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Budget Reconciliation Legislation in 2005-2006 Under the FY2006 Budget Resolution

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Summary

The FY2006 budget resolution (H.Con.Res. 95), which was agreed to by the House and Senate on April 28, 2005, included reconciliation instructions for: (1) an omnibus bill to reduce mandatory outlays by about $35 billion over a five-year period, covering FY2006-FY2010; (2) a bill to reduce revenues by $70 billion over the same period; and (3) a bill to increase the limit on the public debt by $781 billion.

Congressional action on the resultant reconciliation legislation, while ultimately successful, was marked by controversy and delay. Initial floor consideration of the first reconciliation measure, the omnibus spending bill, occurred in November 2005. Congressional action on reconciliation legislation carried over into the following session, concluding with action on the revenue reconciliation bill in May 2006.

The omnibus spending reconciliation bill, the Deficit Reduction Act of 2005 (S. 1932), was signed into law by President George W. Bush on February 8, 2006, as P.L. 109-171 (120 Stat. 4-184). The Congressional Budget Office (CBO) estimated net mandatory outlay savings under the measure of $38.810 billion over five years. Assuming that apparent drafting errors in two sections are corrected, CBO noted, the five-year savings would increase by $713 million, to $39.523 billion (neither the House nor the Senate have taken any action in this regard).

The revenue reconciliation bill, the Tax Increase Prevention and Reconciliation Act of 2005 (H.R. 4297), was signed into law on May 17, 2006, as P.L. 109-222 (120 Stat. 345-373). The Joint Committee on Taxation estimated the five-year revenue reduction at $69.960 billion. Additional revenue reductions, including some matters dropped from the initial House and Senate revenue reconciliation bills in conference, have been considered in pension reform legislation (P.L. 109-280) and other measures.

Finally, the House and Senate passed a measure (H.J.Res. 47), outside of the budget reconciliation process, increasing the debt limit by $781 billion. The measure was signed into law on March 20, 2006, as P.L. 109-182 (120 Stat. 289). Consequently, no actions were taken under the reconciliation process with respect to debt-limit legislation.

As of May 2006, congressional action on the reconciliation legislation called for in the FY2006 budget resolution was completed. No action was taken during the waning days of the 2006 session on attendant matters, including legislation correcting the two apparent drafting errors in the Deficit Reduction Act of 2005. In addition, at least five lawsuits contesting the validity of the Deficit Reduction Act of 2005 (because of an apparent clerical error that occurred during House and Senate consideration of the measure) have been dismissed at the federal district court level, but appeals are being pursued in several cases.

This report will be updated as developments warrant.

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Budget Reconciliation Legislation in 2005-2006 Under the FY2006 Budget Resolution

The budget reconciliation process is one of the chief tools used by Congress during the past quarter-century to implement major changes in budget policy. Following an indication of the most recent actions, a brief overview of the budget reconciliation process, and an assessment of the budget policy context, this report provides information on the consideration of budget reconciliation legislation in 2005, during the first session of the 109th Congress, and the carryover of legislative action into 2006, during the second session.

Most Recent Actions

The most recent actions of the House and Senate on spending, revenue, and debt-limit reconciliation legislation are summarized in the box below:

Spending Reconciliation
The Senate passed S. 1932 (the Deficit Reduction Omnibus Reconciliation Act of 2005) on November 3, by a vote of 52-47. The Congressional Budget Office (CBO) estimated net mandatory outlay savings of $34.644 billion over five years (FY2006-FY2010).
The House passed H.R. 4241 (the Deficit Reduction Act of 2005) on November 18, by a vote of 217-215. CBO estimated net mandatory outlay savings of $49.889 billion over five years.
The conference report (H.Rept. 109-362) on S. 1932, which was renamed the Deficit Reduction Act of 2005, was reported on December 19. CBO estimated net mandatory outlay savings under the measure of $38.810 billion over five years (assuming that apparent drafting errors in two sections are corrected, CBO noted, the five-year savings would increase by $713 million, to $39.523 billion). On December 19, the House agreed to the conference report by a vote of 212-206. On December 21, the Senate removed extraneous matter from the legislation pursuant to a point of order raised under the "Byrd rule," and then, by a vote of 51-50 (with Vice President Cheney breaking a tie vote), returned the amended measure to the House for further action. On February 1, the House concurred in the Senate amendment, by a vote of 216-214, clearing the measure for the President.

President Bush signed the measure into law on February 8 as P.L. 109-171 (120 Stat. 4-184). Due to an apparent clerical error during final action on the measure, the Senate, later that day, agreed to S.Con.Res. 80 by unanimous consent; the concurrent resolution deemed the version of S. 1932 presented to the President to be a true enrollment. On February 16, the House tabled a privileged resolution, H.Res. 687, by a vote of 219-187; the resolution would have directed the House Committee on Standards of Official Conduct to investigate the circumstances surrounding the apparent clerical error. Several lawsuits have been filed contesting the validity of the Deficit Reduction Act of 2005 because of the clerical error; some of the lawsuits have been dismissed.

Revenue Reconciliation

The Senate passed S. 2020 (the Tax Relief Act of 2005) on November 18, by a vote of 64-33. The Joint Committee on Taxation (JCT) estimated net revenue reductions of $57.756 billion over five years (FY2006-FY2010). In order to facilitate a conference with the House, the Senate later passed H.R. 4297 with an amendment. According to the JCT, H.R. 4297, as passed by the Senate, would reduce revenues by $69.415 billion over FY2006-FY2010, reflecting about $12 billion in further revenue reduction compared to the levels in S. 2020, as passed earlier by the Senate.

The House passed H.R. 4297 (the Tax Relief Extension Reconciliation Act of 2005) on December 8, by a vote of 234-197. JCT estimated net revenue reductions of $56.082 billion over five years.

The conference report (H.Rept. 109-455) on H.R. 4297, which was renamed the Tax Increase Prevention and Reconciliation Act of 2005, was filed on May 9. The JCT estimated that the conference agreement would reduce revenues by $69.960 billion over the five-year period, FY2006-FY2010.

The House agreed to the conference report on May 10, by a vote of 244-185, and the Senate agreed to it the following day, by a vote of 54-44.

President Bush signed the measure into law on May 17 as P.L. 109-222 (120 Stat. 345-373). Additional revenue reductions, including some matters dropped from the initial House and Senate revenue reconciliation bills in conference, have been considered in pension reform legislation (P.L. 109-280) and other measures.

Debt-Limit Reconciliation

On March 20, 2006, President Bush signed H.J.Res. 47, a measure increasing the statutory debt limit by $781 billion to $8.965 trillion, into law as P.L. 109-182 (120 Stat. 289). The measure was deemed to have passed the House on April 28, 2005, pursuant to the "Gephardt rule" (House Rule XXVII), as part of final action on the FY2006 budget resolution. The Senate passed the measure without amendment on March 16, 2006, by a vote of 52-48.

The enactment of P.L. 109-182 obviated the need for any action on debt-limit legislation under the reconciliation process.

Overview of the Budget Reconciliation Process

The Congressional Budget Act of 1974 established the congressional budget process.[1] Under the act, the House and Senate are required to adopt at least one budget resolution each year (and have done so, except for FY1999, FY2003, and FY2005).[2] The budget resolution, which takes the form of a concurrent resolution and is not sent to the President for his approval or veto, serves as a congressional statement in broad terms regarding appropriate revenue, spending, and debt-limit policies, as well as a guide to the subsequent consideration of legislation implementing such policies at agency and programmatic levels. Budget resolution policies are enforced through a variety of mechanisms, including points of order.[3] The House and Senate Budget Committees, which were created by the 1974 act, exercise exclusive jurisdiction over budget resolutions and are responsible for monitoring their enforcement.

In developing a budget resolution, the House and Senate Budget Committees use various sources of budgetary information and analysis, including baseline budget projections of revenue, spending, and the deficit or surplus prepared by the Congressional Budget Office (CBO). A budget resolution typically reflects many different assumptions regarding legislative action expected to occur during a session that would cause revenue and spending levels to be changed from baseline amounts. Most revenue and mandatory spending,[4] however, occurs automatically each year under permanent law. Therefore, if the committees with jurisdiction over the revenue and mandatory spending programs do not report legislation to carry out the budget resolution policies by amending existing law, revenue and mandatory spending for these programs likely will continue without change. There are some notable exceptions to the permanency of revenue and mandatory spending laws, such as many of the tax cuts proposed by President George W. Bush and enacted in 2001 and 2003.

Discretionary spending, on the other hand, is provided annually in regular, supplemental, and continuing appropriations acts. The House and Senate, therefore, are assured an opportunity each year to consider discretionary spending within the

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[1] See Titles I-IX of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344; July 12, 1974; 88 Stat. 297-339), as amended and codified at 2 U.S.C. 621-692.

[2] For background information on budget resolutions, see CRS Report RL30297, *Congressional Budget Resolutions: Selected Statistics and Information Guide*, by Bill Heniff Jr.

[3] The congressional budget process, and its enforcement procedures, are discussed in more detail in CRS Report 98-721, *Introduction to the Federal Budget Process*, by Robert Keith and Allen Schick. Also, see CRS Report 97-865, *Points of Order in the Congressional Budget Process*, by James V. Saturno.

[4] *Mandatory spending*, also referred to as *direct spending*, is provided mainly in substantive law under the jurisdiction of the legislative committees, in contrast to *discretionary spending*, which is provided in annual appropriations acts under the jurisdiction of the House and Senate Appropriations Committees. Most direct spending programs are entitlements, such as Social Security, Medicare, federal civilian and military retirement, and unemployment compensation.

context of budget resolution policies. The enforcement of budget resolution policies regarding discretionary spending relies, for the most part, on the ability to raise points of order against individual appropriations acts that violate the suballocations of discretionary spending made pursuant to Section 302(b) of the 1974 act.

The budget reconciliation process is an optional procedure that operates as an adjunct to the budget resolution process.[5] The chief purpose of the reconciliation process 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. Under the reconciliation process, the House and Senate may compel their committees to develop legislation changing existing law. Accordingly, reconciliation can be a potent budget enforcement tool for a large portion of the budget.

Reconciliation is a two-stage process. First, reconciliation instructions are included in the budget resolution, directing the appropriate committees to develop legislation achieving the desired budgetary outcomes. If the budget resolution instructs more than one committee in a chamber, then the instructed committees submit their legislative recommendations to their respective Budget Committees by the deadline prescribed in the budget resolution; the Budget Committees incorporate them into an omnibus budget reconciliation bill without making any substantive revisions.

The second step involves consideration of the resultant reconciliation legislation by the House and Senate under expedited procedures. Among other things, debate in the Senate on any reconciliation measure is limited to 20 hours (and 10 hours on a conference report) and amendments must be germane and not include extraneous matter. The House Rules Committee typically recommends a special rule for the consideration of a reconciliation measure in the House that places restrictions on debate time and the offering of amendments.

In cases where only one committee has been instructed, the process allows that committee to report its reconciliation legislation directly to its parent chamber, thus bypassing the Budget Committee. In some years, budget resolutions included reconciliation instructions that afforded the House and Senate the option of considering two or more different reconciliation bills. Once the reconciliation legislation called for in the budget resolution has been approved or vetoed by the President, the process is concluded; Congress cannot develop another reconciliation bill in the wake of a veto without first adopting another budget resolution containing reconciliation instructions.

As an optional procedure, reconciliation has not been used in every year that the congressional budget process has been in effect. Beginning with the first use of reconciliation by both the House and Senate in 1980, however, reconciliation has been used in most years. Congress has sent the President 19 reconciliation acts over the years; 16 were signed into law and three were vetoed (and the vetoes not

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[5] See CRS Report RL33030, *The Budget Reconciliation Process: House and Senate Procedures*, by Robert Keith and Bill Heniff Jr., for more information on the process.

overriden). **Table 1** provides a list of the 10 reconciliation acts presented to the President from 1990 (for FY1991 and subsequent years) to the present. Seven of the acts were signed into law and three were vetoed by President Bill Clinton.

The inclusion of reconciliation instructions in a budget resolution has not always resulted in House or Senate consideration of a reconciliation measure under the instructions. In 1996, the FY1997 budget resolution (H.Con.Res. 178) provided for three separate reconciliation measures dealing with: (1) "Welfare and Medicaid Reform and Tax Relief"; (2) "Medicare Preservation"; and (3) "Tax and Miscellaneous Direct Spending Reforms." A reconciliation measure reforming the welfare system was enacted in 1996 (P.L. 104-193), but the House and Senate did not act on the other two reconciliation measures provided for under the budget resolution.

Further, not every reconciliation measure considered by one chamber has been considered by the other chamber, or been regarded as a reconciliation measure when considered by the other chamber. In 2000, for example, the House considered and passed several reconciliation measures, but they were not considered by the Senate.[6]

Initial actions under reconciliation focused on deficit-reduction efforts. Consequently, the procedures were employed to achieve spending reductions and revenue increases on a net basis. In the latter part of the 1990s, particularly when large surpluses emerged in the federal budget for the first time in decades, the focus of reconciliation action was shifted to reducing revenues, which continued into the 2000s. In the FY2006 budget resolution, reconciliation directives entail reductions in both revenues and spending.

[6] See CRS Report RL30714 (archived), *Congressional Action on Revenue and Debt Reconciliation Measures in 2000*, available upon request from the author.

Table 1. Reconciliation Resolutions and Resultant Reconciliation Acts: FY1991-FY2005

Fiscal Year	Budget Resolution	Resultant Reconciliation Act(s)	Date Enacted
1991	H.Con.Res. 310	Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)	11-05-90
1994	H.Con.Res. 64	Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66)	08-10-93
1996	H.Con.Res. 67	Balanced Budget Act of 1995 (H.R. 2491)	12-06-95 (vetoed)
1997	H.Con.Res. 178	Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193)	08-22-96
1998	H.Con.Res. 84	Balanced Budget Act of 1997 (P.L. 105-33)	08-05-97
		Taxpayer Relief Act of 1997 (P.L. 105-34)	08-05-97
2000	H.Con.Res. 68	Taxpayer Refund and Relief Act of 1999 (H.R. 2488)	09-23-99 (vetoed)
2001	H.Con.Res. 290	Marriage Tax Relief Reconciliation Act of 2000 (H.R. 4810)	08-05-00 (vetoed)
2002	H.Con.Res. 83	Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16)	06-07-01
2004	H.Con.Res. 95	Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27)	05-28-03

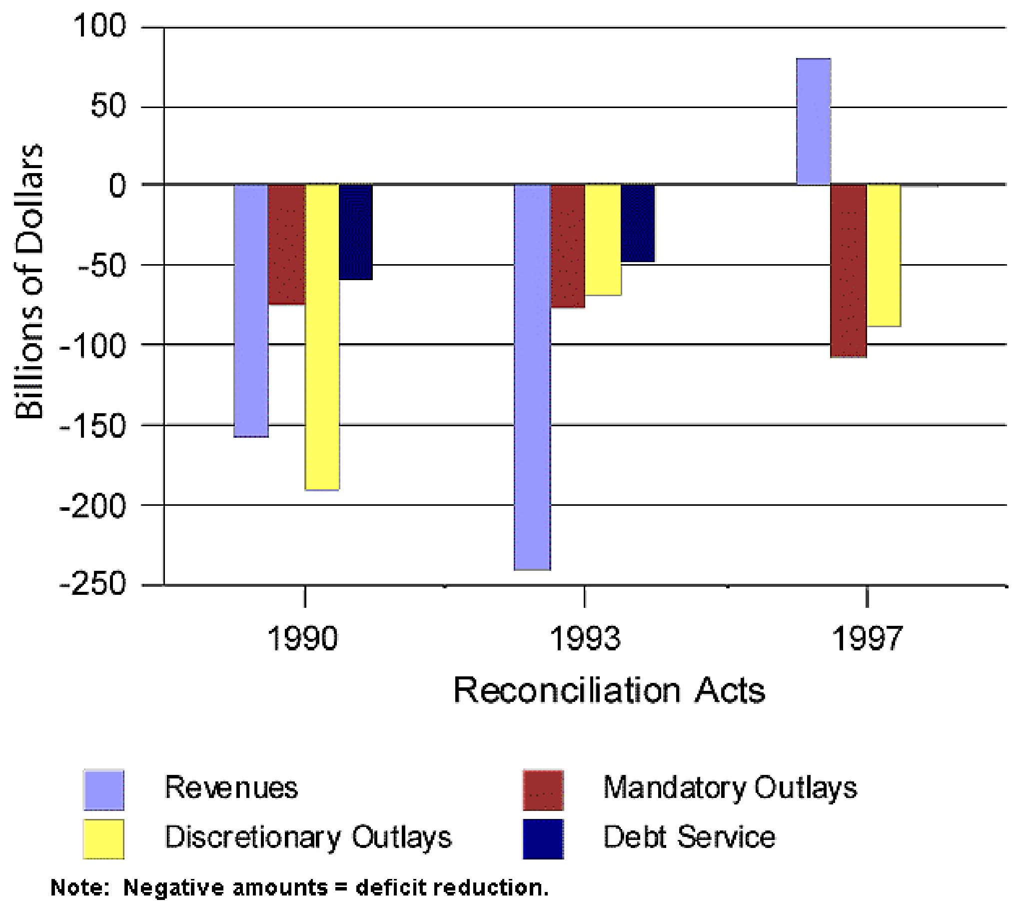
Source: Prepared by the Congressional Research Service.

