101st Congress
1st Session

COMMITTEE PRINT

S. Prt.
101-10

Data and Materials for the

Fiscal Year 1990 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*

MARCH 1989

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE
94-563 WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON FINANCE

LLOYD BENTSEN, Texas, *Chairman*

SPARK M. MATSUNAGA, Hawaii
DANIEL PATRICK MOYNIHAN, New York
MAX BAUCUS, Montana
DAVID L. BOREN, Oklahoma
BILL BRADLEY, New Jersey
GEORGE J. MITCHELL, Maine
DAVID PRYOR, Arkansas
DONALD W. RIEGLE, Jr., Michigan
JOHN D. ROCKEFELLER IV, West, Virginia
THOMAS A. DASCHLE, South Dakota

BOB PACKWOOD, Oregon
BOB DOLE, Kansas
WILLIAM V. ROTH, Jr., Delaware
JOHN C. DANFORTH, Missouri
JOHN H. CHAFEE, Rhode Island
JOHN HEINZ, Pennsylvania
DAVID DURENBERGER, Minnesota
WILLIAM L. ARMSTRONG, Colorado
STEVE SYMMS, Idaho

Vanda B. McMurtry, *Staff Director and Chief Counsel*
Edmund J. Mihalski, *Minority Chief of Staff*

CONTENTS

Note: At the time this document was prepared, many of the details of the Bush Administration's revisions to the budget were not available. In general, except as otherwise noted, the information in this document is based on the budget documents submitted by President Reagan in January of 1989.

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), and by Public Law 100-119, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

In addition to revising the budget act, the 1985 and 1987 amendments set up temporary procedures designed to assure the attainment of a balanced budget by fiscal year 1993. For each fiscal year between now and FY 1993, the Act establishes maximum deficit amounts as follows: FY90 $100 billion; FY91 $64 billion; FY92 $28 billion. A $10 billion tolerance level is established for each of these three years. For FY93, the act specifies a zero deficit as the maximum deficit amount and provides no tolerance. If Congress fails to meet the specified goal for any of these years, an automatic deficit reduction procedure (called "sequestration") will go into effect.

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. Letter to Budget Committee.—By February 25 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the Committee's views and estimates with respect to such expenditures, revenues, and the debt limit. For the current year, the deadline for submitting this report has been extended to March 8 to allow the report to consider the revised budget submissions of the Administration. (The reports submitted in the 100th Congress appear as Appendix A of this document.)

2. Timing restrictions on tax and spending bills.—Certain kinds of legislation may not be considered prior to the adoption by Congress of the Budget Resolution. This restriction applies to most of the legislation considered by the Finance Committee: revenue and debt limit changes for the upcoming fiscal year and legislation increasing expenditures in such areas as social security and welfare.

3. Budget allocation reports.—After the adoption of a budget resolution by the Congress, the Finance Committee is required to file an allocation report showing 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 has not been filed or if it 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. A copy of the most recent allocation report appears as Appendix F.

4. Resolution totals binding.—By April 15, Congress is required to complete action on the concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. For the duration of the Gramm-Rudman-Hollings legislation, the budget resolution must set a deficit which is no greater (but can be smaller) than the Gramm-Rudman-Hollings maximum deficit amounts described above. After the resolution 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 Gramm-Rudman-Hollings maximum deficit amount to be breached.

5. Reconciliation.—The budget resolution can require the Finance Committee to report "reconciliation" legislation by a specified date to raise taxes or cut back on spending programs within the committee's jurisdiction. Such legislation is considered under special procedures which establish automatic time limits for consideration and prohibit nongermane amendments. The Budget Act schedule calls for Congress to complete action on reconciliation legislation by June 15.

6. Sequestration.—If the overall impact of spending and revenue legislation enacted by Congress and the President does not reduce the deficit sufficiently to meet the Gramm-Rudman-Hollings target (with the $10 billion tolerance), a "sequestration" process is triggered under which non-exempt spending programs are reduced by amounts sufficient to bring the deficit down to the target (without any tolerance). Half the savings must come from domestic programs and half from defense. Within each category, all non-exempt programs must be uniformly reduced. For the most part, entitlement programs are exempt from sequestration although Medicare payments would be reduced by not more than 2 percent. The decision as to whether a sequestration is required is made by the Director of OMB based on the situation prevailing on October 15.

THE BUDGET PROCESS

1. Key Concepts

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

In early January 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 how much 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 "national defense", "agriculture", etc., but these are 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 fiscal year after the impact of any legislative changes which may 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. At the present time, the budget process uses three different baselines: the CBO baseline which projects spending and revenues using CBO's own economic and technical assumptions, the OMB "current services" baseline which employs the Administration's economic and technical assumptions, and the Gramm-Rudman-Hollings baseline. The GRH baseline is similar to the OMB "current services" baseline, but it follows certain statutory specification in the GRH legislation and is used to determine how much deficit reduction is needed to avoid sequestration.

Baseline for Fiscal Year 1990

[In billions of dollars]

	Baseline deficit	Required deficit reduction	
		to meet target	to avoid sequester
CBO baseline	146	46	36
OMB current services	127	27	17
GRH baseline	[1] 126	26	16

[1] In making the final sequestration calculations in October, OMB will be required to apply a statutory rule for determining the rate at which appropriations will actually be spent. That rule will effectively reduce the $126 billion baseline deficit to $122 billion.

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: direct spending 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 programs are controlled by thc substantive legislation, but their funding is nevertheless included, as a mandatory or nondiscretionary 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 equal to annual spending authority (which is not 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, current law requires 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. At the same time, however, the Gramm-Rudman-Hollings statute specifies that the income and outgo of the OASDI program is to be *included* in determining whether or not the GRH targets are met. Since the current budget process focuses heavily on the attainment of the GRH targets, most budgetary displays show combined (or "unified") totals which include the impact of social security. Strictly speaking, however, OASDI is "off-budget."

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 appropriate levels of spending, revenues, and public debt for the coming fiscal year. 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 congressional judgment of the appropriate fiscal situation for the coming year. 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 direct 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 must 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 requiring that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on 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 is required to make a report to the Budget Committee presenting its views and estimates concerning spending under its jurisdiction during the coming fiscal year (and the following two fiscal years). By statute this report is due no later than February 25. This year the reporting date has been postponed to March 8.

Allocation report after adoption of budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide 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. Bills and amendments involving spending may not be considered until the committee with jurisdiction over that spending program has filed its allocation report, and points of order may be raised against bills or amendments which are not accommodated in these allocation reports. See appendix F which contains a reprint of the most recent allocation report of the Committee on Finance.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving appropriated entitlement programs (such as welfare or Medicaid) and bills directly increasing spending authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the adoption of the concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Impact of concurrent budget resolutions on legislation.—The concurrent resolution, which is to be passed by April 15, not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report reconciliation legislation to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, in order to meet such a requirement that 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 for a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution to be exceeded or would cause the deficit for the fiscal year to exceed the maximum deficit amount. In the case of the Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new or revised budget resolution could, however, be passed to authorize such additional spending, or the rule could be waived by a three-fifths vote of the Senate.)

The budget totals included in the resolution are mandatory, establishing firm guidelines within which the Congress considers legislation affecting spending. Thus, if unrealistic assumptions or objectives are used in setting the budget resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

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 which would 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 its enactment would exceed the amount provided for in the committee's allocation of its spending authority under the most recent budget resolution. The Appropriations Committee 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.

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.

In the past, 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.—The Budget Act requires the committee, in reporting legislation involving increased spending, to 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 also must, in the case of the Finance Committee, present its views and estimates with regard to revenues and the debt limit.

No revenue legislation prior to adoption of the budget resolution.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the resolution on the budget. This rule does not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The wording of this provision of the Budget Act is not entirely clear. In 1978, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. Consequently, a point of order was raised during the consideration of the 1978 tax cut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 would not have been adopted until approximately May 15, 1979.) The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the Chair, but the ruling of the Chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

Impact of a budget resolution.—As with spending measures, the concurrent resolution adopted in mid-April sets mandatory levels for revenue and debt limit legislation, and may direct 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. Such legislation would have to be reported in time to be included in the reconciliation bill which is to be acted upon by June 15.

Once a budget resolution is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the levels specified in the budget resolution would be subject to a point of order. If the budget resolution sets a revenue target which exact-ly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a point of order. If the resolution includes goals based on unrealistic assumptions about revenue increases, the committee will face points of order against the consideration of any revenue reducing legislation.

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. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures 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 will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five years. This requirement also applies to conference reports.

CHARTS AND DESCRIPTIONS

Chart 1

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 February 25 of each year. For 1989, this deadline has been changed to March 8.

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 year 1990 (and for planning purposes, fiscal years 1991 and 1992). The reports sent to the Budget Committee in 1987 and 1988 are reprinted in Appendix A.

Section 301(c) of the Budget Act, which deals with the February 25 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]

	1989		1990		1991		1992	
	CBO	OMB	CBO	OMB	CBO	OMB	CBO	OMB
Gross national product (GNP):								
Current dollars	5,209	5,211	5,542	5,570	5,902	5,939	6,281	6,296
Percent change in real GNP	2.9	3.2	2.1	3.2	2.2	3.3	2.2	3.2
Wages and salaries	2,615	2,605	2,787	2,780	2,969	2,969	3,163	3,159
Other personal income	1,754	1,721	1,870	1,853	1,977	1,955	2,090	2,043
Corporate profits	328	351	351	396	378	442	390	475
Percent change in CPI	4.9	3.8	4.9	3.7	4.6	3.2	4.4	2.7
Unemployment rate, total (percent)	5.5	5.2	5.5	5.1	5.5	5.0	5.6	5.0
Treasury bill rate, 91-day (percent)	7.9	6.3	7.1	5.5	6.7	4.5	6.4	4.0

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. Inasmuch as the Gramm-Rudman-Hollings legislation is based upon determinations made by the Office of Management and Budget (OMB), the Congress in 1988 used the OMB economic assumptions which were the basis for the President's budget. This chart shows the major economic assumptions underlying the budget as submitted by President Reagan in January and also those which have been adopted by CBO. In general, the CBO assumptions project somewhat slower economic growth, higher inflation and interest rates, and higher unemployment levels. The OMB assumptions shown in the table are understood to be generally consistent with the revised budget submitted by President Bush although with some modifications.

Chart 3.—THE OVERALL BUDGET

[in billions of dollars]

	CBO Baseline			OMB Current Services			President's Budget		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
Budget:									
Outlays	993	1,053	1,106	964	1,006	1,037	937	978	1,005
Revenues	779	828	876	769	824	877	777	835	887
Deficit	–214	–225	–230	–196	–182	–160	–160	–143	–118
Social Security:									
Outlays	222	234	243	220	231	241	220	232	241
Revenues	290	312	333	289	312	332	289	313	332
Surplus	68	79	90	69	81	91	69	81	91
"Gramm-Rudman-Hollings":									
Deficit	–146	–146	–140	–127	–102	–70	–91	–62	–27
Target	–100	–64	–28	–100	–64	–28	–100	–64	–28
Difference	46	82	112	27	38	42	+8	+2	+1

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.

Because of differing economic and technical assumptions, OMB and CBO project somewhat different budgetary totals under a continuation of current policies. For fiscal year 1990, the CBO projection would indicate a need for $46 billion in deficit reduction in order to meet the $100 billion deficit required by the Emergency Deficit Reduction and Budget Control Act ("Gramm-Rudman-Hollings"). The OMB current services projections would show a need for $26 billion in deficit reduction to meet that target. (Under specific rules for computing the Gramm-Rudman-Hollings baseline, the required deficit reduction to meet the target could be as low as $22 billion.)

Present law requires that the income and outlays of the social security cash benefit trust fund programs be excluded from the budget totals. However, these items are added back in to determine whether or not the "Gramm-Rudman-Hollings" targets are met.

This chart shows the overall budget totals under the budget submitted by the President and also under a continuation of current policy as estimated in the CBO baseline and in the OMB current services budgets.

The totals shown for the President's budget are those appearing in the February 9 budget revision submitted by President Bush. (The budget document submitted by President Bush did not show the social security portion separately; the social security totals in this chart are therefore based on the original January budget.)

Chart 4
FEDERAL SPENDING
Role of Finance Committee Programs

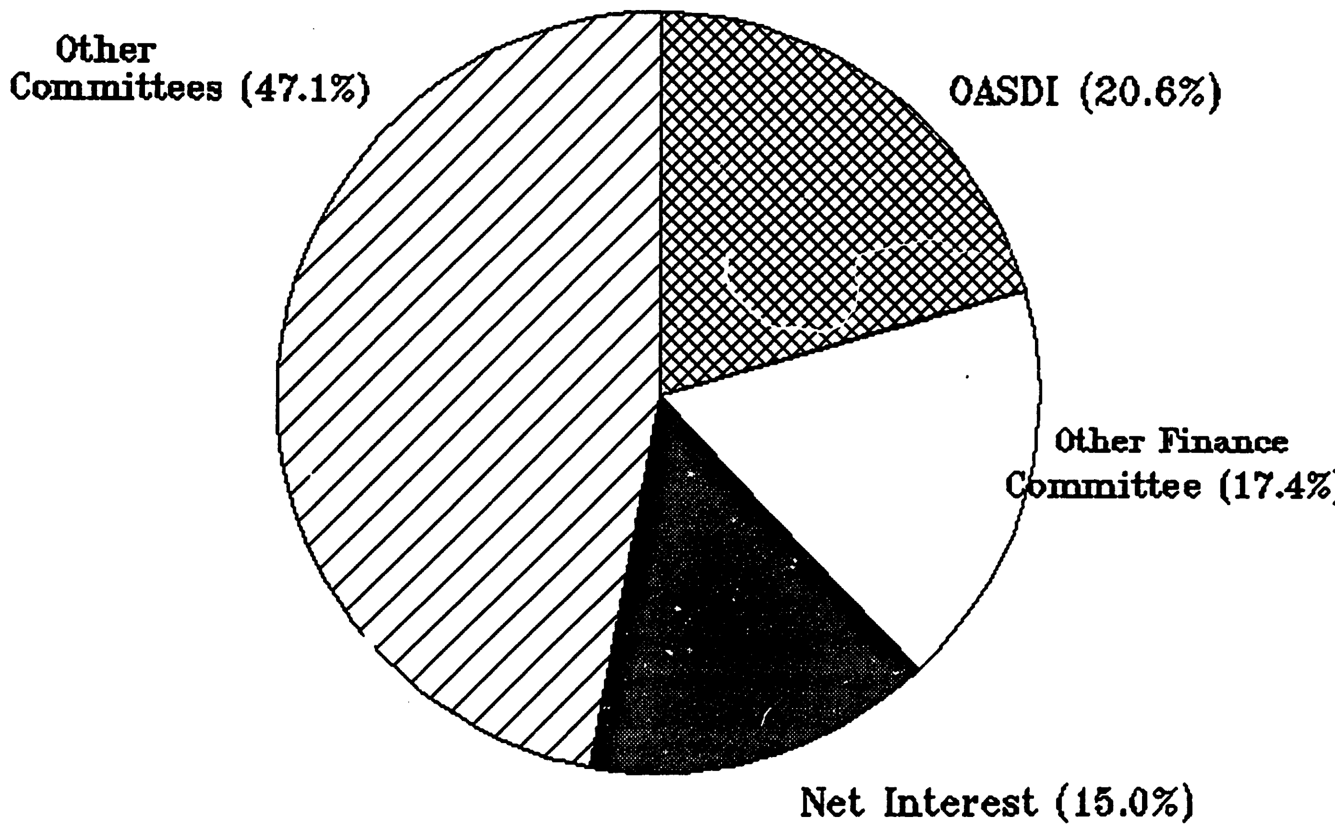

Chart 4

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 1990. 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)	250
Other accounts	[1] 211
Net Interest	[2] 182
Non-Finance Committee programs	572
Total outlays	1,215

[1] Excluding interest accounts.
[2] See Chart 15 for relationship of net interest to interest on the public debt.

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. Work incentive (WIN) and Job Opportunities and Basic Skills Training (JOBS) programs
   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 E 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—					
	1989	1990	1991	1992	1993	1994
Present law: [1]						
Income to trust funds	288.3	315.3	343.0	367.9	395.3	419.7
Outgo from trust funds	232.5	246.9	262.6	277.3	291.1	304.0
Difference	55.8	68.4	80.4	90.6	104.2	115.7
End of year balance in trust funds	160.0	228.3	308.7	399.4	503.5	619.3
Trust fund ratio (percent) [2]	53	72	95	119	145	174

[1] These are projections under current law based on the economic and demographic assumptions used in the fiscal year 1990 budget submitted by President Reagan.

[2] Assets at the start of the year are equal to the assets at the end of the prior year plus the advance tax transfers for October.

Source: SSA Office of the Actuary, January 11, 1989.

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 1990 a total of 35.4 million individuals will receive monthly social security benefits from the Old Age and Survivors Insurance Trust Fund, as retired workers or their dependents, or as survivors of deceased workers. In addition, some 4.1 million individuals will receive benefits from the Disability Insurance Trust Fund as disabled workers or as dependents of disabled workers. In total, approximately 39.5 million people will be receiving some type of monthly social security cash benefit.

The status of the trust funds.—The Administration budget projections under current law for the next 5 years continue to reflect an improving financial outlook for the OASDI trust funds with the combined trust reserve ratio growing from 53 percent of the projected annual outgo at the beginning of fiscal year 1989 to 174 percent at the beginning of fiscal year 1994.

The following table displays the economic assumptions underlying the budget as they relate to the OASDI program.

