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Savings in Mandatory Outlays in Selected Reconciliation Acts

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Summary

The budget reconciliation process is an optional procedure that operates as an adjunct to the annual budget resolution process. During the past 25 years, Congress has sent the President 19 reconciliation measures; 16 were signed into law and three were vetoed. During the 1980s and 1990s, reconciliation legislation often reflected Congress's most significant efforts to reduce the deficit through changes in revenue and mandatory spending laws. In recent years, however, reconciliation has been used mainly to reduce revenues.

The FY2006 budget resolution, H.Con.Res. 95, includes reconciliation instructions affecting mandatory spending and revenues. For the first time since 1997, reconciliation is proposed to reduce mandatory spending (by $34.658 billion over five years). As background on past efforts in this regard, net mandatory spending reductions in five major reconciliation acts enacted or vetoed in the 1990s are briefly summarized.

Over a five-year period, according to the Congressional Budget Office, the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) reduced mandatory outlays by an estimated $75 billion; the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) reduced mandatory outlays by an estimated $77 billion; and in 1997, the Balanced Budget Act (P.L. 105-33) and the Taxpayer Relief Act (P.L. 105-34) together reduced mandatory outlays by an estimated $107 billion. The Balanced Budget Act of 1995, which proposed mandatory outlay reductions of $249 billion, was vetoed by President Clinton. Net reductions in mandatory spending were a significant element in the deficit reduction achieved or proposed under each act.

This report will be updated as developments warrant.

The budget reconciliation process is an optional procedure, provided for under the Congressional Budget Act of 1974 (P.L. 93-344, as amended), that operates as an adjunct to the annual budget resolution process.[1] The chief purpose of the reconciliation process

[1] For more information on reconciliation procedures, see CRS Report RL33030, *The Budget* (continued...)

is to enhance Congress's ability to change current law in order to bring revenue, spending, and debt-limit levels into conformity with the policies of the budget resolution.

Reconciliation is a two-step process. First, reconciliation instructions are included in the budget resolution, directing the appropriate committees to develop legislation achieving the desired budgetary outcomes. Second, the resultant legislation is merged together by the House and Senate Budget Committees into an omnibus reconciliation measure that is considered in the House and Senate under expedited procedures (in some instances, instructed committees may report their legislation directly to the floor).

Reconciliation was first used by the House and Senate during the administration of President Jimmy Carter, in calendar year 1980 for FY1981. As an optional procedure, it has not been used every year. During the period covering budget resolutions for FY1981-FY2005, 16 omnibus reconciliation measures were enacted into law and three were vetoed.

From 1980 into the 1990s, reconciliation was used to reduce the deficit through reductions in mandatory spending, increases in revenues, or a combination of the two. In more recent years, however, reconciliation has been used to reduce revenues and, in a few instances, to increase spending levels in particular areas.

The FY2006 budget resolution, H.Con.Res. 95, as agreed to by the House and Senate on April 28, 2005, includes reconciliation instructions affecting mandatory spending and revenues.[2] For the first time since 1997, reconciliation is proposed to reduce mandatory spending (by $34.658 billion over five years). As background on past efforts in this regard, net mandatory spending reductions in five major reconciliation acts enacted or vetoed in the 1990s are briefly summarized.

Reconciliation Legislation in 1990, 1993, 1995, and 1997

During the period from 1990 to the present, the House and Senate completed action on 10 reconciliation measures and sent them to the President. Five of the 10 acts are excluded from this discussion because they were not omnibus reconciliation measures encompassing major changes in both revenues and spending. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) dealt with welfare reform, and the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27) implemented large tax cuts. Two other reconciliation acts, which were vetoed by President Bill Clinton, also pertained to revenue matters.[3]

The remaining five reconciliation acts that the House and Senate completed action on in four different years during this period were omnibus bills, covering an array of

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[1] (...continued)
Reconciliation Process: House and Senate Procedures, by Robert Keith and Bill Heniff Jr.

[2] See the conference report to accompany H.Con.Res. 95, H.Rept. 109-62 (Apr. 28, 2005).

[3] President Clinton vetoed the Taxpayer Refund and Relief Act of 1999 on Sept. 23, 1999, and the Marriage Tax Relief Reconciliation Act of 2000 on Aug. 5, 2000.

issues, that in the net reduced (or, in the case of one vetoed measure, proposed to reduce) the deficit significantly, as shown in **Table 1**. Each of the acts included reductions in mandatory spending, as well as changes in revenue levels.

Table 1. Reconciliation Acts Enacted or Vetoed in 1990, 1993, 1995, and 1997

Fiscal Year	Budget Resolution	Resultant Reconciliation Act(s)	Date Enacted	5-Year Deficit Impact [a]
1991	H.Con.Res. 310	Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)	11-05-90	$482 billion
1994	H.Con.Res. 64	Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66)	08-10-93	$433 billion
1996	H.Con.Res. 67	Balanced Budget Act of 1995 (H.R. 2491)	12-06-95 (vetoed)	$337 billion
1998	H.Con.Res. 84	Balanced Budget Act of 1997 (P.L. 105-33) and Taxpayer Relief Act of 1997 (P.L. 105-34)	08-05-97	$118 billion

Source: Prepared by the Congressional Research Service.

a. The deficit impact reflects, on a net basis, changes in revenues and mandatory outlays, as well as associated debt service savings and savings in discretionary outlays stemming from statutory caps included in the reconciliation acts.