The three most recent years in which Congress used omnibus reconciliation legislation to achieve net deficit reduction occurred in the 1990s (one reconciliation act each in 1990 and 1993, and two in 1997). Over a five-year period, according to 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.

In all three years, as shown in **Figure 1**, the reconciliation acts relied on net mandatory savings, amounting over five years to an estimated $75 billion in the 1990 act, $77 billion in the 1993 act, and $107 billion in the 1997 acts. With regard to revenues, however, the 1990 and 1993 acts reflected estimated net increases over five years of $158 billion and $241 billion, respectively, while the 1997 acts reflected an estimated net reduction of $80 billion over five years.

Five-year net savings in discretionary spending attributable to statutory limits, established in the 1990 act and extended in the 1993 and 1997 legislation, ranged from an estimated $69 billion (in the 1993 act), to $89 billion (in the 1997 acts), to $190 billion (in the 1990 act). Although estimates of savings in discretionary spending were included in the CBO assessments of the budgetary impact of the reconciliation measures, the discretionary savings actually occurred as the annual appropriations acts were enacted over the five-year period. Debt service savings accounted for the remaining deficit reduction.

Figure 1. Budgetary Components of Selected Reconciliation Acts



Sources: Prepared by the Congressional Research Service from data provided by the Congressional Budget Office in: (1) *The Economic and Budget Outlook: Fiscal Years 1992-1996*, January 1991, Table III-3, p. 66; (2) *The Economic and Budget Outlook: An Update*, September 1993, Table 2-2, p. 29; and (3) *The Economic and Budget Outlook: An Update*, September 1997, Table 10, p. 36, and Table 11, p. 40.

Note: The savings in discretionary spending shown here, which were attributable to statutory limits established in the 1990 act and extended in the 1993 and 1997 legislation, were included in the CBO assessments of the budgetary impact of the reconciliation measures, but the discretionary savings actually occurred as the annual appropriations acts were enacted over the five-year period.

The Budget Policy Context

The House and Senate, as stated earlier, are required under the Congressional Budget Act of 1974 to reach agreement each year on a budget resolution that establishes a budget plan for at least five fiscal years — the upcoming fiscal year and the ensuing four fiscal years; changes in the current fiscal year may be made as well. During the 2005 session, for example, the budget resolution developed by the House and Senate covered FY2006 (which began on October 1, 2005) through FY2010, and included revisions for FY2005.

Many factors influence the development of a budget resolution, particularly the President's annual budget submission toward the start of the session. Development of the budget resolution, as well as the President's budget, involves the consideration of estimates of future spending, revenues, and the resultant deficit (or surplus) based on current law. These estimates are referred to as baseline budget projections, as prepared by the Congressional Budget Office (CBO), and current services estimates, as prepared by the Office of Management and Budget (OMB). The impact of congressional and presidential budgetary policies often is assessed by comparing revenue, spending, or deficit or surplus levels under such policies to the CBO and OMB baseline estimates.

This section provides background on budget policies for FY2006-FY2010, as formulated in 2005, with respect to budget components targeted by the reconciliation process — the deficit, mandatory outlays, revenues, and the public debt limit. For each component, information is provided on baseline budget projections, the President's budget submission, and the congressional budget resolution.

Baseline Budget Projections

On January 25, 2005, CBO issued its annual report providing baseline budget projections, *The Budget and Economic Outlook: Fiscal Years 2006 to 2015*. The baseline budget projections were updated on March 8 in conjunction with the development of the FY2006 budget resolution; the updated March baseline is used in this report, unless otherwise indicated.[7] Current services estimates were prepared by OMB and submitted in February as part of the President's FY2006 budget.[8]

The Deficit. During the period encompassing the five fiscal years most recently completed before the current session began, FY2000-FY2004, the federal government incurred both surpluses and deficits, as shown in **Table 2**.

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[7] The March baseline budget projections are presented in: Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2006*, March 2005, Table 1-10, p. 23.

[8] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Analytical Perspectives*, February 7, 2005, Chapter 25 (Current Services Estimates), Table 25-1, pp. 389-404.

Table 2. Total Deficit or Surplus: FY2000-FY2004
(amounts in $ billions)

	2000	2001	2002	2003	2004
Current Dollars	236	128	-158	-378	-412
Constant FY2000 Dollars	236	125	-152	-354	-377
Percentage of GDP	2.4%	1.3%	-1.5%	-3.5%	-3.6%

Source: *Office of Management and Budget, Budget of the United States Government, Fiscal Year 2006, Historical Tables*, Feb. 7, 2005, Tables 1.1-1.3, pp. 21-26.

Measured in current dollars, the FY2000 surplus of $236 billion, which was the largest surplus since the end of World War II, steadily eroded, becoming by FY2004 the largest deficit since the end of World War II, at $412 billion. Measured in constant FY2000 dollars, the FY2004 deficit of $377 billion was still the largest post-war deficit, but it was $35 billion less than the current-dollar deficit for that year. As a percentage of Gross Domestic Product (GDP), the deficit rose from 1.5% for FY2002 to 3.6% for FY2004. The largest post-war deficit, in current dollars, occurred in FY1992, at $290 billion; as a percentage of GDP, the largest post-war deficit occurred in FY1983, measuring 6.0%.

Both the CBO baseline budget projections and the OMB current services estimates indicated a sustained but declining deficit path in the coming years. As shown in **Table 3**, CBO projected that the FY2005 deficit would decline from the prior year to $365 billion.

Table 3. CBO and OMB Baseline Deficit Projections: FY2005-FY2010
(amounts in $ billions)

	2005	2006	2007	2008	2009	2010	2006-2010
Congressional Budget Office (March 2005 Baseline Budget Projections)							
Deficit	-365	-298	-268	-246	-219	-201	-1,232
Deficit (%age of GDP)	-3.0	-2.3	-2.0	-1.7	-1.5	-1.3	—
Office of Management and Budget (February 2005 Current Services Estimates)							
Deficit	-390	-361	-303	-251	-229	-207	1,351

Sources: (1) Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2006*, March 2005, Table 1-10, p. 23; (2) Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Analytical Perspectives*, Feb. 7, 2005, Chapter 25 (Current Services Estimates), Table 25-1, p. 390.

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

For the five-year period covering FY2006-FY2010, CBO projected a deficit of $298 billion for FY2006, declining gradually to $201 billion for FY2010. Over five years, the cumulative projected deficit amounted to $1.232 trillion. As a percentage of GDP, the baseline deficit was projected to decline from 2.3% to 1.3% over this period.

CBO noted that the statutory rules governing the preparation of baseline projections likely resulted in an understatement of spending for military operations in Iraq and Afghanistan by tens of billions of dollars, thereby understating the deficit for FY2006, and possibly later years as well.

The OMB current services estimates included higher deficit levels than CBO for each year, but followed the same trend of gradual decline reflected in the CBO projections.[9] OMB estimated a decrease in the deficit for FY2005 from the prior year's level, to $390 billion. Further, OMB projected the deficit to decline from $361 billion for FY2006 to $207 billion for FY2010. Over five years, the cumulative projected deficit amounted to $1.351 trillion.

Mandatory Outlays. Under the CBO baseline budget projections, mandatory outlays were projected to grow by $339 billion over the five-year period, from $1.385 trillion for FY2006 to $1.724 trillion for FY2010. In comparison, outlays for net interest were projected to grow by $93 billion, from $211 billion for FY2006 to $304 billion for FY2010, and discretionary outlays were projected to grow by $65 billion, from $915 billion for FY2006 to $980 billion for FY2010. As a percentage of GDP, mandatory outlays were projected to increase by FY2010 to 10.9% (an increase of 0.2% from FY2006). Outlays for net interest were projected to increase to 1.9% (an increase of 0.3%) and discretionary outlays were projected to decrease to 6.2% (a decrease of 0.9%).

The OMB projections for mandatory outlays showed an increase over the five-year period of $336 billion, nearly the same as the CBO projection. The OMB projections, however, showed higher levels of mandatory outlays for each fiscal year, rising to $1.752 trillion for FY2010.

Revenues. According to CBO, total revenues were projected to rise by $594 billion over the five-year period, from $2.213 trillion for FY2006 to $2.807 trillion for FY2010. As a percentage of GDP, revenues were projected to increase by FY2010 to 17.8% (an increase of 0.6% from FY2006).

OMB projected a greater increase in revenues, $663 billion, over the five-year period (rising to $2.841 trillion for FY2010).

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[9] The OMB current services estimates, unlike the CBO baseline budget projections, were not prepared strictly in accordance with the baseline rules established in the Budget Enforcement Act (BEA). Accordingly, some of the differences in the amounts presented by OMB and CBO are attributable to conceptual differences, as discussed in CBO, *An Analysis of the President's Budgetary Proposals*, ibid., p. 17.

Public Debt Limit. Finally, CBO projected the increases that would be needed in the public debt subject to statutory limit, which currently stands at $8.184 trillion. Although the revised debt-limit levels were not identified in the baseline projections published in March, the projections published in January indicated that the debt-limit level would amount to $8.529 trillion for FY2006, rising steadily to $10.847 trillion for FY2010.

The last four increases in the public debt limit, which occurred between 1997 and 2004, are shown in **Table 4**. The amount of increase ranged between $450 billion and $800 billion.

Table 4. Public Debt-Limit Increases: 1997-2004
(amounts in $ billions)

Date of increase	Public law number	Amount of increase	Revised limit
08-05-1997	P.L. 105-33	450	5,950
06-28-2002	P.L. 107-199	450	6,400
05-27-2003	P.L. 108-24	984	7,384
11-19-2004	P.L. 108-415	800	8,184

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Historical Tables*, Feb. 7, 2005, Table 7.3, pp. 121-124.

President Bush's FY2006 Budget

Initial Budget Submission (February). President George W. Bush submitted his budget particularly for FY2006 to Congress on February 7, 2005. The President's budget focused on deficit reduction, noting his goal of reducing the $521 billion deficit originally projected for FY2004 (amounting to 4.5% of GDP) in half by FY2009.[10] Under the President's proposals, as shown in **Table 5**, the deficit would be reduced over a five-year period, from $390 billion for FY2006 (3.0% of GDP) to $207 billion for FY2010 (1.3% of GDP), a level below the 40-year historical average of 1.7% of GDP.

Compared to the OMB current services estimates, the President's proposals would increase the deficit in three years (by $29 billion for FY2006, $9 billion for FY2007, and $4 billion for FY2009) while leaving it unchanged in the other two years. In the net, the President's proposals would increase the deficit by $42 billion over the five-year period, compared to the current services baseline.

[10] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006*, "Overview of the President's 2006 Budget," p. 3.

Table 5. President Bush's FY2006 Budget: February 2005 Submission
(amounts in $ billions)

	2006	2007	2008	2009	2010	2006-2010
Deficit	-390	-312	-251	-233	-207	1,393
Deficit (Percentage of GDP)	-3.0	-2.3	-1.7	-1.5	-1.3	—
Mandatory Outlay Savings	-5	-9	-7	-9	-8	-39
Revenue Reduction	— [a]	-3	-21	-49	-32	-106

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006*, Feb. 7, 2005, Summary Tables S-1 and S-6, pp. 343 and 352-359.

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

a. Less than $500 million.

The President's budget recommendations encompassed three major policies. First, discretionary spending would be restrained throughout the five-year period, reflecting more than 150 reductions and terminations for FY2006 in non-defense programs.[11] For FY2006, discretionary budget authority would increase over the prior year by 5% for the Defense Department and 3% for homeland security (non-Defense Department) activities, and would decrease by 1% for all other operations of the federal government. Overall, total discretionary budget authority for FY2006 would increase by 2.1%, a level lower than the expected rate of inflation. For FY2007-FY2010, total discretionary budget authority would increase by between 1% and 3% each year, well below recent averages.

Second, mandatory outlays would be reduced over the five-year period by $62 billion, reflecting programmatic reforms amounting to $55 billion and user fee proposals amounting to $7 billion.[12] Taking into account outlay increases of $23 billion associated with certain tax proposals (e.g., health tax credits), the net reduction in mandatory outlays would amount to $39 billion over five years. The net reduction would eliminate more than 10% of the $330-plus billion growth in mandatory outlays projected by OMB and CBO in the baseline during FY2006-FY2010.

Third, revenues would be reduced in the net by $106 billion during the five-year period.[13] Half of the revenue decreases during this period, $53 billion, would be attributed to making permanent certain tax cuts enacted in the revenue reconciliation

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[11] President's FY2006 *Budget*, ibid., Summary Table S-2, p. 344.

[12] President's FY2006 *Budget*, ibid., Summary Table S-6, pp. 348-353.

[13] President's FY2006 *Budget*, ibid., Summary Table S-7, pp. 354-359.

acts of 2001 and 2003, which dealt with the dividends and capital gains tax rate structures, expensing for small business, and other matters.

President Bush's February budget submission did not reflect additional discretionary spending for operations in Iraq and Afghanistan for FY2006, nor did it reflect his proposals regarding changes in the Social Security program involving the establishment of individual accounts.

Mid-Session Review (July). On July 13, 2005, President Bush submitted to Congress the required Mid-Session Review (MSR) of his FY2006 budget.[14] The MSR revealed some significant changes in the budget since the initial February submission, as shown in **Table 6**. The annual deficit levels dropped by between $37 billion and $89 billion, and the cumulative five-year deficit dropped by $326 billion (from $1.393 trillion to $1.067 trillion).