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

[In percent]

	Calendar year—						
	1988	1989	1990	1991	1992	1993	1994
Percent change in CPI	3.9	3.9	3.7	3.2	2.7	2.2	1.7
Benefit increase [1]	4.0	3.6	3.9	3.2	2.6	2.1	1.6
Real wage differential	2.4	1.7	1.8	2.4	2.7	2.6	2.5
Civilian unemployment rate	5.5	5.3	5.2	5.0	5.0	5.0	5.0

[1] Benefit increase payable in January of the following year.

Limitation on administrative expenses.—The 1990 budget requests $3,833 million in budget authority for administrative expenses, an increase of $83 million compared to 1989.

Social Security Cash Benefit Program (OASDI): Proposed Legislation

The budget submitted by President Reagan included two proposals affecting the Old-age, Survivors, and Disability Insurance program. (A third proposal is described in the budget documents, but this proposal actually affects tier I of the Railroad Retirement program rather than Social Security.)

Adopted children.—Under present law, benefits are payable to the children of individuals who get retirement or disability benefits. In the case of natural children, these benefits are payable without regard to whether the birth occurred before or after the parent retired or became disabled and without regard to whether or not the parent actually supports the child. In the case of adopted children, however, benefits are payable only if the adoption took place before the individual's entitlement to retirement or disability benefits or if the child was living with and being supported by the worker during the year before the worker became disabled or retired. Under the budget proposal, adopted children would qualify on the same basis as natural children. This proposal in the Reagan budget was specifically endorsed in the February 9 budget revision submitted by President Bush.

Advance tax transfer.—A second proposal in the Reagan budget would end the advance tax transfer provision. These provisions were adopted in the 1983 social security amendments when trust fund balances were precariously low. They provide for crediting the social security trust funds at the beginning of each month with the social security taxes expected to be collected during the month. The trust funds are required to repay the general fund for any interest paid on amounts transferred in advance of when they are collected so that there should be no financial advantage to either the trust funds or the general fund. In some cases, however, the availability of the advance tax transfer makes it possible for the trust funds to avoid redeeming investments that would otherwise be needed to meet benefit payments at the start of the month. Depending on prevailing interest rates, this apparently unintended effect could result in the trust funds earning more or less interest than would be the case in the absence of the advance tax transfer provision. The Administration estimates that the provision will result in a lowering of interest paid to the trust fund over the next several years. Since interest payments are an interfund transaction, there would be no budgetary impact on the "unified" or Gramm-Rudman-Hollings deficit.

Chart 7.—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

Unemployment trust fund	Fiscal year— 1989	1990
Status of State accounts:		
Income:		
State taxes	17.4	16.5
Interest	2.5	2.9
Total	19.9	19.4
Outgo:		
State benefits	13.6	14.0
Federal loans repaid	0.4	0.2
Total	14.0	14.2
Balance at end of year	37.3	42.5
Less outstanding Federal loans	0.8	0.6
Net balance	36.5	41.9
Status of extended benefit account:		
Income:		
Federal taxes/interest	1.6	1.9
Transfer from other account	0.8	0.8
Total	2.4	2.6
Outgo	0.0	0.0
Balance at end of year	6.0	8.7
Status of administration account:		
Income:		
Federal taxes and interest	3.7	3.8
Transfer from other account	0.0	1.4
Total	3.7	5.2

Chart 7.—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

Unemployment trust fund	Fiscal year— 1989	1990
Outgo:		
State unemployment insurance service	1.7	1.7
State employment service	1.0	1.0
Federal administration	0.1	0.2
Transfer to other account	0.8	0.9
Total	3.5	3.7
Balance at end of year	2.0	3.4
Status of Federal unemployment (loan) account:		
Income:		
Federal taxes and interest	0.7	0.7
State loan repayments	0.4	0.2
Transfer from other account	0.0	0.1
Total	1.1	1.0
Outgo:		
Loans to States	0.0	0.0
Repayments to general fund	1.0	0.9
Total	1.0	0.9
Balance at end of year	2.1	2.1
Less outstanding Federal loans	0.9	0.0
Net balance	1.2	2.1

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 are scheduled to drop by 0.2 percentage points (to 6.0 and 0.6) as of January 1, 1991.

The Federal tax is used to pay State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating 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.

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. States then pay benefits from this fund.

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,

94-563 - 0 - 89 - 2

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 program goes 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. At the present time, no State meets either the mandatory or optional trigger conditions.

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. By the end of FY 90, all outstanding general fund advances are now expected to be 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.

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, 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-servicemen 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.

For fiscal year 1990, the Administration's budget does not propose any legislative changes in unemployment compensation.

Chart 8.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

	Fiscal year— 1989	1990
Aid to families with dependent children:		
Welfare payments [1]	8.9	[2] 8.4
Administration	1.5	1.6
WIN/JOBS program	.1	.3
Child care:		
WIN/JOBS	*	.1
Transitional assistance [3]		.1
Child support:		
Non-AFDC collections	3.8	4.5
AFDC collections	1.7	1.9
Gross Federal share of AFDC collections	.8	.8
Total AFDC/non-AFDC administrative costs	1.4	1.5
Federal share	.9	1.0
Incentive payments	.3	.3
Title IV-B (child welfare services/training)	.3	[4]
Title IV-E (foster care, adoption assistance, independent living)	1.0	[4]

[1] Includes reductions for child support enforcement collections of $494 million in 1989 and $552 million in 1990.

[2] The Administration assumes a decrease of $516 million due to resumed collection of error rate disallowances incurred by States between fiscal years 1981 and 1984.

[3] Federal matching for transitional child care assistance becomes available to the States April 1, 1990.

[4] The Administration proposes to combine Child Welfare Services, Foster Care and Adoption Assistance administrative and training costs, and Independent Living into one discretionary program funded at $739 million for 1990, $35 million less than the 1989 total for the authorities being combined into the new program. Foster Care and Adoption Assistance maintenance payments would continue to be treated as entitlements, funded at $715 million in 1990.

* Less than $50 million.

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. At the present time, States, at their option, may also provide benefits for families in which dependency arises from a parent's unemployment. A provision in the Family Support Act of 1988 requires all States to provide benefits to families with unemployed parents beginning in fiscal year 1991. (States may choose to provide these benefits on a time-limited basis, but for no less than 6 months in a 12-month period.) States establish their 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 99-177 sequestration procedures.

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

[In millions]

	Fiscal year—		
	1988	1989 est.	1990 est.
Families	3.7	3.7	3.8
Individuals	10.9	10.9	10.9

Administration estimates for Federal program costs under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1988	1989 est.	1990 est.
AFDC benefits [1]	8,551	8,746	8,230
Emergency assistance	96	131	137
Other assistance payments	14	16	16
State and local administration and training	1,276	1,475	1,599
Total	9,937	10,368	9,982

[1] Includes reductions for child support enforcement collections of $452 million in 1988, $494 million in 1989, and $552 million in 1990. The Administration also assumes a decrease of $516 million in 1990 due to resumed collection of error rate disallowances incurred by States between fiscal years 1981 and 1984.

B. WIN/JOBS

The work incentive (WIN) program, enacted in 1967, provides employment and training services for AFDC recipients, including those who are required to register as well as those who volunteer for services. The program also provides support services, including child care, for those who need them in order to work or take training. Legislation enacted in 1981 (the Omnibus Budget Reconciliation Act of 1981) authorized States to operate WIN demonstration programs of their own design as an alternative to the regular WIN program. WIN is a discretionary program, with an appropriation of $93 million in 1988 and $91 million in 1989.

The Family Support Act of 1988 provided for replacement of the WIN program with a new Job Opportunities and Basic Skills Training program (JOBS). The new 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 must implement the JOBS program by October 1, 1990, but may choose to do so as early as July 1, 1989. They are required to operate a WIN or WIN demonstration program until their JOBS program is in place.

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 will 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.

State JOBS programs must include a range of services and activities, including educational activities, job skills training, job readiness activities, job development and job placement, and specified supportive services, including child care. States must also offer 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 new program will lie with the welfare agency at both the Federal and State levels. At the Federal level, there will be a new Assistant Secretary for Family Support in the Department of Health and Human Services who will have 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 68 percent of State and local administrative costs for services to both AFDC and non- AFDC families on an open-ended entitlement basis. The 68 percent match is scheduled to decline to 66 percent in 1990. In addition, 90 percent Federal matching is available on an open-ended entitlement basis to States that elect to establish an 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 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 may not exceed 110 percent of the incentive payments for welfare collections. This percentage increases to 115 percent in 1990 and years thereafter. These incentive payments are financed from the Federal share of collections.)

According to the Administration, child support collections and expenditures under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1988	1989 est.	1990 est.
Total collections	4,650	5,500	6,431
AFDC collections [1]	1,514	1,721	1,928
Non-AFDC collections	3,136	3,779	4,504
Total administrative costs:			
(Federal and State)	1,204	1,365	1,543
(Federal share)	827	941	1,033
Federal incentive payments to States	225	260	294

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

The program made collections on behalf of 613,000 AFDC families and 1,067,000 non-AFDC families in fiscal year 1988.

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 four 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 will be required to use State-developed guidelines in setting award amounts as a rebuttable presumption. In addition, States will be 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 will further be enhanced by providing higher (90%) Federal matching for laboratory testing.

The 1988 law also requires 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 is 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 1989 appropriation for child welfare services was $247 million; for child welfare training, $4 million; and for child welfare research and demonstration, $11 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, and averages about 55 percent nationally. Federal matching at a 50 percent rate is available for costs of administration. The fiscal year 1989 appropriation for foster care was $941 million (including both maintenace payments and administration).

In addition, there was an appropriation of $45 million 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. There is no State matching requirement. The independent living program was originally authorized for two years, 1987 and 1988. It has been extended for one additional year.

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 1989 appropriation for this program was $134 million (including both maintenace payments and administration).

PROPOSED LEGISLATION

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The Reagan budget for 1990 includes two proposals to reduce the cost of the AFDC program. The Administration's estimates of savings are shown below:

AFDC PROPOSALS—SAVINGS/COSTS

[In millions of dollars]

	Fiscal year—			3-year total
	1990	1991	1992	
AFDC quality control	-80	-80	+136	-24
Reduce Federal administrative matching	-123	-129	-124	-376

AFDC quality control proposals.—Under present law, States may be held liable for the cost of benefit payments made in excess of Federally-established error tolerance levels, generally referred to as target error rates. P. L. 97-248 established the AFDC target error rate for fiscal year 1983 at 4 percent. It was reduced to 3 percent for fiscal year 1984 and years thereafter. The law provides that Federal penalties for State benefit payments made in excess of target error rates will be applied retrospectively, i.e., after a determination by the Federal Government of the amount of payments that were actually paid erroneously in a prior year.

A provision in the Consolidated Omnibus Budget Reconciliation Act of 1985 established a two-year moratorium on Federal collections of State AFDC benefit payments made in excess of target error rates. This moratorium has been extended twice, most recently by an amendment to Public Law 100-285, the Family Support Act of 1988, which provides for continuation of the moratorium through June 30, 1989.

The Reagan 1990 budget assumes $516 million in savings from the collection of error rate disallowances incurred by States between fiscal years 1981 and 1984. (Collections totaling $63 million are projected for the final quarter of 1989.) Collections of liabilities incurred between 1985 and 1990 are projected to occur in fiscal year 1991 ($896 million) and 1992 ($735 million).

The Reagan budget includes a proposal to replace the current 3 percent target error rate threshold for determining State liability with a three-tiered system. Under the proposed system, beginning in fiscal year 1990 State errors would be treated as follows: (1) States with error rates below 3 percent would receive bonus incentive payments equal to 50 percent of the Federal savings between the actual error rate and 3 percent; (2) States with error rates between 3 and 6 percent would be required to submit a comprehensive corrective action plan to reduce error rates (HHS would provide technical assistance; Secretarial approval would not be required); and (3) States with error rates in excess of 6 percent would be penalized by the withholding of AFDC matching funds (withholding would be based on the 3 prior years of published error rates) on a prospective basis. The Administration estimates that under this formulation, the annual level of State penalty payments would be about $80 million.

Under the proposed prospective withholding provision, erroneous payments for fiscal year 1990 and following years would be withheld on October 1 of each fiscal year. Adjustments to reflect actual liabilities would be made by increasing or decreasing the grants made to the State in the following year. Liabilities for years prior to 1990 would continue to be withheld retrospectively.

Limitation on AFDC administrative costs.—The 1990 Reagan budget includes a proposal to cap AFDC administrative costs at their current (1989) levels. In subsequent years funding for administrative costs would be increased by the amount of the GNP deflator. All enhanced matching rates (e.g., 90 percent for management information systems and 75 percent for fraud prevention) would be eliminated.

B. WIN/JOBS

Limitation on funding.—Beginning in July 1989, States will be allowed to replace their work incentive (WIN) programs with a new JOBS program, authorized under the Family Support Act of 1988. By October 1990, all States will be required to operate a JOBS program in lieu of WIN. WIN is a discretionary program funded at $91 million in fiscal year 1989. The Family Support Act provides for funding the JOBS program on a capped entitlement basis.

The Reagan budget for 1990 includes language that would reduce the entitlement ceiling established in the Family Support Act for the JOBS program ($800 million in fiscal year 1990) to the level of the Administration's current estimates of States' spending for their JOBS and WIN programs ($350 million). The budget does not include an explanation of how the Administration would propose to allocate funds to the States under this reduced entitlement ceiling.

The budget assumes States will require about $254 million to fund JOBS activities, and includes an additional $96 million for WIN. In addition to funding for WIN and JOBS activities, the budget includes $89 million for child care provided to participants in the JOBS program, as well as $74 million for trnsitional child care for families that lose AFDC benefits because of earnings. (See section on child care.)

No funds are requested to carry out the JOBS research and evaluation activities authorized by the Family Support Act.

C. CHILD SUPPORT ENFORCEMENT

The Reagan budget includes two proposals affecting the child support enforcement program.

CHILD SUPPORT ENFORCEMENT PROPOSALS—SAVINGS

[In millions of dollars]

	Fiscal year— 1990	1991	1992	3-year total
Limit incentive payments	47	48	49	144
Services for SSI children	[1]	[1]	[1]	[1]

[1] The administration has not made an estimate for this proposeal. CBO estimates negligible savings.

Limit State incentive payments.—As an incentive to encourage State and local governments to participate in the child support program and to operate their programs on a cost effective basis, the law provides a schedule of Federal incentive payments. Each State is eligible to receive a basic payment equal to a minimum of 6 percent of collections made on behalf of AFDC families, and 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment can 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. There is a limit on the incentive payments for non-AFDC collections. The incentive payments for these collections as a percent of the incentive payments for AFDC collections may not exceed 110 percent in 1989, and 115 percent in 1990 and years thereafter.

The Reagan budget proposes that AFDC incentive payments be paid only to those States that demonstrate a cost effectiveness ratio of 1.4 or above. Incentives would be eliminated for those States collecting less than $1.40 for every dollar spent for administering their support enforcement programs.

Require child support services for SSI children.—Under present law, all families applying for or receiving AFDC must assign their rights to support to the State welfare agency and must cooperate in establishing paternity and enforcing support.

The Reagan budget proposes to establish a similar system for enforcement of support with respect to families receiving Supplemental Security Income (SSI) benefits. As a condition of eligibility for SSI benefits, families would have to assign their rights to support and cooperate with the State child support agency in establishing paternity and obtaining support. All current support collected on behalf of these families would be paid to the families. However, a portion of any arrearage collected would be retained to offset the cost of SSI payments. (A similar proposal is made with respect to families receiving food stamps. According to CBO, this would increase costs of the child support program by $15 million in 1990.)

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

CHILD WELFARE, FOSTER CARE, ADOPTION ASSISTANCE—SAVINGS

[In millions of dollars]

	Fiscal year— 1990	1991	1992	3-year total
Proposal to combine spending authorities to create one new program	65	140	219	424

Proposal to combine spending authorities to cre. e one new program.—Under present law, States are eligible to receive 50 percent Federal matching for the costs of administering their foster care and adoption assistance programs on an open-ended entitlement basis. They are also eligible to receive 75 percent Federal matching for operating their child welfare programs. The child welfare program is discretionary, subject to annual appropriations.

The Reagan budget proposes to end the open-ended authority for foster care and adoption assistance administration. Instead, funding for these costs would be combined with the authority for child welfare services, creating a new program of grants to the States for services and administration funded as a descretionary annual appropriation. Services for foster care children participating in independent living programs would also be funded by this new program. States would continue to receive Federal matching for foster care and adoption assistance *maintenance payments* on an open-ended entitlement basis.

The 1990 budget includes $739 million for the new program, $35 million less than the 1989 total for the authorities that would be combined (foster care and adoption assistance administration and training costs, child welfare services, and independent living). Increases in future years would be limited to increases in the Consumer Price Index.

The Bush budget includes the child welfare program in the category of discretionary spending programs to which the President's freeze concept applies. The budget states:

> Human resource programs that benefit the disadvantaged, particularly the young, and programs that improve the quality of our environment are high among the President's priorities. Thus, when considering which human resource areas might be in line for funding increases, programs such as WIC, Compensatory Education, and Child Welfare Services are natural examples. ...If funding for these programs were to be raised, other lower priority programs in the freeze category would require funding reductions by an equal amount.

Chart 9.—EARNED INCOME TAX CREDIT

[In millions of dollars]

	Fiscal year— 1989	1990
Present law:		
Amount in excess of tax liability	3,850	3,700
Offset against tax liability	1,395	1,815
Total	5,245	5,515

Chart 9

Earned Income Tax Credit

The earned income tax credit (EITC) is currently the only *refundable* tax credit in the Internal Revenue Code. That is, it is the only example of a tax credit that 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 child who is a dependent of an individual with earned income.