Over a five-year period, according to the Congressional Budget Office (CBO), the Omnibus Budget Reconciliation Act of 1990 reduced the deficit by an estimated $482 billion; the Omnibus Budget Reconciliation Act of 1993 reduced the deficit by an estimated $433 billion; and in 1997, the Balanced Budget Act and the Taxpayer Relief Act together reduced the deficit by an estimated $118 billion.[4] The Balanced Budget Act of 1995, which was vetoed by President Clinton, proposed $337 billion in deficit reduction over a five-year period.

Reductions in mandatory spending were a significant element in the deficit reduction achieved or proposed under each act. As shown in **Table 2**, changes in mandatory spending over a five-year period netted to total outlay reductions of $75 billion in 1990, $77 billion in 1993, $249 billion in 1995, and $107 billion in 1997. In terms of the total deficit reduction over a five-year period achieved or proposed by the reconciliation acts in those years, mandatory outlay savings accounted for 15% in 1990 and 17% in 1993, when revenue increases were included, and for 74% in 1995 and 91% in 1997, when revenue decreases were included.

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[4] For additional information on the deficit impact of these measures, see CRS Report RS22098, *Deficit Impact of Reconciliation Legislation Enacted in 1990, 1993, and 1997,* by Robert Keith.

Table 2. Summary of Changes in Mandatory Outlays in Selected Reconciliation Acts

	Net Five-Year Changes in Reconciliation Acts (amounts in $ billions)			
	1990	**1993**	**1995**	**1997**
Changes in Mandatory Outlays				
Medicare	-43	-56	-119	-112
Medicaid	-1	-7	-52	-7
Other	-32	-14	-77	12
Total	**-75**	**-77**	**-249**	**-107**
Changes in the Deficit				
Total	**-482**	**-433**	**-337**	**-118**
Mandatory Outlay Changes as a Percentage of Total	15%	17%	74%	91%

Source: Prepared by the Congressional Research Service from data published by the Congressional Budget Office (see sources for Table 3).

In each of the four years, the largest amount of mandatory outlay savings occurred in the Medicare program. The five-year savings in Medicare amounted to $43 billion in 1990, $56 billion in 1993, $119 billion in 1995, and $112 billion in 1997. The savings were achieved through a combination of lowered benefit payments, increased premiums, and other changes. The Medicare savings indicated in **Table 2** are net figures; in some instances, even greater savings were offset partially by the costs of program expansions. In the 1997 reconciliation legislation, for example, Medicare spending was increased over five years for expanded coverage of clinical preventive services ($4 billion), greater assistance in paying premiums ($1.5 billion), and other initiatives.

Medicaid savings, by comparison, were far more modest (ranging from five-year savings of $1 billion to $7 billion), except for the vetoed reconciliation measure in 1995 ($52 billion over five years).

Net savings over five years from other mandatory spending programs ranged from $14 billion (in 1993), to $32 billion (in 1990), to $77 billion (in 1995). The net savings amounts reflected some significant offsetting costs, including $17 billion (in 1990), $19 billion (in 1993), and $12 billion (in 1997) for the earned income tax credit. In 1997, the costs for the earned income tax credit, along with initiatives for Children's Health Insurance ($20 billion), Supplemental Security Income ($10 billion), and other programs, resulted in a net cost of $12 billion over five years in this category.

Table 3 provides more detailed information on the level of savings in mandatory outlays over a five-year period for the five reconciliation acts.

Table 3. Savings in Mandatory Outlays in Reconciliation Acts Enacted or Vetoed in 1990, 1993, 1995, and 1997

(amounts in $ billions)

	Fiscal Year												5-Year Total
	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	
Omnibus Budget Reconciliation Act of 1990													
Medicare	n/a	n/a	n/a	n/a	n/a								-43
Medicaid	n/a	n/a	n/a	n/a	n/a								-1
Other	n/a	n/a	n/a	n/a	n/a								-32
Net Savings	**-9**	**-12**	**-16**	**-19**	**-19**								**-75**
Omnibus Budget Reconciliation Act of 1993													
Medicare				-2	-6	-12	-16	-20					-56
Medicaid				[a]	-1	-2	-2	-3					-7
Other				-3	-2	-3	-2	-3					-14
Net Savings				**-5**	**-9**	**-17**	**-21**	**-26**					**-77**

	Fiscal Year												5-Year Total
	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	
Balanced Budget Act of 1995													
Medicare						-6	-13	-23	-35	-42			-119
Medicaid						[a]	-3	-9	-16	-24			-52
Other						-3	-12	-18	-22	-22			-77
Net Savings						**-10**	**-28**	**-50**	**-73**	**-88**			**-249**
Balanced Budget Act of 1997 and Taxpayer Relief Act of 1997													
Medicare								-6	-16	-29	-20	-41	-112
Medicaid								1	[a]	-1	-3	-4	-7
Other								6	6	[a]	7	-7	12
Net Savings								**1**	**-10**	**-30**	**-16**	**-52**	**-107**

Sources: Congressional Budget Office, (1) *The Economic and Budget Outlook: Fiscal Years 1992-1996*, January 1991, Table III-3, p. 66, and unpublished documentation related thereto; (2) *The Economic and Budget Outlook: An Update*, September 1993, Table 2-2, p. 29; (3) *The Economic and Budget Outlook: December 1995 Update* (Memorandum), December 1995, Table 4, p. 16; and (4) *The Economic and Budget Outlook: An Update*, September 1997, Table 10, p. 36, and Table 11, p. 40.

Note: Details may not add to totals due to rounding. Negative numbers are mandatory savings; positive numbers are mandatory costs. Numbers for the Balanced Budget Act of 1995 are illustrative because it was not enacted by the November 15, 1995 enactment date assumed by its drafters (President Clinton vetoed the measure). Amounts do not reflect debt service savings. The designation “n/a” means “not available.”

a. Less than $500 million.