Table 6. President Bush's FY2006 Budget: July 2005 Mid-Session Review

(amounts in $ billions)

	2006	2007	2008	2009	2010	2006-2010
Deficit	-341	-233	-162	-162	-170	1,067
Deficit (Percentage of GDP)	-2.6	-1.7	-1.1	-1.1	-1.1	—
Mandatory Outlay Savings	-3	-9	-8	13	44	37
Revenue Reduction	— [a]	-2	-20	-50	-33	-104

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Mid-Session Review*, July 13, 2005, Table 1, p. 6, and Tables S-6 and S-7, pp. 28-35.

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

a. Less than $500 million.

The $326 billion reduction in the cumulative deficit was explained by economic and technical reestimates amounting to $464 billion in deficit reduction (mainly higher revenues due to a strengthened economy and the resultant lowering of debt service costs), offset in part by policy proposals involving $138 billion in higher outlays (mainly Social Security personal accounts and additional war funding for FY2006). The levels associated with the President's recommendations regarding savings in mandatory outlays in reductions in revenue were barely changed by the Mid-Session Review. The five-year savings in mandatory outlays were reduced by $2 billion, from $39 billion to $37 billion, and the five-year reduction in revenues also was lowered by $2 billion, from $106 billion to $104 billion.

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[14] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Mid-Session Review*, July 13, 2005.

The FY2006 Budget Resolution

Consideration of the FY2006 budget resolution began in the House and Senate in March and came to a conclusion at the end of April. Following a brief legislative history of the budget resolution, this section provides a summary of overall budget resolution policies.

Legislative History. The House Budget Committee reported H.Con.Res. 95 on March 11, 2005 (H.Rept. 109-17), and the Senate Budget Committee reported S.Con.Res. 18 on the same day, but without a written report.[15]

The House considered H.Con.Res. 95 on March 16 and 17 under the terms of a special rule, H.Res. 154, which had been reported by the House Rules Committee (H.Rept. 109-19, March 15, 2005). Four amendments made in order under the special rule were offered and defeated: (1) an amendment in the nature of a substitute, offered by Representative Jeb Hensarling on behalf of the Republican Study Committee, by a vote of 102-320; (2) an amendment offered by Representative David Obey, ranking minority member of the House Appropriations Committee, by a vote of 180-242; (3) an amendment in the nature of a substitute, offered by Representative Melvin Watt on behalf of the Congressional Black Caucus, by a vote of 134-292; and (4) an amendment in the nature of a substitute, offered by Representative John Spratt, ranking minority member of the House Budget Committee, by a vote of 165-264.

After action on the amendments was completed, the House passed H.Con.Res. 95 by a vote of 218-214.

The Senate began consideration of S.Con.Res. 18 by unanimous consent on March 14. Consideration of the measure continued on March 15 and 16, culminating with its passage, as amended, on March 17, by a vote of 51-49. The Senate considered about 70 amendments, agreeing to dozens of them.

The House and Senate convened a conference on their competing versions of the budget resolution, with H.Con.Res. 95 serving as the conference vehicle. The conferees met on April 27 and the conference report was filed the next day.[16] The House agreed to the conference report on April 28, by a vote of 214-211, and the Senate agreed to it the same day, by a vote of 52-47.

Overall Budget Resolution Policies. In terms of overall budget resolution policies, the House and Senate began the conference from positions of fundamental agreement. The budget resolutions reported by the House and Senate Budget

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[15] House Budget Committee, *Concurrent Resolution on the Budget — Fiscal Year 2006* (to accompany H.Con.Res. 95), H.Rept. 109-17, March 11, 2005. The Senate Budget Committee issued a committee print, *Concurrent Resolution on the Budget, FY 2006* (committee print to accompany S.Con.Res. 18), S.Prt. 109-18, 2005, in lieu of a written report.

[16] *Concurrent Resolution on the Budget for Fiscal Year 2006*, conference report to accompany H.Con.Res. 95, H.Rept. 109-62, April 28, 2005.

Committees hewed fairly closely to the general contours of the President's budget proposals. Both resolutions employed a five-year time frame covering FY2006-FY2010, with revisions included for the then current fiscal year, FY2005, as well. The three main pillars of budget policy, as reflected in the reported budget resolutions, involved significant restraint on the growth of discretionary spending, a more modest curtailment of the growth of mandatory spending, and further reductions in revenues, although at a more modest level compared to the actions taken in 2001 and 2003.

While the House agreed to the budget resolution reported by the House Budget Committee without change, the Senate revised the version reported by its Budget Committee. Although dozens of amendments were adopted in the Senate, many of them involved precatory language (i.e., sense-of-the-Senate statements) or procedural matters rather than changes in spending or revenue levels. Some significant changes were made in budget levels, including to reconciliation instructions (as discussed below), but the basic outline of budget policy recommended by the Senate Budget Committee remained intact.

The positions of the House, the Senate, and the final conference agreement regarding several key components of the budget plan are presented in **Table 7**. With regard to the cumulative deficit over the five-year period, the differences between the House ($1.359 trillion) and the Senate ($1.450 trillion) were relatively modest; the conference agreement essentially split the difference ($1.400 trillion). House-Senate differences regarding total mandatory outlays and total revenues for the five-year period were even more narrow. Again, the conference agreement essentially split the difference ($9.401 trillion) with respect to total mandatory outlays over five years. In the case of total revenues, the House-Senate difference was negligible ($23 billion), and the conference agreement ($12.440 trillion) was within $1 billion of the House position.

Table 7. Selected Components of the FY2006 Budget Resolution: House, Senate, and Conference Levels

(amounts in $ billions)

	House	Senate	Conference
Deficit for FY2006	-376	-368	-383
Deficit for FY2006-FY2010	-1,359	-1,450	-1,400
Total Mandatory Outlays for FY2006-FY2010	9,374	9,432	9,401
Total Revenues for FY2006-FY2010	12,441	12,418	12,440

Source: Conference report to accompany H.Con.Res. 95, *Concurrent Resolution on the Budget for Fiscal Year 2006*, H.Rept. 109-62, Apr. 28, 2005, pp. 50-67.

Reconciliation Directives in the FY2006 Budget Resolution

The FY2006 budget resolutions reported by the House and Senate Budget Committees, and adopted by the House and Senate, included reconciliation directives for multiple reconciliation measures.

Initial House Action

The House Budget Committee reported the FY2006 budget resolution, H.Con.Res. 95, on March 11, 2005. As reported, the budget resolution contained two sets of reconciliation instructions to House committees in Section 201 (see **Table 8**).

Table 8. Initial Reconciliation Instructions: House
(amounts in $ billions)

House Committee	Reported and Passed	
	FY2006	**FY2006-FY2010**
Spending (Mandatory outlays)	**(submission date: September 16)**	
Agriculture	-0.797	-5.278
Education and the Workforce	-2.097	-21.410
Energy and Commerce	-0.630	-20.002
Financial Services	-0.030	-0.270
Judiciary	-0.123	-0.603
Resources	-0.096	-1.413
Transportation and Infrastructure	-0.012	-0.103
Veterans' Affairs	-0.155	-0.798
Ways and Means	-3.907	-18.680
Total	-7.847	-68.557
Revenues	**(reporting date: June 24)**	
Ways and Means Committee	-16.623	-45.000

Source: House Budget Committee, *Concurrent Resolution on the Budget — Fiscal Year 2006* (to accompany H.Con.Res. 95), H.Rept. 109-17, Mar. 11, 2005, pp. 69-71 and 136-137.

Section 201(a) instructed nine House committees to submit reconciliation recommendations to the Budget Committee that would reduce mandatory outlays by $7.847 billion in FY2006 and $68.557 billion in FY2006-FY2010. In addition, Section 201(b) instructed the Ways and Means Committee to report a reconciliation bill reducing revenues by not more than $16.623 billion in FY2006 and $45.000 billion in FY2006-FY2010. The net effect of the spending and revenue reconciliation instructions on the deficit estimates was a decrease of $23.557 billion over the five-year period.

The House Budget Committee contemplated a schedule in which the revenue reconciliation bill would be considered first, before the August recess, and the spending reconciliation bill would be considered second, after the August recess. The submission deadline for the spending reconciliation recommendations was September 16, 2005; the reporting deadline for the revenue reconciliation measure was June 24.

Each of the four amendments made in order during initial House consideration of the budget resolution would have modified or eliminated the reconciliation instructions for FY2006-FY2010 recommended by the House Budget Committee. The Hensarling amendment would have increased the savings in mandatory outlays to more than $125 billion and the revenue reductions to about $106 billion; the Obey amendment would have added revenue increases of nearly $26 billion, intended to be targeted at wealthy taxpayers; and the Watt and Spratt amendments would have eliminated the reconciliation instructions completely. As indicated earlier, all of the amendments were defeated; subsequently, the House agreed to the budget resolution without having made any changes in the reconciliation instructions as reported by the Budget Committee.

Initial Senate Action

The Senate Budget Committee reported its version of the FY2006 budget resolution, S.Con.Res. 18, on March 11, 2005.[17] The reconciliation instructions included in the budget resolution as reported by the Senate Budget Committee differed in several respects from the instructions in the budget resolution agreed to by the House (see **Table 9**).

First, Section 201(a) of S.Con.Res. 18 included instructions to seven committees to achieve savings in mandatory outlays of $4.244 billion in FY2006 and $32.042 billion in FY2006-FY2010, less than half the five-year amount recommended by the House. Second, Section 201(b) of the measure included instructions to the Senate Finance Committee to reduce revenues by $14.939 billion in FY2006 and $70.154 billion in FY2006-FY2010, about $25 billion more over five years than the amount recommended by the House. Third, Section 201(c) of the measure recommended an increase in the statutory limit on the public debt of $446.464 billion, an issue the House did not address in reconciliation. The net effect on the deficit estimates of the spending and revenue reconciliation instructions reported by the Budget Committee was an increase of $23.557 billion over the five-year period.

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[17] The committee issued a print in lieu of a report: Senate Budget Committee, *Concurrent Resolution on the Budget, Fiscal Year 2006* (committee print to accompany S.Con.Res. 18), S.Prt. 109-18, 2005.

Table 9. Initial Reconciliation Instructions: Senate

(amounts in $ billions)

Senate Committee	Reported		Passed	
	FY2006	FY2006-FY2010	FY2006	FY2006-FY2010
Spending (mandatory outlays)				***(submission date: June 6)***
Agriculture, Nutrition, and Forestry	-0.171	-2.814	-0.171	-2.814
Banking, Housing, and Urban Affairs	-0.030	-0.270	-0.030	-0.270
Commerce, Science, and Transportation	-0.008	-2.576	-0.008	-2.576
Energy and Natural Resources	-0.033	-2.658	-0.033	-2.658
Environment and Public Works	-0.014	-0.112	-0.014	-0.112
Finance	-1.784	-15.036	0	0
Health, Education, Labor, and Pensions	-2.204	-8.576	-2.204	-8.576
Total	**-4.244**	**-32.042**	**-2.460**	**-17.006**
Revenues				***(reporting date: September 7)***
Finance Committee	-14.939	-70.154	-19.016	-128.580
Statutory Debt Limit				***(reporting date: September 16)***
Finance Committee		+446.464		+446.464

Sources: (1) Senate Budget Committee, *Concurrent Resolution on the Budget, Fiscal Year 2006* (committee print to accompany S.Con.Res. 18), S.Prt. 109-18, 2005, p. 43; and (2) S.Con.Res. 18, as reported, Mar. 11, 2005, pp. 28-30; and (3) S.Con.Res. 18, as passed by the Senate, Mar. 17, 2005, pp. 28-30.

Finally, the Senate Budget Committee proposed to reverse the timing of legislative action compared to the House's recommendation, imposing an earlier submission date for spending reconciliation recommendations (June 6, instead of September 16 in the House) and a later reporting date for revenue reconciliation legislation (September 7, instead of June 24 in the House). The reporting date for the reconciliation measure pertaining to the public debt limit was September 16.

The Senate, unlike the House, agreed to amendments that changed the reconciliation instructions recommended by the Budget Committee. On March 17, the Senate adopted three amendments that revised both the spending and revenue reconciliation instructions. First, the Senate adopted Bingaman (for Smith) Amendment #204, by a vote of 52-48. The amendment struck the spending reconciliation instructions to the Finance Committee in Section 201(a)(6) and added to the budget resolution a provision establishing a reserve fund of $1.5 million for the creation of a 23-member Bipartisan Medicaid Commission. It had been widely assumed that the Finance Committee would consider reductions in Medicaid spending in order to meets its instruction of $15.036 billion in savings over five years; consequently, the amendment was seen as a means of protecting the Medicaid program from spending cuts.

The second amendment that the Senate adopted on March 17 was Bunning Amendment #241, by a vote of 55-45. The amendment, which increased the revenue reduction under reconciliation by $4.8 billion for FY2006 and $63.9 billion for FY2006-FY2010, was characterized by Senator Bunning as accommodating the repeal of a 1993 increase in the taxation of Social Security benefits.

Finally, the Senate adopted on March 17 Kennedy Amendment #177, as modified, by a vote of 51-49. The amendment decreased the instruction to reduce revenues by $723 million for FY2006 and $5.474 billion for FY2006-FY2010, thereby offsetting spending increases for education programs.

The Senate also considered and rejected several other amendments that would have modified the reconciliation instructions. In particular, the Senate rejected Cantwell Amendment #168, by a vote of 49-51. The amendment, which would have struck the instruction in Section 201(a)(4) to the Energy and Natural Resources Committee to reduce outlays by $2.658 billion over five years, was characterized by Senator Cantwell as precluding the opening of the Arctic National Wildlife Refuge (ANWR) to oil exploration.

In the net, the amendments that the Senate adopted decreased the total outlay reduction over five years by $15.036 billion, from the reported level of $32.042 billion to $17.006 billion, and increased the total revenue reduction over five years by $58.426 billion, from the reported level of $70.154 billion to $128.580 billion. By scaling back the outlay reductions and boosting the revenue reductions required by the reconciliation instructions, the Senate dramatically changed the net effect of reconciliation on the total deficit estimate over the five-year period. While the reconciliation instructions in the budget resolution as reported by the Senate Budget Committee would have increased the deficit in the net by about $38 billion over five years, the instructions in the resolution as passed by the Senate would have increased the deficit in the net by about an additional $73 billion over that period, or about $111 billion in total.

Action on the Conference Report

The conferees reported their agreement on H.Con.Res. 95 on April 28, 2005. In addition to the separate spending and revenue reconciliation measures that each chamber had proposed, the conferees agreed to a third reconciliation measure, on the public debt limit, as had been proposed by the Senate.

In the case of the spending and revenue reconciliation measures, the conferees found a middle ground between the positions of the two chambers (see **Table 10**), which was close to the levels reported by the Senate Budget Committee.

Table 10. Reconciliation Instructions for FY2006-FY2010: Summary of House, Senate, and Conference Amounts
(amounts in $ billions)

Reconciliation Instructions for FY2006-FY2010	House-Passed	Senate-Passed	Conference Agreement
Changes in Mandatory Outlays	-68.557	-17.006	-34.658
Changes in Revenues	-45.000	-128.580	-70.000
Change in Statutory Debt Limit	[none]	+446.464	+781.000
Net Effect on Deficit	*-23.557*	*+111.574*	*+35.342*

Source: *Concurrent Resolution on the Budget for Fiscal Year 2006* (conference report to accompany H.Con.Res. 95), H.Rept. 109-62, Apr. 28, 2005, pp. 11-14 and 68-71.

Note: Negative sign (-) denotes a decrease; positive sign (+) denotes an increase.