In 1989, the maximum credit equals 14 percent of the first $6,500, with a maximum credit of $910. For each dollar of adjusted gross income above $10,240 the credit is reduced by 10 cents, and is totally phased out at a level of $19,340. The amount of earnings and income used to compute and phase out the credit increases each year under an indexing formula.

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. In practice, very few individuals use the reverse withholding procedure.

The significance of the EITC as a source of income for low income workers with children was greatly enhanced by the tax reform legislation in 1986 which provided for increasing the amount of the credit and the level of income at which families remain eligible for all or part of the credit. The 1986 tax legislation also provided for indexing these amounts on an annual basis. The budgetary impact of the EITC was about $2 billion in fiscal 1986. It is estimated to increase from about $3.7 billion in fiscal year 1988 to $5.5 billion in 1990.

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 proposed in the 1972 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.

Chart 10.—SOCIAL SERVICES

[In billions of dollars]

	Fiscal year—	
	1989	1990
Present law:		
Title XX block grant	2.7	2.7

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. In previous years, title XX legislation authorized matching funds for State social services programs on an 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 in either 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 and years thereafter.

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 1990 budget request for the title XX social services block grant program is $2.7 billion, the permanent entitlement level.

Chart 11.—CHILD CARE

[In billions of dollars]

	Fiscal year	
	1989	1990
Present law:		
Title XX [1]	.6	.6
Services for welfare families [2]	.1	.2
Child welfare services	NA	NA
Dependent care tax credit	3.5	3.6
Exclusion for employer-provided dependent care	.2	.2
Total	4.4	4.6

[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, the AFDC child care disregard, and (for 1990) child care for recipients making the transition from welfare to work.

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; 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 $1.2 billion in 1989, and the child care and summer food programs, funded at about $.8 billion in 1989).

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 48 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: Under the work incentive (WIN) program, State agencies must provide child care necessary to enable AFDC applicants and recipients to accept employment or training to which they are referred. Federal funding for WIN program child care is included in the general WIN appropriation. Matching is at the regular 90 percent WIN rate. Federal funding for child care is also provided under the community work experience, work supplementation, and job search programs on an open-ended entitlement basis, with 50 percent Federal matching available to the States for allowable expenditures.

The Family Support Act of 1988 provides for replacing the existing programs with a new JOBS program, which States must implement by October 1, 1990, and may 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 (50-80 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. The Reagan budget includes $89 million for child care for JOBS participants in 1990.

(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 assistance 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. The Reagan budget includes $74 million for transitional child care services in 1990.

(3) Child care disregard.—At the present time, in determining eligibility for and amount of AFDC benefits, a State must disregard actual expenses up to $160 a month per child for day care. The Family Support Act of 1988 provides 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 provides that the child care disregard must be calculated after other disregard provisions have been applied. These changes become effective October 1, 1989. (Estimated expenditures under the child care disregard provisions are about $50 million a year.)

Child welfare services.—States may use 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 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 includes 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 Bush budget includes a proposal for a new tax credit of up to $1,000 for each child under age 4 in low income working families. This credit would be available to families in which at least one parent works regardless of whether the family incurs any costs for child care services. For each child under the age of four, families could receive a credit equal to 14 percent of wages, with a maximum credit equal to $1,000 per child. In 1990, the credit would be phased out between $8,000 and $13,000 in income. This phaseout range would increase to between $15,000 and $20,000 by 1994. The credit would be refundable. Families would have the option of receiving the refund in advance through a payment added to their paycheck.

The existing dependent care credit would also be made refundable. Families that meet eligibility criteria for both the dependent care credit and the new child credit could claim whichever credit best suits their needs and circumstances for each child.

Administration estimates for the cost of the proposals are as follows:

CHILD CARE CREDIT PROPOSALS

[In millions of dollars]

	Fiscal year—			3-year total
	1990	1991	1992	
Offset against tax liability	5	46	48	99
Amount in excess of tax liability	182	1,847	2,163	4,192

The Family Support Act authorized $13 million for each of fiscal years 1990 and 1991 for grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to AFDC children. The Reagan budget includes no funds for these purposes.

Chart 12.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

	Fiscal year—	
	1989	1990
Present law:		
Total SSI outlays	12.5	[1] 12.1

[1] Includes 11 monthly payments, compared to 12 monthly payments in 1989. October 1, 1989 falls on a Sunday; the payment therefore will be made on September 29 and counted against fiscal year 1989.

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 the 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.

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

[In thousands]

	Fiscal year—		
	1988	1989 est.	1990 est.
Aged	1,257	1,232	1,207
Blind and disabled	2,776	2,876	2,970
Total Federal	4,033	4,108	4,177
State supplementation only	367	371	376
Total SSI recipients	4,400	4,479	4,553

The maximum Federal monthly payment in calendar year 1989 is $368 for an individual, and $553 for a couple. Annual adjustments are made in January to reflect increases in the cost of living. The Administration estimates a January 1990 COLA of 3.6 percent.

The Administration estimates Federal program outlays as follows:

[In millions of dollars]

	Fiscal year—		
	1988	1989 est.	1990 est.
Federal benefits	11,368	11,341	11,021
Beneficiary services	13	14	14

[In millions of dollars]—Continued

	Fiscal year—		
	1988	1989 est.	1990 est.
Federal fiscal liability	-11	33	
Administration	975	1,087	1,111
Research and Demonstration		2	2
Total	12,345	12,477	12,148

Proposed Legislation

The Administration's fiscal year 1990 budget includes no legislative changes in the SSI program.

Chart 13.—HEALTH PROGRAMS

[Congressional Budget Office estimates in billions of dollars]

	Fiscal year—				3-year total (90-92)
	1989	1990	1991	1992	
Medicare outlays:					
Part A	58.8	66.3	73.3	80.7	220.3
Part B	39.8	47.7	56.0	64.5	168.2
Catastrophic drug insurance	0	0.04	0.8	1.6	2.4
Total	98.6	114.0	130.1	146.8	390.9
Medicaid:					
Federal expenditures	34.2	38.2	42.5	47.0	127.7
State costs	28.0	31.3	34.8	38.5	104.6
Total	62.2	69.5	77.3	85.5	232.3
Maternal and child health block grant:					
Federal expenditures [1]	0.55	0.56	0.56	0.56	1.68

[1] FY 1990–92 figures reflect authorization level.

Chart 13

Health Programs

MEDICARE

Medicare is a nationwide health insurance program for 32 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 which provides protection against the costs of physicians' services and other medical services. The Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360) expanded benefits under parts A and B and created a Federal Catastrophic Drug Insurance Trust Fund, under which protection against the costs of covered prescription drugs will generally begin in January, 1991.

The Congressional Budget Office (CBO) estimates that under current law, spending for the Medicare program in FY1990 will be $114 billion, of which $66.3 billion is for part A benefits and $47.7 billion is for part B benefits. The CBO estimates that basic premiums collected from Medicare participants in FY1990 will total $13.2 billion.

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 categories of low income persons who are aged, blind, disabled, or members of families with dependent children. 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. Federal matching for services varies from 50 percent to 78 percent. Administrative costs are generally matched at 50 percent except for certain items (including fraud control, mechanized claims processing, family planning, and training of medical personnel) which are subject to higher matching rates. Effective July 1, 1990, States will be required to provide Medicaid coverage to pregnant women, and infants under 1 year of age, whose incomes are at or below the Federal poverty level (currently $11,650 for a family of four).

The Congressional Budget Office (CBO) estimates total Federal-State Medicaid costs for fiscal year 1990 under current law to be $69.5 billion, of which $38.2 billion is the Federal share and $31.3 billion is the State share.

The Administration budget proposes to reduce Federal spending for FY 1990 under the Medicaid program by $374 million, as estimated by CBO. This estimate assumes the elimination of enhanced matching for administrative expenses without a phase-out.

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 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 programs, genetic disease programs, sudden infant death syndrome programs, hemophilia treatment centers, and adolescent pregnancy grants. Under the Title V block grant, States determine the level of services. Typically States have supported health services such as well-child checkups and services in maternity clinics. Public Law 97-35 created the block grant by adding to maternal and child health and crippled children services those functions described above. The Federal/State matching requirements were also changed and now require the States to spend 75 cents to receive a dollar. The Secretary of HHS is authorized to set aside between 10 and 15 percent of the amount appropriated to be used for special projects of regional and national significance.

The Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509) increased the authorization for the block grant from $478 million to $553 million for FY 1987, $557 for FY 1988, and $561 for FY 1989 and thereafter. The additional $75 million for FY 1987 was not appropriated. The Act also required that a certain percentage of the newly authorized amount, if it was appropriated, was to be set aside for projects for screening of newborns for sickle cell anemia and other genetic disorders (7 percent in FY 1987; 8 percent in FY 1988; and 9 percent in FY 1989). Of remaining new amounts, one-third must be used for primary and special needs health care services and projects for children.

The amount appropriated for FY 1988 was $527 million, and for FY 1989 was $554 million. The Administration budget proposes to fund the block grant at $554 million for FY 1990, the same amount as the FY 1989 appropriation.

Chart 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS

[In millions of dollars]

[Estimates prepared by the Congressional Budget Office]

	Fiscal year—			Total
	1990	1991	1992	
MEDICARE PART A Legislative Proposals—Outlays				
Reduce indirect medical education	–1,010	–1,270	–1,400	–3,680
Reduce hospital capital	–1,150	–1,450	–1,610	–4,210
PPS update factor	–590	–740	–820	–2,150
Reduce direct medical education	–130	–160	–165	–455
Effects of other proposals	–15	–18	–17	–50
Subtotal, Legislation affecting Part A	–2,895	–3,638	–4,012	–10,545
Regulatory Proposals—Outlays				
Medicare secondary payer	–5	–5	–5	–15
Reduce direct medical education	0	0	0	0
Subtotal, Part A Savings	–2,900	–3,643	–4,017	–10,560

MEDICARE PART B

Legislative Proposals—Outlays				
Freeze MEI	–585	–1,021	–1,607	–3,213
Overpriced procedures	–365	–317	–402	–1,084
Reduce radiology, anesthesiology and surgery	–472	–462	–521	–1,455
New physicians	–37	–150	–247	–434
Concurrent anesthesia	–15	–20	–25	–60
Designated specialties	–32	–32	–32	–96
Direct medical education	–35	–40	–40	–115
Reduce hospital outpatient	0	–285	–537	–822
Rental of DME	–112	–166	–188	–466
Reduce oxygen payment	–37	–54	–69	–160
Reduce enteral nutrients	–16	–26	–29	–71
Clinical labs	0	0	0	0
Effects of other proposals	0	0	2	2
Subtotal, Part B outlays	–1,706	–2,573	–3,695	–7,974
Legislation–Premiums				
Maintain 25% premium	–585	–1,330	–2,177	–4,092
Impact of other proposals	396	677	946	2,019

94-563 - 0 - 89 - 3

Chart 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS—Continued

[In millions of dollars]

[Estimates prepared by the Congressional Budget Office]

	Fiscal year—			Total
	1990	1991	1992	
Legislation–Premiums				
Subtotal, Part B premiums	–189	–653	–1,231	–2,073
Subtotal, legislation affecting Part B	–1,895	–3,226	–4,926	–10,047
Regulatory Proposals–Outlays				
Medicare Secondary Payer	–2	–2	–2	–6
Ambulatory Surgery Center Rates	–38	–38	–38	–114
Eliminate duplicate surgery payment	0	0	0	0
Cap Method II ESRD payments	–59	–80	–100	–239
Reduce ESRD facility payments	–69	–77	–83	–229
Subtotal, Part B Regulations	–168	–197	–223	–588
Subtotal, Part B Savings	–2,063	–3,423	–5,149	–10,635
Total, Medicare	–4,963	–7,066	–9,166	–21,195

MEDICAID

Legislative Proposals				
Pregnant women and infants	55	135	170	360
Immunizations	2	*	*	2
Infant mortality grants	20	20	0	40
Child Support Enforcement	–5	–5	–10	–20
Eliminate enhanced match	–310	–325	–340	–975
Effect of Medicare Part B proposals	29	94	196	319
Subtotal, Medicaid legislation	–209	–81	16	–274
Regulatory Proposals				
Medically Needy Income	–45	–50	–55	–150
Limit voluntary contributions	–65	–70	–80	–215
MMIS funding restrictions	–20	–20	–20	–60
Ambulatory surgery	–30	–50	–55	–135
ICF/MR medical services	0	0	0	0
Child support enforcement	–5	–10	–15	–30
Subtotal, Medicaid regulations	–165	–200	–225	–590
Total, Medicaid	–374	–281	–209	–864

Chart 14

Health Programs: Administration Proposals

MEDICARE

The Administration budget proposes to reduce outlays and increase premiums for fiscal year 1990 under the Medicare program by $4.963 billion. This amount includes $4.601 billion in proposed spending reductions which require legislation, $173 million in proposed spending reductions which can be implemented by regulation, and $189 million in proposed premium increases when other legislative initiatives are taken into account. This amount does not include increased revenues from proposals to include State and local government workers under Medicare (see section on revenues). These estimates, and all other estimates in this chart, have been prepared by the Congressional Budget Office.

Of $4.774 billion in reduced spending proposed by the Administration, approximately 62 percent would be achieved by reducing payments to hospitals, an estimated 32 percent by reducing payments to physicians, and about 7 percent by reducing payments to other providers of health care services. Medicare beneficiaries would be affected primarily by the proposal to increase premiums.

The descriptions that follow reflect budget proposals made in the outgoing Reagan administration's budget, which was submitted to Congress on January 9, 1989. At the time this Committee document was printed, detailed descriptions of revisions proposed by President Bush were unavailable. Since President Bush's proposed budget appears to have made no substantial change in the overall level of Medicare savings, the programmatic proposals advanced by the Reagan administration are described in more detail below.

MEDICARE PART A

The Administration budget proposes to reduce outlays under part A of the Medicare program by $2.9 billion for FY1990. Legislative proposals would reduce outlays by $2.895 billion and regulatory proposals would reduce outlays by $5 million.

Part A Legislative Proposals

1. Reduce payments for indirect medical education expenses.—Medicare pays teaching hospitals an additional amount for each discharge to reflect the indirect costs of medical education. The Administration budget proposes to reduce Medicare payments to teaching hospitals by reducing the average add-on percentage paid for each discharge from the current level of 7.65 percent to 4.05 percent.

Medicare first recognized the indirect costs of medical education in 1980, when limits on hospital payment per day were adjusted upward by 4.7 percent for teaching hospitals. In 1982, limits on payment per case were adjusted to 6.06 percent for teaching hospitals. When the prospective payment system was created in 1983, to account for variation in severity of illness, the add-on was increased to 11.59 percent. The add-on was reduced to 8.1 percent by the Consolidated Omnibus Budget Reconciliation Act of 1985 and to 7.65 percent by the Omnibus Budget Reconciliation Act of 1987.

Reductions in the indirect medical education add-on have been recommended by the General Accounting Office (GAO) and the Prospective Payment Assessment Commission (PROPAC). GAO estimated that an adjustment factor of between 3.73 percent and 6.26 percent would be justified, depending on which factors affecting Medicare costs are taken into account. PROPAC will be recommending an adjustment of 6.6 percent, but will also recommend that savings achieved from this reduction be redirected into increasing Medicare hospital payment rates.

(-$1.01 billion in FY 1990)

2. Reduce payments for hospital capital costs.—The Administration budget proposes to reduce Medicare payment for hospital capital by 25 percent, thus reimbursing hospitals for 75 percent of their reasonable costs. Under the Omnibus Budget Reconciliation Act of 1987, Medicare payments for hospital capital were reduced by 12 percent during the last three quarters of fiscal year 1988 and 15 percent during fiscal year 1989. Also under OBRA, the Secretary of HHS is prohibited from implementing a prospective payment system for hospital capital until October 1, 1991, and is required to do so after that date. Over the three-year period fiscal years 1990-92, the Administration estimates that the proposal to reduce capital payments by 25 percent will save $5.7 billion, compared to a CBO estimate of $4.2 billion. This difference is due to different assumptions about the growth of hospital expenditures for capital.

(-$1.15 billion in FY1990)

3. Prospective payment system (PPS) update factor.—The Administration budget proposes an increase in payments to all hospitals under PPS (as well as hospitals exempt from PPS) of 1.5 percent below the percentage increase in the market basket. The Administration's current estimate of the market basket is 4.7 percent, yielding a payment increase of 3.2 percent. Under the Administration's proposal, hospital payment rates would increase with the percentage increase in the market basket after FY1990.

(-$590 million in FY 1990)

4. Reduce payments for direct medical education expenses.—The Administration budget proposes to eliminate Medicare payment for overhead costs (classroom and supervision) incurred by hospitals in the training of resident physicians. Medicare would continue to pay the reasonable costs, including overhead, of educating nurses and allied health professionals, and would also continue to recognize the salaries and fringe benefits of resident physicians.

(-$130 million in FY 1990)

Part A Regulatory Proposals

1. Reduce direct medical education payments.—The Administration proposes to issue final regulations implementing provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, which imposed per-resident limits on the amounts Medicare pays hospitals for the direct costs of medical education. Draft regulations implementing these provisions were published in September, 1988. The Administration budget reflects savings of $400 million in fiscal year 1990 and $1.33 billion in fiscal years 1990–92 from these regulations. Because the 1985 provisions were effective in July, 1985, savings attributable to the limits are already reflected in CBO's baseline, and CBO does not estimate any additional savings from including this proposal in the Administration's budget.

