare services entitlement program. Funding for the new program would be capped at \$1.3 billion in fiscal year 1993, growing to \$2.2 billion in fiscal year 1997. These are the amounts the Administration estimates would otherwise be spent on Federal matching for State administrative, child placement, and training costs under the current law authority.

States would receive a share of these funds based on an allocation formula, which takes into account the amount each State drew down in Federal matching for administrative/child placement costs under current law in fiscal year 1991. Funds could be used for child welfare services, in addition to administrative activities. States would be allowed to use the funds without regard to whether a child qualifies as an AFDC- or SSI-eligible child. States would be

required to maintain current funding efforts and previous levels of expenditures. Federal matching would be 75 percent. Up to one percent of total program funds would be available to the Secretary for demonstrations, research, evaluations, and technical assistance to the States.

Chart 9.—ESTIMATED AMOUNTS OF THE EARNED INCOME TAX CREDIT, SUPPLEMENTAL HEALTH INSURANCE CREDIT, AND SUPPLEMENTAL YOUNG CHILD CREDIT, FISCAL YEARS 1992–1993

[In millions of dollars]

Present-law provision	Fiscal year—	
	1992	1993
Earned Income Tax Credit:		
Amount in excess of tax liability	8,032	9,661
Offset against tax liability	963	1,158
Totals	8,995	10,819
Supplemental Health Insurance Credit:		
Amount in excess of tax liability	548	640
Offset against tax liability	92	107
Totals	640	747
Supplemental Young Child Credit:		
Amount in excess of tax liability	227	238
Offset against tax liability	14	15
Totals	241	253

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

Source: Staff of the Joint Committee on Taxation.

Chart 9

Earned Income Tax Credit; Child Health Insurance Credit; Young Child 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.

In 1990, the maximum credit was equal to 14 percent of the first \$6,500 of earnings, with a maximum credit of \$953. Effective beginning with taxable year 1991, the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) increased and modified the EITC to provide: an increase in the basic credit percentage to 23 percent (phased in over 1991-1994), an adjustment for family size, an additional credit for the cost of health insurance that covers a child, and an additional credit for families with a child under age one. In 1992, the maximum credit for a family with one child equals 17.6 percent (18.4 percent for a family with two or more children) of the first \$7,520 of earned income. In 1992, the credit begins to phase out for families with an adjusted gross income of \$11,840, and is completely phased out at a level of \$22,370. The amount of earnings and income used to compute and phase out the credit increase each year under an indexing formula. For 1992, the maximum credit is \$1,324 for a family with one qualifying child, and \$1,384 for a family with two or more qualifying children.

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 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.

Beginning with taxable year 1991, the EITC has been expanded to provide a credit for the cost of health insurance that covers a qualifying child. The eligibility criteria and income and phaseout requirements are the same as those for the EITC. However, the credit percentage is six percent of earnings (but no more than actual cost), and the phaseout rate is 4.285 percent. For 1992, the maximum credit is \$451. The credit is available only upon the filing of a tax return at the end of the taxable year.

Beginning with taxable year 1991, a family with a child under age one at the end of the year is eligible for a credit of five percent

of earnings. The eligibility criteria and income and phaseout requirements for this "young child" credit are also the same as for the EITC. However, the phaseout rate is 3.57 percent. The maximum credit is \$376 in 1992. If the taxpayer claims the young child credit, the child that qualifies the taxpayer for such credit is not a qualifying individual under the dependent care credit. The credit is available only upon the filing of a tax return at the end of the taxable year.

The basic credit, the child health insurance credit, and the young child credit 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 basic EITC, the child health insurance credit, and the young child credit for 1992, and projections for 1993-1997, are shown in the following table.

**DATA ON EARNED INCOME TAX CREDIT AND SUPPLEMENTAL HEALTH INSURANCE TAX
CREDIT,¹ 1992-1997 ESTIMATES**

Year	Credit rate (percent)	Earnings up to ¹	Reduced by (percent)	Income over ¹	Maximum credit ¹	Phase out point ¹
1992		\$7,520		\$11,840		\$22,370
Basic credit:						
One child	17.6		12.57		\$1,324	
Two or more	18.4		13.14		1,384	
Young child	5.0		3.570		376	
Health insurance.....	6.0		4.285		451	
1993		7,760		12,210		23,070
Basic credit:						
One child	18.5		13.21		1,435	
Two or more	19.5		13.93		1,513	

**DATA ON EARNED INCOME TAX CREDIT AND SUPPLEMENTAL HEALTH INSURANCE TAX
CREDIT,¹ 1992-1997 ESTIMATES—Continued**

Year	Credit rate (percent)	Earnings up to ¹	Reduced by (percent)	Income over ¹	Maximum credit ¹	Phase out point ¹
Young Child.....	5.0		3.570		388	
Health Insurance	6.0		4.285		466	
1994		8,030		12,650		23,890
Basic Credit:						
One child	23.0		16.43		1,846	
Two or more	25.0		17.86		2,008	
Young child	5.0		3.570		402	
Health Insurance	6.0		4.285		482	
1995		8,320		13,110		24,750
Basic credit:						
One child	23.0		16.43		1,913	
Two or more	25.0		17.86		2,080	
Young child	5.0		3.570		416	
Health Insurance	6.0		4.285		499	
1996		8,620		13,580		25,640
Basic Credit:						
One child	23.0		16.43		1,982	
Two or more	25.0		17.86		2,155	
Young child	5.0		3.570		431	
Health insurance.....	6.0		4.285		517	
1997		8,940		14,080		26,590
Basic Credit:						
One child	23.0		16.43		2,056	
Two or more	25.0		17.86		2,235	
Young Child.....	5.0		3.570		447	
Health Insurance	6.0		4.285		536	

¹ Parameters are estimated based on Congressional Budget Office forecasts.

Source: Joint Committee on Taxation, February 27, 1992.

Proposed Legislation

The Administration's budget includes no proposals for changes in the earned income tax credit, the child health insurance credit, or the young child credit.

Chart 10.—SOCIAL SERVICES

[In billions of dollars]

	Fiscal year—	
	1992	1993
Present law:		
Title XX block grant	2.8	2.8

Chart 10

Social Services

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.

PROPOSED LEGISLATION

The fiscal year 1993 budget request for the title XX social services block grant program is \$2.8 billion, the permanent entitlement level. The Administration is proposing to include the title XX social services block grant program in a new consolidated block grant. This new block grant would combine a total of 24 program authorities. According to the budget document, the goal of the proposal is to provide State and local governments with maximum flexibility. The budget document also states that the funding formula to be proposed would approximate current funding distribution levels to individual States.

Chart 11.—CHILD CARE

[In billions of dollars]

	Fiscal year—	
	1992	1993
Present law:		
Title XX ¹6	.6
Services for welfare families ²4	.4
Services for families at risk of welfare3	.3
Child welfare services	NA	NA
Dependent care tax credit	2.7	2.8
Exclusion for employer-provided dependent care3	.3
Total	4.3	4.4

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 \$2,202 million in 1992, and the child care and development block grant, funded at \$825 million in 1992).

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 45 States use part of these funds to provide child care services. Data for 1981, the last year for which detailed reporting is available, indicated that 28 percent of title XX funds was spent for child care. Data collected by the American Public Welfare Association for 1985 showed that a total of \$1.1 billion in Federal and State funds was used for this purpose.

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 (50-83 percent 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 choosing. 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 \$300 million in Federal matching funds for child care for JOBS participants in 1992 and \$350 million in 1993.

(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 \$60 million in Federal matching funds for transitional child care services in 1992 and \$80 million in 1993.

(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 li-

censed, regulated, or registered with the State. CBO estimates that States will spend \$290 million in Federal matching for child care provided under this program in 1992, and \$330 million in 1993.

Grants for improving licensing and training.—The Family Support Act of 1988 authorized \$13 million for grants to States in fiscal 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 is requesting no funding for these grants for fiscal year 1993.

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]

	Fiscal year—	
	1992	1993
Present law:		
Total SSI outlays.....	18.5	19.9

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 an 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 chapter 6). For FY 1993, the Administration has requested \$1.5 billion for the purpose of administering SSI. A supplemental appropriation of \$232 million was enacted in 1991 (with funds available through 1993) to cover the costs of reviewing childhood disability claims stemming from the February 1990 decision by the Supreme Court in *Sullivan v. Zebley*.

Under *Zebley*, SSA must review childhood disability cases, as far back as 1980, using a new standard developed for determining whether children are disabled. The new standard is less stringent than the previous standard. The Administration has stated that it expects to complete these reviews sometime in fiscal year 1993.

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—		
	1991	1992 est.	1992 est.
Aged.....	1,263	1,282	1,301
Blind and Disabled.....	3,242	3,501	3,746
Total Federal	4,505	4,783	5,047
State supplementation only ¹	398	390	395
Total SSI recipients	4,903	5,173	5,442

¹Administration estimate.

The maximum Federal monthly payment in calendar year 1992 is \$422 for an individual, and \$633 for a couple. Annual adjust-

ments are made in January to reflect increases in the cost of living. CBO estimates a January 1993 COLA of 3.2 percent.

CBO estimates Federal program outlays as follows:

[In millions of dollars]

	Fiscal year—		
	1991	1992 est.	1993 est.
Federal benefits.....	14,633	16,967	18,359
Beneficiary services.....	33	40	48
Administration.....	1,227	1,313	1,379
Research and Demonstration.....	3	19	7
Total.....	15,926	18,461	19,873

PROPOSED LEGISLATION

The Administration's budget includes the following legislative proposals to reduce costs in the SSI program:

SUPPLEMENTAL SECURITY INCOME—SAVINGS

[In millions of dollars]

	Fiscal year—					5-year total
	1993	1994	1995	1996	1997	
Administration fee:						
Administration estimate.....	-60	0	0	0	0	-60
CBO estimate.....	-60	0	0	0	0	-60
Recover overpayments from OASDI benefits:						
Administration estimate.....	-34	-25	-24	-23	-23	-129
CBO estimate.....	-34	-25	-24	-23	-23	-129

Administration fee.—Under present law, States may choose to supplement the Federal SSI payment and have these supplements administered by SSA. Currently, SSA administers the supplementation program for 27 States and the District of Columbia, and there is no provision in current statute allowing SSA to charge a fee for administering these programs.

The Administration's budget proposes (through language in the appropriations bill rather than a change in the authorizing statute) to assess a fee from States for administering these programs based on the number of benefit dollars paid. The fee would be 1.67 percent of benefits paid in fiscal year 1993. Fees for future years would be dependent upon enactment of additional legislation. A

similar proposal was included in the Administration's budget for 1992, although it was proposed as a change in the authorizing statute and provided for an increase in the amount of the fee for future years.

Recovering SSI overpayments from OASDI benefits.—Under present law, SSI overpayments that have been made to an OASDI beneficiary may not be recovered from the OASDI benefit unless the beneficiary agrees to that method of recovery. Under the Administration's proposal, SSI overpayments could be recovered from an OASDI benefit without the consent of the beneficiary. This provision would apply only in the case of individuals who no longer receive SSI benefits. This proposal was also included in the Administration's 1992 budget.

PROVISIONS IN THE 1990 OBRA

The following SSI provisions were enacted in the 1990 Omnibus Budget Reconciliation Act:

- Payments made under State-administered victims' compensation programs are excluded from the definition of income, and are excluded from the definition of resources for 9 months.
- Work incentives provisions under section 1619(b) no longer terminate when the recipient becomes 65.
- Impairment-related work expenses are excluded from the definition of income for purposes of initial eligibility and State supplementary payments.
- Royalties and honoraria paid to SSI recipients are counted as earned rather than unearned income if services were performed.
- Certain categories of relocation services paid by States to SSI recipients are now excluded from the definition of income, and are excluded from the definition of resources for 9 months.
- The Secretary must make reasonable efforts to ensure that a pediatrician or other appropriate specialist evaluate a child's disability for purposes of determining SSI eligibility.
- Reimbursement of vocational rehabilitation is now authorized for SSI recipients who receive work incentive or State supplementary benefits, but who do not receive regular Federal cash benefits.
- SSI recipients can now receive up to 6 months' benefits (rather than 3 months') based on a presumptive disability determination.
- SSI recipients who are receiving work incentive benefits can be required to undergo a continuing disability review no more than once in any 12-month period.
- SSA may use a single application form or two separate forms in taking concurrent applications for SSI and food stamp benefits.
- Recipients of retroactive SSI payments under the *Zebley* case must be notified that these payments are excluded from resources for 6 months. They must also be advised of the possibility of permanently excluding these monies from resources by placing them in trust accounts meeting certain conditions.

Chart 13

Health Programs

MEDICARE

Medicare is a nationwide health insurance program for more than 34 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, Medicare spending in FY 1993 will be \$145.5 billion, of which \$84.8 billion is for part A and \$60.7 billion is for part B. The CBO estimates that premiums collected from Medicare participants in FY 1993 will total \$15.0 billion. Spending for program administration will be approximately \$2.9 billion for FY 1993, or about 2.0 percent of the program total.