With respect to savings in mandatory outlays, the conferees recommended reconciliation instructions to eight House and eight Senate committees, requiring total savings of $34.658 billion over FY2006-FY2010.[18] This was about half the amount of savings recommended by the House ($68.557 billion) and about twice the amount of savings recommended by the Senate ($17.006 billion). The House's reconciliation instructions had involved nine House committees and the Senate's instructions had involved seven Senate committees; in the final instructions, the House Veterans' Affairs Committee was dropped and the Senate Judiciary Committee was added.

Table 11 presents more detailed information on the reconciliation instructions included in the conference agreement.

[18] For two committees, the House Education and Workforce Committee and the Senate Health, Education, Labor, and Pensions Committee, the period of savings includes FY2005 as well.

Table 11. Reconciliation Instructions in the Conference Agreement on the FY2006 Budget Resolution

Committee	Amount ($ billions)	
	FY2006	FY2006-FY2010
Spending (mandatory outlays)	**(submission date: September 16)**	
House Agriculture	-0.173	-3.000
House Education and the Workforce [a]	-0.992	-12.651
House Energy and Commerce	-0.002	-14.734
House Financial Services	-0.030	-0.470
House Judiciary	-0.060	-0.300
House Resources	—	-2.400
House Transportation and Infrastructure	-0.012	-0.103
House Ways and Means [b]	-0.250	-1.000
Total for House Committees	**-1.519**	**-34.658**
Senate Agriculture, Nutrition, and Forestry	-0.173	-3.000
Senate Banking, Housing, and Urban Affairs	-0.030	-0.470
Senate Commerce, Science, and Transportation	-0.010	-4.810
Senate Energy and Natural Resources	—	-2.400
Senate Environment and Public Works	-0.004	-0.027
Senate Finance	—	-10.000
Senate Health, Education, Labor, and Pensions [a]	-1.242	-13.651
Senate Judiciary	-0.060	-0.300
Total for Senate Committees	**-1.519**	**-34.658**
Revenues	***(reporting date: September 23)***	
House Ways and Means Committee	-11.000	-70.000
Senate Finance Committee	-11.000	-70.000
Statutory Debt Limit	***(reporting date: September 30)***	
House Ways and Means Committee	+781.000	
Senate Finance Committee	+781.000	

Source: *Concurrent Resolution on the Budget for Fiscal Year 2006* (conference report to accompany H.Con.Res. 95), H.Rept. 109-62, Apr. 28, 2005, pp. 11-14 and 68-71.

a. The reconciliation instructions to the House Education and the Workforce Committee and the Senate Health, Education, Labor, and Pensions Committee for FY2006 and FY2006-FY2020 also encompass FY2005.

b. The reconciliation instructions to the Ways and Means Committee are "to reduce the deficit," which may include reductions in outlays, increases in revenues, or a combination of the two.

Subsequent Changes in Budget Policy Affecting Reconciliation

Beginning in September 2005, Congress and the President have enacted various measures intended to provide relief to the victims of Hurricane Katrina and Hurricane Rita and to fund reconstruction activities.[19] Legislative efforts in this area have continued into 2006. Republican leaders in the House and Senate and others expressed concern about the impact of these relief and reconstruction efforts on the federal deficit and developed plans to enact offsets to some of the relief costs.

On October 6, 2005, Speaker of the House J. Dennis Hastert issued a press release on a plan developed by House Republican leaders.[20] In commenting on the plan, Speaker Hastert noted:

> Hurricanes Katrina and Rita have dealt a severe blow to our nation, both in terms of human and economic losses. We can and will recover, but it will require some serious belt-tightening throughout the federal government. House Republican leadership, Committee Chairmen and key members of the conference have worked together to come up with a proposal we believe can accomplish this task. In order to maintain our commitment to deficit reduction, we are proposing to move a mid-session Budget Amendment for the first time in almost 30 years (1977). The Amendment will increase the total amount of savings which can help pay for these unexpected costs.

The "Hastert Plan" has four elements, according to the Speaker's press release:

- an increase of $15 billion or more in the mandatory savings required to be achieved through the budget reconciliation process, from about $35 billion for FY2006-FY2010 to at least $50 billion for that period, as well as the "dollar-for-dollar" offset of any new mandatory spending for disaster relief included in reconciliation legislation;

- continued restraint on discretionary spending, including an additional across-the-board cut in discretionary spending for FY2006;

- packages of additional rescissions to further help offset reconstruction costs; and

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[19] Hurricane Katrina made landfall in Louisiana, Mississippi, and Alabama on August 29, 2005 (after impacting Florida on August 25), and Hurricane Rita made landfall in Louisiana and Texas on September 24. CRS reports on different aspects of this issue are listed on the CRS Web page [http://www.crs.gov] under the Current Legislative Issues term "Disaster — Hurricanes."

[20] Speaker's Press Office, *Speaker Hastert Comments on Republicans' Initial Spending Cut Proposal*, October 6, 2005, available on the Web at [http://www.speaker.gov].

- the permanent elimination, through "deauthorization," of programs already "zeroed out" in the current appropriations process.[21]

As announced by the Speaker, the plan did not indicate what portion or amount of costs would be offset. The Speaker's press release stated that a first step in implementing the plan could be the consideration of a revised budget resolution for FY2006.[22] House action on a revised budget resolution tentatively was scheduled for Thursday, October 20, but action was postponed and was not rescheduled.[23] The House and Senate Budget Committees may mark up the budget resolution for FY2007 as early as March 2006. In some past years, the budget resolution has included revised figures for the fiscal year in progress.

According to an assessment made by the Senate Budget Committee on January 18, 2006, the five-year costs stemming from these measures, covering FY2006-FY2010, are estimated at $98.921 billion. Most of the relief costs — $62.3 billion — are attributable to two emergency supplemental appropriations acts, P.L. 109-61 and P.L. 109-62. The Senate Budget Committee's assessment does not reflect several measures still pending in the House or Senate or expected to be considered at a later time. These measures could increase the costs for hurricane-related relief by tens of billions of dollars.

In the meantime, seven of the eight House committees were informed by the Republican leadership that they should work toward achieving, in the aggregate, an additional $15 billion in five-year savings through their reconciliation recommendations. Although the increased savings amounts for each committee were not announced officially, media reports indicated that the House Ways and Means and Education and Workforce Committees were expected to achieve most of the increased savings, roughly an additional $7 billion and $5 billion, respectively.[24]

By informal agreement, the schedule of reconciliation actions in the House was delayed to accommodate these developments.

In the Senate, the Republican leadership announced its support for enacting offsets, but did not specify a comprehensive plan to do so or indicate any intent to consider a revised budget resolution. On September 12, Senate Majority Leader Bill Frist and Senate Budget Committee Chairman Judd Gregg issued a joint statement

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[21] For more information on this topic, see CRS Report RL33127, *Speaker Hastert's Plan to Offset Spending: A Procedural Perspective*, by Robert Keith.

[22] Procedures for revising a budget resolution are discussed in CRS Report RL33122, *Congressional Budget Resolutions: Revisions and Adjustments*, by Robert Keith.

[23] See (1) "Leaders Delay Budget Vote in House," by Susan Davis and Peter Cohn, *CongressDaily AM*, October 20, 2005; (2) "Senate Panel Looks to Finish Cuts October 24; Blunt Plans to Try Again on Amendment," by Jonathan Nicholson, *BNA Daily Report for Executives*, no. 203, October 21, 2005, p. G-9; and (3) "Blunt Won't Gamble on Budget Votes," by Alexander Bolton, *The Hill*, October 21, 2005.

[24] See, for example, "House Looking to Two Committees to Boost Reconciliation Spending Cut Totals," by Jonathan Nicholson, in BNA's *Daily Report for Executives*, no. 206, October 26, 2005, p. G-14.

indicating that, in order to allow "the Congress and the committees to address the immediate concerns related to the recent hurricane and not be encumbered by budget reconciliation requirements in the near term," the Senate Budget Committee would not meet to markup the spending reconciliation bill until October 26.[25]

On September 27, Senate Majority Leader Frist, Budget Committee Chairman Gregg, and other members of the Republican leadership, wrote to the chairmen of the committees subject to reconciliation instructions, asking them to recommend spending reductions "above and beyond" those already called for under the instructions as part of the offset efforts. In addition, the leadership also sent letters to the chairmen of non-reconciled committees, encouraging them to find savings within their committee's jurisdiction as well.[26] Specific amounts of additional savings for the committees were not identified in the correspondence.

As discussed in the next section, the spending reconciliation bills reported by the House and Senate Budget Committees proposed net savings substantially greater than were required, but the savings were scaled back somewhat during further legislative action. According to CBO, the net savings over five years attributed to the conference agreement on the spending reconciliation bill amount to $39.523 billion (assuming the correction of two apparent drafting errors), which is nearly $5 billion more than required under the reconciliation instructions in the FY2006 budget resolution.

Additional savings were achieved in appropriations legislation enacted late in 2005, including a government-wide, one-percent across-the-board spending cut in the Defense Appropriations Act for FY2006 (Division B, Section 3801 of P.L. 109-148, enacted into law on December 30, 2005).

Reconciliation Legislation in 2005: Summary and Legislative History

Under the revised schedule for reconciliation actions, the House and Senate passed the spending reconciliation bill in November, reached a conference agreement in December, and finally cleared the measure for the President on February 1; President Bush signed the Deficit Reduction Act of 2005 into law (P.L. 109-171) on February 8. Both chambers passed the revenue reconciliation bill late in 2005, reached a conference agreement in May 2006, and cleared the measure for the President on May 11; President Bush signed the Tax Increase Prevention and Reconciliation Act of 2005 into law (P.L. 109-222) on May 17, 2006. The need to consider a debt-limit reconciliation bill has been obviated by the enactment of another measure (P.L. 109-182).

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[25] The statement is available on the website of the Senate Budget Committee (Republican) at [http://www.senate.gov/~budget/republican/] under "News Room."

[26] Examples of the letters, as well as a September 28, 2005 press release issued by Budget Committee Chairman Gregg on the subject, are available on Senate Budget Committee website, cited above.

Spending Reconciliation Legislation

Initial Senate Action. The Senate Budget Committee met on October 26, 2005, and ordered the omnibus spending reconciliation bill, S. 1932 (the Deficit Reduction Omnibus Reconciliation Act of 2005), reported by a party-line vote of 12-10. The bill was reported the following day, without a written report.[27]

According to the Senate Budget Committee, the submissions from the instructed committees exceeded the outlay savings required by the instructions in the aggregate by $4.649 billion for FY2006 and $4.456 billion for FY2006-FY2010. The FY2006 outlay savings totaled $6.168 billion, compared to instructions totaling $1.519 billion; the FY2006-FY2010 outlay savings totaled $39.114 billion, compared to instructions totaling $34.658 billion. All eight of the instructed committees met or exceeded their instructions for FY2006 and exceeded their instructions for FY2006-FY2010. A summary of CBO's scoring of the savings in S. 1932, as reported by committee (and as passed), is presented in **Table 12**.

The Senate began consideration of S. 1932 on October 31. After four days of consideration, the Senate passed the bill on November 3, by a vote of 52-47. During Senate consideration of the bill, 20 amendments were adopted, nine were rejected, and four were withdrawn; additionally, nine amendments fell under points of order.

Ten of the 20 amendments that were adopted had a significant budgetary impact, including three with an outlay impact in FY2006-FY2010 of about $1 billion or more: (1) Enzi Amendment #2352, which increased education spending by $2.555 billion; (2) Bingaman Amendment #2365, which reduced Medicaid spending by $1.194 billion; and (3) Feinstein Amendment #2411, which increased Medicaid spending by $950 million.[28] In the net, the amendments adopted by the Senate reduced the savings from the reported level by $746 million in FY2006 (to $5.422 billion) and by $4.470 billion in FY2006-FY2010 (to $34.644 billion).

As shown in **Table 12**, the outlay savings in the bill as passed by the Senate exceeded the instructed level for FY2006 by $3.963 billion and virtually matched the instructed level for FY2006-FY2010 (falling below by $14 million).[29]

Initial House Action. The House Budget Committee met on November 3 to consider the spending reconciliation bill and ordered it reported by a party-line vote of 21-17. The bill, H.R. 4241, the Deficit Reduction Act of 2005, was reported on November 7 (H.Rept. 109-276). During the committee markup of the measure

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[27] In lieu of a written report, the Senate Budget Committee issued a print, *Deficit Reduction Omnibus Reconciliation Act of 2005*, S.Prt. 109-37, October 2005.

[28] The impact of the amendments is assessed in: Congressional Budget Office, Letter to the Honorable Judd Gregg, November 8, 2005, Table 2.

[29] The estimated outlay savings for the bill, as passed by the Senate, reflect in Title I (Committee on Agriculture, Nutrition, and Forestry) the enactment of H.R. 2744, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006 (which became P.L. 109-97 on November 10, 2005).

(which, under the rules of the reconciliation process, does not allow substantive amendments), the committee rejected six motions offered by Democratic Members to direct the chairman to request of the House Rules Committee that certain amendments be made in order during consideration of the Deficit Reduction Act of 2005, and that the special rule for consideration of the bill not allow its consideration until after the House has considered the revenue reconciliation bill.

Table 12. CBO Scoring of Spending Reconciliation Legislation: Senate Reported and Passed (By Title/Committee)

(outlays in $ billions)

	Instructions		Reported		Passed	
	FY2006	**FY2006-FY2010**	**FY2006**	**FY2006-FY2010**	**FY2006**	**FY2006-FY2010**
Agriculture, Nutrition, and Forestry	-0.173	-3.000	-0.196	-3.014	-0.108	-2.663
Banking, Housing, and Urban Affairs	-0.030	-0.470	-0.030	-0.570	-0.030	-0.570
Commerce, Science, and Transportation	-0.010	-4.810	-0.010	-5.984	-0.010	-5.311
Energy and Natural Resources	—	-2.400	0.000	-2.501	0.000	-2.501
Environment and Public Works	-0.004	-0.027	-0.004	-0.030	-0.004	-0.030
Finance	—	-10.000	-0.819	-10.006	-1.691	-9.299
Health, Education, Labor, and Pensions	-1.242	-13.651	-5.015	-16.431	-3.494	-13.874
Judiciary	-0.060	-0.300	-0.094	-0.578	-0.085	-0.394
Total	**-1.519**	**-34.658**	**-6.168**	**-39.114**	**-5.422**	**-34.644**

Sources: (1) Senate Budget Committee, *Deficit Reduction Omnibus Reconciliation Act of 2005*, S.Prt. 109-37, October 2005, pp. 8-12; and (2) Congressional Budget Office, Letter to the Honorable Judd Gregg, Nov. 8, 2005, Table 1.

Notes: Details may not add to totals due to rounding. The reconciliation instructions to the Health, Education, Labor, and Pensions Committee for FY2006 and FY2006-FY2020 also encompassed FY2005. The estimated savings for Title I (Committee on Agriculture, Nutrition, and Forestry), as passed by the Senate, reflect enactment of H.R. 2744, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006 (which became P.L. 109-97 on Nov. 10, 2005).

According to scoring by CBO, the reconciliation submissions of each of the eight instructed committees, as shown in **Table 13**, met or exceeded (substantially exceeded, in some instances) its instructions for FY2006-FY2010. The submissions of two committees in particular, Education and Workforce and Ways and Means, exceeded the required five-year savings by $7.771 billion and $7.048 billion, respectively. The combined savings from all eight committees, amounting to $53.918 billion over five years, exceeded the total instructed levels by $19.260 billion, more than achieving the leadership's request for an additional $15 billion in outlay savings.