2. Medicare secondary payer to no-fault insurance.—The Administration proposes to extend Medicare secondary payor provisions to all types of no-fault insurance, not just automobile insurance. Medicare payment would be made secondary to any payment available under no-fault insurance.

(-$5 million in FY 1990)

MEDICARE PART B

The Administration budget proposes to reduce outlays under part B of the Medicare program by $2.063 billion for FY 1990. Legislative proposals would reduce outlays by $1.076 billion, and a legislative proposal would increase net premium payments $189 million. Regulatory proposals would reduce outlays by an additional $168 million.

Part B Legislative Proposals—Outlays

1. Freeze MEI for non-primary services.—Medicare payment for physician services is based on the lower of actual charge, customary charge, or the prevailing charge in the area. The annual increase in the prevailing charge level is limited to the increase in the Medicare economic index (MEI). The MEI for 1990 is projected to be 5.3 percent. The Administration budget proposes to allow the MEI increase only for primary services (home, office, nursing home, and emergency room visits), and give no MEI update for other services in 1990. In 1991 and 1992 the proposal would limit the update for non- primary services to 1 percent.

(-$585 million in FY 1990)

2. Payment reductions for overpriced procedures. —The Administration budget proposes to reduce the prevailing charge levels for a group of overpriced procedures by up to 12 percent, with a floor at 80 percent of the national average. The procedures are the same group for which payments were reduced by OBRA 87, plus additional procedures identified by the Secretary as being overpriced. No physician's actual charge on an unassigned claim could exceed 125 percent of the reduced prevailing charge level.

(-$365 million in FY 1990)

3. Payment reductions for radiology, anesthesiology, and surgery.—The Administration budget proposes to reduce the prevailing charge levels by 8 percent for all radiology, anesthesiology, and surgery services (other than procedures already reduced under item 2), with a floor at 75 percent of the national average. No physician's actual charge on an unassigned claim could exceed 125 percent of the reduced prevailing charge level.

(-$472 million in FY 1990)

4. Customary charge for new physicians.—Under a provision enacted in OBRA 87, the customary charge for a new physician in the first year of practice could not exceed 80 percent of the area prevailing charge. The Administration budget proposes to extend this limitation to 85 percent of prevailing in the second year of practice, 90 percent in the third year, and 95 percent in the fourth year.

(-$37 million in FY 1990)

5. Concurrent anesthesia supervision payments.—Under a provision enacted in OBRA 87, base unit payments to anesthesiologists for concurrent supervision of more than one nurse anesthetist were reduced by 10 percent for supervision of 2 nurses, 25 percent for supervision of 3 nurses, and 40 percent for supervision of 4 nurses. The provision sunsets after 1990. The Administration budget proposes to extend the reductions to time units as well as base units; to increase the percentage reductions to 30 percent for supervision of 2 nurses, 40 percent for 3 nurses, and 50 percent for 4 nurses; and to remove the sunset.

(-$15 million in FY 1990)

6. Payment ceilings for designated specialty services.—The Administration budget proposes to establish a ceiling on prevailing charge levels for certain specialty services. The ceiling would be set at the prevailing charge level for the service when performed by the specialty that most often performs the service or the specialty that is the recognized expert for that service.

(-$32 million in FY 1990)

7. Reduction in direct medical education payments.—The Administration budget proposes to eliminate payment for overhead costs incurred by hospitals in training residents. (See item 4 under Medicare part A legislative proposals.) Because part B covers outpatient hospital services, this proposal would also reduce part B outlays.

(-$35 million in FY 1990)

8. Reduce payments for hospital outpatient services.—The Administration's budget proposes a reduction of 5 percent in spending for hospital outpatient services, other than clinical laboratory services and services related to end-stage renal disease (ESRD). This reduction would begin in fiscal year 1991. No specific details about the manner in which this reduction would be achieved are available.

($0 in FY 1990)

9. Payment for rented durable medical equipment.—OBRA 87 required that fee schedules be established for durable medical equipment (DME). The fee schedules are established for 6 categories of DME, and all but one were based on average reasonable charges. The fee schedule for rental equipment was based on average submitted charges. The Administration budget proposes to modify the fee schedule for rental DME based on average reasonable charges. The proposal would also allow lease/purchase arrangements in addition to rental.

(-$112 million in FY 1990)

10. Payment for oxygen.—The Administration budget proposes to reduce the fee schedule amounts for oxygen and related supplies by 5 percent.

(-$37 million in FY 1990)

11. Payment for enteral products.—The Administration budget proposes to establish a fee schedule based on market prices for enteral nutrient products and related supplies.

(-$16 million in FY 1990)

12. Fee schedule for clinical lab services.—Payment for clinical laboratory services is based on regional fee schedules. Under current law, on January 1, 1990, a nationwide fee schedule is to be implemented. The Administration budget proposes to retain the regional fee schedules on the grounds that the nationwide fee schedule would require higher average payment amounts and increase outlays in FY 1990 by $190 million. The CBO estimate scores no savings for the proposal on the grounds that a nationwide fee schedule could be established in a budget neutral manner.

($0 in FY 1990)

Part B Premium—Legislative Proposals

1. Maintain part B premium level to cover 25 percent of program costs.—The part B premium was originally established at a level to cover 50 percent of the program costs, but the annual percentage increase in the premium was limited to the annual percentage increase in social security cash benefits. In 1982 the premium covered 25 percent of program costs, and legislation was enacted to hold the premium at 25 percent of program costs through 1986. This provision has been extended in 1984 and 1987, and will expire January 1, 1990. The Administration budget proposes to permanently set the premium at 25 percent of program costs.

(-$585 million in FY 1990)

2. Impact of other proposals on premium.—If all the proposals in the Administration budget were enacted, the savings that result to part B would also reduce the premium, because the premium is set to cover 25 percent of program costs. This offset is shown separately by CBO, rather than factored into each of the part B provision estimates.

($396 million in FY 1990)

Part B Regulatory Proposals

1. Secondary payer expansion.—Under current law, Medicare is secondary payer in cases of no fault insurance claims. The Administration budget proposes to expand this provision to all no fault insurance, rather than limiting the provision to automobile insurance as is current practice. As described above, this proposal also affects spending under Part A.

(-$2 million in FY 1990)

2. Payment to ambulatory surgery centers.—The Administration budget proposes to update ambulatory surgery center rates by 5.7 percent. This is less than the rate of increase assumed in the CBO baseline.

(-$38 million in FY 1990)

3. Payment for surgeons supervising nurse anesthetists.—The Administration budget proposes to eliminate all payments to surgeons for supervising a nurse anesthetist during surgery. The Administration estimated $10 million savings in FY 1990, but CBO estimates no savings.

($0 in FY 1990)

4. Payments for ESRD method II.—Payments for dialysis services provided to patients with end stage renal disease (ESRD) are currently made in two ways. Method I pays a prospective composite rate per treatment; method II allows payment for home dialysis on the same basis as for durable medical equipment, based on a fee schedule for each item provided. The Administration budget proposes to limit the aggregate amount paid per patient under method II to no more than would be paid under the method I composite rate.

(-$59 million in FY 1990)

5. Payments for ESRD facilities.—The Administration budget proposes to reduce the composite rate for dialysis services by $5 per treatment for free-standing dialysis facilities, and by $3 per treatment for hospital-based facilities.

(-$69 million in FY 1990)

MEDICAID

The Administration budget proposes to reduce outlays for fiscal year 1990 under the Medicaid program by $374 million. Legislative proposals include $106 million of outlay increases and $315 in outlay reductions, for a net reduction of $204 million. Regulatory proposals include an additional reduction in outlays of $165 million.

Legislative Proposals

1. Expanded eligibility for pregnant women and infants.—Current law requires all States to cover pregnant women, and infants up to their first birthday, whose incomes are at or below the Federal poverty level ($11,650 for a family of four). This requirement was part of the Medicare Catastrophic Coverage Act of 1988, and will phase in at 75% of the poverty level on July 1, 1989, and 100% of the poverty level on July 1, 1990. The Administration proposal would mandate coverage to 130% of the poverty level, effective April 1, 1990. This is the same income eligibility level as for the food stamp program.

($55 million in FY 1990 (half year only))

2. Coverage of immunizations.—The Administration budget proposes to provide coverage under the Medicaid program for immunizations furnished to children age 0-5 who are eligible for the food stamp program.

($2 million in FY 1990)

3. Infant mortality grants.—The Administration budget proposes to provide grants to States for demonstration projects aimed at reducing the infant mortality rate in areas of high infant mortality. The demonstrations would be conducted under the Medicaid program, but would require coordination among the Medicaid, Maternal and Child Health (MCH), and Women, Infants, and Children (WIC) programs. Grant amounts would be $20 million for each of the fiscal years 1990 and 1991.

($20 million in FY 1990)

4. Elimination of special administrative matching rates.—The Administration budget proposes to eliminate special matching rates for administrative costs. Current law provides that State administrative costs are generally matched by the Federal Government at 50 percent. However, there are higher matching rates for some particular costs: mechanized claims processing (90 percent for development, 75 percent for operation); compensation and training of medical personnel (75 percent); family planning services (90 percent); and fraud control units (90 percent for first 3 years, 75 percent thereafter, but subject to a limit per year). The Administration budget proposes to match all these costs at 50 percent. The Budget revisions proposed by President Bush would phase out the enhanced matching, but no specific phase out was offered. The CBO estimate of this proposal does not include a phase out.

(-$310 million in FY 1990)

5. Effect of Medicare part B proposals.—The Administration proposes to retain the requirement that premiums cover 25 percent of Medicare part B outlays. Because States pay the part B premiums for low income Medicare beneficiaries under their Medicaid programs, the premium proposal will increase State and Federal Medicaid costs.

($29 million in FY 1990)

6. Child support enforcement.—The Administration budget proposes to require open enrollment in health insurance plans when child support is ordered, to allow States to enroll children in health insurance plans when the absent parent refuses, and to require orders for medical support in all mandatory child support enforcement cases.

(-$5 million in FY 1990)

Regulatory Proposals

1. Medically needy income level.—The Administration budget proposes to clarify the calculation of the income eligibility levels for a medically needy single person. Under current law, medically needy income levels cannot exceed 133 percent of the AFDC income eligibility level, but some States have based their medically needy level for a single person on the AFDC level for a family of two. The proposal would require those States to use the AFDC level for a single individual.

(-$45 million in FY 1990)

2. Limits on State use of voluntary contributions and provider taxes.—The Administration budget proposes to limit the use of donations and provider-specific taxes as the State share of Medicaid. However, no specifics of the proposal have been offered.

(-$65 million in FY 1990)

3. MMIS enhanced matching.—The Administration budget proposes to provide enhanced matching only for those subsystems of the Medicaid Management Information System that are required and approved by the Secretary. State initiated system changes would be matched at the regular 50 percent rate, rather than the 75 percent enhanced rate. This regulatory proposal will have no budget effect if the legislative proposal to eliminate all enhanced matching is enacted.

(-$20 million in FY 1990)

4. Ambulatory surgery, preadmission testing, and same day surgery.—The Administration budget proposes to require States to implement programs to promote ambulatory surgery, preadmission testing, and same day surgery.

(-$30 million in FY 1990)

5. Medical services provided in ICF/MR.—The Administration budget proposes to narrow the definition of medical services that will be covered by Medicaid when provided to residents of an intermediate care facility for the mentally retarded. Medicaid would cover only services that are otherwise covered as medical assistance, and not services of an educational or vocational nature.

(CBO estimates no savings, but HHS estimates -$5 million in FY 1990)

6. Child support enforcement.—The Administration budget proposes to encourage States to start collecting information on employment-based medical coverage in order to increase collections under third party liability rules.

(-$5 million in FY 1990)

MATERNAL AND CHILD HEALTH BLOCK GRANT

The Administration proposes to fund the Maternal and Child Health Block Grant at $554 million, the same level as was appropriated for fiscal year 1989 and $7 million below the authorized level of $561 million.

Chart 15.—INTEREST

[In billions]

	Fiscal year—		
	1990	1991	1992
A. Administration Budget:			
Gross interest:			
Interest on the public debt	248	252	247
Interest on tax refunds	2	2	2
Offsets:			
Interest paid to trust funds	–59	–69	–77
Interest on Federal Financing Bank loans	–13	–13	–13
Other offsetting interest	–7	–6	–5
Net interest	170	166	155
Federal Reserve deposits	–19	–19	–18
Budgetary impact of interest	151	147	136
B. CBO Baseline:			
Interest on the public debt	264	284	299
Net interest	182	193	199

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 change in interest rates would affect FY 1990 outlays in this category by about $11 billion.

The overall impact of interest on the budget deficit is offset by several factors shown on this chart. The largest offset is interest paid to trust funds. Since the income of trust funds is counted towards determining the "Gramm-Rudman- Hollings" deficit targets, 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 loans also offset a portion of interest on the public debt. In addition, the budgetary impact of interest is further reduced by the fact that a portion of outstanding Federal securities are held by Federal Reserve Banks. The bulk of the interest earned on those securities is deposited back to the Treasury by the Federal Reserve.

[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; CUSTOMS USER FEES: ADMINISTRATION PROPOSALS

[in millions]

	Fiscal year			Total
	1990	1991	1992	
End trade adjustment benefits...	–196	–259	–262	–717
Lower customs user fees...........	–197	*	*	*

* Not available.

Chart 16

Trade Adjustment; Customs User Fees: 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 available to approved firms technical assistance.

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. Thereafter, 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 six 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 1990 budget request, the Administration proposes that the entire TAA program be repealed, effective October 1, 1989. The Administration proposes to assist workers adversely affected by imports through the Economic Dislocation and Worker Adjustment Assistance program.

TRADE ADJUSTMENT

[Outlays in millions of dollars]

	Fiscal Year—				
	1986	1987	1988	1989	1990
Allowances	126.2	208.5	183.8	204.0	210.0
Training	23.5	31.5	35.1	80.0	71.3
Subtotal	149.7	240.0	218.9	284.0	281.3
Firms	16.5	15.8	13.2	5.8	0.0

TRADE ADJUSTMENT—Continued

[Outlays in millions of dollars]

	Fiscal Year—				
	1986	1987	1988	1989	1990
Total	166.2	255.8	232.1	289.8	281.3

Customs User Fees

The 1986 Budget Reconciliation Act established a customs merchandise user 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, among other things, extended the expiration date for the merchandise user fee for one additional year, until September 30, 1990 (at the 0.17 percent ad valorem rate), and modified the exemption for articles entering under former schedule 8 of the Tariff Schedules (now covered by of the Harmonized Tariff Schedule).

The President's budget projects increased receipts from the merchandise user fee in fiscal year 1990 with the current 0.17 percent ad valorem fee. However, the Administration will propose legislation in 1989 to make the merchandise user fee consistent with the General Agreement on Tariffs and Trade. The budget projects that, as a result of this legislative change, if adopted, $197 million less will be collected. The fee assessed on passengers and conveyances would be unaffected by the proposed legislation.

Chart 17.—TAX REVENUES UNDER PRESENT LAW

[In billions of dollars]

	Current Services		CBO Baseline	
	1990	1991	1990	1991
Individual Income	467	509	481	520
Corporate Income	119	130	112	120
Social Insurance	390	417	391	417
Excise Taxes	34	32	34	32
Other [1]	48	49	50	52
Total	1,058	1,137	1,069	1,140

[1] Includes estate and gift taxes, customs duties, and other 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 1990 budget proposals, total receipts would rise to $1,066 billion in 1990 and $1,148 in 1991. These proposals are listed in chart 17. For comparison, under President Reagan's 1990 budget recommendations, total receipts would have risen to $1,059 billion in 1990 and $1,141 billion in 1991.

Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS ON RECEIPTS

[In billions of dollars]

	1990	1991	1992
1. Child care credit [1]	–0.2	–1.9	–2.2
2. Adoption expenses	–*	–*	–*
3. Energy incentives	–0.3	–0.4	–0.4
4. Enterprise zones	–0.2	–0.2	–0.3
5. Capital Gains	4.8	4.9	3.5
6. Extend telephone tax [2]		1.6	2.6
7. Medicare coverage of State and local employees [2].	1.8	1.9	1.9
8. R&E allocation rules	–1.7	–0.7	–0.8
9. R&E tax credit	–0.4	–0.7	–1.0
10. IRS enforcement intiative	0.3	0.6	0.7
11. NRC and FEMA user fees	0.3	0.4	0.4
12. Aviation-related taxes [2]	0.9	1.6	1.7
13. Credit user fees	0.2	0.4	0.8
14. Service user fees	0.4	0.4	0.5
15. Outer Continental Shelf receipts	*	....	–0.1
16. Arctic National Wildlife Refuge	2.1	*	*
17. Chlorofluorocarbon production rights	0.4	1.4	0.6
18. Unassigned spectrum, FCC	2.3	1.1	....
19. Customs Service	–0.2	–0.2	–0.3
20. Other	–0.1	0.1	0.1
TOTAL	10.6	10.3	7.6

* $50 million or less.
[1] Includes the effect on outlays.
[2] Net of income tax offsets.

Chart 18

Description of Bush Administration Proposals on Receipts

1. Child Care Credit.—The Administration proposes establishing a new refundable child care tax credit of up to $1,000 for each child under age four for families with adjusted gross income up to $13,000; the income ceiling would be gradually raised up to $20,000 by 1994. The Administration proposal would also make the existing child and dependent care credit refundable.

2. Deduction for Special Needs Adoption.—The Administration proposes restoring a deduction of up to $3,000 for the expenses associated with adopting special needs children. The Tax Reform Act of 1986 replaced the old deduction for special needs adoptions with a federal/state matching grant program. Under the Administration's proposal, adoption expenses that are reimbursed under this adoption assistance outlay program would become taxable income.