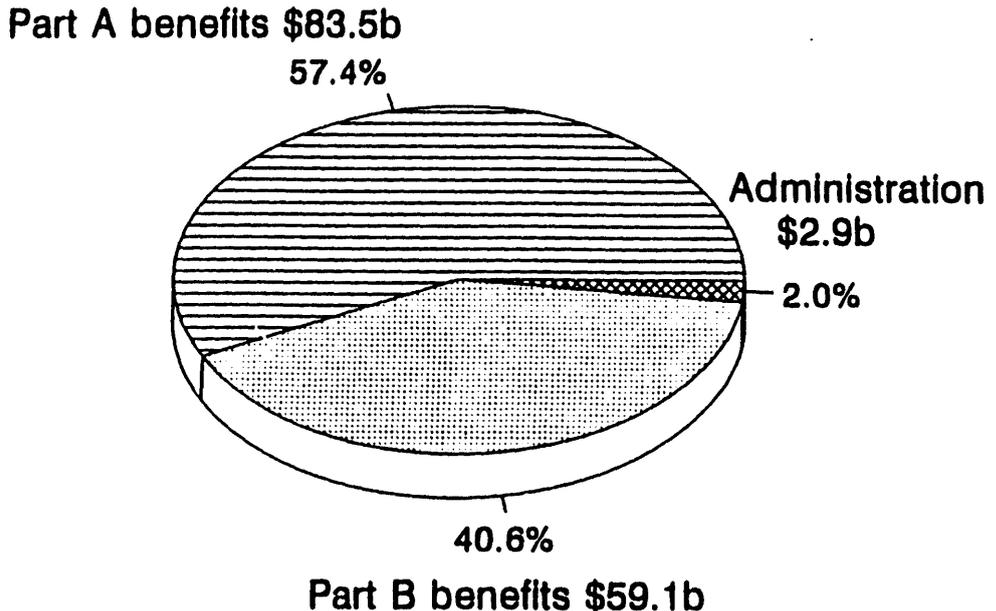
MEDICAID

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.

Recent budget reconciliation acts have expanded Medicaid's coverage for pregnant women and young children. Pursuant to the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239), 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 (\$15,388 for a family of three in 1992) 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 (\$21,405 for a family of three in 1992). Pursuant to the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) States are required, effective July 1, 1991, to cover all children, up to age 19, born after September 30, 1983 in families with incomes below the Federal poverty level (\$11,570 for a family of three in 1992). Under this provision, increasingly older children will be covered each

year, so that all children under 19 in families with incomes below the Federal poverty level will be covered by 2002.

Fiscal Year 1993 Medicare Outlays Current Law



SOURCE: CBO estimates

NOTE: Figures do not reflect offsetting income from beneficiary premiums

CBO estimates total Federal-State Medicaid costs for FY 1993 under current law to be \$139.6 billion. Of this amount, the Federal share is \$79.6 billion. The States' share of total Medicaid expenditures for FY 1993 is estimated at \$60.0 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 FY 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 1986 and 1991, Medicare spending grew at an average annual rate of 9.2 percent, from \$75.9 billion to \$117.8 billion. Spending for part B services grew more rapidly during this period, increasing at an average annual rate of 12.4 percent compared with 7.3 percent for services under part A of the program.

Federal Medicaid spending since 1986 has increased at an average annual rate of 16.0 percent, from \$25.0 billion to \$52.5 billion. Funding for the Maternal and Child Health Block Grant was \$457 million in 1986 and grew to \$587 million in 1991, an average annual increase of 5.1 percent. For FY 1992, \$650 million has been appropriated.

HEALTH PROGRAMS: HISTORICAL SPENDING

[In billions of dollars]

	Fiscal year					Average annual growth rate 1986-1991
	1986	1987	1988	1989	1990	
MEDICARE						
Part A.....	\$49.7	\$50.8	\$52.7	\$58.2	\$66.7	\$70.7
Percent change	2.1	2.3	3.8	10.4	14.5	6.1
Part B.....	\$26.2	\$30.8	\$34.9	\$38.3	\$43.0	\$47.0
Percent change	15.3	17.6	13.3	9.6	12.3	9.3
Total.....	\$75.9	\$81.6	\$87.7	\$96.6	\$109.7	\$117.8
Percent change	6.3	7.6	7.4	10.1	13.6	7.3
MEDICAID						
Total.....	\$44.9	\$49.3	\$54.1	\$61.2	\$72.5	\$92.1
Percent change	9.6	10.0	9.7	13.2	18.4	27.1
Federal share.....	25.0	27.4	30.5	34.6	41.1	52.5
Percent change	10.3	9.8	11.0	13.6	18.8	27.7
MATERNAL AND CHILD HEALTH						
Total.....	0.5	0.5	0.5	0.6	0.6	0.6
Percent change ¹	8.6	6.0	5.3	-0.1	6.1	5.1

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: ADMINISTRATION PROPOSALS

[In millions of dollars]

	Fiscal year—						6-Year total	
	1992	1993	1994	1995	1996	1997		
MEDICARE PART A								
Place hospital update on a calendar year basis.....	CBO	0	-635	-905	-1,025	-1,060	-1,135	-4,760
	OMB	0	-630	-1,050	-1,160	-1,210	-1,330	-5,380
State and local coverage.....	CBO	0	3	7	15	30	50	105
	OMB	0	0	0	0	0	0	0
Medicare part A Total.....	CBO	0	-632	-898	-1,010	-1,029	-1,083	-4,652
	OMB	0	-630	-1,050	-1,160	-1,210	-1,330	-5,380
MEDICARE PART B								
Establish a single fee for supervisory an- esthesia services.....	CBO	0	-115	-145	-155	-165	-175	-755
	OMB	0	-100	-140	-200	-230	-250	-920
Authorize the Secretary of HHS to adjust DME reimbursements to reflect market factors.....	CBO	0	-35	-100	-135	-150	-170	-590
	OMB	0	-20	-80	-110	-130	-140	-480

Reform payment of lab services by lowering the median cap and update as needed.....

CBO	0	-300	-470	-655	-885	-1,155	-3,465
OMB	0	-310	-560	-770	-1,020	-1,320	-3,980

Medicare part B total

CBO	0	-450	-715	-945	-1,200	-1,500	-4,810
OMB	0	-430	-780	-1,080	-1,380	-1,710	-5,380

MEDICARE BENEFICIARIES

Limit federal subsidy to 25% program costs for high income persons (\$100,000 single and \$125,000 couple)

CBO	-45	-145	-320	-485	-715	-910	-2,620
OMB	-59	-313	-427	-580	-757	-963	-3,099

GRAND TOTAL MEDICARE.....

CBO	-45	-1,227	-1,933	-2,440	-2,944	-3,493	-12,082
OMB	-59	-1,373	-2,257	-2,820	-3,347	-4,003	-13,859

Chart 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS—Continued

[In millions of dollars]

	Fiscal year—						6-Year total
	1992	1993	1994	1995	1996	1997	
MEDICAID							
Enhance medical support for children							
	CBO	0	-5	-10	-15	-15	-65
	OMB	0	-5	-10	-10	-15	-55
MEDICARE AND MEDICAID							
Survey and certification							
	CBO	0	-255	-233	-239	-246	-1,226
	OMB	0	-255	-233	-239	-246	-1,226

Chart 14

Health Programs: Administration Proposals

MEDICARE

The Administration budget proposes to reduce outlays and increase premiums under the Medicare program for fiscal year 1993 by \$1.2 billion. This amount includes \$635 million in reduced payments to providers under part A, and \$595 million in payment reductions and increased beneficiary contributions under part B. It does not include increased revenue to the Hospital Insurance Trust Fund associated with proposals to include State and local government workers under Medicare. (See section on revenue.) All estimates cited in the text have been prepared by CBO. Table 14 compares Administration and CBO estimates of Medicare savings proposals.

Of the \$1.2 billion in Medicare spending cuts, 52 percent would come from reducing payments to hospitals. Payments to physicians would be reduced roughly \$115 million, or 9 percent of the total.

The Omnibus Budget Reconciliation Acts of 1989 and 1990 included a number of provisions to reduce Medicare spending in fiscal year 1993. The fiscal year 1993 hospital update factor under the prospective payment system (PPS) was reduced from a full market basket increase to market basket minus 1.55 percent for urban hospitals and to market basket minus 0.55 percent for rural hospitals. (CBO estimates the FY 1993 market basket will be 5.3 percent.) Fiscal year 1993 Medicare payments for inpatient hospital capital were reduced from 100 percent to 90 percent of the amount that otherwise would have been paid during the fiscal year had payments been based on reasonable costs. (A prospective payment system for inpatient capital was established for FY 1993.) Payments for outpatient capital were reduced from 100 percent to 90 percent of reasonable costs. CBO estimates that, under the Medicare Volume Performance Standard (MVPS) mechanism, updates for surgical services and all other physicians' services for 1993 will be reduced from 2.2 percent to .2 percent. In addition, the 1993 update for clinical laboratory services was reduced from the increase in the Consumer Price Index for all urban consumers (CPI-U) to 2.0 percent. (CBO estimates that the FY 1993 increase in the CPI-U for laboratory services will be 3.5 percent.)

MEDICARE PART A

The Administration budget proposes to reduce outlays under part A of the Medicare program by \$632 million for FY 1993. (This estimate reflects the increased part A spending associated with an Administration proposal to include State and local government workers under Medicare.)

1. Hospital Update on a Calendar Year Basis.—The Administration budget would permanently move the annual updating of PPS payment rates from October 1st to January 1st, beginning in fiscal year 1993. (—\$635 million in FY 1993)

MEDICARE PART B

The Administration proposes to reduce payments to providers under part B of the Medicare program by \$450 million for FY 1993. This total excludes part B savings from a proposal affecting Medicare beneficiaries, which is described separately.

1. Single Fee for Anesthesia Services.—Physician anesthesia services are reimbursed under a fee schedule that is based upon a relative value guide. Anesthesia services furnished by a certified registered nurse anesthetist (CRNA) are reimbursed under a separate fee schedule.

Anesthesia services are sometimes furnished by a certified registered nurse anesthetist (CRNA) under the supervision of a physician anesthesiologist. In these cases, separate payments are made to both the CRNA and the supervising physician. The amount that would otherwise be payable to a physician anesthesiologist who personally furnishes a service is reduced by 10 percent, 25 percent, or 40 percent when the physician concurrently supervises 2, 3, or 4 CRNAs, respectively.

The Administration budget proposes to pay the same amount for anesthesia services regardless of whether an anesthesiologist personally furnishes the service or medically directs a certified registered nurse anesthetist (CRNA) who furnishes the service. In the latter case, payment to the anesthesiologist would be limited to the difference between the amount that would be payable if the anesthesiologist personally performed the service and the amount payable to the CRNA.

The proposal would determine payments for a medically directed CRNA on the basis of an \$8.60 conversion factor. (A conversion factor is a dollar amount that, when multiplied by the relative value of a service, produces the payment amount.) Under OBRA '90, payments for medically directed CRNAs are scheduled to increase to \$11.70 by 1995. (—\$115 million in FY 1993)

2. Adjust DME Reimbursement to Reflect Market Factors.—Medicare pays for durable medical equipment (DME) on a fee schedule basis. Fees for most items were established in 1989, based upon average Medicare payments for the item during a base period ending in 1987; since then, they have been updated for inflation.

The Administration proposal would authorize the Secretary to adjust the amount Medicare pays for an item of DME to reflect changes in the prices paid by other purchasers since 1987, as well as other market factors. (—\$35 million in FY 1993)

3. National Limit and Update for Clinical Laboratory Services.—Clinical laboratory services are paid for by Medicare under state-wide or carrier-wide fee schedules, but geographic variations in the amount Medicare will pay for the same service are subject to a national limit. OBRA '90 lowered the national limit from 93 to 88 percent of the national median fee for each service. It also provided for fees (and the national limit) to be updated for inflation each year.