Table 13. CBO Scoring of Spending Reconciliation Legislation: House Reported and Passed (By Title/Committee)

(outlays in $ billions)

House Committee	Instructions		Reported		Passed	
	FY2006	FY2006-FY2010	FY2006	FY2006-FY2010	FY2006	FY2006-FY2010
Agriculture [a]	-0.173	-3.000	-0.567	-3.650	-0.555	-3.503
Education and the Workforce [b]	-0.992	-12.651	-7.678	-20.422	-7.678	-20.422
Energy and Commerce	-0.002	-14.734	+2.832	-17.066	+2.852	-16.576
Financial Services	-0.030	-0.470	-0.030	-0.470	-0.030	-0.470
Judiciary	-0.060	-0.300	-0.076	-0.428	-0.076	-0.428
Resources	—	-2.400	-0.006	-3.678	-0.006	-0.286
Transportation and Infrastructure	-0.012	-0.103	-0.030	-0.156	-0.030	-0.156
Ways and Means	-0.250	-1.000	-0.100	-8.048	-0.100	-8.048
Total	**-1.519**	**-34.658**	**-5.655**	**-53.918**	**-5.623**	**-49.889**

Sources: (1) Congressional Budget Office, "Cost Estimates for Reconciliation Legislation," providing estimates for committee-reported legislation, and (2) Letter from CBO Director Holtz-Eakin to Budget Committee Chairman Nussle, Nov. 18, 2005, Table 1, both available on the CBO website at [http://www.cbo.gov/]

a. The estimates for the House Agriculture Committee reflect scorekeeping adjustments for commodity programs made by the House Budget Committee affecting FY2010 and beyond.

b. The reconciliation instructions to the House Education and the Workforce Committee for FY2006 and FY2006-FY2020 also encompassed FY2005.

The House tentatively was scheduled to consider the spending reconciliation bill on November 10 pursuant to a special rule reported by the House Rules Committee. The special rule, H.Res. 542 (H.Rept. 109-281), which was approved by the Rules Committee on November 9 by voice vote, provided (under a self-executing feature) for the adoption of amendments modifying the language regarding food stamp eligibility and striking provisions dealing with the Arctic National Wildlife Reserve (ANWR) and oil and gas leasing in the Outer Continental Shelf (OCS), and barred the consideration of any further amendments. Neither the rule nor the bill were considered at that time, however. On November 17, the House tabled H.Res. 542 pursuant to the terms of a special rule (H.Res. 558) on a further continuing resolution for FY2006 (H.J.Res. 72).

On November 17, the House Rules Committee met and reported a second special rule for the consideration of the spending reconciliation bill. The special rule, H.Res. 560 (H.Rept. 109-303), provided (under a self-executing feature) for the adoption of amendments modifying the language regarding food stamp eligibility and striking provisions dealing with ANWR and OCS leasing, as in the first rule, and modifying the Medicaid language, and barred the consideration of any further amendments. Later that day, the House considered and passed H.Res. 560 by voice vote, after agreeing to an amendment offered by Representative Adam Putnam. The Putnam amendment provided for the incorporation of further amendments into the bill under a self-executing feature of the special rule.

Later on November 17, the House considered H.R. 4241 under the closed rule, passing the bill early on November 18, by a vote of 217-215. Beyond the amendments incorporated automatically pursuant to H.Res. 560, no amendments were considered. According to CBO, the modifications made pursuant to H.Res. 560 reduced the overall outlay savings in the bill to $49.889 billion over five years (see **Table 13**).[30]

In order to prepare for conference action, the House then immediately passed the Senate companion bill, S. 1932, without objection, after amending it to substitute the House-passed language in H.R. 4241.

Action on the Conference Report. On December 14, the Senate disagreed to the House amendment to S. 1932 and requested a conference. Seven different motions to instruct conferees were offered and agreed to that day: DeWine (71-20), Kohl (75-16), Harkin (66-26), Baucus (75-16), Carper (64-27), Kennedy (83-8), and Reed (63-28). Senate conferees were appointed the next day.

On December 16, the House agreed to the request for a conference and appointed conferees. A motion to instruct conferees, offered by Representative John

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[30] Letter from CBO Director Holtz-Eakin to Budget Committee Chairman Nussle, November 18, 2005, Table 1, available on the CBO website at [http://www.cbo.gov/] The estimate reflects scorekeeping adjustments for agricultural commodity programs made by the House Budget Committee that affect FY2010 and beyond. See also the document on the House Budget Committee's website [http://www.house.gov/budget/], *The Deficit Reduction Act of 2005 As Amended by the Manager's Amendment,* November 17, 2005.

Spratt, ranking minority member of the House Budget Committee, was agreed to by a vote of 246-175.

The conference report (H.Rept. 109-362) on S. 1932, which was renamed the Deficit Reduction Act of 2005, was reported on December 19 (during the legislative day of December 18).[31] **Appendix A** provides a contents listing of S. 1932 as set forth in the conference report. The Congressional Budget Office estimated net mandatory outlay savings under the measure of $38.810 billion over FY2006-FY2010 (assuming that apparent drafting errors in two sections are corrected, CBO noted, the five-year savings would increase by $713 million, to $39.523 billion).[32]

On December 19, the House agreed to the conference report by a vote of 212-206. The Senate considered a motion to proceed to the consideration of the conference report on December 19. Senate consideration of the conference report occurred on December 19-21. On December 21, the Senate removed extraneous matter from the legislation pursuant to a point of order raised under the "Byrd rule," and then, by a vote of 51-50 (with Vice President Cheney breaking a tie vote), returned the amended measure to the House for further action.

The extraneous matter was removed from S. 1932 pursuant to a point of order raised by Senator Kent Conrad, the ranking minority member of the Senate Budget Committee.[33] The point of order sought to strike four provisions from the measure:

- Section 5001(b)(3), requiring the Secretary of Health and Human Services to submit to Congress by August 1, 2007, a report on the plan for the hospital value based purchasing program under Medicare;

- Section 5001(b)(4), requiring the Medicare Payment Advisory Commission to submit to Congress by June 1, 2007, a report that includes detailed recommendations on a structure of value based payment adjustments for hospital services under Medicare;

- a portion of Section 6043 (proposing a new subsection (e)(4) to the proposed new Section 1916A of the Social Security Act), relating to the negligent standard for hospitals and physicians who treat Medicaid patients; and

[31] The conference report also is set forth in the *Congressional Record* (daily ed.) of December 18, 2005, vol. 151, no. 164, book II, at pages H12641-H12737.

[32] See the CBO Cost Estimate on S. 1932, January 27, 2006, 80 p., available on the CBO website at [http://www.cbo.gov] CBO identifies the apparent drafting errors as occurring in Section 8006, regarding direct loans to parents of postsecondary students, and Section 10002(a)(2), dealing with bankruptcy fees.

[33] The raising and disposition of the point of order, and other procedural actions related thereto, appear in the *Congressional Record* (daily ed.) of December 21, 2005, at pages S14204-S14205.

- Section 7404, regarding eligibility for foster care maintenance payments and adoption assistance.

Following an unsuccessful attempt to waive the "Byrd rule," in which a waiver motion offered by Senator Judd Gregg failed by a vote of 52-48 (by not achieving the necessary 60 votes), the chair sustained the point of order against all of the sections except for Section 7404.

In order to complete final action on S. 1932, the House and Senate had to resolve the remaining differences with respect to Section 5001(b)(3) and (b)(4) and the applicable portion of Section 6043. On December 21, Speaker J. Dennis Hastert sought unsuccessfully to have the House concur in the Senate changes by unanimous consent.[34] At that time, the decision was made to carry over House action into early 2006, toward the beginning of the second session.

On February 1, the House considered H.Res. 653, a resolution reported by the House Rules Committee (H.Rept. 109-366; January 31, 2006), which provided for the concurrence by the House in the Senate amendment to the House amendment to S. 1932.[35] By agreeing to the resolution, by a vote of 216-214, the House cleared the measure for the President.

Prior to agreeing to H.Res. 653, the House overcame a point of order raised by Representative Jim McDermott, by a vote of 226-201. The point of order, raised pursuant to Section 426(a) of the Congressional Budget Act of 1974, pertained to the inclusion in S. 1932 of an unfunded mandate involving the child support enforcement program.

Approval by the President and Subsequent Challenges. President Bush signed the measure into law on February 8, as P.L. 109-171 (120 Stat. 4-184), and issued a signing statement indicating how specified provisions in the law would be regarded by the executive branch:

> The executive branch shall construe section 1936(d)(2) of the Social Security Act as enacted by section 6034 of the Act, which purports to make consultation with a legislative agent a precondition to execution of the law, to call for but not mandate such consultation, as is consistent with the Constitution's provisions concerning the separate powers of the Congress to legislate and the President to execute the laws.

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[34] BNA *Daily Report for Executives*, "Senate OKs Budget Bill by Thin Margin, But Changes Send Package Back to House," by Kurt Ritterpusch, December 22, 2005, p. G-2.

[35] House consideration of H.Res. 653 appears in the *Congressional Record* (daily ed.) of February 1, 2006, at pages H37-H60 and H68-H114.

> Sections 5006(b) and 5008(c) of the Act, and section 401A(a)(2)(C) of the Higher Education Act of 1965 as enacted by section 8003 of the Act, call for executive branch officials to submit legislative recommendations to the Congress. The executive branch shall construe such provisions in a manner consistent with the constitutional authority of the President to supervise the unitary executive branch and to recommend for congressional consideration such measures as the President shall judge necessary and expedient.[36]

At the same time, a dispute arose regarding an apparent clerical error in the measure and its impact on the status of the Deficit Reduction Act of 2005 as public law. The issue pertains to Section 5101 of the act, which deals with rental reimbursement periods for durable medical equipment under Medicare. Section 5101(a) provides for a 13-month period for certain durable medical equipment, such as wheelchairs, and Section 5101(b) provides for a 36-month period for oxygen equipment.[37] Apparently, due to a clerical error, the engrossed Senate amendment mistakenly referred to a 36-month period in Section 5101(a), which the House agreed to without correction; in the course of enrolling the measure for the President, the erroneous reference to a 36-month period in the subsection was corrected to reflect a 13-month period. According to the Congressional Budget Office, net Medicare savings would be reduced by about $2 billion over a five-year period (FY2006-FY2010) if the rental reimbursement period under Section 5101(a) were extended to 36 months.[38]

Due to concerns regarding the apparent clerical error, the Senate on February 8 passed by unanimous consent S.Con.Res. 80, a measure stating:

> That the enrollment of the bill S. 1932 as presented to the President for his signature on February 8, 2006, is deemed the true enrollment of the bill reflecting the intent of the Congress in enacting the bill into law.[39]

The House has not considered S.Con.Res. 80.

White House spokesman Scott McClellan, in the daily press briefing on February 13, indicated that the Administration regards S. 1932 as public law.[40]

The next day, February 14, House Democratic Leader Nancy Pelosi and other members of the House Democratic leadership sent a letter to Speaker Hastert requesting that the legislation be reconsidered. On February 16, House Democratic

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[36] The signing statement by President Bush, and a fact sheet on the law, are available at the White House website under "Current News" for February 8, 2006 [http://www.whitehouse.gov].

[37] See *Deficit Reduction Act of 2005*, conference report to accompany S. 1932, H.Rept. 109-362, December 19, 2005, pp. 215-216.

[38] Congressional Budget Office, letter of February 13, 2006, to the Honorable John Spratt Jr. from Acting Director Donald B. Marron.

[39] *Congressional Record* (daily ed.), February 8, 2006, p. S870.

[40] *BNA Daily Report for Executives*, "Despite Clerical Error, White House Says New Deficit Reduction Act Still Valid Law," by Jonathan Nicholson, February 14, 2006, p. A-21.

Leader Pelosi offered a privileged resolution, H.Res. 687, directing the House Committee on Standards of Official Conduct to conduct an investigation into the matter; the House tabled the resolution by a vote of 219-187.[41]

At least five challenges to the Deficit Reduction Act of 2005 were raised in federal district court, mainly on the ground that it violated the Bicameral Clause of the Constitution (i.e., was not passed in identical form in both chambers).[42] All five lawsuits were dismissed at the district court level, including:

- *Zeigler* v. *Gonzalez*, No. 1:06-CV-00080 (S.D. Ala.), filed on February 13, 2006, in the U.S. District Court for the Southern District of Alabama; decided by Chief Judge Callie V.S. Granade on June 28, 2007;[43]

- *One Simple Loan.* v. *U.S. Secretary of Education,* No. 06-CV-2979 (S.D.N.Y.), filed on April 18, 2006, in the U.S. District Court for the Southern District of New York; decided by Judge Richard M. Berman on June 9, 2006;[44]

- *California Department of Social Services* v. *Leavitt*, CIV S-99-0355 (E.D. Calif.), filed in the U.S. District Court for the Eastern District of California; decided by Judge Frank C. Dambrell, Jr. on July 18, 2006; and

- *Public Citizen* v. *Clerk of the District Court of the District of Columbia*, No. 1:06-00523-JDB (D.D.C.), filed on March 21, 2006, in the U.S. District Court for the District of Columbia; decided by Judge John D. Bates on August 11, 2006.[45]

- *Conyers* v. *Bush*, No. 2:06-cv-11972 (E.D. Mich.) filed on April 28, 2006, by Representative John Conyers, the then-ranking member of the House Judiciary Committee, and other ranking members of

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[41] *Congressional Record* (daily ed.), February 16, 2006, pp. H351-H352.

[42] For a detailed discussion on this topic, see CRS Report RS22507, *Constitutionality of the Deficit Reduction Act of 2005: Litigation*, by Thomas J. Nicola. Also, see (1) *Roll Call*, "Judges Toss Pair of Legal Challenges to DRA," by Jennifer Yachnin, August 14, 2006; and (2) National Health Law Program, *Health Advocate*, "The Deficit Reduction Act of 2005: Congress Targets Beneficiaries for Cuts," no. 224, Spring 2006, p. 2.

[43] *CQ Today*, "Lawsuit by Conservative Alabama Lawyer Seeks to Invalidate Savings Law," by Steven T. Dennis, February 15, 2005.

[44] The actions in this case are explained in CRS Congressional Distribution Memorandum by Thomas J. Nicola, *Constitutionality of the Deficit Reduction Act of 2005: Dismissal of One Simple Loan, et al. v. U.S. Secretary of Education, et al.*, July 17, 2006, 3 pages.

[45] BNA *Daily Report for Executives*, "Federal Judge Tosses Suit Challenging Deficit Reduction Law," by Jonathan Nicholson, August 14, 2006, p. A-22. Information on the lawsuit also is available at Public Citizen's website at [http://www.citizen.org/hot_issues/issue.cfm?ID=1335].

> House committees with jurisdiction over agencies affected by the Deficit Reduction Act of 2005, in United States District Court for the Eastern District of Michigan (Judge Nancy Edmunds).[46]

Appeals have been pursued in several of the cases. On May 29, 2007, the dismissal of the *Public Citizen* case was affirmed by the Court of Appeals for the District of Columbia Circuit.[47] In that case, the plaintiff reportedly has asked for a review of the matter by the Supreme Court.[48]

Dismissal of the lawsuits by the district courts principally was based on the Enrolled Bill Rule, arising from a case decided by the Supreme Court more than a century ago, *Marshall Field & Co.* v. *Clark*, 143 U.S. 649, 672 (1892). Under the rule, the signatures of the presiding officers of the House and Senate on the enrolled bill authenticates its passage by the two chambers. One media report speculated that the Enrolled Bill Rule may be given less consideration in subsequent court action.[49]

While previous media reports indicated that the House and Senate might consider legislation making the two "technical corrections" identified by the Congressional Budget Office (discussed below),[50] the House and Senate adjourned sine die on December 8 without taking such action.[51]

Brief Summary of the Act. The Deficit Reduction Act of 2005 consists of ten titles, as shown in **Table 14**.