3. Energy Tax Incentives.—The Administration makes four proposals to boost energy production: a tax credit of up to 10 percent for exploratory intangible drilling costs; a 10 percent tax credit for capital expenditures on new tertiary enhanced recovery projects; for percentage depletion, eliminating the transfer rule and increasing the net income limitation for independent producers; and eliminating 80 percent of the exploratory intangible drilling cost preferences of independent producers from the minimum tax.

4. Enterprise Zones.—The Administration proposes targeting new employment- and capital-based tax incentives to businesses that locate in designated enterprise zones. Under the Administration's proposal, up to 70 zones would be eligible for these tax benefits.

5. Capital Gains Tax Reduction.—The Administration proposes to allow individuals to exclude 45 percent of capital gains on qualified assets, generally corporate stock, principal residences and other non-depreciable assets. The maximum capital gains tax rate would not exceed 15 percent; certain taxpayers with adjusted gross incomes under $20,000 would be eligible for a 100 percent capital gains exclusion. The proposal would be effective for dispositions after June 30, 1989. The Administration also proposes that the holding period on long-term capital gains would be one year for assets sold between 1989 and 1992, two years for sales in 1993 and 1994 and three years for sales in 1995 and thereafter.

6. Telephone Excise Tax.—The Administration proposes making the current 3 percent federal excise tax on telephone service permanent. Under existing law, the excise tax is scheduled to expire at the end of 1990.

7. Extension of Medicare hospital insurance (HI) coverage to all State and local government employees.—The Administration proposes extending mandatory Medicare hospital insurance coverage to state and local employees hired on or before March 31, 1986. Employees hired after that date are covered under existing law.

8. Allocation of Research and Experimentation expenses.—The Administration proposes allowing companies to allocate at least 67 percent of total R&E expenditures to domestic source income. Under prior law, U.S. firms could allocate 64 percent of these expenses to U.S. source income; that formula generally expired on May 1, 1988. The Administration proposal would make the allocation rules permanent retroactive to May 1, 1988.

9. Research and Experimentation Tax Credit.—The Administration proposes making the existing 20 percent credit for qualified research expenses permanent, with technical modifications. The credit is presently scheduled to expire on December 31, 1989.

Under the Administration's proposal, only those expenses that exceed a fixed historical base (the firm's average R&E expenditures between 1983 and 1987) would be eligible for the credit. This new base would be indexed to the GNP. Also, an optional 7 percent credit would be available.

10. Internal Revenue Service Enforcement Initiative.—The Administration proposes increasing budget authority for the IRS by $289 million in 1990. The increased funding for enforcement activities is estimated to generate additional net receipts of $0.3 billion in 1990 and $0.6 billion in 1991.

11. Nuclear Regulatory Commission and Federal Emergency Management Agency User Fees.—The Administration proposes recovering 100 percent of the costs of the NRC and FEMA to regulate the nuclear power industry. Under existing law, 45 percent of the NRC's costs are recovered through a user fee. The changes would be effective October 1, 1989.

12. Aviation-Related Taxes.—Under existing law, the taxes that fund the airport and airway trust fund are to be reduced by 50 percent if the appropriations for 1988 and 1989 are less than 85 percent of authorizations for capital projects. The Administration proposes repealing this tax reduction "trigger."

13. Credit User Fees.—The Administration proposes increasing the fees for a variety of federal credit programs and activities.

14. Service User Fees.—The Administration proposes imposing a Coast Guard user fee on recreational boat owners and new user fees to enhance the consumer protections of the Food and Drug Administration.

15. Outer Continental Shelf Receipts.—The Administration recommends proceeding with several Outer Continental Shelf lease sales covered by leasing moratoria.

16. Arctic National Wildlife Refuge.—The Administration proposes sales of oil and gas leases in the Arctic National Wildlife Refuge.

17. Chlorofluorocarbon Production Rights.—The Administration proposes charging market value for the limited rights to produce chloroflurocarbons imposed under international agreement.

18. Federal Communications Commission Unassigned Spectrum.—The Administration proposes adopting a competitive bidding process for broadcasting licenses that provide exclusive use of unassigned spectrum.

19. Customs Service User Fee.—The Administration proposes modifications to the existing customs user fee to conform with the requirements of the General Agreement on Tariffs and Trade (GATT).

20. Miscellaneous Receipts Proposals.—The Administration makes several miscellaneous proposals affecting receipts, which include eliminating the Superfund petroleum tax differential on imports, extending the customs processing fee, charging a user fee for taxpayer telephone services, exempting Amtrak from the full railroad unemployment tax rate, increasing employer contributions to the Civil Service Retirement System and initiating Federal Marine Fishing licenses and fees.

CHART 19.—TAX EXPENDITURES

[In billions of dollars]

	Outlay equivalent		Revenue loss	
	1989	1990	1989	1990
National defense	2.2	2.3	1.9	2.0
International affairs	7.0	7.5	4.8	5.1
General science, space, and technology	2.5	2.7	2.2	2.3
Energy	1.3	1.5	0.9	1.1
Natural resources and environment	3.2	3.4	2.5	2.6
Agriculture	0.8	0.6	0.8	0.6
Commerce and housing	155.8	163.8	122.6	130.7
Transportation	0.2	0.1	0.1	0.1
Community and regional development	1.8	2.2	1.3	1.5
Education, training, employment and social services	20.4	21.3	18.5	19.4
Health	47.4	51.0	39.3	42.3
Income security	84.9	91.4	65.8	70.8
Social security	17.4	18.2	17.4	18.2
Veterans benefits and services	1.9	2.0	1.8	1.9
General government	35.5	37.7	29.4	31.5
Interest	0.9	1.0	0.9	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.

Chart 20.— DEBT LIMIT

[In trillions of dollars]

Fiscal 1990 Debt Limit:	
Current debt limit	2.800
Administration estimate of debt subject to limit on September 30, 1989	2.845
Plus:	
Federal funds deficit for fiscal 1990	0.241
Other transactions [1]	–0.002
Equals:	
Debt subject to limit on September 30, 1990	3.084

[1] For example, increase or decrease in cash balances, "profit" on coinage, increase or decrease in certain debt holding 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 $2.8 trillion was established by Public Law 100-119, which was enacted on September 29, 1987. 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 Reagan indicates a debt level of $2.845 trillion by September 30, 1990. This would indicate a need for legislation raising the debt ceiling near the end of the current fiscal year.

The annual increase in the amount of debt subject to limit corresponds closely to the Federal funds deficit, that is the deficit in that part of the Federal Government which is financed by general revenues rather than through trust fund operations. (Trust fund surpluses do not lower the total borrowing needs of the Government; they simply allow the Government to meet those needs by borrowing from the trust funds rather than from the general public.)

Projected Debt Subject to Limit

[In trillions of dollars]

	CBO Baseline	Administration budget
End of fiscal year:		
1990	3.108	3.083
1991	3.382	3.309
1992	3.665	3.506

APPENDIX A

Committee on Finance Reports to the Budget Committee with Respect to Fiscal Years 1988 and 1989

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, February 25, 1987

Hon. Lawton Chiles,
Chairman, Committee on the Budget,
U.S. Senate Washington DC

DEAR MR. CHAIRMAN:

This letter transmits the views and estimates of the Committee on Finance with respect to those elements dealt with in the Congressional Budget which fall within its jurisdiction. This constitutes the report of the Committee as provided for in section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended.

Overall budgetary situation.—Under the Balanced Budget and Emergency Deficit Control Act of 1985, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1991. The projections of the Congressional Budget Office indicate that the President's budget proposals fall far short of meeting the fiscal year 1988 deficit target. Given this situation, the Committee believes that this year's annual report to the Budget Committee would not be helpful to your deliberations if it proceeded from the narrow context of the specific proposals and amounts contained in the OMB budget documents. Instead the Committee would like to share with the Budget Committee its views and estimates on the broader budgetary issues as they appear to the Committee on Finance at this time. We hope these comments will be helpful to the Budget Committee as it determines its recommendations to the Senate as to the deficit reduction objectives to be assigned by the budget resolution to the Committees of the Senate.

Importance of reducing the deficit.—The Finance Committee is responsible for legislation which provides funding for the government through the imposition of taxes and through borrowing from the public. For this reason, the Committee is keenly aware of the importance of bringing under control the unacceptable levels of deficit financing which have prevailed in recent years. In the absence of serious deficit reduction, the statutory debt limit will have to be raised above $3 trillion by the end of the 3-year period covered by this letter. The Committee believes it is essential to deal seriously and promptly with this situation. Accordingly, the Committee looks forward to working with the Budget Committee in developing and implementing a realistic, balanced, and serious Congressional budget plan for substantially reducing the deficit in the coming fiscal years. As it has consistently done since the adoption of the Congressional Budget Act over ten years ago, the Committee

94-563 - 0 - 89 - 4

on Finance intends to take seriously its obligations to respond to the directives of the Congress pursuant to the concurrent resolution on the budget. The Committee does, of course, reserve the right to determine how it will within the matters under its jurisdiction arrive at the necessary legislative recommendations to carry out the budgetary objectives of the budget resolution.

General comments on Finance Committee expenditure programs.—The Committee on Finance recognizes that each of the Committees of the Senate has jurisdiction over programs which meet important national needs. Deficit reduction is a matter of high priority, but government does have a responsibility to develop and maintain adequate resources to meet its obligation to provide essential services in a number of areas. In developing the budget resolution, the Congress will have to seek deficit reduction without abandoning fundamental responsibilities and in a manner which provides a reasonable balance among the priorities served by the different jurisdictions of committees.

In the case of the Finance Committee, the greatest part of the Committee's authorizing and spending jurisdiction involves expenditures which are either vital to the maintenance of the national revenue collecting capacity or involve basic income and health support systems which are essential to the economic and physical well being of individuals. Over the past several years, the Committee has examined and reexamined these programs. Administrative reforms have been enacted; in some cases new and more effective financial structures have been implemented; changes in programs have been made to eliminate certain lower priority or less targeted benefits. While it may be a truism that ways to economize can always be found, there is also a law of diminishing returns. At some point significant additional savings can be generated only if Congress determines that it is necessary to reduce the basic levels of protection afforded by these programs.

Social security.—By law, the social security cash benefits programs (Old-age, survivors, and disability insurance) are excluded from the Federal budget and social security provisions are not permitted to appear in budget reconciliation bills. This reflects the fact that the social security program is a self-contained, self-financing system. It has been the judgment of the Congress that it is inappropriate to make reductions in this program solely to achieve general budgetary objectives. Through the year 2000 (and beyond), this program will in fact show a significant annual surplus which will substantially reduce the overall budget deficit as measured for purposes of the current law deficit targets. Without counting social security, the fiscal year 1988 deficit would be increased by some $40 billion.

Other income security programs.—Also in the Finance Committee's jurisdiction are such programs as unemployment compensation, aid to families with dependent children, child support, and trade adjustment assistance. The major part of the unemployment compensation program—although on the Federal budget—is financed from State imposed payroll taxes and controlled by State-enacted and administered benefit provisions. Both the Administration and the Committee will be addressing the question of how our welfare system should be structured to improve the well-being of families with children. In addition, the Administration has proposed a new initiative in worker adjustment assistance. The nature of all of these initiatives has not yet been determined, but the Committee expects that any additional costs can be offset in these or other areas so as to avoid any negative budgetary impact.

Health programs.—The major area of Finance Committee deficit reduction proposed in the President's budget involves the health programs of Medicare and Medicaid. The Committee has not yet had the opportunity to give all of these proposals the careful scrutiny that would be appropriate before endorsing or rejecting them on the merits. In general, however, the Committee notes that of the total $6.4 billion in proposed deficit reduction, about $1.5 billion would be achieved by requiring State governments to assume costs which are now Federally financed. $ 350 million represents a direct increase in beneficiary costs. A substantial part of the remaining expenditure is, at least nominally, achieved by reducing reimbursement to providers. The Committee recognizes and shares the concern over the growth which has taken place in health program costs. The Committee intends to give careful consideration to proposals which have been made to constrain these costs and does expect to be able to achieve additional savings. At the same time, the Committee believes that, in establishing expected savings for the program in the budget resolution, Congress must consciously consider the extent to which such savings will come from cost shifting rather than cost constraint. Even measures to constrain provider reimbursement are likely, at least at some level, to be translated into reduced services or cost shifting to beneficiaries or other consumers.

The Committee plans to undertake several legislative initiatives relating to health care. Specifically, the Committee expects to act on legislation to provide additional financial protections for individuals and families that experience catastrophic costs associated with prolonged illness. The Committee also expects to continue its ongoing efforts to expand access to services for low income infants and children. Finally, the Committee has undertaken a series of hearings on the issue of long term care and access to care. While the precise nature of a long term care initiative has not been determined, it is likely that the Committee will develop legislation aimed at improving the quality of care provided in institutional settings.

Recognizing the magnitude of the current Federal deficit, the Committee expects to be able to accomplish these initiatives in a way that will not require major new Federal expenditures without corresponding budgetary offsets.

Customs service.—In prior years, the Administration proposed that it be authorized to establish a customs user fee to cover the costs incurred by the Customs Service in the processing of imports. In its current budget, the Administration proposes an expansion and extension of these fees which were enacted by the Congress last year. While imposing customs user fees may have the effect of reducing the deficit, the fees' main purpose is to offset the costs of administering the commercial operations of the Customs Service. The Committee remains concerned that the Customs Service provide a high level of service for commercial operations as well as for drug enforcement.

In an attempt to assure that these fees would not, in effect, be simply swallowed up in the general budget, the legislation last year established a special account in such a way that these funds should have been accounted as offsetting receipts (as they were proposed to be in prior Administration budgets). The Committee has some concern that the technical accounting adopted by the Congressional Budget Office does not treat these fees as offsetting receipts contrary to the clear legislative history, and this could raise some question as to whether the intent of last year's legislation that the fees be devoted to providing for the commercial operations of the Customs Service is being followed even with respect to the current-law level of fees. Any consideration of proposals to expand the fees would certainly require a careful examination of this matter.

Revenues.—The President's budget proposes approximately $6 billion in new revenues within the jurisdiction of the Finance Committee. The new revenues would be achieved through a variety of miscellaneous changes in highway taxes, social security taxes, Medicare taxes, and similar revenue sources.

More study will be needed before the Committee is prepared to take a position on the merits of the Administration's proposals, or on the merits of alternative proposals. However, concern has been expressed on the Committee that increasing dedicated taxes and user fees to reduce the deficit, without relation to the needs of the programs funded by such taxes, threatens the basic policy behind user-funded programs.

In addition, the Committee wishes to note that the sweeping income tax reform legislation enacted last year has just begun to go into effect. One of the important goals of that legislation was to establish stability in the income tax laws. Accordingly, the Committee would be reluctant to revisit the basic policy decisions underlying the Tax Reform Act of 1986 as part of this year's budget process.

As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other Committees of the Senate. We must emphasize, however, that 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 a specific set of options.

Interest—The interest function in the budget includes interest on the public debt, interest payments on certain tax refunds, and offsetting interest receipts. The greatest part of this expenditure item relates to accumulated deficits although the amount is also affected by interest rates, and to a lesser extent, by the current year budget deficit. Although this expenditure item falls within the general legislative jurisdiction of the Committee on Finance, it is affected by the total level of governmental spending.

Public Debt Limit.—The debt limit under existing law is temporarily set a $2.3 trillion. As of May 15, this statutory limit will automatically revert to a level of $2.111 trillion which is below the current level of outstanding debt subject to the limit. The level of debt continues to mount at a serious rate. The Congressional Budget Office baseline projections would indicate a debt level in excess of $3 trillion by the end of the 3-year period covered by this report (i.e. by the end of fiscal 1990). The Administration budget projects a $220 billion increase in debt during fiscal 1988. As with interest, this budgetary item falls within the legislative jurisdiction of the Committee on Finance but is actually controlled by the overall general governmental budget.

Sincerely,

LLOYD BENTSEN, *Chairman*

U.S. Senate,
Committee on Finance,
March 25, 1988

Hon. Lawton Chiles,
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 Fiscal Year 1989 budget.

Sincerely,

Lloyd Bentsen, *Chairman*

March 25, 1988

Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Year 1989

Overall budgetary situation.—Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1989 projects a deficit which meets the target. Even without additional legislation, the current services projections in the President's budget indicate a FY 1989 deficit which is within the tolerance required to avoid a sequestration.

The Committee recognizes that other estimates, and specifically those of the Congressional Budget Office, project deficits which fall short of meeting the statutory targets. As the Committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years.

It is clear, however, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration.

Last year's budget agreement is an important milestone in the search for a partnership between the Administration and the Congress in addressing the deficit. It is clear that further efforts of this nature will be required in coming years to bring the income and outgo of the Government back into balance. For the current year, however, the Committee feels that it would be appropriate to accept the view that last year's budget agreement was a 2-year undertaking and to establish the budgetary plan for this year in a manner which requires as little deviation from that 2-year agreement as possible.

At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high priority needs of the nation and that there remains some unfinished business on the agenda of the 100th Congress which will need to be accommodated within this year's budget plan. The Finance Committee expects that it will be possible to deal with such matters in a manner which is consistent with the budget agreement.

Tax proposals.—The Committee strongly believes that the budget resolution should assume no net increase or decrease in revenues. Last year's budget agreement required the tax- writing committees to raise $23 billion in new revenues for the 2-year period. Both the Office of Management and Budget and the Congressional Budget Office currently forecast that that target will be fully met as a result of last year's budget reconciliation legislation. Accordingly, in the Committee's judgment, a further net increase in revenues for fiscal year 1989 would be contrary to the budget agreement.