The Administration budget proposes to lower the limit from 88 to 76 percent of the national median. In addition, it would authorize the Secretary to adjust the annual inflation update (for all or specific categories of laboratory services) to reflect market factors. (—\$300 million in FY 1993)

MEDICARE BENEFICIARIES

The Administration's budget proposes to increase contributions by Medicare beneficiaries by a total of \$145 million in FY 1993, according to CBO estimates. The budget includes one proposal:

Limit Federal Subsidy to 25% of Part B Program Costs for Upper-Income Individuals.—Beneficiaries participating in part B pay a monthly premium set to cover 25 percent of the costs of the part B program. The monthly premium is \$31.80 for 1992 and \$36.60 for 1993. The Administration proposes to increase the premium for beneficiaries with an adjusted gross income above \$100,000 for individuals and \$125,000 for couples. The premium for these individuals would be set to equal 75 percent of part B costs, or three times the basic premium. (—\$145 million in FY 1993)

MEDICAID

The budget includes one proposal that would result in a reduction in Medicaid spending of \$5 million in FY 1993:

Improve Medical Support Enforcement.—The Administration proposes to require States to enact laws to facilitate insurance coverage of children under the health insurance policy of a parent who does not have custody of the child. States would be required to enact laws that would: (1) require employers to enroll children in the health plan of the noncustodial parent and require insurers to permit such enrollment where a court order is in effect; (2) require insurance companies to allow custodial parents or, where applicable, the State Medicaid agency, to claim reimbursement directly from the insurer; and (3) require the State to avail itself of the same enforcement mechanisms for medical support as are applicable to child support under State law. (\$—5 million in FY 1993)

MEDICARE AND MEDICAID

The Administration's budget proposes a new user fee:

Survey and certification user fees.—Under current law, the Federal government contracts with States to conduct surveys of health care facilities (e.g., hospitals and nursing homes) to certify that Medicare and Medicaid conditions of participation (COP) are met. The Administration budget proposes charging user fees to health care facilities for the survey and certification conducted by a State agency. Although the proposal would apply to hospitals as well as nursing homes, most hospitals are accredited by the Joint Commission on the Accreditation of Health Care Organizations and are therefore deemed to meet the COP. The fees collected, along with those from clinical laboratories collected under existing law, would be put in a revolving fund. (—\$255 million in FY 1993)

MATERNAL AND CHILD HEALTH BLOCK GRANT

The Maternal and Child Health Block Grant program (Title V) is authorized at \$686 million in FY 1991 and each year thereafter.

The appropriation for FY 1992 was \$650 million. For FY 1993, the Administration proposes to fund the Title V Block Grant program at \$674 million.



Chart 15.—INTEREST

[By fiscal year, in billions of dollars]

	1992	1993	1994	1995	1996	1997
A. Administration's Budget:						
Gross interest:						
Interest on the public debt.....	293	315	338	354	371	388
Interest received by trust funds:						
Social Security	-24	-27	-31	-36	-41	-47
Other trust funds.....	-53	-55	-58	-61	-64	-68
Subtotal	-77	-82	-89	-97	-106	-115
Other interest:						
Interest on tax refunds..	3	2	2	2	2	3
Payment to REFCORP	2	2	2	2	2	2
Interest from FFB and RTB	-16	-17	-17	-14	-11	-9
Other ¹	-6	-7	-6	-6	-6	-6
Subtotal	-17	-19	-18	-15	-12	-10
Net Interest	199	214	231	242	253	263
B. CBO Baseline:						
Interest on the public debt.....	298	316	341	362	383	407
Net interest.....	201	214	232	246	262	280

¹ Primarily interest on loans and cash balances.

Sources: President's Proposed Budget for Fiscal Year 1993 (February 1992 supplement); CBO March 1992 baseline, assuming compliance with discretionary spending caps.

Chart 15

Interest

One of the budget accounts assigned to Finance Committee jurisdiction is the account entitled Interest on the Public Debt. This account reflects the total interest payments made on governmental securities. The major determinants of the amount of outlays for this account are the accumulated debt from prior years and the interest rate. To a lesser extent, the level of deficit for the current year also affects interest outlays. At current debt levels, a one percent increase in interest rates beginning in January, 1992 and continuing thereafter would increase outlays for example, by \$5 billion in FY 1992 and by \$16 billion in FY 1993 according to the Congressional Budget Office.

The overall impact of interest on the budget deficit is offset by several factors shown on this chart. The largest offset is interest received by trust funds. The outlay effect of interest paid to trust funds is offset by the income effect of that same interest received by trust funds.¹ Other interest receipts, and particularly interest on Federal Financing Bank and Rural Telephone Bank loans, also offset a portion of interest on the public debt.

¹ Although trust fund interest earnings are used to partially offset the outlays for interest on the public debt from a short-term budgetary perspective, those interest payments do represent a long-term commitment of the Federal Government to the trust fund program which ultimately will have to be redeemed to meet the needs of the program.

Chart 16.—TRADE ADJUSTMENT: ADMINISTRATION PROPOSALS

[In millions]

	Fiscal year—					Total
	1993	1994	1995	1996	1997	
End trade adjustment benefits for workers:						
OMB estimate:						
Cash benefits	-94	-133	-125	-124	-123	-599
Services	-23	-60	-74	-73	-73	-303
Total.....	-117	-193	-199	-197	-196	-902
CBO estimate:						
Cash benefits	-101	-139	-129	-127	-124	-620
Services	-23	-78	-78	-77	-77	-333
Total.....	-124	-217	-207	-204	-201	-953

Chart 16

Trade Adjustment and Customs User Fee: Administration Proposals

TRADE ADJUSTMENT ASSISTANCE

The Trade Adjustment Assistance (TAA) program provides benefits to workers laid off and firms injured on account of import competition. Under the program for workers, administered by the Labor Department, certified workers are entitled to cash payments essentially equivalent to extended unemployment insurance benefits. They may also receive job-search, relocation, and retraining assistance. The program for firms, administered by the Commerce Department, makes technical assistance available to approved firms.

The Omnibus Trade and Competitiveness Act of 1988 made substantial changes to the TAA program. With its enactment, workers are required to enter approved training programs in order to receive TAA cash payments, unless training is not feasible or appropriate. Workers are also entitled to payment for the costs of their training programs, up to a total limit of \$80 million annually.

Originally established under the Trade Expansion Act of 1962, the TAA program was authorized until September 30, 1985. There after, it was temporarily extended several times. Authority for the program lapsed temporarily on December 19, 1985, but was restored in April 1986 both retroactively to December 19, 1985 and prospectively for 6 years to September 30, 1991 with enactment of the Consolidated Budget Reconciliation Act of 1985. Authority for the program was extended until September 30, 1993 with enactment of the Omnibus Trade and Competitiveness Act of 1988.

In its 1993 budget request, the Administration proposes that both the workers and firm TAA programs be repealed, effective October 1, 1992. The Administration proposes to assist workers adversely affected by imports through the Economic Dislocation and Worker Adjustment Assistance program.

CUSTOMS USER FEES

The 1986 Budget Reconciliation Act established a customs merchandise processing fee, which went into effect on December 1, 1986, 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. There is a separate schedule of customs user fees to cover Customs' costs of processing the arrival of vessels, trucks, trains, private boats and planes, and passengers. The law requires the fees to be deposited into a dedicated account and to be available, subject to authorization and appropriation, to offset the cost of salaries and expenses of the Customs Service for commercial operations.

The Omnibus Budget Reconciliation Act of 1987 extended the user fees through September 30, 1990. The Customs and Trade Act of 1990 modified the merchandise processing fee to make it consistent with our international obligations under the General Agreement on Tariffs and Trade (GATT), and 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. The Act also 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 fee 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.

CBO has reported that the Customs Service collected \$644 million in total user fees in FY 1991; collections for FY 1992 are estimated to reach \$690 million. The Administration has proposed increasing the merchandise processing fee, currently at 0.17 percent ad valorem for formal entries (subject to a maximum fee of \$400 and minimum fee of \$21), to 0.19 percent ad valorem, subject to the \$400 and \$21 limitations.

CHART 17.—TAX REVENUES UNDER PRESENT LAW

[In billions of dollars]

	Current Services		CBO Baseline	
	1993	1994	1993	1994
Individual Income	520	567	513	556
Corporate Income	103	118	110	120
Social Insurance	447	480	449	480
Excise taxes	48	50	49	50
Other ¹	52	53	53	56
Total	1,170	1,268	1,174	1,262

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

Chart 17

Tax Revenues Under Present 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.

Under President Bush's 1993 budget proposals, total receipts would rise to \$1,170 billion in 1993 and \$1,268 billion in 1994. These proposals are listed in chart 18.

Chart 18—REVENUE EFFECT OF BUSH ADMINISTRATION PROPOSALS ON RECEIPTS

[In billions of dollars]

	1993	1994	1995
1. Capital Gains ¹	3.8	2.1	0.3
2. Passive Loss Relief for Real Estate	-0.4	-0.4	-0.4
3. Investment Tax Allowance	-1.6	3.5	0.9
4. Simplify and Enhance AMT Deprecia- tion.....	-0.4	-0.4	-0.3
5. R&E Tax Credit.....	-0.8	-1.4	-1.6
6. R&E Allocation Rules	-0.5	-0.3	0.0
7. Low-Income Housing Tax Credit.....	-0.2	-0.3	-0.4
8. Targeted Jobs Tax Credit	-0.2	-0.2	-0.1
9. Business Energy Tax Credit	(-*)	(-*)	(-*)
10. First-Time Farmer Bonds	(-*)	(-*)	(-*)
11. Enterprise Zones.....	(-*)	-0.2	-0.3
12. Facilitate Real Estate Investments by Pension Funds and Others.....	(-*)	(-*)	(-*)
13. Repeal Luxury Tax on Aircraft and Boats and Repeal Diesel Fuel Ex- emption for Pleasure Boats.....	(*)	(*)	(*)
14. Permit Deduction of Interest on Stu- dent Loans.....	-0.4	-0.7	-0.7
15. Establish Flexible Individual Retirement Accounts.....	0.5	0.1	-0.4
16. Promote Retirement Saving and Simpli- fy Taxation of Pension Distributions...	(*)	(*)	0.3
17. Waive Penalty for Withdrawals from IRAs for Medical and Educational Expenses.....	-0.1	-0.1	-0.1
18. Health Insurance Deduction for Self- Employed.....	-0.2	-0.3

Chart 18—REVENUE EFFECT OF BUSH ADMINISTRATION
PROPOSALS ON RECEIPTS—Continued

[In billions of dollars]

	1993	1994	1995
19. Medicare HI Coverage to State and Local Employees.....	1.6	1.5	1.5
20. Special Needs Adoption Deduction	(—*)	(—*)	(—*)
21. Expand Public Transit Exclusion to \$60/Month.....	(—*)	(—*)	(—*)
22. Family Tax Allowance	—4.4	—4.6	—4.7
23. First-Time Homebuyers Tax Credit	—2.1	—2.5	—0.6
24. Deduction for loss on Sale of Principal Residence	—0.4	—0.4	—0.4
25. Waive Penalty for Withdrawals from IRAs for First-Time Homebuyers	—0.1	—0.1	—0.1
26. Mortgage Revenue Bonds	(—*)	—0.1	—0.1
27. Revise Rules for Charitable Contribu- tions	0.1	0.1	0.1
28. Conform Book and Tax Accounting for Securities Inventories.....	0.6	0.8	0.8
29. Extend 45-Day Interest-Free Period to Refunds of All Taxes	0.3	0.3	0.4
30. Disallow Interest Deductions on Corpo- rate-Owned Life Insurance Loans.....	0.3	0.4	0.5
31. Prohibit Double Dipping by Thrifts Re- ceiving Federal Financial Assistance...	0.4	0.1	(*)
32. Equalize Tax Treatment of Large Credit Unions and Thrifts	0.2	0.2	0.2
33. Modify Taxation of Annuities Without Life Contingencies.....	0.2	0.2	0.3
34. Communications Excise Tax.....	0.1	0.1	0.1

**Chart 18—REVENUE EFFECT OF BUSH ADMINISTRATION
PROPOSALS ON RECEIPTS—Continued**

[In billions of dollars]

	1993	1994	1995
35. Orphan Drug Tax Credit.....	(—*)	(—*)	(—*)

* \$50 million or less.

¹ The Joint Committee on Taxation has estimated that the President's capital gains proposal would have the following revenue effect: +3.7 b. in 1993, —3.4 b. in 1994, and —5.7 b. in 1995. Under the Budget Act and Senate rules, the Joint Committee's revenue estimates are applicable for purposes of points of order and other procedural motions in the Senate.

Source: Office of Tax Analysis, Department of Treasury.

Chart 18

Description of Bush Administration Proposals on Receipts

1. *Capital Gains.*—The Administration proposes to provide individuals an exclusion for a percentage of their gain on capital assets (except collectibles) held for a period of at least 1 year. The provision is phased in over 3 years as follows: in 1992, 15% of the gain on assets held at least 1 year would be excluded; in 1993, 30% of the gain would be excluded for assets held at least 2 years; and in 1994, once it is fully phased in, 45% of the gain on assets held for three or more years would be excluded.

2. *Modify Passive Loss Relief for Real Estate.*—The Administration proposes to permit taxpayers who actively participate in the rental of the properties they develop to offset their rental losses against income from other real estate development operations in which they actively participate. The passive loss rules would be amended to permit those taxpayers to treat their real estate development operations as a single trade or business activity.