The changes made by the act affect a wide array of federal programs, including federal assistance to agriculture (Title I); housing programs and the deposit insurance system for banks and credit unions (Title II); the Federal Communication Commission's authority to auction licenses to use the electromagnetic spectrum, federal assistance to consumers for the transition to digital television, and grants to

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[46] For more information on this action, see the press release of April 27, 2006, on the minority website of the House Judiciary Committee at [http://www.house.gov/judiciary_democrats/releases/budgetlawsuitpr42706.pdf]

[47] CRS Report RS22507, ibid., p. 5.

[48] BNA *Daily Report for Executives*, "Deficit Reduction Law Legal Despite Drafting Glitch, Courts Say," by Jonathan Nicholson, no. 159, August 17, 2007, p. A-14; see also, "Correction Notice," no. 161, August 21, 2007, p. A-24.

[49] BNA *Daily Report for Executives*, "Initial Court Deference to 1892 Precedent In Suit on Deficit Law May End, Experts Say," by Jonathan Nicholson, no. 164, August 24, 2006, p. A-26.

[50] See, for example, the following: (1) *BNA Daily Report for Executives*, "Corrections Bill Expected for Budget; Consequence of Clerical Error Uncertain," by Jonathan Nicholson, February 16, 2006, p. A-1; (2) *CQ Today*, "Partisan Bickering Escalates in House Over Glitch in Budget Savings Bill," by Steven T. Dennis, February 16, 2006; and (3) *The Hill*, "House GOP: No New Vote on Budget," by Jeffrey Young and Patrick O'Connor, February 16, 2006.

[51] BNA *Daily Report for Executives*, "Congress Seems Unlikely to Correct Gaffes in Budget Bill Costing $2 Billion," by Jonathan Nicholson, no. 185, September 25, 2006, p. A-21.

public safety agencies of interoperable communications systems (Title III); vessel tonnage charges levied by the U.S. Customs Service on ships entering the United States (Title IV); Medicare (Title V); Medicaid and the State Children's Health Insurance Program (SCHIP) (Title VI); welfare, including the Temporary Assistance for Needy Families (TANF) program (Title VII); federal higher education programs and the operations of the Pension Benefit Guaranty Corporation (PBGC) (Title VIII); the Low-Income Home Energy Assistance Program (LIHEAP) (Title IX); and civil filing fees for federal courts and filing fees for bankruptcy relief (Title X).

According to CBO, the act is expected to lead to net costs for FY2007 ($3.635 billion in outlays), but net savings in outlays in each of the other four years encompassed by the reconciliation instructions (see **Table 14**). Net savings are estimated to amount to $4.847 billion in FY2006 and $4.474 billion in FY2008, peaking in FY2009 at $20.780 billion, and declining to $12.342 billion in FY2010. Net savings in the ensuring five fiscal years, FY2011-FY2015, are estimated to range between $11.0 billion and $13.6 billion each year.

In total, net savings in outlays are expected to amount to $38.810 billion over five years (FY2006-FY2010) and $99.263 billion over ten years (FY2006-FY2015).

In its cost estimate on the conference agreement, CBO identified apparent drafting errors in two sections — Section 8006, regarding direct loans to parents of postsecondary students, and Section 10002(a)(2), dealing with bankruptcy fees. If it is assumed that the apparent drafting errors will be corrected, then the projected five-year net outlay savings increase by $713 million, to $39.523 billion, and the 10-year savings increase by $2.013 billion, to $101.276 billion.

Table 14. CBO Scoring of Spending Reconciliation Legislation: Conference Agreement (by Title)

(outlays in $ billions)

Title	FY2006	FY2007	FY2008	FY2009	FY2010	FY2006-FY2010	FY2006-FY2015
Title I — Agriculture Provisions	0.419	-1.365	-0.503	-0.651	-0.609	-2.709	-3.541
Title II — Housing and Deposit Insurance Provisions	-0.030	-0.155	-0.355	0.050	-0.030	-0.520	-2.110
Title III — Digital Television Transition and Public Safety	-0.010	1.420	2.460	-11.449	0.196	-7.383	-7.575
Title IV — Transportation Provisions	-0.030	-0.031	-0.031	-0.032	-0.032	-0.156	-0.156
Title V — Medicare	-3.431	6.222	-1.194	-2.969	-5.040	-6.412	-22.392
Title VI — Medicaid and SCHIP	2.247	-0.581	-1.676	-2.004	-2.729	-4.743	-26.384
Title VII — Human Resources and Other Provisions	-0.020	0.192	-0.285	-0.536	-0.898	-1.547	-7.190
Title VIII — Education and Pension Benefit Provisions	-3.942	-2.430	-2.928	-3.096	-3.094	-15.491	-29.536
Title IX — LIHEAP Provisions	0.000	0.469	0.144	0.013	0.000	0.625	0.625
Title X — Judiciary Related Provisions	-0.050	-0.106	-0.106	-0.106	-0.106	-0.474	-1.004
Subtotal	**-4.847**	**3.635**	**-4.474**	**-20.780**	**-12.342**	**-38.810**	**-99.263**
Additional Savings With Possible Corrections [a]	-0.063	-0.130	-0.150	-0.175	-0.195	-0.713	-2.013
Total Changes	**-4.910**	**3.505**	**-4.624**	**-20.955**	**-12.537**	**-39.523**	**-101.276**

Source: Congressional Budget Office, *Cost Estimate for S. 1932, Deficit Reduction Act of 2005*, Jan. 27, 2006.

a. According to CBO, the conference agreement on S. 1932 contains apparent drafting errors in two sections, Section 8006 (regarding direct loans to parents of postsecondary students) and Section 10002(a)(2) (dealing with bankruptcy fees). These figures show the additional savings that would accrue if the apparent drafting errors were corrected.

The net figures cited above obscure a much higher level of outlay savings, offset in part by significant program costs. **Table 15** provides major examples of savings and costs in selected program areas. Generally, the table lists examples of savings or costs that exceed $1 billion over the five-year (FY2006-FY2010) or 10-year (FY2006-FY2015) period. The examples are ranked in descending order on the basis of their 10-year impact (except in the case of costs under Medicare for physicians' payments, which amount to $7.3 billion over five years, but yield modest savings over 10 years).

Table 15. Spending Reconciliation Legislation: Savings and Costs in Selected Program Areas (Conference Agreement)

(outlays in $ billions)

Program Area	FY2006-FY2010	FY2006-FY2015
Savings		
Borrowers' Interest Rates & Lenders' Yields (Title VIII)	-14.3	-34.4
Medicaid: Pharmacy Reimbursement Limits (Title VI)	-3.6	-11.8
Spectrum Auction Proceeds (Title III)	-10.0	-10.3
Medicare: Imaging Services (Title IV)	-2.8	-8.1
Medicaid: Alternative Benefit Packages (Title VI)	-1.3	-6.1
Eliminate Mandatory Funding of Admin. Costs (Title VIII)	-2.2	-6.0
PBGC Premiums: Single Employer Plans (Title VIII)	-2.3	-5.8
Medicare: Home Health Services (Title V)	-2.0	-5.7
Medicaid: Additional Cost Sharing for Drugs (Title VI)	-1.0	-5.4
Medicaid: Increased Cost Sharing & Premiums (Title VI)	-1.0	-4.4
Child Support (Title VII)	-1.5	-4.1
Medicare: Risk Adjustment to MA Plans (Title V)	-6.5	-4.1
Medicaid: Asset Transfer Penalty Period (Title VI)	-1.5	-4.0
Borrowers' Insurance Premiums/Agency Fees (Title VIII)	-1.5	-3.6
Loans Financed With Tax-Exempt Bonds (Title VIII)	-1.8	-3.0
Medicare: Disproportionate Share Adjustments (Title V)	-1.2	-3.0
Medicaid: Restrictions on Provider Taxes	-0.4	-2.9
FDIC and NCUA Premium Collections (Title II)	-0.3	-2.2
Medicaid: Targeted Case Management Services (Title VI)	-0.8	-2.1

Program Area	FY2006-FY2010	FY2006-FY2015
Supplemental Security Income (Title VII)	-0.7	-2.0
Medicare: Durable Medical Equipment (Title V)	-0.7	-1.9
Continuing Dumping & Subsidy Offset Repeal (Title VII)	-0.3	-1.8
Medicaid: Third-Party Recovery (Title VI)	-0.6	-1.7
Medicare: Income-Related Part B Premium (Title V)	-1.6	-1.6
Agriculture: Conservation Programs (Title I)	-1.0	-1.4
Costs		
Medicare: Physicians' Services	7.3	-0.4
Borrower Origination Fees (Title VIII)	4.0	13.1
PBGC: Slowed Drawdown of Reserves (Title VIII)	0.0	7.4
Medicaid: Certain Disabled Children (Title VI)	1.4	6.4
Academic Competitiveness & SMART Grants (Title VIII)	3.7	4.5
Increased Loan Limits (Title VIII)	1.5	4.2
Medicaid: Home & Community-Based Services (Title VI)	0.8	2.6
Katrina Health Care Relief (Title VI)	2.1	2.1
Medicaid: Money-Follows-the-Person Demo. (Title VI)	0.3	2.0
Child Care (Title VII)	0.9	1.9
Converter Box Subsidies (Title III)	1.4	1.4
Medicare: Dialysis Services (Title V)	0.5	1.3
Medicare: Abdominal Aneurysm Screening (Title V)	0.2	1.3
Medicaid: Integrity Program (Title VI)	0.5	1.2
Interoperability Grants (Title III)	1.0	1.0

Source: Prepared by the Congressional Research Service from data provided in: Congressional Budget Office, *Cost Estimate for S. 1932, Deficit Reduction Act of 2005*, Jan. 27, 2006.

Revenue Reconciliation Legislation

Initial Senate Action. The Senate Finance Committee considered, amended, and approved S. 2020, the Tax Relief Act of 2005, on November 15, by a vote of 14-6. The committee reported the bill without a written report.[52]

According to estimates prepared by the Joint Committee on Taxation (JCT), the bill as reported would have reduced revenues in the net by $59.594 billion over FY2006-FY2010.[53] Although the reconciliation instructions in the FY2006 budget resolution allow revenue reductions of as much as $70 billion over FY2006-FY2010, the amount of revenue reduction in the bill was reduced because of concerns regarding the Senate's "pay-as-you-go" (PAYGO) rule.[54] The PAYGO rule, which remains in effect through September 30, 2008, bars the consideration of revenue or direct spending legislation that violates certain budgetary constraints for three different time periods; during this session, the time periods are FY2006, FY2006-FY2010, and FY2011-FY2015. A motion to waive a point of order under the PAYGO rule requires the affirmative vote of three-fifths of the Senate membership (60 Senators, if no seats are vacant).

Under current practices, a balance for each of the three time periods is established each session on a PAYGO scorecard set forth in the joint explanatory statement accompanying the conference report on the annual budget resolution. The PAYGO scorecard is maintained by the Senate Budget Committee and is adjusted each time a revenue or direct spending measure passes the House and Senate in identical form.

A revenue or direct spending measure may not be considered if the balances on the PAYGO ledger are not adequate to cover its costs. Although the PAYGO balance for FY2006-FY2010 was expected to be adequate later in the session to accommodate a measure reducing revenues by $70 billion over that period, at that time it stood at about $60 billion.

The Senate began consideration of S. 2020 on November 16, continued consideration on November 17, and passed it early on November 18, by a vote of 64-33.

During Senate consideration of the bill, seven amendments were adopted, four were rejected, one was withdrawn, and 18 fell on points of order. According to the

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[52] See *Summary of the Tax Relief Act of 2005*, November 8, 2005, and related items under "Legislation" at the Senate Finance Committee website [http://www.senate.gov/~finance/]

[53] Joint Committee on Taxation, *Estimated Revenue Effects Of S. 2020, The "Tax Relief Act Of 2005," Scheduled For Consideration On The Senate Floor On November 16, 2005*, JCX-80-05, November 16, 2005, available on the Web at [http://www.house.gov/jct/].

[54] The Senate's PAYGO rule is set forth in Section 505 of the FY2004 budget resolution. For detailed information on the origin, development, and operation of the Senate's PAYGO rule, see (1) CRS Report RL31943, *Budget Enforcement Procedures: Senate's "Pay-As-You-Go" (PAYGO) Rule*, by Bill Heniff Jr.; and (2) CRS Report RL32835, *PAYGO Rules for Budget Enforcement in the House and Senate*, by Robert Keith and Bill Heniff Jr.

JCT, the bill as passed would reduce revenues in the net by $57.756 billion over FY2006-FY2010, $1.838 billion less than the reported bill.[55]

Initial House Action. The House Ways and Means Committee considered, amended, and approved H.R. 4297, the Tax Relief Extension Reconciliation Act of 2005, on November 15. The bill was reported on November 17 (H.Rept. 109-304). The committee approved the measure by a vote of 24-15. During the markup, Chairman Bill Thomas offered an amendment in the nature of a substitute that removed many of the provisions, reducing the total revenue reductions to $31.947 billion over FY2006-FY2010.[56] Before approving the chairman's substitute, the committee adopted several amendments to it that restored particular provisions, thereby further reducing revenues. According the JCT, the bill as reported would reduce revenues in the net by $5.773 billion in FY2006 and $56.082 billion in FY2006-FY2010.[57]

On December 7, the House Rules Committee reported a special rule, H.Res. 588 (H.Rept. 109-330), providing for the consideration of H.R. 4297. The special rule provided (under a self-executing feature) for the adoption of the amendment in the nature of a substitute recommended by the Ways and Means Committee. In addition, the special rule allowed one amendment in the nature of a substitute, to be offered by Representative Charles Rangel, the ranking member of the Ways and Means Committee, and one motion to recommit with instructions.

The House considered H.R. 4297 on December 8. After defeating the Rangel substitute, by a vote of 192-239, and a Rangel motion to recommit with instructions, by a vote of 193-235, the House passed the bill, by a vote of 234-197.

Action on the Conference Report. In order to facilitate a conference with the House, the Senate took up H.R. 4297 on February 1 and passed it the next day, by a vote of 66-31. During action on February 2, the Senate adopted a substitute amendment (Grassley/Baucus Amendment 2707) to the House-passed bill, as well as six amendments to the substitute amendment. In addition, one amendment was rejected, one amendment and a motion to commit were withdrawn, and several amendments fell, generally upon the successful raising of points of order.

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[55] Joint Committee on Taxation, *Estimated Revenue Effects Of The Tax Provisions Contained in S. 2020, "The Tax Relief Act of 2005," As Passed By The Senate On November 18, 2005*, JCX-82-05 R, November 29, 2005, available on the Web at [http://www.house.gov/jct/]. The initial estimate made by the JCT, issued as JCX-82-05 on November 28, 2005, placed the five-year revenue loss an $57.761 billion.

[56] Joint Committee on Taxation, *Estimated Revenue Effects Of The Chairman's Amendment In The Nature Of A Substitute To H.R. 4297, The "Tax Relief Extension Reconciliation Act Of 2005," Scheduled For Markup By The Committee On Ways And Means On November 15, 2005*, JCX-79-05, November 15, 2005, available on the Web at [http://www.house.gov/jct/].