Medicare.—The Committee notes that the Medicare program has over the past several years borne much of the burden of outlay reduction. While that program does represent a major element of

Federal spending, it cannot continue indefinitely to absorb cutbacks without damaging the health care system in ways which will ultimately be harmful to the Nation. The Committee will of course continue to carefully review this program to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly recommends, however, that the Congressional budget for fiscal year 1989 not be based on any assumption of further cutbacks in this program.

Medicaid.—The Medicaid program is one of the highest priority areas for Congressional support. The Committee believes that legislative initiatives in this area undertaken last year should be completed before the end of the current Congress. Last year's budget assumed legislation in such important areas as spousal impoverishment and increased coverage for children and pregnant women which would increase Federal Medicaid expenditures by $600 million. Legislation enacted last year utilized only about $50 million of this total. We recognize that in the current budgetary situation it may not be possible to accommodate the full amount which was not used last year. However, we recommend that the Budget Committee leave room in the budget resolution it proposes to the Senate for at least $450 million in fiscal year 1989 so that Congress can complete action on these already planned Medicaid initiatives.

The Committee notes that the Administration is implementing a number of regulatory changes affecting the Medicaid program. In view of concerns which have been raised about some of these policy changes, it would be unwise at this time to assume that the projected savings from them will actually materialize.

Welfare reform.—The Committee expects to complete action on legislation to restructure the welfare program in a manner designed to better help recipients attain self- sufficiency through employment, education, and training and through more effective collection of child support payments. The President's budget includes net funding for such a program at a level of $168 million for fiscal year 1989. This projection is based on a somewhat unrealistic baseline estimate of the Work Incentive (WIN) program. Adjusting for that underestimate of WIN requirements would yield a net cost of approximately $200 million for welfare reform. The Committee believes that an amount of this magnitude (adjusted as appropriate for differences in estimating methodologies) would be an appropriate allowance in the Congressional budget for the phase out of WIN and the implementation of a new welfare system during fiscal year 1989. To the extent that the Committee recommends legislation which exceeds the baseline costs, it will attempt to provide appropriate budgetary offsets. The Committee notes that the amount allowed in the budget for welfare reform should be included in the Finance Committee's allocations under section 302(a) of the Budget Act.

Other Finance Committee programs.—In general, the Committee recommends that the Budget Resolution be based on an assumption that the other programs in its jurisdiction be continued without substantive change. Two exceptions to this general rule should be noted. We recommend that the Budget Resolution accommodate a Trade Adjustment Assistance program along the lines of the Trade bill as passed by the Senate. This measure is currently pending in conference. In addition, by apparent inadvertence, the continuing resolution for fiscal year 1988 failed to fully fund the entitlement of the States under the social services block grant program. There is some question as to whether the Appropriations Committees will be able to find a mechanism to rectify this problem in the fiscal year 1988 appropriations. If not, allowance for this $50 million should be included in the fiscal year 1989 budget so that this statutory commitment can be honored. With respect to funding for the operations of the Customs Service, the Committee recommends that the budget resolution assume sufficient funding to assure at least a continuation of current levels of service.

Public Debt Limit.—The debt limit under existing law is set at $2.8 trillion. Current budget estimates project a level of debt as of the end of fiscal 1989 which is quite close to this existing limit . The Finance Committee, therefore, recommends that the Budget Resolution assume a continuation of the current $2.8 trillion level. This will avoid the triggering of new debt limit legislation when it is clear that such legislation will not be needed for the remainder of this calendar year and may not be needed until the end of the next calendar year.

As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other Committees of the Senate. We must emphasize, however, that 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) The term "budget authority" means authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds or to collect offsetting receipts, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

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

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

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

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

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

(6) The term "deficit" means, with respect to any fiscal year, the amount by which total budget outlays for such fiscal year exceed total revenues for such fiscal year. In calculating the deficit for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985 and in calculating the excess deficit for purposes of sections 251 and 252 of such Act (notwithstanding section 710(a) of the Social Security Act), for any fiscal year, the receipts of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for such fiscal year and the taxes payable under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 during such fiscal year shall be included in total revenues for such fiscal year, and the disbursements of each such Trust Fund for such fiscal year shall be included in total budget outlays for such fiscal year. Notwithstanding any other provision of law except to the extent provided by section 710(a) of the Social Security Act, the receipts, revenues, disbursements,

budget authority, and outlays of each off-budget Federal entity for a fiscal year shall be included in total budget authority, total budget outlays, and total revenues and the amounts of budget authority and outlays set forth for each major functional category, for such fiscal year. Amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by a department, agency or instrumentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.[1]

[Section 3(7) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(A) as amended by P.L. 100-119.]

(7) The term "maximum deficit amount" means—

(A) with respect to the fiscal year beginning October 1, 1985, $171,900,000,000;

(B) with respect to the fiscal year beginning October 1, 1986, $144,000,000,000;

(C) with respect to the fiscal year beginning October 1, 1987, $144,000,000,000;

(D) with respect to the fiscal year beginning October 1, 1988, $136,000,000,000;

(E) with respect to the fiscal year beginning October 1, 1989, $100,000,000,000;

(F) with respect to the fiscal year beginning October 1, 1990, $64,000,000,000;

(G) with respect to the fiscal year beginning October 1, 1991, $28,000,000,000; and

(H) with respect to the fiscal year beginning October 1, 1992, zero.

(8) The term "off-budget Federal entity" means any entity (other than a privately owned Government-sponsored entity)—

(A) which is established by Federal law, and

(B) the receipts and disbursements of which are required by law to be excluded from the totals of—

(i) the budget of the United States Government submitted by the President pursuant to section 1105 of title 31, United States Code, or

(ii) the budget adopted by the Congress pursuant to title III of this Act.

(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.

[Public Law 95-110, 91 Stat. 884, September 20, 1977, An Act to Abolish the Joint Committee on Atomic Energy, repealed section 3(b).]

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

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

On or before:	Action to be completed:
First Monday after January 3	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); and

(5) the public debt.[1]

[1] See Rule XLIX of the Rules of the House of Representatives as it pertains to the statutory limit on the public debt in the House of Representatives, p. 50.

(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); and

(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.

(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.—On or before February 25 of each year, each committee of the House of Representatives having legislative jurisdiction shall submit to the Committee on the Budget of the House and each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters set forth in subsections (a) and (b) which relate to matters within the jurisdiction or functions of such committee. The Joint Economic Committee shall submit to the Committees on the Budget of both Houses its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House of Representatives or the Senate may submit to the Committee on the Budget of its House, and any joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsections (a) and (b) which relate to matters within its jurisdiction or functions.

(e) HEARINGS AND REPORT.—In developing the concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the Committee deems desirable. Each of the recommendations as to short-term and medium-term 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 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.

[Section 301(i) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]

(i) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—

(1)(A) Except as provided in paragraph (2), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, 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 such 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 3(7), 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 year as determined under section 3(7).

(B) In the House of Representatives the point of order established under subparagraph (A) with respect to the consideration of a conference report or with respect to the consideration of a motion to concur, with or without an amendment or amendments, in a Senate amendment, the stage of disagreement having been reached, may be waived only by a vote of three-fifths of the Members present and voting, a quorum being present.

(2) (A) Paragraph (1) of this subsection shall not apply if a declaration of war by the Congress is in effect.

(B) Paragraph (1) shall not apply to the consideration of any concurrent resolution on the budget for fiscal year 1988 or fiscal year 1989, or amendment thereto or conference report thereon, if such concurrent resolution or conference report provides, or in the case of an amendment if the concurrent resolution as changed by the adoption of such amendment would provide for deficit reduction from a budget baseline estimate as specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year (based on laws in effect on January 1 of the calendar year during which the fiscal year begins) equal to or greater than the maximum amount of unachieved deficit reduction for such fiscal year as specified in section 251(a)(3)(A) of such Act.

(C) For purposes of the application of subparagraph (B), the amount of deficit reduction for a fiscal year provided for in a concurrent resolution, or amendment thereto or conference report thereon, 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.

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, total entitlement authority, and total credit authority among each committee of

the House of Representatives which has jurisdiction over laws, bills, and resolutions providing such new budget authority, such entitlement authority, or such credit authority. The allocation shall, for each committee, divide new budget authority, entitlement authority, and credit 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 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 total budget outlays, total new budget authority and new credit authority among each committee of the House of Representatives and the Senate which has jurisdiciton 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, new budget authority, and new credit 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 or resolution, or amendment thereto, providing—

(1) new budget authority for a fiscal year;

(2) new spending authority as described in section 401(c)(2) for a fiscal year; or

(3) new credit authority 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 subdivision 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, resolution, or amendment providing new budget authority for such fiscal year, new entitlement authority effective during such fiscal year, or new credit authority for such fiscal year, or any conference report on any such bill or 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, new entitlement authority, or new credit 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 or resolution (including a conference report thereon), or any amendment to a bill or resolution, that provides for budget outlays or new budget authority in excess of the appropriate allocation 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.

(g) DETERMINATIONS BY BUDGET COMMITTEES.—For purposes of this section, the levels of new budget authority, spending authority as described in section 401(c)(2), outlays and new credit authority for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of 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 or resolution (or amendment thereto) 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; or

(5) new credit authority for fiscal year,

until the concurrent resolution on the budget for such fiscal year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) 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.

(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 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.

[Section 304(b) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]

(b) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—The provisions of section 301(i) 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 section 301(i) (and amendments thereto and conference reports thereon).

(c) 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 dis-

agreed 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 majority and minority parties, plus such additional hours of debate as are consumed pursuant to paragraph (3). A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the House, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Only if a concurrent resolution on the budget reported by the Committee on the Budget of the House sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Full Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be considered for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(6) Debate in the House of Representatives on the conference report on any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.

(7) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the pro-

cedure 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) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturday, Sundays, and legal holidays) following the day on which such conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

(2) During the consideration in the Senate of the conference report 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 shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(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) REQUIRED ACTION BY CONFERENCE COMMITTEE.—If at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, 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, the report accompanying that bill or resolution shall contain a statement, or the committee shall make available such a state-

ment 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;

(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 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, 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 a fiscal year. 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 such fiscal year.

(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.

ie chairman of the Committee on the Budget of the House of ·presentatives 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 rector of the Congressional Budget Office shall issue a report ojecting for the period of 5 fiscal years beginning with such fiscal ar—

(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 consider any resolution providing for an adjournment period of ore than three calendar days during the month of July until the ouse of Representatives has approved annual appropriation bills oviding new budget authority under the jurisdiction of all the bcommittees of the Committee on Appropriations for the fiscal ar beginning on October 1 of such year. For purposes of this secon, the chairman of the Committee on Appropriations of the ouse of Representatives shall periodically advise the Speaker as 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 e budget for any fiscal year to the extent necessary to effectuate e provisions and requirements of such resolution, shall—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years;

(C) new entitlement authority which is to become effective during such fiscal year; and

(D) credit authority for such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amounts by which the statutory limit on the public debt is to be changed and direct the committee having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

(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.—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—

(1) if—

(A) 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

(B) 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

(2) 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.

(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 to 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.—

(1) IN GENERAL.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (b) not later than June 15 of each year.

(2) POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.—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 provisions 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 resolution pursuant to section 254(b) 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, resolution, or amendment providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, or 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 cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution or, in the Senate, would otherwise result in a deficit for such fiscal year that—

(A) for fiscal year 1989 or any subsequent fiscal year, exceeds the maximum deficit amount specified for such fiscal year in section 3(7); and

(B) for fiscal year 1988 or 1989, exceeds the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on January 1 of the calendar year in which such fiscal year begins as measured using the budget baseline specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 minus $23,000,000,000 for fiscal year 1988 or $36,000,000,000 for fiscal year 1989;

except to the extent that paragraph (1) of section 301(i) or section 304(b), as the case may be, does not apply by reason of paragraph (2) of such subsection.[1]

(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.

[1] The portion of section 311(a) that begins with "or, in the Senate" and ends with "paragraph (2) of such subsection)" expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.

94-563 - 0 - 89 - 5

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, resolution, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2) (A) or (B) (or any amendment which provides such new spending authority), 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 or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) 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 in which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

(D) to 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, resolution, or conference report, as reported to its House, or any amendment 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.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of the Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

STUDY BY THE GENERAL ACCOUNTING OFFICE OF FORMS OF FEDERAL FINANCIAL COMMITMENT THAT ARE NOT REVIEWED ANNUALLY BY CONGRESS

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate form of financing for activities or programs financed by such provisions not later than eighteen months after the effective date of this section. Such report shall be revised from time to time.

OFF-BUDGET AGENCIES, PROGRAMS, AND ACTIVITIES

SEC. 406. (a) Notwithstanding any other provision of law, budget authority, credit authority, and estimates of outlays and receipts for activities of the Federal budget which are off-budget immediately prior to the date of enactment of this section, not including activities of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, shall be included in a budget submitted pursuant to section 1105 of title 31, United States Code, and in a concurrent resolution on the budget reported pursuant to section 301 or section 304 of this Act and shall be considered, for purposes of this Act, budget authority, outlays, and spending authority in accordance with definitions set forth in this Act.

(b) All receipts and disbursements of the Federal Financing Bank with respect to any obligations which are issued, sold, or guaranteed by a Federal agency shall be treated as a means of financing such agency for purposes of section 1105 of title 31, United States Code, and for purposes of this Act.

MEMBER USER GROUP

SEC. 407. The Speaker of the House of Representatives, after consulting with the Minority Leader of the House, may appoint a Member User Group for the purpose of reviewing budgetary scorekeeping rules and practices of the House and advising the Speaker from time to time on the effect and impact of such rules and practices.

APPENDIX C

Budget Act Points of Order in the Senate

BUDGET ACT POINTS OF ORDER IN THE SENATE

Section	Description	Waiver requirement	Application
301(i)	Prohibits consideration of budget resolution, amendments thereto, or conference report thereon, that contains deficit in excess of maximum deficit amount. (also applies to revised budget resolution via sec. 304(b)).	Three-fifths	Budget resolution. Amendments. Conference report.
302(c)	Prohibits consideration of a committee's legislation until that committee has filed its sec. 302(b) report.	Three-fifths	Bill. Resolution. Amendments.
302(f)(2)	Prohibits consideration of legislation providing budget authority or outlays in excess of committee's sec. 302(b) report.	Three-fifths	Bill. Resolution. Amendments. Conference report.
303(a)	Prohibits legislation providing new budget authority, change in revenues, change in public debt, new entitlement authority, or new credit authority for a fiscal year until the budget resolution for that year has been agreed to.	Majority	Bill. Resolution. Amendments. Conference report (by precedent of Apr. 10, 1978).
304(b)	See section 301(i)	Three-fifths	Revised Budget Resolution. Amendments. Conference report.
305(b)(2)	Prohibits nongermane amendments to budget resolution (also applies to reconciliation bills via sec. 310(e)(1)).	Three-fifths	Amendments.
305(e)	Prohibits consideration of budget resolution, or conference report thereon, that is not mathematically consistent.	Majority	Budget resolution. Conference report.
306	Prohibits consideration of legislation within Budget Committee's jurisdiction, unless the Budget Committee reported it.	Three-fifths	Bill. Resolution. Amendments.
310(d)(2)	Prohibits amendments to reconciliation bills that are not deficit neutral.	Three-fifths	Amendments.
310(e)(1)	See section 305(b)(2)	Three-fifths	Amendments.
310(g)	Prohibits consideration of reconciliation legislation that recommends changes in social security.	Three-fifths	Bill. Resolution. Amendments. Conference report.
311(a)	Prohibits consideration of legislation that would exceed outlay ceiling or revenue floor, or would cause deficit to exceed maximum deficit amount.	Three-fifths	Bill. Resolution. Amendments. Conference report.

94-563 - 0 - 89 - 6

Section	Description	Waiver requirement	Application
401(a)	Prohibits consideration of legislation providing new contract authority or new borrowing authority that is not limited to appropriations.	Majority	Bill. Resolution. Amendments. Conference report.
401(b)(1)	Prohibits consideration of legislation providing new entitlement authority that becomes effective during the fiscal year that ends in the calendar year in which the bill is reported.	Majority	Bill. Resolution. Amendments.
402	Prohibits consideration of legislation providing new credit authority that is not limited to appropriations.	Majority	Bill. Resolution. Amendments. Conference report.

APPENDIX D

Tax Expenditures by Function (Excerpt From Special Analysis G of the Budget of the United States Government for Fiscal Year 1990)

Table G–1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
National defense:						
Exclusion of benefits and allowances to armed forces personnel	2,210	2,215	2,300	1,890	1,900	1,975
International affairs:						
Exclusion of income earned abroad by United States citizens	1,665	1,785	1,910	1,220	1,305	1,395
Exclusion of income of foreign sales corporations (FSC)	730	645	690	460	425	455
Inventory property sales source rules exception	4,130	4,415	4,725	2,625	2,915	3,120
Certain nonfinancial institutions operations interest allocation rules exception	60	95	100	40	60	65
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	110	100	105	110	100	105
Post-1982 budget method	....	....	....	....	....	....
General science, space, and technology:						
Expensing of research and development expenditures:						
Pre-1983 budget method	865	1,190	1,285	865	1,190	1,285
Post-1982 budget method	....	....	....	....	....	....
Credit for increasing research activities	1,240	1,340	1,445	900	970	1,045
Suspension of the allocation of research and experimentation expenditures	320	....	....	210	....	....
Energy:						
Expensing of exploration and development costs:						
Oil and gas	−385	−15	150	−385	−15	150
Other fuels	35	35	35	35	35	35
Excess of percentage over cost depletion:						
Oil and gas	680	490	480	450	345	350
Other fuels	215	210	220	135	135	145
Capital gains treatment of royalties on coal	*	....	....	*	....	....
Exclusion of interest on State and local industrial development bonds for certain energy facilities	385	400	410	290	280	285
Alternative, conservation and new technology credits:						
Supply incentives	95	35	20	80	30	20
Conservation incentives	−*	−*	....	−*	−*	....
Alternative fuel production credit	15	15	15	10	10	10
Alcohol fuel credit [1]	10	10	10	5	5	5
Energy credit for intercity buses	−*	−*	−*	−*	−*	−*
Special rules for mining reclamation reserves	45	45	50	45	45	50
Exception from passive loss limitation for working interests in oil and gas properties	75	70	75	55	55	60
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	35	40	40	35	40	40
Excess of percentage over cost depletion, nonfuel minerals	330	315	330	230	235	250
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	2,150	2,215	2,305	1,635	1,555	1,620
Tax incentives for preservation of historic structures	150	140	135	150	140	135
Capital gains treatment of iron ore	*	....	....	*	....	....