3. *Adopt Investment Tax Allowance.*—The Administration proposes to allow additional first-year depreciation for equipment acquired between February 1, 1992, and January 1, 1993, and placed in service before July 1, 1993, equal to 15% of the purchase price of the equipment.

4. *Simplify and Enhance Alternative Minimum Tax Depreciation.*—The Administration proposes to eliminate the depreciation component of the adjusted current earnings (ACE) adjustment for alternative minimum tax purposes for property placed in service on or after February 1, 1992.

5. *R&E Tax Credit.*—The Administration proposes making the existing 20% R&E credit permanent.

6. *R&E Allocation Rules.*—The Administration proposes extending the existing R&E allocation rules for 18 months, through December 31, 1993.

7. *Low-income Housing Tax Credit.*—The Administration proposes extending the existing low-income housing tax credit for 18 months, through December 31, 1993.

8. *Targeted Jobs Tax Credit.*—The Administration proposes extending the existing targeted jobs tax credit for 18 months, through December 31, 1993.

9. *Business Energy Tax Credits.*—The Administration proposes extending the existing business energy credits for solar and geothermal property for 18 months, through December 31, 1993.

10. *First-Time Farmer Bonds.*—The Administration proposes extending first-time farmer bonds for 18 months, through December 31, 1993.

11. *Enterprise Zones.*—The Administration proposes targeting new employment and investment tax credits to businesses that

locate in up to 50 designated economically distressed urban and rural communities.

12. *Facilitate Real Estate Investments by Pension Funds and Others.*—The Administration proposes modification of the rules governing taxation of certain investments in real estate by pension funds and certain tax-exempt investors by providing pension funds and other qualified investors greater flexibility in making investments without incurring unrelated business income tax (UBIT).

13. *Repeal Luxury Tax on Aircraft and Boats and Repeal Diesel Fuel Exemption for Pleasure Boats.*—The Administration proposes repeal of the excise tax on airplanes and boats, effective for sales on or after February 1, 1992. The revenue loss would be offset by extending the excise tax on diesel fuel to diesel fuel sold for use in pleasure boats.

14. *Permit Deduction of Interest on Student Loans.*—The Administration proposes to allow the deduction of interest paid on or after July 1, 1992, on student loans for higher education or post-secondary vocational education.

15. *Establish Flexible Individual Retirement Accounts.*—The Administration proposes allowing individuals to contribute up to \$2,500 annually (limited to two accounts per family) to a new Flexible Individual Retirement Account. Earnings on the deposits that remain in the account for 7 years would be tax-free. The accounts would not be available to individuals with incomes exceeding \$60,000 or families with incomes exceeding \$120,000.

16. *Promote Retirement Saving and Simplify Taxation of Pension Distributions.*—The Administration proposes a series of measures to encourage employers to sponsor retirement plans, to promote retirement savings, and to simplify the taxation of pension distributions.

17. *Waive Penalty for Withdrawals from IRAs for Medical and Educational Expenses.*—The Administration proposes to waive the 10% penalty on early withdrawals from IRAs on or after February 1, 1992, if the money is used for qualified medical or educational expenses.

18. *Health Insurance Deduction for Self-Employed.*—The Administration proposes extending the 25% deduction for health insurance expenses of self-employed individuals for 18 months, through December 31, 1993.

19. *Medicare HI Coverage to State and Local Employees.*—The Administration proposes to expand Medicare Hospital Insurance coverage to all state and local government employees.

20. *Special Needs Adoption Deduction.*—The Administration proposes to provide a tax deduction of up to \$3,000 for the costs associated with the adoption of special needs children.

21. *Expand Public Transit Exclusion to \$60/Month.*—The Administration proposes to increase the amount of employer-provided public transit pass expense that may be excluded from an employee's income from \$21 to \$60 per month.

22. *Family Tax Allowance.*—The Administration proposes to increase the personal exemption for dependent children age 18 and under at the end of the taxable year by \$500 per child, effective October 1, 1992.

23. *First-Time Homebuyers Tax Credit.*—The Administration proposes a first-time homebuyers tax credit on the purchase of a principal residence equal to 10% of the purchase price of the residence up to a maximum of \$5,000.

24. *Deduction for Loss on Sale of Principal Residence.*—The Administration proposal allows owners who sell a principal residence at a loss to treat the loss as a casualty loss, thus allowing a partial deduction in many cases.

25. *Waive Penalty for Withdrawals from IRAs for First-Time Homebuyers.*—The Administration proposes allowing penalty-free withdrawals of up to \$10,000 from Individual Retirement Accounts for first-time home purchases.

26. *Mortgage Revenue Bonds.*—The Administration proposes to extend the authority for State and local governments to issue mortgage revenue bonds and mortgage credit certificates for 18 months, through December 31, 1993.

27. *Revise Rules for Charitable Contributions.*—The Administration proposes to permanently extend the temporary exclusion from the AMT and to expand it to include the fair market value of all gifts of appreciated property, including real estate and stocks and bonds.

28. *Conform Book and Tax Accounting for Securities Inventories.*—The Administration proposes to eliminate the ability of securities dealers to use the lower of cost or market method of inventory valuation. Instead securities dealers would be required to compute their taxable income by marking their inventories of securities to market.

29. *Extend 45-Day Interest-Free Period to Refunds of All Taxes.*—The Administration proposes to provide a 45-day period in which the IRS may process refunds of any type of tax overpayment. In the case of refunds processed within that period, no interest would be owed to the taxpayer.

30. *Disallow Interest Deductions on Corporate-Owned Life Insurance Loans.*—The Administration proposes to disallow the deduction for interest paid by corporations on loans secured by the cash value of life insurance policies.

31. *Prohibit Double Dipping by Thrifts Receiving Federal Financial Assistance.*—The Administration proposes to prohibit thrifts from deducting any loss to the extent they have received tax-free Federal financial assistance for that loss. The proposal would apply generally to FSLIC assistance payments credited to a taxpayer on or after March 4, 1991, with respect to losses on or after that date.

32. *Equalize Tax Treatment of Large Credit Unions and Thrifts.*—The Administration proposes to repeal the tax exemption for a credit union that has assets of more than \$50 million in any taxable year ending on or after December 31, 1992.

33. *Modify Taxation of Annuities Without Life Contingencies.*—The Administration proposes to retain the current-law treatment of annuities only for annuities with substantial life contingencies. For other annuities, investment income would be taxed as earned.

34. *Communications Excise Tax.*—The Administration proposes to expand the communications excise tax to apply to amounts paid for access to a local digital data network for long distance trans-

mission of digital data and to repeal the exemptions for coin-operated telephone service.

35. *Orphan Drug Tax Credit.*—The Administration proposes to make the orphan drug credit permanent.

Chart 19.—TAX EXPENDITURES

[In billions of dollars]

	Outlay equivalent		Revenue loss	
	1992	1993	1992	1993
National defense.....	2.4	2.5	2.0	2.1
International affairs.....	8.7	9.3	5.9	6.2
General science, space and technology.....	2.9	2.2	2.4	2.0
Energy.....	1.5	1.9	1.5	2.0
Natural resources and environment.....	3.0	3.0	2.3	2.4
Agriculture.....	0.5	0.4	0.5	0.4
Commerce and housing.....	152.2	168.1	149.2	156.3
Transportation.....	0.1	0.2	0.1	0.2
Community and regional development.....	2.3	2.4	1.9	2.1
Education, training, employment and social services.....	23.8	24.8	22.2	23.2
Health.....	65.4	71.3	53.4	58.0
Income security.....	88.0	92.0	71.4	74.5
Social Security.....	23.0	24.5	23.0	24.5
Veterans benefits and services..	2.0	2.1	2.0	2.0
General government.....	40.4	43.2	35.6	38.2
Interest.....	1.0	1.0	1.0	1.0

Chart 19

Tax Expenditures

The concept of tax expenditures was developed in order to compare the Federal Government's outlays to the budgetary impact of various deductions, deferrals and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct expenditures and tax expenditures as alternate means of providing incentives.

The Budget Act defines tax expenditures as "revenue losses" attributable to provisions of the Federal tax laws that 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 liability. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability, which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

The definition of "tax expenditure" is not precise. This imprecision has resulted in substantial controversy. Chart 18 includes all items listed as tax expenditures by the Administration. A 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 provision.

Chart 18 presents a summary of tax expenditures by budget functional category. The chart reflects both the Administration's estimate of the budget outlay equivalent for tax expenditures and the Administration's estimates of the revenue loss for tax expenditures.

Tax expenditure estimates should not be interpreted as the increase in Federal receipts (or reduction in the budget deficit) that would result if a provision were repealed. Repeal of some provisions could affect the aggregate level of income and economic growth. Many tax expenditures are not independent of each other; their values are largely interdependent. Additionally, the annual value of tax expenditures is very time-dependent.

The tax expenditure table from the President's budget is reprinted in Appendix E.

Chart 20.—DEBT LIMIT

[In trillions of dollars]

Current debt limit.....	4.145
* * * * *	*
Administration estimate of debt subject to limit on September 30, 1992.....	4.050
Plus:	
Federal deficit for fiscal 1993	0.350
and	
Trust Fund Surpluses.....	0.119
and	
Other transactions ¹	—0.006
Equals:	
Debt subject to limit on September 30, 1993.....	4.513

¹ For example, increase or decrease in cash balances, "profit" on coinage, or increase or decrease in certain debt holdings which are not subject to limit.

Chart 20

Debt Limit

Since 1983, the practice of Congress has generally been to increase the statutory limit on the public debt on a permanent basis. The current debt limit of \$4.145 trillion was established by Public Law 101-508, which was enacted on November 5, 1990. With a permanent debt limit, the exact date at which an increase will be needed cannot be accurately projected well in advance. The Budget submitted by President Bush projects a debt level of \$4.050 trillion by September 30, 1992 and \$4.513 trillion by September 30, 1993. Therefore, legislation to raise the debt ceiling will be needed sometime after October 1, 1992, but well before September 30, 1993. The exact date cannot be determined at this time.

The annual increase in the amount of debt subject to limit corresponds closely to sum of the Federal deficit and the net surpluses in Federal trust funds. Trust fund surpluses do not lower the total borrowing needs of the Government; they simply allow the Government to meet those needs by issuing debt to the trust funds rather than to the general public.

Chart 21.—EFFECT OF ENTITLEMENT CAPS PROPOSED IN THE PRESIDENT'S BUDGET

[In millions of dollars]

	1992 Current services	Program over/under (—) cap				
		1993	1994	1995	1996	1997
Family Social Services and Adoption Assistance ...	2,552	-89	-1	32	50	53
Medicaid	68,352	3,527	2,979	3,611	4,146	4,863
Medicare Part A (HI)	76,175	1,378	2,433	2,676	3,133	2,761
Medicare Part B (SMI)	52,114	2,933	2,877	4,175	4,827	5,559
Unemployment Compensation	38,873	-5,269	-1,766	-736	-706	-700
Supplemental Security Income	17,026	-634	1,217	-2,012	-2,497	1,623
Family Support Payments	15,111	-451	-396	-388	-594	-635

\$

Source: Congressional Budget Office.

Chart 21

Entitlement Caps

The President's Budget as submitted in January, 1992 contains a proposal to cap the growth of spending for entitlement programs. Under the proposal, the aggregate dollar growth of all entitlement spending would be limited to a specified growth rate each year.

The President's proposal uses a formula which would cap the rate of growth each year for aggregate expenditures for entitlements at the sum of:

- (1) The percentage change in beneficiary populations
- (2) The rate of inflation as measured by the Consumer Price Index
- (3) An additional 2.5%

Subsequent to the enactment of an unspecified comprehensive health reform plan, the President's plan would reduce factor No. 3 in the above formula from 2.5% to 1.6%.

According to the description of the plan, if the projected growth in aggregate entitlement spending exceeded the growth rate specified in the formula, a legislative "reconciliation process" would automatically be triggered to eliminate the excess. "Reconciliation instructions" to various Committees of the House and Senate have sometimes been included in past Budget Resolutions. These provisions "instruct" various Committees to reduce spending or raise revenues by specified amounts. Presumably, a similar process would be used to achieve savings equal to the "excess entitlement spending."

The President's Budget further proposes that a fail-safe mechanism be created in case the reconciliation instruction process does not work. Under the fail-safe procedure, OMB would enforce a sequester against entitlement spending. The sequester would eliminate any entitlement expenditures in excess of the cap. Under current law, many entitlement programs are totally or partially exempt from sequester. However, the President's budget proposes to eliminate most of these exemptions, although maintaining the exemption for Social Security.

The Congressional Budget Office (CBO) has done an analysis of the effect of the President's entitlement cap if it were implemented in 1993, using 2.5% as the additional growth percentage. In their analysis, the CBO compared the outlay expenditures for each program under current law to the outlay expenditures if each program's growth rate were limited to the growth rate allowed for aggregate entitlement expenditures. In other words, this analysis assumes (for illustrative purposes) that the maximum growth rate would apply separately to each entitlement program, as well as to aggregate entitlement expenditures. Also, in the CBO analysis

shown in chart 21, deposit insurance and Social Security are excluded from the totals.