[57] Joint Committee on Taxation, *Estimated Revenue Effects Of H.R. 4297, The "Tax Relief Extension Reconciliation Act Of 2005," As Reported By The Committee On Ways And Means*, JCX-81-05, November 18, 2005, available on the Web at [http://www.house.gov/jct/].

According to the JCT, H.R. 4297, as passed by the Senate, would reduce revenues by $69.415 billion over FY2006-FY2010, reflecting about $12 billion in further revenue reduction compared to the levels in S. 2020, as passed earlier by the Senate.[58] House action to clear S. 1932, the spending reconciliation measure, for action by the President provided sufficient room on the Senate's PAYGO scorecard to accommodate the additional revenue reductions without incurring a violation of the PAYGO rule.[59] The JCT estimated the five-year revenue reduction in the House-passed version of H.R. 4297 at $55.627 billion.

On February 8, the House by unanimous consent disagreed to the Senate amendment and requested a conference, and the Speaker appointed conferees.[60] The House also rejected, by a vote of 185-297, a motion to instruct conferees on alternative minimum tax relief, dividends and capital gains relief, and other matters, offered by Representative Richard Neal.

On February 13, the Senate agreed to a conference and agreed to one motion to instruct conferees (Grassley, 92-0) and rejected another (Dodd, 40-53). On the next day, February 14, the Senate appointed conferees and agreed to five more motions to instruct conferees: Grassley (53-47), DeWine (voice vote), Wyden (voice vote), Talent/Snow/Lincoln (voice vote), and Hutchison (75-25). Additionally, the Senate rejected three motions to instruct conferees: Kennedy (47-53), Reed (45-55), and Lautenberg (46-54); another eight motions to instruct conferees were withdrawn.

The conferees met on March 15 and informal negotiations continued thereafter.

In the House, a motion to instruct conferees was agreed to on March 15 (Tanner, 222-187). Three motions to instruct conferees were rejected — on March 29 (Rangel, 192-229), on April 6 (Cardin, 196-232), and, following debate the previous day, on April 27 (McDermott, 190-232).

The conference report (H.Rept. 109-455) on H.R. 4297, which was renamed the Tax Increase Prevention and Reconciliation Act of 2005, was reported on May 9, 2006.[61] **Appendix B** provides a contents listing of H.R. 4297 as set forth in the conference report.

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[58] Joint Committee on Taxation, *Comparison of the Estimated Revenue Effects of the Tax Provisions Contained in H.R. 4297, the "Tax Relief Extension Reconciliation Act of 2005," as Passed by the House, and H.R. 4297, the "Tax Relief Act of 2005," as Amended by the Senate*, JCX-10-06, February 9, 2006.

[59] See the February 3, 2006, edition of the Senate Budget Committee's newsletter, *Informed Budgeteer*, for a discussion of the PAYGO rule and the status of reconciliation legislation.

[60] See the *Congressional Record* (daily ed.) of February 8, 2006, at pp. H185-H191.

[61] The House Ways and Means Committee issued a 6-page summary, *Detailed Summary of Conference Report,* May 9, 2006, available on the Committee's website at [http://waysandmeans.house.gov/media/pdf/taxdocs/050906longsummary4297.pdf]. In addition, the Senate Finance Committee issued a 10-page summary, *Summary of the* Tax Prevention Increase and Reconciliation Act of 2005, available on the Committee's website at [http://www.senate.gov/~finance/sitepages/leg/leg050906sum.pdf]

According to the JCT, the conference agreement is estimated to reduce revenues by $69.960 billion over the five-year period, FY2006-FY2010.[62] CBO also issued a cost estimate, indicating that the conference agreement is not estimated to have an effect on federal spending.[63] Further, CBO noted that the conference agreement contains, as determined by the JCT, two unfunded private-sector mandates (involving repeal of the FSC-ETI grandfather rule and an amendment to the Section 911 housing exclusion), as well as an intergovernmental mandate (pertaining to withholding on certain government payments, in Section 511), which exceed annual cost thresholds established in the Unfunded Mandates Reform Act.

The conference agreement recommends significant revenue reduction beyond the five-year budget "window" (FY2006-FY2020) encompassed by the reconciliation instructions, principally with respect to extensions of current capital gains and dividends provisions through December 31, 2010.[64] The Senate's "Byrd rule" (Section 313 of the Congressional Budget Act of 1974) prohibits the consideration of reconciliation legislation that increases the deficit beyond the budget window; the prohibition is enforced by a point of order in the Senate which requires the affirmative vote of three-fifths of the Members (60 Senators, if no seats are vacant) to waive. Past tax-cut reconciliation acts have included sunset provisions in order to comply with the Byrd rule, but the conference agreement on H.R. 4297 includes offsets of the revenue losses instead. The JCT estimates the total revenue loss over ten years (FY2006-FY2015) at $69.084 billion, an amount nearly $900 million smaller than the five-year revenue loss.

On May 9, the House Rules Committee reported a special rule, H.Res. 805 (H.Rept. 109-458) providing for the consideration of the conference report on H.R. 4297. The next day, on May 10, the House agreed to the special rule, by a vote of 228-194, and then agreed to the conference report, by a vote of 244-185. During action on the conference report, the House rejected a motion to recommit with instructions offered by Representative Charles Rangel, the ranking member of the Ways and Means Committee, by a vote of 190-239.

The Senate considered the conference report on May 11, agreeing to it by a vote of 54-44.

Additional revenue reductions, including some matters dropped from the initial House and Senate revenue reconciliation bills in conference, have been considered

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[62] Joint Committee on Taxation, *Estimated Revenue Effects of the Conference Agreement for the "Tax Increase Prevention and Reconciliation Act of 2005,"* JCX-18-06, May 9, 2006.

[63] Congressional Budget Office, Letter to the Honorable William "Bill" M. Thomas, Chairman, Committee on Ways and Means, from Acting Director Donald B. Marron, May 9, 2006.

[64] Although the capital gains and dividends provisions would sunset on December 31, 2010, they would incur revenue losses in succeeding years (e.g., in FY2012, a $12.698 billion revenue loss for the capital gains provision and a $6.326 billion revenue loss for the dividends provision).

in pension reform legislation — the Pension Protection Act of 2006 (P.L. 109-280; August 17, 2006; 120 Stat. 780 et. seq.) and other measures.[65]

Approval by the President. President Bush signed the measure into law on May 17, as P.L. 109-222 (120 Stat. 345-373).[66] During remarks made at the signing of the bill, the President highlighted the provisions extending the tax cuts on dividends and capital gains for two years (until the end of 2010).[67]

Brief Summary of the Act. The Tax Increase Prevention and Reconciliation Act of 2005 consists of five titles, as shown in **Table 16**. The changes made by the act involve the extension and modification of certain provisions, including reduced rates on capital gains and dividends, increased expensing for small business, and exceptions under Subpart F regarding taxation of controlled foreign corporations (Title I); various other provisions affecting such matters as the taxation of certain settlement funds, modification of the active business definition under Section 355, amortization of song rights, and industrial development bonds (Title II); an increase in the individual Alternative Minimum Tax (AMT) exemption amount and AMT relief for personal tax credits (Title III); modifications in the amounts and timing of corporate estimated tax payments (Title IV); and revenue offset provisions, including elimination of the income limitations on Roth IRA conversions, withholding on government payments for property and services, an increase in the age of minor children whose unearned income is taxed as if parent's income, and a requirement for partial payments with submissions of offers-in-compromise (Title V).

According to the JCT, the act is expected to lead to net revenue reductions ranging from $6.765 billion to $23.231 billion per year during the FY2006-FY2010 period (see **Table 16**). In total, net reductions in revenues are estimated to amount to $69.960 billion over five years and $69.084 billion over ten years (FY2006-FY2015).

The net revenue reduction expected over ten years is less than the net revenue reduction expected over five years (by $876 million) because the act increases revenues modestly (by between $85 million and $423 million) in each of the last five years, covering FY2011-FY2015. Consequently, prohibitions against incurring a deficit in the last five years (e.g., under the Byrd rule) did not apply during Senate consideration of the conference report.

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[65] The revenue impact of the Pension Protection Act of 2006 is discussed in: Joint Committee on Taxation, *Estimated Budget Effects of H.R. 4, the "Pension Protection Act of 2006," as Introduced in the House of Representatives on July 28, 2006*, JCX-36-06, July 28, 2006.

[66] The remarks of President Bush during a signing ceremony, and a fact sheet on the law, are available at the White House website under "Current News" for May 17, 2006 [http://www.whitehouse.gov].

[67] See "Remarks on Signing the Tax Increase Prevention and Reconciliation Act of 2005" on May 17, 2006 in the *Weekly Compilation of Presidential Documents*, May 22, 2006, vol. 42, no. 20, pp. 943-945.

Table 16. JCT Scoring of Revenue Reconciliation Legislation: Conference Agreement (by Title)

(revenues in $ billions)

Title	FY2006	FY2007	FY2008	FY2009	FY2010	FY2006-FY2010	FY2006-FY2015
Title I — Extension and Modification of Certain Provisions	-0.082	-1.012	-7.613	-19.114	-5.545	-33.367	-56.596
Title II — Other Provisions	-0.004	-0.022	-0.038	-0.048	-0.054	-0.167	-0.403
Title III — Individual AMT Provisions	-12.984	-20.888	—	—	—	-33.872	-33.872
Title IV — Corporate Estimated Tax Provisions	2.209	-2.209	—	—	-5.640	-5.640	—
Title V — Revenue Offset Provisions	0.104	0.900	0.886	0.704	0.494	3.086	21.787
Total Changes	**-10.757**	**-23.231**	**-6.765**	**-18.458**	**-10.745**	**-69.960**	**-69.084**

Source: Joint Committee on Taxation, *Estimated Revenue Effects of the Conference Agreement for the "Tax Increase Prevention and Reconciliation Act of 2005,"* JCX-18-06, May 9, 2006.

The net figures cited above obscure a higher level of revenue reductions, offset in part by revenue increases. **Table 17** provides information on revenue reductions and increases associated with selected provisions, involving changes of $0.5 billion or more over the five-year (FY2006-FY2010) or 10-year (FY2006-FY2015) period. The provisions are ranked in descending order on the basis of their 10-year impact.

The largest revenue increases over the 10-year period involve withholding on government payments for property and services ($6.977 billion) and elimination of the income limitations on Roth IRA conversions ($6.432 billion); the largest revenue decreases pertain to an increase in the individual AMT exemption amount for 2006 ($31.047 billion) and the extension of reduced tax rates for dividends ($30.779 billion) and capital gains ($20.004 billion).

Table 17. Revenue Reconciliation Legislation: Revenue Increases and Decreases for Selected Provisions (Conference Agreement)

(revenues in $ billions)

Provision(s)	FY2006-FY2010	FY2006-FY2015
Revenue Increases		
Withholding on government payments for property and services	—	6.977
Eliminate the income limitations on Roth IRA conversions	-0.447	6.432
Increase in age of minor children whose unearned income is taxed as if parent's income	0.776	2.128
Amend section 911 housing exclusion and impose a stacking rule and provide regulatory authority to allow for geographic differences	0.903	2.126
Require partial payments with submissions of offers-in-compromise (permanent 24-month rule)	0.715	1.955
Repeal of FSC/ETI binding contract relief	0.467	0.502
Revenue Decreases		
Increase individual AMT exemption amount for 2006	-31.047	-31.047
Tax dividends with a 15%/0% rate structure	-13.299	-30.779
Tax capital gains with a 15%/0% rate structure	-7.252	-20.004
Delay due date (from September 15 to October 1) for a percentage of corporate estimated taxes	-5.640	—
Controlled foreign corporations: exception under subpart F for active financing income	-4.796	-4.796

Provision(s)	FY2006-FY2010	FY2006-FY2015
Treatment of nonrefundable personal credits under the individual AMT	-2.825	-2.825
Controlled foreign corporations: look-through treatment of payments between related CFCs under foreign personal holding company income rules	-0.746	-0.746

Source: Prepared by the Congressional Research Service from data provided in: Joint Committee on Taxation, *Estimated Revenue Effects of the Conference Agreement for the "Tax Increase Prevention and Reconciliation Act of 2005,"* JCX-18-06, May 9, 2006.

Debt-Limit Reconciliation Legislation

Neither the House Ways and Means Committee nor the Senate Finance Committee scheduled any meetings to consider debt-limit reconciliation legislation.

On November 15, 2005, the Treasury Department indicated that the level of public debt subject to the statutory limit had exceeded $8 trillion for the first time ($8,002,607,000,000).[68] In view of the pattern of monthly deficits and surpluses in the last several years, the current limit of $1.184 trillion was expected to suffice into about the middle of the first quarter of calendar year 2006.

In a letter to Senate Majority Whip Mitch McConnell, dated December 29, 2005, Treasury Secretary John W. Snow indicated that the debt limit would become insufficient in mid-February 2006, and that "all available prudent and legal actions" to finance government operations within that limit would be exhausted by mid-March.[69] Thus, by using various financing techniques that have been employed in the past, the Treasury Department was expected to be able to cope with an insufficient debt limit for about a month before defaulting on government obligations.[70]

In addition to the reconciliation process, the House and Senate may use other procedures to develop and consider debt-limit legislation.[71] Pursuant to House Rule XXVII (the "Gephardt rule"), H.J.Res. 47 was deemed to have passed the House automatically on April 28, 2005, in conjunction with House approval of the conference report on the FY2006 budget resolution. The measure proposed an increase of $781 billion in the statutory debt limit, to $8.965 trillion, the same increase recommended in the budget resolution and contained in the reconciliation

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[68] See the *Daily Treasury Statement* for November 15, 2005, Table III-C, p. 2, available on the web at [http://www.fms.treas.gov/dts/].

[69] Quoted in "Treasury Secretary Urges Speedy Action on Debt Limit Increase," by CQ Staff, *CQ Today*, December 30, 2005.

[70] For further information on this topic, see CRS Report RL31967, *The Debt Limit: The Ongoing Need for Increases*, by Philip D. Winters.

[71] These procedures are reviewed in CRS Report RS21519, *Legislative Procedures for Adjusting the Public Debt Limit*, by Robert Keith and Bill Heniff Jr.

instructions. On March 16, 2006, the Senate passed H.Res. 47 without amendment, by a vote of 52-48.

President Bush signed the measure into law on March 20, as P.L. 109-182. The enactment of the measure obviated the need for any action on debt-limit legislation under the reconciliation process.

Products on Selected Policy Issues Addressed in Reconciliation

The reconciliation legislation being developed and considered in the House and Senate addresses a wide range of policy issues. For information on the specific policy proposals recommended in the legislation, the reader is directed to the reports (and committee prints) of the instructed committees, as well as to the floor debate.[72] In addition, the reader is directed to the cost estimates and related reports prepared by CBO and the JCT for each of the committee submissions; these estimates briefly summarize the policy proposals.[73]

The Congressional Research Service also has prepared reports and issue briefs on major issues addressed in reconciliation legislation; they are identified on the CRS website under the Current Legislative Issues term "Reconciliation, Budget" and are available at [http://www.crs.gov]. The CRS reports and issue briefs posted on the website so far are listed below by major category; additional products will be listed as they become available.

Spending Reconciliation Legislation

Agriculture and Nutrition

CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*, by Ralph M. Chite.

CRS Report RL33475, *Dairy Policy Issues*, by Ralph M. Chite.

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[72] For the spending reconciliation bill, see (1) Senate Budget Committee, *Deficit Reduction Omnibus Reconciliation Act of 2005* (print to accompany S. 1932), S.Prt. 109-37, October 2005 (the print is not yet available online), and (2) House Budget Committee, *Deficit Reduction Act of 2005* (report to accompany H.R. 4241), H.Rept. 109-276, November 7, 2005.