Table G–1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
Capital gains treatment of certain timber income	*	....	....	*	....	....
Expensing of multiperiod timber growing costs	270	310	360	270	310	360
Investment credit and seven-year amortization for reforestation expenditures	210	210	215	205	205	205
Agriculture:						
Expensing of certain capital outlays	525	505	495	525	505	495
Expensing of certain multiperiod production costs	5	85	180	5	85	180
Treatment of loans forgiven solvent farmers as if insolvent	10	10	10	10	10	10
Capital gains treatment of certain income	*	....	....	*	....	....
Deferral of drought-related payments	....	190	-125	....	190	-125
Commerce and housing credit:						
Exemption of credit union income	275	295	315	190	200	215
Excess bad debt reserves of financial institutions	120	65	35	80	45	25
Special merger rules for financial institutions	1,225	2,145	2,320	885	1,555	1,680
Exclusion of interest on life insurance savings	7,260	7,940	8,740	5,410	5,560	5,115
Special alternative tax on small property and casualty insurance companies	85	120	120	65	70	70
Tax exemption of certain insurance companies	20	25	25	15	15	15
Small property and casualty insurance company deduction	20	45	40	15	35	25
Small life insurance company deduction	80	85	85	55	60	60
Exemption of RIC expenses from miscellaneous deduction floor	285	345	415	220	260	315
Deductibility of interest on consumer credit	6,530	3,280	1,740	6,530	3,280	1,740
Exclusion of interest on small issue industrial development bonds	3,435	3,475	3,335	2,705	2,510	2,405
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	2,375	2,360	2,230	1,765	1,640	1,570
Exclusion of interest on State and local debt for rental housing	1,650	1,630	1,720	1,235	1,135	1,180
Deductibility of mortgage interest on owner-occupied homes	33,675	32,180	35,110	33,675	32,180	35,110
Deductibility of property tax on owner-occupied homes	10,100	10,410	11,765	10,100	10,410	11,765
Deferral of income from post 1987 installment sales	260	670	735	260	670	735
Capital gains (other than agriculture, timber, iron ore and coal):						
Pre-1983 budget method	265	....	....	210	....	....
Post-1982 budget method	....	....	....	....	....	....
Deferral of capital gains on home sales	3,700	3,910	4,110	3,700	3,910	4,110
Exclusion of capital gains on home sales for persons age 55 and over	3,835	4,195	4,250	2,940	3,190	3,230
Carryover basis of capital gains at death	16,030	17,310	18,695	11,540	12,465	13,460
Carryover basis of capital gains on gifts	70	75	85	70	75	85
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	11,785	8,355	5,255	9,150	6,530	4,305
Accelerated depreciation on rental housing:						
Pre-1983 budget method	440	540	660	300	370	460
Post-1982 budget method	....	....	....	....	....	....

Table G–1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years: Outlay Equivalent 1988	Outlay Equivalent 1989	Outlay Equivalent 1990	Revenue Loss 1988	Revenue Loss 1989	Revenue Loss 1990
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	510	620	780	350	420	530
Post-1982 budget method	....	....	....	....	....	....
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	35,000	48,300	53,300	23,700	30,600	35,900
Post-1982 budget method	....	....	....	....	....	....
Safe harbor leasing rules	660	535	480	690	550	490
Amortization of start-up costs	245	230	245	185	170	180
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	4,200	4,470	5,275	2,815	2,855	3,410
Post-1982 budget method	....	....	....	....	....	....
Exception from the passive loss rules for $25,000 of rental losses	1,480	1,370	1,535	1,145	1,060	1,190
Treatment of Alaska Native Corporations	400	700	240	400	700	240
Permanent exceptions from imputed interest rules	175	140	160	130	110	125
Transportation:						
Deferral of tax on shipping companies	115	120	125	115	120	125
Exclusion of interest on State and local government bonds for mass commuting vehicles	50	40	20	10	*	*
Community and regional development:						
Five-year amortization for housing rehabilitation	45	40	40	45	40	40
Credit for low-income housing investments	260	650	1,050	160	390	635
Investment credit for rehabilitation of structures (other than historic)	165	130	115	165	130	115
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	960	1,000	1,040	725	695	720
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method	625	685	720	570	625	720
Post-1982 budget method	....	....	....	....	....	....
Exclusion of interest on State and local student loan bonds	385	390	405	355	330	345
Exclusion of interest on State and local debt for private nonprofit educational facilities	320	315	330	250	225	235
Parental personal exemption for students age 19 or over	460	435	450	415	395	405
Exclusion of interest on savings bonds transferred to educational institutions	....	....	20	....	....	15
Deductibility of charitable contributions (education)	1,730	1,700	1,815	1,565	1,530	1,635
Exclusion of employer provided educational assistance	80	160	....	60	130	....
Exclusion of employer provided child care	135	160	205	105	120	155
Exclusion of employee meals and lodging (other than military)	760	790	830	685	715	750
Exclusion of contributions to prepaid legal services plans	15	40	....	10	35	....
Investment credit for ESOPs	290	185	100	230	145	85
Credit for child and dependent care expenses	4,390	4,515	4,740	3,390	3,495	3,595
Targeted jobs credit	260	320	280	260	320	280

Table G–1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
Expensing of costs of removing certain architectural barriers to the handicapped	20	20	20	20	20	20
Deductibility of charitable contributions, other than education and health	10,725	10,415	11,140	10,515	10,205	10,915
Exclusion of certain foster care payments	25	25	25	20	20	20
Exclusion of parsonage allowances	200	215	240	160	175	195
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care	31,055	34,820	37,255	24,690	27,650	29,585
Exclusion of untaxed Medicare benefits	5,415	5,985	6,745	5,415	5,985	6,745
Deductibility of medical expenses	1,960	2,155	2,325	1,960	2,155	2,325
Exclusion of interest on State and local debt for private nonprofit health facilities	2,870	2,850	3,025	2,230	2,025	2,190
Deductibility of charitable contributions (health)	1,505	1,475	1,555	1,405	1,370	1,445
Tax credit for orphan drug research	*	*	*	*	*	*
Special Blue Cross/Blue Shield deduction	20	140	65	15	100	45
Income security:						
Exclusion of railroad retirement system benefits	385	370	390	385	370	390
Exclusion of workmen's compensation benefits	2,910	2,845	3,070	2,910	2,845	3,070
Exclusion of public assistance benefits:						
Pre-1983 budget method	380	340	345	380	340	345
Post-1982 budget method	....	....	....	....	....	....
Exclusion of special benefits for disabled coal miners	115	110	110	115	110	110
Exclusion of military disability pensions	100	100	105	100	100	105
Net exclusion of pension contributions and earnings:						
Employer plans	59,210	61,065	65,410	44,180	46,050	49,300
Individual Retirement Accounts	11,725	11,590	12,540	8,820	8,860	9,590
Keogh plans	2,315	1,670	1,850	1,655	1,290	1,430
Exclusion of income earned by voluntary employee-beneficiary associations	425	410	445	360	350	380
Exclusion of employer provided death benefits	25	25	25	20	20	20
Exclusion of other employee benefits:						
Premiums on group term life insurance	2,395	2,550	2,730	1,940	2,065	2,210
Premiums on accident and disability insurance	160	165	170	120	125	130
Income of trusts to finance supplementary unemployment benefits	30	30	30	30	30	30
Special ESOP rules (other than investment credit)	220	285	345	155	200	245
Additional deduction for the blind	15	15	15	15	15	15
Additional deduction for the elderly	1,535	1,155	1,140	1,535	1,155	1,140
Tax credit for the elderly and disabled	225	240	255	200	220	240
Deductibility of casualty losses	265	265	280	265	265	280
Earned income credit [2]	1,075	1,640	2,140	955	1,395	1,815
Social Security:						
Exclusion of social security benefits:						
OASI benefits for retired workers	13,425	13,465	14,105	13,425	13,465	14,105
Disability insurance benefits	1,095	1,085	1,125	1,095	1,085	1,125
Benefits for dependents and survivors	2,840	2,870	3,010	2,840	2,870	3,010
Veterans benefits and services:						
Exclusion of veterans disability compensation	1,505	1,450	1,495	1,505	1,450	1,495
Exclusion of veterans pensions	85	80	80	85	80	80
Exclusion of GI bill benefits	70	60	50	70	60	50

Table G–1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
Exclusing of interest on state and local debt for veterans housing	355	350	380	250	230	235
General government:						
Exclusion of interest on public purpose State and local debt	14,410	15,440	15,965	10,350	10,290	10,730
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	17,250	17,305	18,690	17,250	17,305	18,690
Tax credit for corporations receiving income from doing business in United States possessions	2,870	2,795	3,070	1,810	1,845	2,030
Interest:						
Deferral of interest on savings bonds	885	905	995	885	905	995

* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $480 million in 1988; $430 million in 1989; and $420 million in 1990.

[2] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1988, $2,695 million; 1989, $3,850 million; 1990, $3,700 million.

Table G–2. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
National defense:						
Exclusion of benefits and allowances to armed forces personnel	....	....	....	2,210	2,215	2,300
International affairs:						
Exclusion of income earned abroad by United States citizens	....	....	....	1,665	1,785	1,910
Exclusion of income of foreign sales corporations (FSC)	730	645	690	....	....	....

Table G–2. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Inventory property sales source rules exception	4,130	4,415	4,725	...	...	...
Certain nonfinancial institutions operations interest allocation rules exception	60	95	100	...	...	...
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	110	100	105	...	...	...
Post-1982 budget method	...	...	...	...	...	...
Total (after interactions)	5,030	5,255	5,620	1,665	1,785	1,910
General science, space, and technology:						
Expensing of research and development expenditures:						
Pre-1983 budget method	830	1,145	1,235	35	45	50
Post-1982 budget method	...	...	...	...	...	...
Credit for increasing research activities	1,220	1,320	1,425	20	20	20
Suspension of the allocation of research and experimentation expenditures	320	...	...	...	...	...
Total (after interactions)	2,575	2,710	2,925	60	70	75
Energy:						
Expensing of exploration and development costs:						
Oil and gas	−840	−580	−455	455	565	605
Other fuels	35	35	35	...	...	...
Excess of percentage over cost depletion:						
Oil and gas	120	95	95	560	395	385
Other fuels	200	195	205	15	15	15
Capital gains treatment of royalties on coal	*	...	...	*	...	...
Exclusion of interest on State and local industrial development bonds for certain energy facilities	385	400	410	...	...	...
Alternative conservation and new technology credits:						
Supply incentives	95	35	20	...	...	...
Conservation incentives	−*	−*	−*	...	...	...
Alternative fuel production credit	15	15	15	*	*	*
Alcohol fuel credit [1]	10	10	10	*	*	*
Energy credit for intercity buses	−*	−*	−*	...	...	...
Special rules for mining reclamation reserves	40	40	45	5	5	5
Exception from passive loss limitation for working interests in oil and gas properties	...	...	...	75	70	75
Total (after interactions)	45	175	270	785	745	770
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	30	35	35	5	5	5
Excess of percentage over cost depletion, nonfuel minerals	305	295	3[illegible]	25	20	20
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	2,150	2,215	2,305	...	...	...
Tax incentives for preservation of historic structures	50	50	45	100	90	90
Capital gains treatment of iron ore	*	...	...	*	...	...
Capital gains treatment of certain timber income	*	...	...	*	...	...
Expensing of multiperiod timber growing costs	160	180	205	110	130	155
Investment credit and seven-year amortization for reforestation expenditures	40	40	40	170	170	175

Table G–2. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Total (after interactions)	2,680	2,760	2,880	400	405	440
Agriculture:						
Expensing of certain capital outlays	65	60	60	460	445	435
Expensing of certain multiperiod production costs	*	35	60	5	50	120
Treatment of loans forgiven solvent farmers as if insolvent	....	....	....	10	10	10
Capital gains treatment of certain income	*	....	....	*	....	....
Deferral of drought-related payments	....	25	-15	....	165	-110
Total (after interactions)	65	120	105	440	625	425
Commerce and housing credit:						
Exemption of credit union income	275	295	315	....	....	....
Excess bad debt reserves of financial institutions	120	65	35	....	....	....
Special merger rules for financial institutions	1,225	2,145	2,320	....	....	....
Exclusion of interest on life insurance savings	460	455	505	6,800	7,485	8,235
Special alternative tax on small property and casualty insurance companies	85	120	120	....	....	....
Tax exemption of certain insurance companies	20	25	25	....	....	....
Small property and casualty insurance company deduction	20	45	40	....	....	....
Small life insurance company deduction	80	85	85	....	....	....
Exemption of RIC expenses from miscellaneous deduction floor	....	....	....	285	345	415
Deductibility of interest on consumer credit	....	....	....	6,530	3,280	1,740
Exclusion of interest on small issue industrial development bonds	3,435	3,475	3,335	....	....	....
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	....	....	....	2,375	2,360	2,230
Exclusion of interest on State and local debt for rental housing	....	....	....	1,650	1,630	1,720
Deductibility of mortgage interest on owner-occupied homes	....	....	....	33,675	32,180	35,110
Deductibility of property tax on owner-occupied homes	....	....	....	10,100	10,410	11,765
Deferral of income from post 1987 installment sales	100	170	185	160	500	550
Capital gains (other than agriculture, timber, iron ore and coal)						
Pre-1983 budget method	*	....	....	265	....	....
Post-1982 budget method	....	....	....	....	....	....
Deferral of capital gains on home sales	....	....	....	3,700	3,910	4,110
Exclusion of capital gains on home sales for persons age 55 and over	....	....	....	3,835	4,195	4,250
Carryover basis of capital gains at death	....	....	....	16,030	17,310	18,695
Carryover basis of capital gains on gifts	....	....	....	70	75	85
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	10,330	7,405	4,740	1,455	950	515
Accelerated depreciation on rental housing:						
Pre-1983 budget method	260	320	400	180	220	260
Post-1982 budget method	....	....	....	....	....	....
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	350	420	540	160	200	240

Table G–2. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Post-1982 budget method	....	....	....	....	....	....
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	26,000	36,500	40,500	9,000	11,800	12,800
Post-1982 budget method	....	....	....	....	....	....
Safe harbor leasing rules	660	535	480	....	....	....
Amortization of start-up costs	30	30	30	215	200	215
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	4,200	4,470	5,275	....	....	....
Post-1982 budget method	....	....	....	....	....	....
Exception from the passive loss rules for $25,000 of rental losses	....	....	....	1,480	1,370	1,535
Treatment of Alaska Native Corporations	400	700	240	....	....	....
Permanent exceptions from imputed interest rules	*	*	*	175	140	160
Total (after interactions)	48,050	57,260	59,170	95,195	95,600	101,490
Transportation:						
Deferral of tax on shipping companies	115	120	125	....	....	....
Exclusion of interest on State and local government bonds for mass commuting vehicles	50	40	20	....	....	....
Total (after interactions)	165	160	145	....	....	....
Community and regional development:						
Five-year amortization for housing rehabilitation	15	15	15	30	25	25
Credit for low-income housing investments	35	110	220	225	540	830
Investment credit for rehabilitation of structures (other than historic)	90	75	70	75	55	45
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	960	1,000	1,040	....	....	....
Total (after interactions)	1,100	1,200	1,345	320	600	875
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method	....	....	....	625	685	720
Post-1982 budget method	....	....	....	....	....	....
Exclusion of interest on State and local student loan bonds	....	....	....	385	390	405
Exclusion of interest on State and local debt for private nonprofit educational facilities	320	315	330	....	....	....
Exclusion of interest on savings bonds transferred to educational intstitutions	....	....	....	....	*	20
Parental personal exemption for students age 19 or over	....	....	....	460	435	450
Deductibility of charitable contributions (education)	635	640	680	1,095	1,060	1,135
Exclusion of employer provided educational assistance	....	....	....	80	160	....
Total education (after interactions)	955	955	1,010	2,685	2,770	2,770
Exclusion of employer provided child care	....	....	....	135	160	205
Exclusion of employee meals and lodging (other than military)	....	....	....	760	790	830
Exclusion of contributions to prepaid legal services plans	....	....	....	15	40	....
Investment credit for ESOPs	290	185	100	....	....	....