The chart shows the effect of the President's proposal on entitlement programs under the jurisdiction of the Finance Committee (Social Security is excluded from the analysis, as mentioned). For each program, the chart first indicates the current services level for the program in Fiscal Year 1992. Then, for each year between 1993 and 1997 it shows the excess of current services outlays above the capped amount for that year.

The table indicates that spending for the health care programs—Medicare and Medicaid—exceed the cap in every year. In general, projected expenditures for all other programs under the Finance Committee's jurisdiction are below the capped spending levels. An exception occurs for the Supplemental Security Income program (SSI), due to minor anomalies in the scheduling of monthly payments in some years.¹ Also, while spending for Family Social Services and Adoption Assistance is marginally below the cap in the first two years, it is marginally above it in the next three years.

The rapid growth in Medicare and Medicaid costs does not lie within those two programs. Rather, the rapid increase in costs for Medicare and Medicaid is a result of rapid increases in health-care costs in general. When overall health care costs for hospitals and physicians rise, Medicare and Medicaid costs for health-care providers are likely to rise as well. Moreover, according to Dr. Robert Reischauer, Director of the Congressional Budget Office, any attempt to further constrain Medicare and Medicaid costs will only lead to cost-shifting to the private sector. If government payments are cut, health care providers will charge private insurers higher rates which will be passed on to businesses. In addition, States will be forced to bear a greater share of the costs of providing medical care to the indigent if Federal Medicaid contributions are capped. Indeed, due to governmental constraints placed upon Medicare and Medicaid reimbursements, their health-care costs are not growing as fast as private-sector health-care costs, according to CBO, while some of their costs have, in fact, already been shifted to private-sector businesses and to states. These points are discussed in a letter from Senator Bentsen, Chairman of the Finance Committee to Senator Sasser, Chairman of the Budget Committee (see attached).

Attachment.

¹ When the first day of the month falls on a weekend, the payment is advanced to the preceding Friday. As a result, in some years, there are thirteen monthly payments instead of twelve, and in some years there are only eleven payments. In 1994 and 1997, the number of monthly payments exceeds the number in the preceding year. In those years, spending increases relative to the preceding year exceed the allowable growth rate.

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, April 2, 1992.

Hon. JIM SASSER, *Chairman,*
Senate Committee on the Budget,
U.S. Senate,
Washington, DC.

DEAR JIM:

I am writing to discuss the proposal in the President's budget which would create "caps" on the rate of growth of Federally funded entitlements such as Medicare, Medicaid, Guaranteed Student Loans and Veteran's Compensation payments. As you know, Senator Domenici, your Ranking Member of the Senate Budget Committee, introduced a Budget Resolution that contains an even more stringent version of entitlement caps.

Under these proposals, the rate of growth in aggregate entitlement spending would be capped each year. The maximum growth rate would be limited to the inflation rate plus the growth rate in the number of beneficiaries plus an additional percentage. Under Senator Domenici's plan, this additional percentage would be phased out to zero by 1997. According to Senator Domenici, if enforced, this would produce program cuts of \$53 Billion between 1995 and 1997.

There is no question that entitlements as a class of programs are growing very rapidly. But the reason that entitlements are growing so fast is that the health care entitlements—Medicare and Medicaid are increasing extremely rapidly. The Congressional Budget Office, in *An Analysis of the President's Budgetary Proposals for Fiscal Year 1993* estimates that between 1992 and 2002, spending for Medicare and Medicaid will increase from 3.4% of GDP to 5.9% of GDP. During the same period, all other entitlements will decrease as a percentage of GDP.

However, the problem as we all know is not really in Medicare and Medicaid, but rather in the larger health care system of this country. Between 1975 and 1990, the growth rate in per enrollee costs was 2 percent higher for private insurance than for Medicare and Medicaid. Furthermore, according to a study of the Medicaid program done last summer under the auspices of the Office of Management and Budget, 60% of the growth in Medicaid program costs between 1980 and 1990 came from overall health care inflation in the economy. The problem of explosive health care costs is expected to continue: between 1992 and 1997, the inflation rate for overall medical costs is estimated to be twice as high as the inflation rate in the economy as a whole.

Yet an entitlement cap marks all entitlements for cuts. This approach unnecessarily puts at risk programs that assist some of the

most vulnerable Americans—the elderly, the blind, the disabled, veterans, children and rural families. It could affect the beneficiaries of Aid to Families with Dependent Children, Food Stamps, Guaranteed Student Loans, Veterans Programs, Farm Price Supports, and the Social Services Block Grant.

Clearly we can best restrain the cost of Medicare and Medicaid growth if we can control costs in the overall health-care system. Indeed, Dr. Robert Reischauer, the Director of the Congressional Budget Office indicated in testimony before the Senate Finance Committee in April of last year that attacking health care costs through cuts in Medicare and Medicaid alone will only increase costs in the private sector. This will occur because lower payments under Medicare and Medicaid will cause health care providers to shift costs to employers and other private payers.

Therefore, while a crude “cap” on entitlement programs may reduce the Federal Government’s expenditures, such caps will do nothing to arrest the underlying growth in health care costs and in fact, may exacerbate cost increases in the private sector. This effect will be especially problematic for small businesses whose health care costs are increasing at a rate far in excess of their ability to purchase insurance. The most effective way to accomplish the goal of containing growth in health care spending is to control costs in the health care system as a whole. I look forward to working with you towards this important objective. I recommend that you reject any form of entitlement caps in the Budget Resolution.

Sincerely,

LLOYD BENTSEN, *Chairman.*

APPENDIX A

**Committee on Finance Report to the Budget Committee With
Respect to Fiscal Years 1993-1997**



U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, February 28, 1992.

Hon. JIM SASSER,
Chairman, Committee on the Budget,
U.S. Senate,
Washington, DC.

DEAR MR. CHAIRMAN:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the budget for the period of fiscal years 1993-1997. If you have any questions about this document, please feel free to call on me at your convenience or have a member of your staff contact Van McMurtry or Alan Cohen at 4-4515.

Sincerely,

LLOYD BENTSEN, *Chairman.*

Attachment.



February 28, 1992

Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Years 1993-1997

The Committee on Finance expresses the following views regarding the overall budgetary outlook, general budgetary issues affecting the Committee, and the budgetary situation in the specific areas of the Committee's legislative jurisdiction.

Economic and Budgetary Outlook.—The Committee on Finance is concerned about the nation's economic prospects in fiscal years 1992 and 1993 and for the longer term. The latest economic data on inventories and exports indicate continual slow growth: Gross Domestic Product grew by only 0.8 percent in the fourth quarter of 1991. Evidence from the first quarter suggests that the economy continues to show signs of weakness. Payroll employment fell by 91,000 in January and the workweek dropped .2 of an hour, with job losses spread broadly throughout manufacturing and services. Initial claims at state employment offices have averaged 450,000 per week during the winter, an increase of 30,000 per week from the average for the summer. In addition, industrial production fell by 0.9 percent in January, the largest drop in a year. The picture is not entirely negative, however. Retail sales rose by 0.6% in January and housing starts increased by 0.5%.

Prospects under current economic policies are for a recovery in 1992 less than one-third the postwar average of 6.6 percent. Unemployment is projected to remain at current levels at least through the end of 1992. This slow economic growth will make it more difficult to reduce the federal budget deficit rapidly, or to address urgent national needs for job-creating and job-enhancing investment, higher personal savings, adequate health care for all, reduction in poverty rates for children and others, adequate educational opportunities for students, and improved international competitiveness.

Because large deficits are expected in the Federal Budget over the next five years, the Committee recognizes the need to avoid any increases in Federal borrowing that would further crowd out private investment. As in the past, the Committee's view is that any new budgetary initiatives must be offset with budgetary savings. The Committee intends to use the flexibility within the Budget Act to provide for any pressing needs in this manner.

Reconciliation.—As originally envisioned, reconciliation was to be available only in those years in which the budgetary situation changed after the adoption of the Budget Resolution. The original purpose has been forgotten in recent years, as the reconciliation process has been incorporated directly in the Budget Resolution in order to generate deficit reduction during the legislative year. However, under the Budget Enforcement Act, no additional deficit

reduction was required for Fiscal Year 1992 or will be needed in Fiscal Year 1993. Therefore, no reconciliation process occurred last year and there is no need for one this year. The Finance Committee strongly opposes the inclusion of any reconciliation instructions in this year's Budget Resolution.

Revenues.—The Committee anticipates consideration of revenue legislation in the near future. In connection with that legislation, the Finance Committee will explore tax proposals to promote long-term economic growth, including, but not limited to, savings, investment and education incentives. Furthermore, consistent with the process of promoting long-term economic improvement, the Committee will consider efforts to promote short-term growth in the economy. In addition, the Finance Committee will continue to focus its efforts on making the tax system fairer.

The Committee wishes to emphasize that revenue measures are the responsibility of the Finance Committee. Thus, the budget Resolution should not instruct or permit other Committees to offset their spending provisions or to achieve deficit reduction with revenue provisions in the guise of "user fees," which are outside of their jurisdiction.

International trade.—The Finance Committee may consider legislation relating to trade agreements this year. The Administration is continuing multilateral negotiations in the Uruguay Round under the auspices of the General Agreement on Tariffs and Trade (GATT) and bilateral negotiations with Mexico and Canada regarding a North American Free Trade Agreement (NAFTA). If either or both of these negotiations are concluded, the Finance Committee expects to consider legislation to implement the agreements. Such legislation is likely to reduce revenues arising from U.S. customs duties, although the revenue decrease may be partially offset by increased trade volume. It is expected that any remaining decrease would also be offset.

The Committee also notes that, in its 1993 budget request, the Administration proposes legislation to terminate both the worker and firm trade adjustment assistance (TAA) programs beginning October 1, 1992. The Committee does not expect to recommend a repeal of the programs. To the contrary, should the Administration reach agreement on NAFTA as described above, the Committee expects to consider changes to existing worker adjustment and retraining programs. In 1991, in response to Congress's concern that passage of NAFTA could lead to job dislocations for workers in the United States, the Administration committed to working with the Congress to ensure that an adequately funded program of adjustment assistance (including effective retraining) would be in place for such workers by the time such an agreement entered into force. The Committee will consider legislation that fulfills that commitment. Offsets would be needed for any budgetary impact of the programmatic changes.

Social Security.—The Budget Enforcement Act removes totals for the Old-Age, Survivors and Disability Insurance (Social Security) program from Federal budgetary totals. However, the Budget Resolution includes totals for the Social Security program for purposes of enforcing sections 302 and 311 of the Budget Act. The Finance Committee makes no specific recommendations for the Social Secu-

rity program to the Budget Committee since there is already an established procedure for the legislative consideration of changes to the program which are neutral with respect to its financial condition. The Finance Committee is, however, concerned that there are not sufficient resources available to the Social Security Administration to maintain adequate service to the public, particularly with regard to the disability program. The budget should provide sufficient resources to address this situation.

Other Social Security Act Programs.—In addition to the Old-Age, Survivors and Disability Insurance (OASDI) program, the social security Act authorizes a number of programs that establish important protections for the American people. For example, the unemployment compensation program provides economic protection for jobless workers, protection that is particularly important during economic downturns such as the one we are experiencing now. The Medicaid, Medicare and Maternal and Child Health programs provide crucial health services for low-income individuals, the elderly, and the disabled. The AFDC, JOBS, child support, child welfare, foster care and other income and services programs are essential to the well-being of millions of children and their families.

The Committee believes that it is essential to continue to improve these programs in order to respond to the priority needs of the citizens whom they serve, as long as this is done in a deficit-neutral manner. At the beginning of the year, it is not possible to determine the exact budgetary impact of such legislation. Therefore, the Budget Resolution should include "reserve clauses" which make provision for deficit-neutral legislation that the Finance Committee decides to report out later in the year.

This year, it is possible that the Finance Committee may take action in three areas for which the Budget Resolution should provide reserve clauses. First, the Committee may consider legislation that would improve segments of our health-care system. Second, because of the problematic and uncertain state of the economy at this time, the Committee may consider "economic recovery" programs, including subsequent legislation regarding unemployment benefits and/or trade adjustment assistance. Finally, given the importance of the nation's children and students, the Committee may explore improvements or additions to programs which serve them.

Public Debt Limit.—The statutory limit on the public debt is currently \$4.145 Trillion. Under current projections, this limit may be exceeded before the end of Calendar Year 1992. In this event, the Finance Committee will act to prevent the Treasury from defaulting on its obligations. The Budget Resolution totals for the public debt should reflect the most current projections available.