For the revenue reconciliation bill, see (1) Senate Finance Committee, *Summary of the Tax Relief Act of 2005*, November 8, 2005, and other materials (in lieu of a committee report) under "Legislation" at the Committee's website [http://www.senate.gov/~finance/], and (2) House Ways and Means Committee, *Tax Relief Extension Reconciliation Act of 2005* (report to accompany H.R. 4297), H.Rept. 109-304, November 17, 2005.

[73] Congressional Budget Office, "Cost Estimates for Reconciliation Legislation," available at [http://www.cbo.gov/] and Joint Committee on Taxation, various reports, available at [http://www.house.gov/jct/].

Arctic National Wildlife Refuge (ANWR)

CRS Report RS22304, *ANWR and FY2006 Budget Reconciliation Legislation*, by Bill Heniff Jr. and M. Lynne Corn.

CRS Report RL33523, A*rctic National Wildlife Refuge (ANWR): Controversies for the 109th Congress*, by M. Lynne Corn, Bernard A. Gelb, and Pamela Baldwin.

"Byrd Amendment" on Anti-Dumping

CRS Report RL33045, *The Continuing Dumping and Subsidy Offset Act ("Byrd Amendment")*, by Jeanne J. Grimmett and Vivian C. Jones.

Deposit Insurance

CRS Report RS20724, *Federal Deposit and Share Insurance: Proposals for Change*, by William D. Jackson.

CRS Report RL33143, *Federal Deposit Insurance Reform Legislation (Including Budgetary Implications)*, by Barbara Miles and William Jackson.

Energy and Minerals

CRS Report RS22313, *Energy and Minerals Issues in the FY2006 Budget Reconciliation Bill*, by Marc Humphries.

Federal Judicial System

CRS Report RL33189, *Proposals in the 109th Congress to Split the Ninth Circuit Court of Appeals*, by R. Sam Garrett.

Medicare, Medicaid, and SCHIP (State Children's Health Insurance Program)

CRS Report RL33131, *Budget Reconciliation FY2006: Medicaid, Medicare, and State Children's Health Insurance Program (SCHIP) Provisions*, by Evelyne C. Baumrucker, Hinda Chaikind, April Grady, Jim Hahn, Jean Hearne, Elicia Herz, Bob Lyke, Paulette Morgan, Jennifer O'Sullivan, Rich Rimkunas, Julie Stone, Sibyl Tilson, and Karen Tritz.

CRS Report RS22333, *Budget Reconciliation FY2006: Provisions Affecting the Medicaid Federal Medical Assistance Percentage*, by April Grady.

CRS Report RL33130, *Budget Reconciliation: Projections of Funding in the State Children's Health Insurance Program*, by Chris L. Peterson.

CRS Report RL33121, *Medicaid Issues for the 109th Congress*, by Jean Hearne.

CRS Report RL33251, *Side-by-Side Comparison of Medicare, Medicaid, and SCHIP Provisions in the Deficit Reduction Act of 2005*, by Karen Tritz, Sibyl Tilson, Julie Stone, Chris Peterson, Jennifer O'Sullivan, Paulette C. Morgan, Elicia J.

Herz, Jeanne Hearne, Jim Hahn, April Grady, Hinda Chaikind, and Evelyne P. Baumrucker.

Outer Continental Shelf Leasing

CRS Report RL33493, *Outer Continental Shelf: Debate Over Oil and Gas Leasing and Revenue Sharing*, by Marc Humphries.

Pension Benefit Guaranty Corporation (PBGC)

CRS Report RS22315, *Budget Reconciliation and the PBGC*, by Neela K. Ranade.

Spectrum Auction and Fees and Transition to Digital Television

CRS Report RL31260, *Digital Television: An Overview*, by Lennard G. Kruger.

CRS Report RS22218, *Spectrum Auctions and Deficit Reduction: FY2006 Budget Reconciliation*, by Linda K. Moore.

CRS Report RS22306, *Spectrum Use and the Transition to Digital TV*, by Linda K. Moore.

Student Loans

CRS Report RS22308, *Student Loans and FY2006 Budget Reconciliation*, by Adam Stoll.

Welfare

CRS Report RL33155, *Child Welfare: Foster Care and Adoption Assistance Provisions in the Budget Reconciliation Bills*, by Emilie Stoltzfus.

CRS Report RS22377, *Child Support Provisions in the Deficit Reduction Act of 2005 (P.L. 109-171)*, by Carmen Solomon-Fears.

CRS Report RS22369, *TANF, Child Care, Marriage Promotion, and Responsible Fatherhood Provisions in the Deficit Reduction Act of 2005 (S. 1932)*, by Gene Falk.

CRS Report RL33157, *Welfare Reauthorization: A Side-by-Side Comparison of Current Law, Senate Committee Approved and House Budget Reconciliation Bill Provisions*, by Gene Falk, Melinda Gish, Carmen Solomon-Fears, and Emilie Stoltzfus.

Revenue Reconciliation Legislation

CRS Report RS21992, *Extending the 2001, 2003, and 2004 Tax Cuts*, by Gregg Esenwein.

CRS Report RL32781, *Federal Deductibility of State and Local Taxes*, by Steven Maguire.

CRS Report RL32719, *Major Tax Issues in the 109th Congress*, by David L. Brumbaugh.

CRS Report RL31181, *Research Tax Credit: Current Status, Legislative Proposals, and Policy Issues*, by Gary Guenther.

CRS Report RL31852, *Small Business Expensing Allowance: Current Status, Legislative Proposals, and Economic Effects*, by Gary Guenther.

CRS Report RS22322, *Taxes and Fiscal Year 2006 Budget Reconciliation: A Brief Summary*, by David L. Brumbaugh.

CRS Report RS22100, *The Alternative Minimum Tax for Individuals: Legislative Initiatives and Their Revenue Effects*, by Gregg Esenwein.

CRS Report RS21682, *The Tax Deduction for Classroom Expenses of Elementary and Secondary School Teachers*, by Linda Levine.

CRS Report RL30089, *The Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work (WtW) Tax Credit*, by Linda Levine.

Appendix A. Deficit Reduction Act of 2005 (S. 1932): Contents Listing of the Conference Report (H.Rept. 109-362)

Title/Subtitle Chapter/Subchapter	Content	*Congressional Record* Page Number (December 18, 2005)		Printed Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Sec. 1	Short Title	H12641	—	1	—
Sec. 2	Table of Titles	H12641	—	1	—
Title I	Agriculture Provisions	H12641	H12687	2	187
Subtitle A	Commodity Programs	H12641	H12687	2	187
Subtitle B	Conservation	H12641	H12688	3	189
Subtitle C	Energy	H12641	H12688	4	191
Subtitle D	Rural Development	H12641	H12688	4	191
Subtitle E	Research	H12641	H12688	5	191
Title II	Housing and Deposit Insurance Provisions	H12642	H12689	5	194
Subtitle A	FHA Asset Disposition	H12642	H12689	5	194

Title/Subtitle Chapter/Subchapter	Content	*Congressional Record* Page Number (December 18, 2005)		Printed Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Subtitle B	Deposit Insurance	H12642	H12689	7	195
Title III	Digital Television Transition and Public Safety	H12645	H12691	19	200
Title IV	Transportation Provisions	H12647	H12735	26	360
Title V	Medicare	H12647	H12692	26	205
Subtitle A	Provisions Relating to Part A	H12647	H12692	26	205
Subtitle B	Provisions Relating to Part B	H12649	H12695	36	215
Chapter 1	Payment Provisions	H12649	H12695	36	215
Chapter 2	Miscellaneous	H12651	H12697	42	222
Subtitle C	Provisions Relating to Parts A and B	H12652	H12699	45	229
Subtitle D	Provisions Relating to Part D	H12652	H12699	47	232
Title VI	Medicaid and SCHIP	H12654	H12705	53	252
Subtitle A	Medicaid	H12654	H12705	53	252

Title/Subtitle Chapter/Subchapter	Content	*Congressional Record* Page Number (December 18, 2005)		Printed Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Chapter 1	Payment for Prescription Drugs	H12654	H12705	53	252
Chapter 2	Long-Term Care Under Medicaid	H12655	H12709	60	269
Subchapter A	Reform of Asset Transfer Rules	H12655	H12709	60	269
Subchapter B	Expanded Access to Certain Benefits	H12657	H12714	67	285
Chapter 3	Eliminating Fraud, Waste, and Abuse in Medicaid	H12658	H12719	72	302
Chapter 4	Flexibility in Cost Sharing and Benefits	H12661	H12721	81	310
Chapter 5	State Financing Under Medicaid	H12663	H12724	92	319
Chapter 6	Other Provisions	H12664	H12726	96	329
Subchapter A	Family Opportunity Act	H12664	H12726	96	329
Subchapter B	Money Follows the Person Rebalancing Demonstration	H12666	H12728	102	335
Subchapter C	Miscellaneous	H12668	H12729	111	339

Title/Subtitle Chapter/Subchapter	Content	*Congressional Record* Page Number (December 18, 2005)		Printed Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Subtitle B	SCHIP	H12673	H12732	130	348
Subtitle C	Katrina Relief	H12673	H12734	132	357
Title VII	Human Resources and Other Provisions	H12674	H12735	135	361
Subtitle A	TANF	H12674	H12735	135	361
Subtitle B	Child Care	H12676	H12736	141	363
Subtitle C	Child Support	H12676	H12736	141	363
Subtitle D	Child Welfare	H12677	H12736	149	364
Subtitle E	Supplemental Security Income	H12679	H12736	154	364
Subtitle F	Repeal of Continued Dumping and Subsidy Offset	H12679	—	155	—
Subtitle G	Effective Date	H12679	—	155	—
Title VIII	Education and Pension Benefit Provisions	H12679	H12736	155	365
Subtitle A	Higher Education Provisions	H12679	—	155	—

Title/Subtitle Chapter/Subchapter	Content	*Congressional Record* Page Number (December 18, 2005)		Printed Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Subtitle B	Pensions	H12686	H12736	181	365
Title IX	LIHEAP Provisions	H12686	H12736	184	365
Title X	Judiciary Related Provisions	H12686	—	184	—
Subtitle A	Civil Filing Adjustments	H12686	—	184	—
Subtitle B	Bankruptcy Fees	H12686	—	185	—

Note: The conference report was printed in the *Congressional Record* (daily ed.) of Dec. 18, 2005, vol. 151, no. 164, book II. A statement regarding the clarification of a clerical error (pertaining to a reference in Section 10002(a)(2), dealing with bankruptcy fees, in Title X — Judiciary Related Provisions) was inserted by Senate Budget Committee Chairman Judd Gregg into the *Congressional Record* (daily ed.) of Dec. 21, 2005, at pages S14298-S14299.

Appendix B. Tax Increase Prevention and Reconciliation Act of 2005 (H.R. 4297): Contents Listing of the Conference Report (H.Rept. 109-455)

Title/Section	Content	*Congressional Record* Page Number (May 5, 2006)		Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Sec. 1	Short Title, Etc.	H2209	—	1	—
Title I	Extension and Modification of Certain Provisions	H2210	H2216	2	36
Sec. 101	Increased Expensing for Small Business	H2210	H2228	2	79
Sec. 102	Capital Gains and Dividends Rates	H2210	H2227	2	74
Sec. 103	Controlled Foreign Corporations	H2210	H2227	2	70
Title II	Other Provisions	H2210	—	3	85
Sec. 201	Clarification of Taxation of Certain Settlement Funds	H2210	H2230	3	85
Sec. 202	Modification of Active Business Definition Under Section 355	H2210	H2230	4	86
Sec. 203	Veterans' Mortgage Bonds	H2210	H2232	5	91

Title/Section	Content	*Congressional Record* Page Number (May 5, 2006)		Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Sec. 204	Capital Gains Treatment for Certain Self-Created Musical Works	H2210	H2232	6	93
Sec. 205	Vessel Tonnage Limit	H2211	H2232	6	94
Sec. 206	Modification of Special Arbitrage Rule for Certain Funds	H2211	H2233	7	96
Sec. 207	Amortization of Expenses Incurred in Creating or Acquiring Music or Music Copyrights	H2211	H2233	7	97
Sec. 208	Modification of Effective Date of Disregard of Certain Capital Expenditures for Purposes of Qualified Small Issue Bonds	H2211	H2264	8	203
Sec. 209	Modification of Treatment of Loans to Qualified Continuing Care Facilities	H2211	H2265	8	208
Title III	Alternative Minimum Tax Relief	H2211	H2229	9	80
Sec. 301	Increase in Alternative Minimum Tax Exemption Amount for 2006	H2211	H2229	9	80

Title/Section	Content	*Congressional Record* Page Number (May 5, 2006)		Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Sec. 302	Allowance of Nonrefundable Personal Credits Against Regular and Alternative Minimum Tax Liability	H2211	H2216	9	36
Title IV	Corporate Estimated Tax Provisions	H2211	H2294	10	310
Sec. 401	Time for Payment of Corporate Estimated Taxes	H2211	H2294	10	310
Title V	Revenue Offset Provisions	H2211	H2267	10	216
Sec. 501	Application of Earnings Stripping Rules to Partners Which Are Corporations	H2211	H2281	10	265
Sec. 502	Reporting of Interest on Tax-Exempt Bonds	H2212	H2284	11	275
Sec. 503	5-Year Amortization of Geological and Geophysical Expenditures for Certain Major Integrated Oil Companies	H2212	H2285	11	280
Sec. 504	Application of FIRPTA to Regulated Investment Companies	H2212	H2286	12	282
Sec. 505	Treatment of Distributions Attributable to FIRPTA Gains	H2212	H2287	12	285

Title/Section	**Content**	***Congressional Record* Page Number (May 5, 2006)**		**Conference Report**	
		Legislative Text	**Joint Explanatory Statement**	**Legislative Text**	**Joint Explanatory Statement**
Sec. 506	Prevention of Avoidance of Tax on Investments of Foreign Persons in United States Real Property Through Wash Sale Transactions	H2212	H2287	13	290
Sec. 507	Section 355 Not to Apply to Distributions Involving Disqualified Investment Companies	H2213	H2230	15	85
Sec. 508	Loan and Redemption Requirements on Pooled Financing Requirements	H2213	H2283	18	272
Sec. 509	Partial Payments Required When Submission of Offers-in-Compromise	H2214	H2272	19	234
Sec. 510	Increase in Age of Minor Children Whose Unearned Income Is Taxed As If Parent's Income	H2214	H2282	20	268
Sec. 511	Imposition of Withholding on Certain Payments Made by Government Entities	H2214	H2291	21	299
Sec. 512	Conversions to Roth IRAs	H2214	H2292	22	301
Sec. 513	Repeal of FSC/ETI Binding Contract Relief	H2215	H2292	22	304

Title/Section	Content	*Congressional Record* Page Number (May 5, 2006)		Conference Report	
		Legislative Text	Joint Explanatory Statement	Legislative Text	Joint Explanatory Statement
Sec. 514	Only Wages Attributable to Domestic Production Taken Into Account in Determining Deduction for Domestic Production	H2215	H2293	23	306
Sec. 515	Modification of Exclusion for Citizens Living Abroad	H2215	H2293	23	307
Sec. 516	Tax Involvement of Accommodation Parties in Tax Shelter Transactions	H2215	H2241	25	125

Note: The conference report was printed in the *Congressional Record* (daily ed.) of May 9, 2006, vol. 152, no. 55.