Table G–2. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Credit for child and dependent care expenses				4,390	4,515	4,740
Targeted jobs credit	215	285	250	45	35	30
Total training and employment (after interactions)	505	470	350	5,425	5,625	5,890
Expensing of costs of removing certain architectural barriers to the handicapped	15	15	15	5	5	5
Deductibility of charitable contributions, other than education and health	790	795	845	9,935	9,620	10,295
Exclusion of certain foster care payments				25	25	25
Exclusion of parsonage allowances				200	215	240
Total social services, (after interactions)	805	810	860	10,315	10,015	10,725
Grand total (after interactions)	2,265	2,235	2,220	18,425	18,410	19,385
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care				31,055	34,820	37,255
Exclusion of untaxed Medicare benefits				5,415	5,985	6,745
Deductibility of medical expenses				1,960	2,155	2,325
Exclusion of interest on State and local debt for private nonprofit health facilities	2,870	2,850	3,025			
Deductibility of charitable contributions (health)	390	395	415	1,125	1,080	1,140
Tax credit for orphan drug research	*	*	*			
Special Blue Cross/Blue Shield deduction	20	140	65			
Total (after interactions)	3,280	3,385	3,505	39,545	44,040	47,465
Income security:						
Exclusion of railroad retirement system benefits				385	370	390
Exclusion of workmen's compensation benefits				2,910	2,845	3,070
Exclusion of public assistance benefits:						
Pre-1983 budget method				380	340	345
Post-1982 budget method						
Exclusion of special benefits for disabled coal miners				115	110	110
Exclusion of military disability pensions				100	100	105
Net exclusion of pension contributions and earnings:						
Employer plans				59,210	61,065	65,410
Individual Retirement Accounts				11,725	11,590	12,540
Keogh plans				2,315	1,670	1,850
Exclusion of income earned by voluntary employee-beneficiary associations				425	410	445
Exclusion of employer provided death benefits				25	25	25
Exclusion of other employee benefits:						
Premiums on group term life insurance				2,395	2,550	2,730
Premiums on accident and disability insurance				160	165	170
Income of trusts to finance supplementary unemployment benefits				30	30	30
Special ESOP rules (other than investment credit)	200	265	320	20	20	25
Additional deduction for the blind				15	15	15
Additional deduction for the elderly				1,535	1,155	1,140
Tax credit for the elderly and disabled				225	240	255
Deductibility of casualty losses				265	265	280
Earned income credit[2]				1,075	1,640	2,140
Total (after interactions)				81,645	82,915	89,255

Table G-2. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Social Security:						
Exclusion of social security benefits:						
OASI benefits for retired workers	...	...	...	13,425	13,465	14,105
Disability insurance benefits	...	...	...	1,095	1,085	1,125
Benefits for dependents and survivors	...	...	...	2,840	2,870	3,010
Total (after interactions)	...	...	...	17,360	17,420	18,240
Veterans benefits and services:						
Exclusion of veterans disability compensation	...	...	...	1,505	1,450	1,495
Exclusion of veterans pensions	...	...	...	85	80	80
Exclusion of GI bill benefits	...	...	...	70	60	50
Exclusing of interest on state and local debt for veterans housing	...	...	...	355	350	380
Total (after interactions)	...	...	...	2,015	1,940	2,005
General government:						
Exclusion of interest on public purpose State and local debt	2,375	2,530	2,425	12,035	12,910	13,540
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	...	...	...	17,250	17,305	18,690
Tax credit for corporations receiving income from doing business in United States possessions	2,870	2,795	3,070	...	...	...
Total (after interactions)	5,245	5,325	5,495	29,285	30,215	32,230
Interest:						
Deferral of interest on savings bonds	...	...	...	885	905	995

* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $480 million in 1988; $430 million in 1989; and $420 million in 1990.

[2] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1988, $2,695 million; 1989, $3,850 million; 1990, $3,700 million.

Table G–3. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
National defense:						
Exclusion of benefits and allowances to armed forces personnel	....	....	....	1,890	1,900	1,975
International affairs:						
Exclusion of income earned abroad by United States citizens	....	....	....	1,220	1,305	1,395
Exclusion of income of foreign sales corporations (FSC)	460	425	455	....	....	....
Inventory property sales source rules exception	2,625	2,915	3,120	....	....	....
Certain nonfinancial institutions operations interest allocation rules exception	40	60	65	....	....	....
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	110	100	105	....	....	....
Post-1982 budget method	....	....	....	....	....	....
General science, space, and technology:						
Expensing of research and development expenditures:						
Pre-1983 budget method	830	1,145	1,235	35	45	50
Post-1982 budget method	....	....	....	....	....	....
Credit for increasing research activities	885	955	1,030	15	15	15
Suspension of the allocation of research and experimentation expenditures	210	....	....	....	....	....
Energy:						
Expensing of exploration and development costs:						
Oil and gas	−840	−580	−455	455	565	605
Other fuels	35	35	35	....	....	....
Excess of percentage over cost depletion:						
Oil and gas	80	65	70	370	280	280
Other fuels	125	125	135	10	10	10
Capital gains treatment of royalties on coal	*	....	....	*	....	....
Exclusion of interest on State and local industrial development bonds for certain energy facilities	290	280	285	....	....	....
Alternative, conservation and new technology credits:						
Supply incentives	80	30	20	....	....	....
Conservation incentives	−*	−*	−*	....	....	....
Alternative fuel production credit	10	10	10	*	*	*
Alcohol fuel credit [1]	5	5	5	*	*	*
Energy credit for intercity buses	−*	−*	−*	....	....	....
Special rules for mining reclamation reserves	40	40	45	5	5	5
Exception from passive loss limitation for working interests in oil and gasproperties	....	....	....	55	55	60
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	30	35	35	5	5	5
Excess of percentage over cost depletion, nonfuel minerals	215	220	235	15	15	15
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	1,635	1,555	1,620	....	....	....
Tax incentives for preservation of historic structures	50	50	45	100	90	90
Capital gains treatment of iron ore	*	....	....	*	....	....

Table G–3. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Capital gains treatment of certain timber income	*	....	....	*	....	....
Expensing of multiperiod timber growing costs	160	180	205	110	130	155
Investment credit and seven-year amortization for reforestation expenditures	40	40	35	165	165	170
Agriculture:						
Expensing of certain capital outlays	65	60	60	460	445	435
Expensing of certain multiperiod production costs	*	35	60	5	50	120
Treatment of loans forgiven solvent farmers as if insolvent	....	....	....	10	10	10
Capital gains treatment of certain income	*	....	....	*	....	....
Deferral of drought-related payments	....	25	-15	....	165	-110
Commerce and housing credit:						
Exemption of credit union income	190	200	215	....	....	....
Excess bad debt reserves of financial institutions	80	45	25	....	....	....
Special merger rules for financial institutions	885	1,555	1,680	....	....	....
Exclusion of interest on life insurance savings	310	320	350	5,100	5,240	5,765
Special alternative tax on small property and casualty insurance companies	65	70	70	....	....	....
Tax exemption of certain insurance companies	15	15	15	....	....	....
Small property and casualty insurance company deduction	15	35	25	....	....	....
Small life insurance company deduction	55	60	60	....	....	....
Exemption of RIC expenses from miscellaneous deduction floor	....	....	....	220	260	315
Deductibility of interest on consumer credit	....	....	....	6,530	3,280	1,740
Exclusion of interest on small issue industrial development bonds	2,705	2,510	2,405	....	....	....
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	....	....	....	1,765	1,640	1,570
Exclusion of interest on State and local debt for rental housing	1,235	1,135	1,180	....	....	....
Deductibility of mortgage interest on owner-occupied homes	....	....	....	33,675	32,180	35,110
Deductibility of property tax on owner-occupied homes	....	....	....	10,100	10,410	11,765
Deferral of income from post 1987 installment sales	100	170	185	160	500	550
Capital gains (other than agriculture, timber, iron ore and coal)						
Pre-1983 budget method	*	....	....	210	....	....
Post-1982 budget method	....	....	....	....	....	....
Deferral of capital gains on home sales	....	....	....	3,700	3,910	4,110
Exclusion of capital gains on home sales for persons age 55 and over	....	....	....	2,940	3,190	3,230
Carryover basis of capital gains at death	....	....	....	11,540	12,465	13,460
Carryover basis of capital gains on gifts	....	....	....	70	75	85
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	7,950	5,735	3,815	1,200	795	490
Accelerated depreciation on rental housing:						
Pre-1983 budget method	170	210	270	130	160	190
Post-1982 budget method	....	....	....	....	....	....

Table G–3. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	230	280	360	120	140	170
Post-1982 budget method	...	...	...	...	...	...
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	17,200	22,100	26,700	6,500	8,500	9,200
Post-1982 budget method	...	...	...	...	...	...
Safe harbor leasing rules	690	550	490	...	...	...
Amortization of start-up costs	20	20	20	165	150	160
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	2,815	2,855	3,410	...	...	...
Post-1982 budget method	...	...	...	...	...	...
Exception from the passive loss rules for $25,000 of rental losses	...	...	...	1,145	1,060	1,190
Treatment of Alaska Native Corporations	400	700	240	...	...	...
Permanent exceptions from imputed interest rules	*	*	*	130	110	125
Transportation:						
Deferral of tax on shipping companies	115	120	125	...	...	...
Exclusion of interest on State and local government bonds for mass commuting vehicles	10	*	*	...	...	...
Community and regional development:						
Five-year amortization for housing rehabilitation	15	15	15	30	25	25
Credit for low-income housing investments	20	60	125	140	330	510
Investment credit for rehabilitation of structures (other than historic)	90	75	70	75	55	45
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	725	695	720	...	...	...
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method	...	...	...	570	625	655
Post-1982 budget method	...	...	...	...	...	...
Exclusion of interest on State and local student loan bonds	...	...	...	355	330	345
Exclusion of interest on State and local debt for private nonprofit educational facilities	...	...	...	250	225	235
Exclusion of interest on savings bonds transferred to educational institutions	...	...	...	...	*	15
Parental personal exemption for students age 19 or over	...	...	...	415	395	405
Deductibility of charitable contributions (education)	470	470	500	1,095	1,060	1,135
Exclusion of employer provided educational assistance	...	...	...	60	130	...
Exclusion of employer provided child care	...	...	...	105	120	155
Exclusion of employee meals and lodging (other than military)	...	...	...	685	715	750
Exclusion of contributions to prepaid legal services plans	...	...	...	10	35	...
Investment credit for ESOPs	230	145	85	...	...	...
Credit for child and dependent care expenses	...	...	...	3,390	3,495	3,595
Targeted jobs credit	215	285	250	45	35	30

Table G-3. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Corporations 1988	Corporations 1989	Corporations 1990	Individuals 1988	Individuals 1989	Individuals 1990
Expensing of costs of removing certain architectural barriers to the handicapped	15	15	15	5	5	5
Deductibility of charitable contributions, other than education and health	580	585	620	9,935	9,620	10,295
Exclusion of certain foster care payments				20	20	20
Exclusion of parsonage allowances				160	175	195
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care				24,690	27,650	29,585
Exclusion of untaxed Medicare benefits				5,415	5,985	6,745
Deductibility of medical expenses				1,960	2,155	2,325
Exclusion of interest on State and local debt for private nonprofit health facilities				2,230	2,025	2,190
Deductibility of charitable contributions (health)	290	290	305	1,115	1,080	1,140
Tax credit for orphan drug research	*	*	*			
Special Blue Cross/Blue Shield deduction	15	100	45			
Income security:						
Exclusion of railroad retirement-system benefits				385	370	390
Exclusion of workmen's compensation benefits				2,910	2,845	3,070
Exclusion of public assistance benefits:						
Pre-1983 budget method				380	340	345
Post-1982 budget method						
Exclusion of special benefits for disabled coal miners				115	110	110
Exclusion of military disability pensions				100	100	105
Net exclusion of pension contributions and earnings:						
Employer plans				44,180	46,050	49,300
Individual Retirement Accounts				8,820	8,860	9,590
Keogh plans				1,655	1,290	1,430
Exclusion of income earned by voluntary employee-beneficiary associations				360	350	380
Exclusion of employer provided death benefits				20	20	20
Exclusion of other employee benefits:						
Premiums on group term life insurance				1,940	2,065	2,210
Premiums on accident and disability insurance				120	125	130
Income of trusts to finance supplementary unemployment benefits				30	30	30
Special ESOP rules (other than investment credit)	140	185	225	15	15	20
Additional deduction for the blind				15	15	15
Additional deduction for the elderly				1,535	1,155	1,140
Tax credit for the elderly and disabled				200	220	240
Deductibility of casualty losses				265	265	280
Earned income credit [3]				955	1,395	1,815
Social Security:						
Exclusion of social security benefits:						
OASI benefits for retired workers				13,425	13,465	14,105
Disability insurance benefits				1,095	1,085	1,125
Benefits for dependents and survivors				2,840	2,870	3,010
Veterans benefits and services:						
Exclusion of veterans disability compensation				1,505	1,450	1,495
Exclusion of veterans pensions				85	80	80
Exclusion of GI bill benefits				70	60	50

Table G–3. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Exclusing of interest on state and local debt for veterans housing	....	....	....	250	230	235
General government:						
Exclusion of interest on public purpose State and local debt	1,890	1,930	1,850	8,460	8,360	8,880
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	....	....	....	17,250	17,305	18,690
Tax credit for corporations receiving income from doing business in United States possessions	1,810	1,845	2,030	....	....	....
Interest:						
Deferral of interest on savings bonds	....	....	....	885	905	995

* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $480 million in 1988; $430 million in 1989; and $420 million in 1990.

[2] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1988, $2,695 million; 1989, $3,850 million; 1990, $3,700 million.

APPENDIX E

Outlays Under Finance Committee Expenditure Accounts For Fiscal Years 1990-1992 (CBO Baseline Projections)

OUTLAYS UNDER FINANCE COMMITTEE EXPENDITURE ACCOUNTS FOR FISCAL 1990–92

[CBO baseline projections—in millions of dollars]

	FISCAL YEAR			
	1990	1991	1992	1990–92
Social Security (OASDI)	250,323	267,826	285,311	803,461
Medicare	113,980	130,055	146,753	390,788
Medicaid	38,230	42,488	46,965	127,683
Maternal and Child Health	603	627	652	1,882
Supplemental Security Income	12,374	14,338	15,354	42,066
AFDC and Child Support	11,792	12,209	12,482	36,483
AFDC work programs (WIN/JOBS)	377	600	635	1,612
Earned Income Tax Credit [1]	3,919	4,121	4,381	12,421
Foster Care/Adoption	1,354	1,400	1,541	4,295
Child Welfare Services/Training	270	280	292	842
Social Services	2,700	2,700	2,700	8,100
Unemployment Compensation	17,861	17,826	18,914	54,601
Trade Adjustment	257	274	268	799
Job Service [2]	1,065	1,109	1,156	3,330
Puerto Rico Tax Rebates	205	205	205	615
Puerto Rico Customs Rebates	128	133	139	399
Public Debt Administration	229	240	251	720
Interest on Public Debt	263,501	284,496	299,475	847,472
Interest on Tax Refunds	2,161	2,192	2,258	6,611
Pension Benefit Guaranty Corp.	(349)	(351)	(346)	(1,046)
U.S. Trade Representative	16	17	18	51
Customs—general administration	1,207	1,169	1,212	3,587
Customs—air interdiction	160	162	169	491
Customs Refunds, Forfeitures	49	50	51	151
Customs User Fees	(892)	(72)	(2)	(965)
Tax Court	31	32	34	97
Internal Revenue Service	5,537	5,804	6,069	17,410
Totals:				
Social Security (OASDI)	250,323	267,826	285,311	803,461
Other (except interest)	211,102	235,416	259,891	706,409

[1] Refundable portion.
[2] Portion funded from unemployment tax.

APPENDIX F

Finance Committee Budget Allocation Report For Fiscal Year 1989 Pursuant to Section 302 of the Congressional Budget Act

100TH CONGRESS, 2d Session | SENATE | REPORT 100-519

FINANCE COMMITTEE ALLOCATION OF BUDGET TOTALS—FISCAL YEAR 1989

SEPTEMBER 19 (legislative day, SEPTEMBER 7), 1988.—Ordered to be printed

Mr. MATSUNAGA, from the Committee on Finance, submitted the following

REPORT

[Pursuant to section 302(b) of the Congressional Budget Act of 1974]

Pursuant to sections 302(b) and 302(e) of the Congressional Budget Act of 1974, as amended, the Committee on Finance reports to the Senate the following allocation of the amounts which are considered under a submission to the Senate by the chairman of the Committe on the Budget on June 23, 1988 (Congressional Record p. S8517) to have been allocated to the Committee for purposes of section 302(a) of such act with an adjustment as provided for in section 5 of House Concurrent Resolution 268. The allocation in this report is consistent with action to date by the Committee on Finance and by the Senate on matters within the jurisdiction of the committee. The committee expects to file revised reports as may become necessary to accommodate any future action.

Section 302(b) of the Congressional Budget Act requires that each committee subdivide its 302(a) allocations among its subcommittees or among programs over which it has jurisdiction and further subdivide the amounts between "controllable amounts" and "all other amounts." The committee elects for purposes of this report to utilize the subcommittee method of allocation. The committee may or may not utilize this same method for future reports. The committee notes that the Budget Act does not define the term "controllable," but it is commonly understood to refer to the distinction between those items which are subject to discretionary appropriations action and those items which are funded from permanent appropriations or which are of a mandatory nature even though funded through annual appropriations acts. Under the conventions employed in allocating funds to the Committee on Finance pursuant to section 302(a) of the Budget Act, all amounts so allocated are within the category of "all other amounts."

[In millions of dollars]

	Budget authority	Outlays	Credit authority
Subcommittee			
International Trade	361	360	
Social Security and Family Policy	349,306	293,851	
Taxation and Debt Management	243,429	243,430	
Energy and Agricultural Taxation	0	0	
International Debt	0	0	
Health	149,794	130,330	
Private Retirement Plans and Oversight of the Internal Revenue Service	0	−639	2
Total [1]	742,890	667,333	2

[1] Detail may not add to totals because of rounding.

O

94-563 (168)