Budget Process Changes.—Legislative changes to entitlement programs and revenue laws within the jurisdiction of the Committee produce outlay and revenue changes which often exhibit significant year-to-year variations. Unlike authorizations and appropriations, the year-to-year fiscal effect on the deficit of this Committee's legislation varies widely unless deliberately adjusted.

In our attempt to meet the year-to-year budget neutrality requirements, the Committee has been forced to artificially modify the timing of revenue or outlay streams. Therefore, the Committee would like to see the use of one-year and five-year deficit neutrality

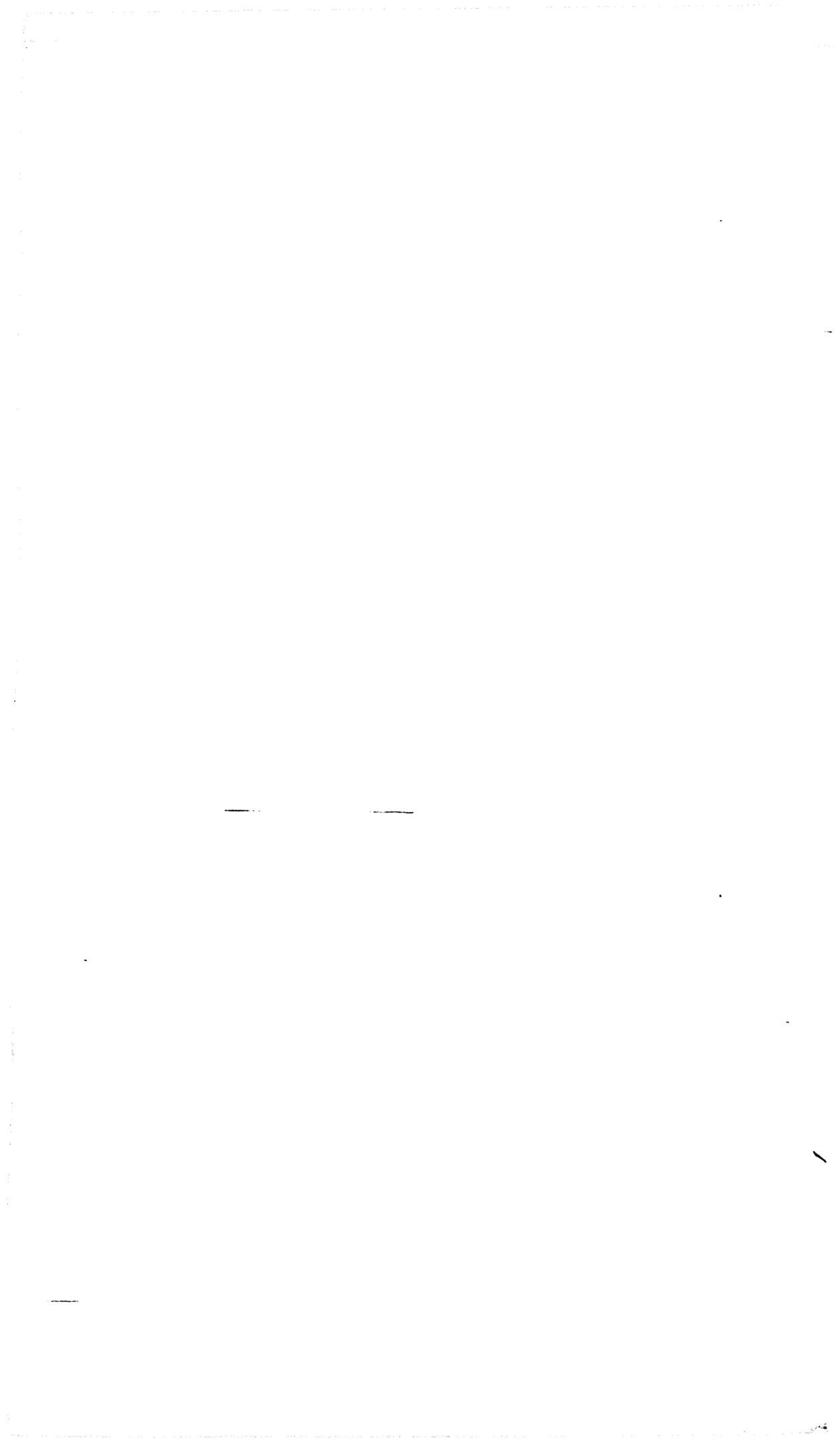
requirements for the Finance Committee under the pay-as-you-go system, if technically feasible, rather than the year-by-year neutrality rule presently employed. Such an approach would enable the Committee to tailor its legislative efforts to policy and economic considerations rather than to an overly restrictive formulary rule.

* * * * *

In conclusion, The Committee on Finance is prepared to meet the needs and priorities facing the nation without adding to the Federal deficit. *The Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.*

APPENDIX B

**Excerpt From the Congressional Budget and Impoundment
Control Act of 1974, as Amended**



* * * * *

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) 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:

(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 U.S. Government for a fiscal year as provided in section 301; and

(B) any other concurrent resolution revising the congressional budget for the U.S. 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.

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TITLE II—CONGRESSIONAL BUDGET OFFICE

ESTABLISHMENT OF OFFICE

SEC. 201. (a) IN GENERAL—

* * * * *

(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.

* * * * *

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.

(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.

* * * * *

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.

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TITLE III—CONGRESSIONAL BUDGET PROCESS TIMETABLE

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

<i>On or before:</i>	<i>Action to be completed:</i>
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.
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;

(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.

(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 Repre-

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 goals 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; and

(9) allocations described in section 302(a).

(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 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 section 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 COMMITTEE 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. (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, bill and resolutions providing such new budget authority, or such entitlement authority. 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 subdivision 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 en-

titlement 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, or new spending authority (as defined in section 401(c)(2)) or new credit authority [added words apply only for FY 91] 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 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 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 priorities.

(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 germane 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 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 ACTION.**—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 com-

mittee, 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 such 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 OF 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 increasing 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) 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) 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 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 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. 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

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 revenues, 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 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; or

(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 revenues 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 regulation 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 score-keeping purposes;

(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 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) 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 2 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.

(c) **EXTRANEOUS 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 provided in this section. The inclusion or exclusion of a provision shall not constitute a determination of extraneousness by the Presiding Officer of the Senate.

(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.

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 appropriations 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 forgo 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 forgone 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 judgment 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.

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[Title V of the Budget Act Relates to Credit Programs]

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**TITLE VI—BUDGET AGREEMENT ENFORCEMENT
PROVISIONS**

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; and
- (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;

as adjusted in strict conformance with section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(b) POINT OF ORDER IN THE SENATE ON AGGREGATE ALLOCATIONS FOR DEFENSE, INTERNATIONAL, AND DOMESTIC DISCRETIONARY SPENDING.—

(1) Except as provided in paragraph (3), it shall not be in order in the Senate to consider any concurrent resolution on the budget for fiscal year 1992, 1993, 1994, or 1995 (or amendment, motion, or conference report on such a resolution), or any appropriations bill or resolution (or amendment, motion, or conference report on such an appropriations bill or resolution) for fiscal year 1992 or 1993 that would exceed the allocations in this section or the suballocations made under section 602(b) based on these allocations.

(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 divided 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.—Section 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 confer-

ence 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.

[Note.—Section 13112 of the 1990 Reconciliation Act contains the following requirement:

(f) Filing Requirement.—After the convening of the One Hundred Second Congress, the chairman of the Committee on the Budget of the Senate shall file with the Senate revised and outyear budget aggregates and allocations under section 602(a) consistent with this Act.]

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 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 1995.

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TITLE IX—MISCELLANEOUS PROVISIONS; EFFECTIVE DATES

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EXERCISE OF RULEMAKING POWERS

SEC. 904. (a) **THE PROVISIONS OF THIS TITLE (EXCEPT SECTION 1905) 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 provision 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 1985.

[Note.—The apparent intent of the Budget Enforcement Act of 1990 is to make the last sentence of subsection (b) and the last sentence of subsection (c) effective only through September 30, 1995. However, the change was made by amending a paragraph of law that had been eliminated by an earlier section of the same Act. See sections 13208(b) and 13112(b) of the Budget Enforcement Act of 1990. The sections referred to above are described in appendix C.]

APPENDIX C

Budget Act Points of Order in the Senate

Category 1: Budget Act rules which, on a permanent basis, may be waived only with a 60-vote super majority in the Senate.

- 305(b)(2)..... Prohibits non germane amendments to budget resolutions (and, by reference, to reconciliation bills).**
- 305(c)(4)..... Prohibits non germane amendments to amendments in disagreement between the House and Senate on budget resolutions (and, by reference, on reconciliation bills).**
- 306..... Prohibits consideration of any legislation containing matter within the jurisdiction of the Budget Committee except where the bill involved was reported by the Budget Committee.**
- 904(c)..... Requires a vote of 3/5ths of the membership of the Senate, i.e. 60 votes, to waive points of order in this category and category 2 below.**
- 904(d)..... Requires a vote of 3/5ths of the membership of the Senate, i.e. 60 votes, to overturn the ruling of the chair with respect to points of order in this category and category 2 below.**

Category 2: Budget Act and Balanced Budget and Emergency Deficit Control Act rules which, through September 30, 1995, may be waived only by a 60-vote super majority in the Senate.

Budget Act sections:

- 301(i)..... Prohibits consideration of a budget resolution "as reported to the Senate" which would decrease the social security surplus in any of the fiscal years covered by the resolution.**
- 302(c)..... Prohibits consideration of any legislation providing new budget or entitlement authority within the jurisdiction of a Committee which has not filed its "302(b)" allocation reports. [Until September 30, 1995, this rule applies only with respect to the Appropriations Committee in accordance with section 602(b)(2).]**

—Continued

- 302(f)..... Prohibits consideration of any legislation which would violate the 302(a) allocations to Committees of budget or entitlement authority or would violate those Committees' 302(b) suballocations of such authority. (The point of order with respect to the 302(a) allocations does not apply to the Appropriations Committee). This section also prohibits consideration of legislation which would cause the net status (i.e., income over outgo) of the social security program to be reduced compared to the amounts shown in the most recent budget resolution. This section applies on a first year and 5-year aggregate basis.
- 310(d)(2)..... Requires that amendments to reconciliation bills be deficit neutral if they would cause a committee's revenue or outlay instructions not to be met.
- 310(f)..... This section (which applies only to the House) appears to be included by technical error in the list of sections for which 60 votes are required for waiver. The reference should be to section 310(g). (See following item.)
- 310(g)..... Prohibits consideration of any reconciliation bill (or amendment to one) which contains recommendations with respect to the social security program. This is not included in the list of 60-vote points of order in section 904, but a separate 60-vote requirement appears in section 271(b) of the Balanced Budget and Emergency Deficit Control Act of 1985. The limitation on including social security matter in reconciliation is also included in section 313 as described below.
- 311(a)..... This section prohibits the consideration of legislation which would violate the budget authority, outlay, revenue, or net social security totals contained in the most recent budget resolution.
- 313..... This section, known as the "Byrd Rule", prohibits the inclusion of "extraneous matter" in reconciliation legislation. Specifically, it prohibits any provision which:
- has no budget impact (or only incidental budgetary impact);
 - increases spending or decreases revenues to the extent that the reporting Committee does not meet its reconciliation instructions;
 - is outside the jurisdiction of the reporting Committee;

—Continued

—would cause the Committee's title in the aggregate to increase the deficit in any year beyond the reconciliation period; or
 —contains a recommendation concerning the social security program.

- 601(b) Provides that budget resolutions and appropriations bills must comply with the appropriations caps set out in section 601(a).
- 606(c) Provides that budget resolutions (and amendments to them) may not violate the maximum deficit amounts set forth in section 601 (after all adjustments).

Balanced Budget and Emergency Deficit Control Act sections:

- 258(a)(4)(C) Prohibits amendments to the fast-track joint resolution suspending Budget Act restrictions because of a recession.
- 258A(b)(3)(C)(i) ... Prohibits non germane amendments to fast-track joint resolution proposing an alternative to a sequester order.
- 258B(f)(1) Prohibits consideration of Appropriations Committee amendments which are not germane or relevant in connection with a fast-track joint resolution modifying a defense sequester.
- 258B(h)(1) Same as preceding item but applies to non Committee amendments.
- 258B(h)(3) Requires offsetting reductions to any outlay increases in a fast-track joint resolution modifying a defense sequester.
- 258C(a)(5) Except when CBO has submitted a recession report, prohibits consideration of a reconciliation bill under the special post-sequester-notice procedure in section 258C if it would violate the maximum deficit amount.
- 258C(b)(1) Applies to the special reconciliation procedure in section 258C the rules which apply to the consideration of budget resolutions and regular reconciliation bills.

Category 3: Budget Act rules which may be waived by a majority of those present and voting.

- 303(a) Prohibits consideration of legislation having a budgetary impact (spending or revenues) which first takes effect in a year not covered by a budget resolution.
 - 305(d) Prohibits consideration of a budget resolution that is not mathematically consistent.
 - 401(a) Prohibits consideration of legislation providing new contract or borrowing authority unless it is subject to control by appropriations acts.
 - 401(b)(1) Prohibits consideration of entitlement legislation which becomes effective earlier than October 1 of the year in which the bill is reported.
 - 402 Prohibits consideration of legislation providing new credit authority unless it is subject to control by appropriations acts.
 - 605(b) Prohibits consideration of legislation causing the maximum deficit amount to be exceeded for the first fiscal year covered by the most recent budget resolution.
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APPENDIX D

**Excerpts Relating to Pay-As-You-Go Sequester and Treatment of
Social Security**

I. Pay-As-You-Go ¹

SEC. 252. ENFORCING PAY-AS-YOU-GO.

(a) **Fiscal Years 1992-1995 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 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.

¹ Sec. 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

(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 1995 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 1995 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 fiscal year 1991, 1992, 1993, 1994, or 1995, 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 1995 resulting from that provision shall be designated as an emergency requirement in the reports required under subsection (d).

II. Social Security ¹

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 U.S. 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 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

¹ Sections of the Budget Enforcement Act of 1990 (P.L. 101-508).

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 described 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.

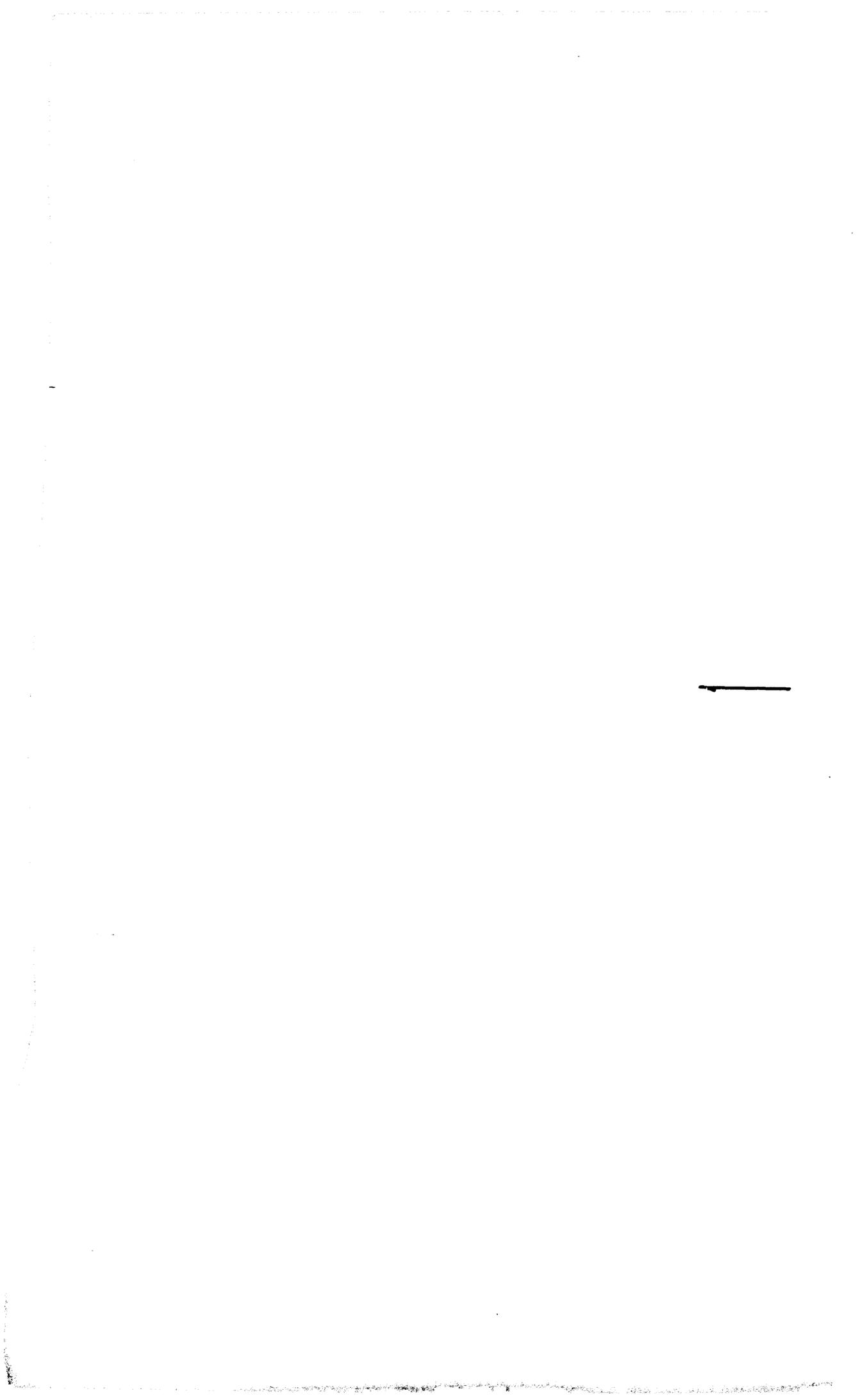
(6) No provision of any bill or resolution, or any amendment thereto or conference report thereon, involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of OASDI taxes referred to in paragraph (2)(B) unless such provision changes the income tax treatment of OASDI benefits.

SEC. 13303. SOCIAL SECURITY FIREWALL AND POINT OF ORDER IN THE SENATE.

[Note: The Senate provisions are incorporated into section 301(i), 302, and 311 of the Congressional Budget Act. See appendix B.]

PROHIBITION AGAINST SOCIAL SECURITY PROVISIONS IN RECONCILIATION

See section 310(g) of the Congressional Budget Act, in appendix B.



APPENDIX E

**Tax Expenditures by Function (Excerpt From the Budget of the
United States Government for Fiscal Year 1993)**

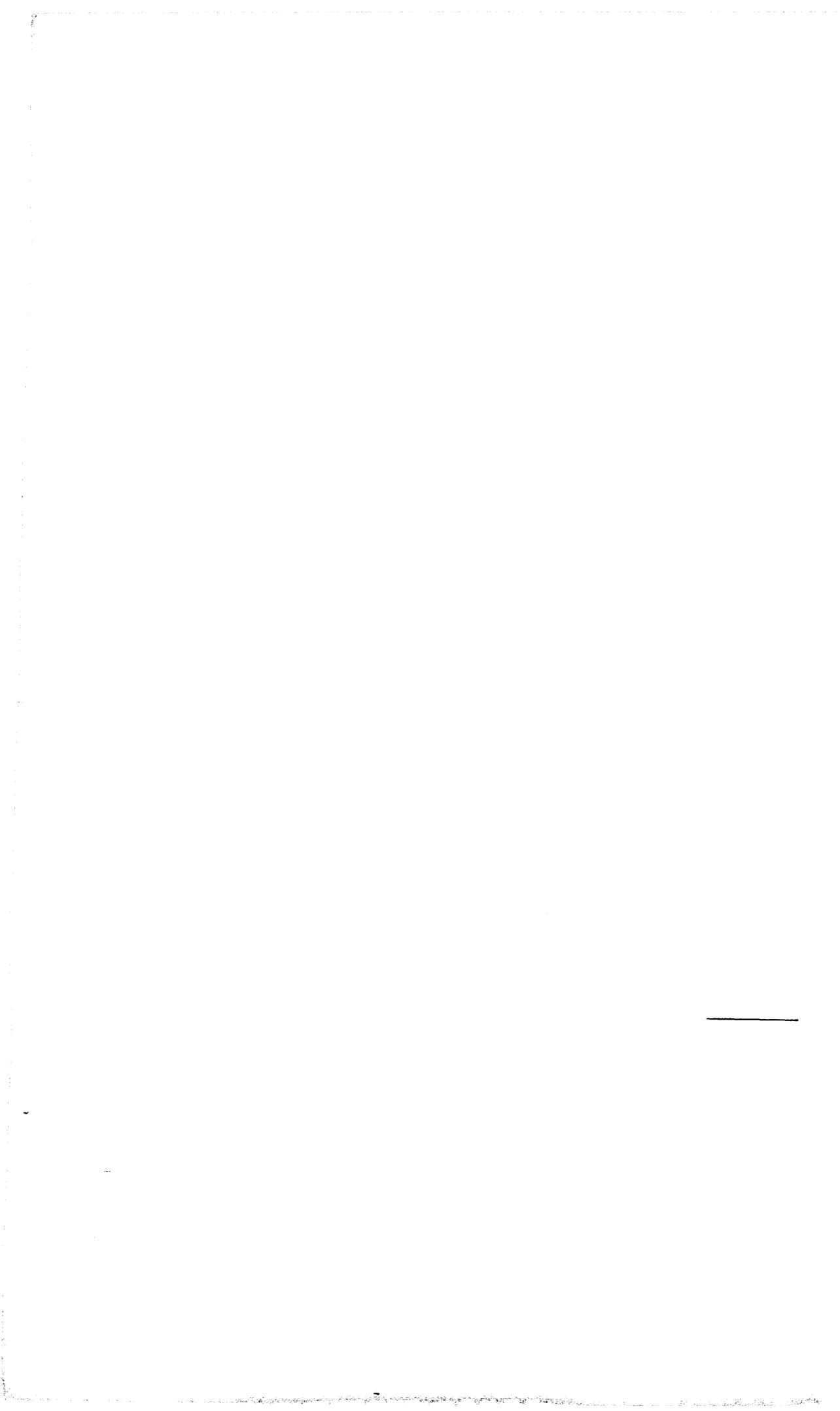


Table 24-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

Description	Owly Equivents			Revenue Loss					
	1981	1982	1983	Corporations			Individuals		
				1981	1982	1983	1981	1982	1983
National defense:									
Exclusion of benefits and allowances to armed forces personnel	2,345	2,400	2,460				2,010	2,060	2,110
International affairs:									
Exclusion of income earned abroad by United States citizens	2,480	2,630	2,810				1,875	1,780	1,895
Exclusion of income of foreign sales corporations	1,545	1,730	1,925	1,050	1,175	1,310			
Deferral of income from controlled foreign corporations:									
Normal tax method	-200	-200	-200	-200	-200	-200			
Reference tax method									
Inventory property sales source rules exception	4,230	4,440	4,660	2,875	3,020	3,170			
Interest allocation rules exception for certain financial operations	135	140	150	90	95	100			
Total (after interactions)	8,190	8,740	9,345						
General science, space, and technology:									
Expensing of research and development expenditures:									
Normal tax method	1,800	1,895	1,995	1,770	1,865	1,965	30	30	30
Reference tax method									
Credit for increasing research activities	1,070	435	25	705	290		25	10	
Suspension of the allocation of research and experimentation expenditures	900	355		630	250				
Total (after interactions)	4,055	2,920	2,220						
Energy:									
Expensing of exploration and development costs:									
Oil and gas	-315	-90	40	-215	-45	60	-100	-45	-20
Other fuels	35	35	40	30	30	35	5	5	5
Excess of percentage over cost depletion:									
Oil and gas	735	760	795	95	95	100	460	475	500
Other fuels	240	265	280	150	160	170	10	15	15
Capital gains treatment of royalties on coal	10	10	15				5	10	10
Exclusion of interest on State and local industrial development bonds for energy facilities	185	185	190	125	125	130			
New technology credit	110	65	30	75	45	20			
Alternative fuel production credit	380	670	995	205	360	530	50	90	130
Alcohol fuel credit ¹		80	210		80	210			
Exception from passive loss limitation for working interests in oil and gas properties	100	100	100				80	80	80
Total (after interactions)	1,040	1,460	1,895						
Natural resources and environment:									
Expensing of exploration and development costs, nonfuel minerals	45	45	50	40	40	45	5	5	5
Excess of percentage over cost depletion, nonfuel minerals	305	330	365	210	230	255	20	25	25
Capital gains treatment of iron ore									
Capital gains treatment of certain timber income	5	10	15				5	5	10
Special rules for mining reclamation reserves	50	50	50	45	45	45	5	5	5

Table 24-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Outlay Equivalents			Revenue Loss					
	1991	1992	1993	Corporations			Individuals		
				1991	1992	1993	1991	1992	1993
Exclusion of interest on State and local IOBs for pollution control and sewage and waste disposal facilities	2,000	1,995	1,995	1,360	1,350	1,350			
Tax incentives for preservation of historic structures	145	145	135	50	50	45	95	95	90
Expensing of multiperiod timber growing costs	400	430	455	225	240	250	175	190	205
Investment credit and seven-year amortization for reforestation expenditures	25	30	35	10	15	15	15	15	20
Total (after interactions)	2,920	2,965	3,030						
Agriculture:									
Expensing of certain capital outlays	450	320	180	50	35	20	400	285	160
Expensing of certain multiperiod production costs	180	155	145	55	50	45	105	105	100
Treatment of loans forgiven solvent farmers as if insolvent ..	10	15	15				10	10	10
Capital gains treatment of certain income	85	95	105				45	70	85
Total (after interactions)	645	560	420						
Commerce and housing credit:									
Exemption of credit union income	360	360	400	200	300	320			
Excess bad debt reserves of financial institutions	10	15	20	10	15	20			
Exclusion of interest on life insurance savings	9,455	9,790	10,265	85	110	140	7,915	8,205	8,595
Special alternative tax on small property and casualty insurance companies									
Tax exemption of certain insurance companies	40	40	45	30	30	35			
Small life insurance company deduction	155	160	175	105	110	120			
Exemption of RIC expenses from the 2% floor miscellaneous itemized deduction	570	650	740				420	480	545
Exclusion of interest on small issue industrial development bonds	1,725	1,680	1,615	1,175	1,140	1,100			
Exclusion of interest on owner-occupied mortgage subsidy bonds	2,730	2,745	2,575				2,185	2,220	2,140
Exclusion of interest on State and local debt for rental housing	1,505	1,490	1,475	1,025	1,015	1,005			
Deductibility of mortgage interest on owner-occupied homes ..	40,690	42,000	42,900				40,690	42,000	42,900
Deductibility of State and Local property tax on owner-occupied homes	10,735	11,810	12,605				10,735	11,810	12,605
Deferral of income from post 1987 installment sales	745	785	820	195	205	210	550	560	610
Capital gains (other than agriculture, timber, iron ore, and coal):									
Normal tax method	3,050	4,680	5,500				2,205	3,370	3,600
Reference tax method									
Deferral of gains from sale of broadcasting facilities to minority owned business	220	240	260	220	240	260			
Ordinary income treatment of loss from small business corp. stock sale	20	20	20				20	20	20
Deferral of capital gains on home sales	12,635	13,265	13,925				12,635	13,265	13,925
Exclusion of capital gains on home sales for persons age 55 and over	4,255	4,280	4,395				3,230	3,250	3,340
Step-up basis of capital gains at death	32,750	36,025	46,120				24,365	26,800	28,140
Carryover basis of capital gains on gifts	125	135	145				125	135	145
Accelerated depreciation on rental housing:									
Normal tax method	1,430	1,325	1,255	935	865	820	495	480	435
Reference tax method									
Accelerated depreciation of buildings other than rental housing:									
Normal tax method	5,610	5,755	5,745	4,180	4,120	4,110	1,650	1,635	1,635
Reference tax method									
Accelerated depreciation of machinery and equipment:									
Normal tax method	18,725	17,205	19,505	14,730	13,915	15,750	3,995	3,290	3,755
Reference tax method									
Amortization of start-up costs	180	190	205	35	35	40	145	155	165
Reduced rates on the first \$100,000 of corporate income:									
Normal tax method	4,310	4,450	4,820	2,850	2,940	3,180			
Reference tax method									
Exception from passive loss rules for \$25,000 of rental loss ..	7,635	7,995	8,315				6,095	6,385	6,640
Treatment of Alaska Native Corporations	170	120	85	170	120	85			
Permanent exceptions from imputed interest rules	135	135	140				135	135	140
Total (after interactions)	145,885	152,195	168,085						
Transportation:									
Deferral of tax on shipping companies	135	145	160	135	145	160			
Community and Regional Development									
Credit for low-income housing investments	810	1,060	1,160	160	210	230	650	850	930
Investment credit for rehabilitation of structures (other than historic)	95	95	90	30	30	30	65	65	60

Table 24-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Outlay Equivalent			Revenue Loss					
	1991	1992	1993	Corporations			Individuals		
				1991	1992	1993	1991	1992	1993
Exclusion of interest on IOBs for airports, docks and sports and convention facilities	935	1,030	1,115	635	700	760			
Exemption of certain mutuals' and cooperatives' income	85	90	95	85	90	95			
Total (after interactions)	1,905	2,250	2,430						
Education, training, employment, and social services:									
Exclusion of scholarship and fellowship income:									
Normal tax method	750	815	860				685	740	785
Reference tax method									
Exclusion of interest on State and local student loan bond	360	375	405				290	300	325
Exclusion of interest on State and local debt for private non-profit educational facilities	690	725	765				555	580	615
Exclusion of interest on savings bonds transferred to educational institutions	5	10	10				5	5	10
Parental personal exemption for students age 19 or over	480	495	500				430	445	450
Deductibility of charitable contributions (education)	1,805	1,920	2,030	525	550	580	1,280	1,370	1,450
Exclusion of employer provided educational assistance	310	355	30				255	290	25
Total education (after interactions)	4,450	4,745	4,650						
Exclusion of employer provided child care	630	740	825				485	565	635
Exclusion of employee meals and lodging (other than military)	865	870	875				780	785	780
Exclusion of contributions to prepaid legal services plans	85	85	5				70	70	5
Credit for child and dependent care expenses	3,265	3,605	3,805				2,545	2,795	2,955
Credit for disabled access expenditures	85	175	210	50	100	120	10	25	30
Targeted jobs credit	245	190	105	205	160	80	40	30	25
Total training and employment (after interactions)	5,250	5,745	5,910						
Expensing of costs of removing certain architectural barriers to the handicapped	20	25	20	15	20	15	5	5	5
Deductibility of charitable contributions, other than education and health	12,285	13,135	14,045	655	690	730	11,630	12,445	13,315
Exclusion of certain foster care payments	25	25	35				20	20	30
Exclusion of parsonage allowances	265	295	330				215	240	265
Total social services (after interactions)	12,480	13,345	14,265						
Grand total (after interactions)	22,180	23,840	24,825						
Health:									
Exclusion of employer contributions for medical insurance premiums and medical care	45,500	49,495	54,150				36,225	39,490	43,090
Credit for child medical insurance premiums ²	10	160	185				5	135	155
Exclusion of untaxed Medicare benefits	8,235	9,065	9,835				6,735	7,415	8,045
Deductibility of medical expenses	3,025	3,170	3,365				3,025	3,170	3,365
Exclusion of interest on State and local debt for private non-profit health facilities	1,650	1,730	1,830				1,320	1,385	1,465
Deductibility of charitable contributions (health)	1,635	1,750	1,875	325	350	375	1,310	1,400	1,500
Tax credit for orphan drug research	10	10	10	5	10	10			
Special Blue Cross/Blue Shield deduction	185	80	15	135	80	10			
Total (after interactions)	60,065	65,380	71,250						
Income security:									
Exclusion of railroad retirement system benefits	300	310	315				300	310	315
Exclusion of workmen's compensation benefits	3,230	3,505	3,720				3,230	3,505	3,720
Exclusion of public assistance benefits:									
Normal tax method	410	465	490				410	465	490
Reference tax method									
Exclusion of special benefits for disabled coal miners	105	105	100				105	105	100
Exclusion of military disability pensions	110	120	130				110	120	130
Net exclusion of pension contributions and earnings:									
Employer plans	60,715	64,450	68,310				45,445	48,270	51,185
Individual Retirement Accounts	8,290	7,720	7,180				6,350	5,910	5,475
Keogh plans	3,520	3,615	3,750				2,700	2,775	2,880
Exclusion of employer provided death benefits	25	30	30				20	25	25
Exclusion of other employee benefits:									
Premiums on group term life insurance	3,685	3,880	4,000				2,840	2,990	3,080
Premiums on accident and disability insurance	170	175	180				125	130	135
Income of trusts to finance supplementary unemployment benefits	30	30	30				30	30	30
Special ESOP rules (other than investment credit)	3,040	3,175	3,190	2,130	2,220	2,230			
Additional deduction for the blind	35	35	35				30	30	30
Additional deduction for the elderly	1,680	1,840	2,000				1,400	1,535	1,665
Tax credit for the elderly and disabled	90	90	95				70	70	70
Deductibility of casualty losses	315	325	330				255	260	265
Earned income credit ³	2,655	3,080	3,185				2,260	2,600	2,710
Total (after interactions)	83,660	87,960	91,965						

Table 24-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(In millions of dollars)

Description	Outlay Equivalents			Revenue Loss					
	1991	1992	1993	Corporations			Individuals		
				1991	1992	1993	1991	1992	1993
Social Security:									
Exclusion of social security benefits:									
OASI benefits for retired workers	16,945	18,140	19,375				16,945	18,140	19,375
Disability insurance benefits	1,320	1,440	1,555				1,320	1,440	1,555
Benefits for dependents and survivors	3,170	3,355	3,560				3,170	3,355	3,560
Total (after interactions)	21,435	22,935	24,490						
Veterans benefits and services:									
Exclusion of veterans disability compensation	1,655	1,705	1,760				1,655	1,705	1,760
Exclusion of veterans pensions	80	80	80				80	80	80
Exclusion of GI bill benefits	45	45	50				45	45	50
Exclusion of interest on state and local debt for veterans housing	210	200	195				170	160	155
Total (after interactions)	1,990	2,030	2,085						
General Purpose Fiscal Assistance									
Exclusion of interest on public purpose State and local debt	13,925	14,800	15,585	3,840	4,090	4,275	6,620	7,030	7,435
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	20,940	22,075	23,810				20,940	22,075	23,810
Tax credit for corporations receiving income from doing business in United States possessions	3,180	3,485	3,815	2,225	2,440	2,670			
Total (after interactions)	38,045	40,360	43,210						
Interest:									
Deferral of interest on savings bonds	945	955	960				945	955	960
Addendum—Aid to State and local governments:									
Deductibility of:									
Property taxes on owner-occupied homes	10,735	11,610	12,605				10,735	11,610	12,605
Nonbusiness State and local taxes other than on owner-occupied homes	20,940	22,075	23,810				20,940	22,075	23,810
Exclusion of interest on:									
Public purpose State and local debt	13,925	14,800	15,585	3,840	4,090	4,275	6,620	7,030	7,435
IDBs for certain energy facilities	185	185	190	125	125	130			
IDBs for pollution control and sewage and waste disposal facilities	2,000	1,985	1,985	1,360	1,350	1,350			
Small-issue IDBs	1,725	1,680	1,615	1,175	1,140	1,100			
Owner-occupied mortgage revenue bonds	2,730	2,745	2,575				2,185	2,220	2,140
State and local debt for rental housing	1,505	1,490	1,475	1,025	1,015	1,005			
Mass commuting vehicle IDBs	5	5	5	5	5	5			
IDBs for airports, docks, and sports and convention facilities	935	1,030	1,115	635	700	760			
State and local student loan bonds	360	375	405				290	300	325
State and local debt for private nonprofit educational facilities	690	725	765				555	580	615
State and local debt for private nonprofit health facilities	1,650	1,730	1,830				1,320	1,385	1,465
State and local debt for veterans housing	210	200	195				170	160	155
Total (after interactions)	55,290	58,210	61,590						

* \$25 million or less. All estimates are 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 \$465 million in 1991, \$460 million in 1992, and \$460 million in 1993.

² The figures in the table indicate the effect of the child medical insurance premium credit on receipts. The effect on outlays is 1992, \$505 million, 1993, \$580 million.

³ The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays is 1991, \$4,885 million, 1992, \$7,170 million, 1993, \$7,895 million.

APPENDIX F

**Outlays Under Finance Committee Expenditure Accounts for
Fiscal Years 1993-1997 (CBO baseline projections—in millions
of dollars)**



OUTLAYS UNDER FINANCE COMMITTEE EXPENDITURE ACCOUNTS FOR FY 1993-1997

[CBO baseline projections—in millions of dollars]

	Fiscal year—	
	1993	1993-1997
Social Security (OASDI)	300,565	1,682,303
Medicare	142,665	897,487
Medicaid.....	79,590	507,737
Maternal and Child Health.....	659	3,543
Supplemental Security Income.....	18,415	107,901
AFDC and Child Support	15,804	85,584
AFDC work & training (JOBS)	730	4,560
Earned Income Tax Credit.....	7,759	51,100
Child Health Tax Credit.....	583	3,334
Foster Care/Adoption.....	2,774	17,783
Child Welfare Services / Training.....	281	1,501
Social Services	2,800	14,000
Unemployment Compensation	26,276	130,192
Trade Adjustment	221	1,050
Puerto Rico Tax Rebates.....	272	1,360
Puerto Rico Customs Rebates.....	145	780
Public Debt Administration	195	1,055
Interest on Public Debt.....	315,658	1,807,557
Interest on Tax Refunds	2,272	11,002
Pension Benefit Guaranty Corp.	-487	-2,206
U.S. Trade Representative.....	21	117
International Trade Commission.....	44	240
Customs—general administration.....	1,341	7,291
Customs—air interdiction	191	964
Customs Refunds, Forfeitures, etc.	211	1,175
Tax Court	33	181
Internal Revenue Service	6,928	38,236
Totals:		
Social Security (OASDI).....	300,565	1,682,303
Other (except interest).....	309,726	1,885,969

