

**OMNIBUS BUDGET RECONCILIATION
ACT OF 1990**

**Volumes 1 - 5
H.R. 5835**

**PUBLIC LAW 101-508
101ST CONGRESS**

**REPORTS, BILLS,
DEBATES, AND ACT**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
Social Security Administration**

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Volume 5

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
Social Security Administration
Office of the Deputy Commissioner for Policy and External Affairs
Office of Legislation and Congressional Affairs**

PREFACE

This 5 volume compilation contains historical documents pertaining to P.L. 101-508, the Omnibus Budget Reconciliation Act of 1990. The book contains congressional debates, a chronological compilation of documents pertinent to the legislative history of the public law and listings of relevant reference materials.

Pertinent documents include:

- o Committee reports
- o Differing versions of key bills
- o The Public Law
- o Legislative history

The books are prepared by the Office of Legislation and Congressional Affairs and are designed to serve as helpful resource tools for those charged with interpreting laws administered by the Social Security Administration.

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LISTING OF REFERENCE MATERIALS

(This document has not been reviewed and approved by the committee and, therefore,
may not necessarily reflect the views of all of its members.)

[COMMITTEE PRINT]

**PRESIDENT BUSH'S FISCAL YEAR 1991
BUDGET**

[A Summary and Analysis Prepared by the Staff
of the House Budget Committee]

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES



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HOW THIS BUDGET IS DIFFERENT

The fiscal year 1991 budget submitted to Congress by President Bush is dramatically different in form from budgets submitted by President Reagan and other Presidents since the enactment of the Budget Act in 1974. The new format was developed by the Office of Management and Budget without consultation with Congress.

The most obvious change in the format of the budget is that the President has presented a single budget document to Congress instead of the six documents presented by President Reagan in fiscal year 1990. The contents of the six documents have not simply been combined into a single volume, however. Some information, particularly historical tables, included in previous years has not been included in the new budget. The remaining information has been shuffled and presented in a new order and new form arranged by themes. A 47 page guide to the budget was provided with the budget for the purpose of locating functional materials, economic information, and specific analyses and tables.

A more subtle change in the budget is that the descriptions of the President's spending proposals in the new Section One of the budget are not readily linked to the budget amounts presented for each function in Section Two. In the past, Section 5 of the budget presented a concise account of the President's proposals in each function along with a summary of the budget amounts for the function. The fiscal year 1991 budget organizes a series of policy statements by thematic categories unrelated to budget functions and does not provide any explanation of the costs or savings from proposed legislation included in tables of budget authority and outlays by function. This makes it difficult to determine quickly the specific budget effects of the policies proposed in the budget.

Since the Budget Act requires the budget resolution to specify functional totals for spending and credit authority, this Summary and Analysis of the President's Budget has been arranged, as usual, by functional category.

I. OVERVIEW AND MAJOR ISSUES

RECEIPTS, OUTLAYS, DEFICIT/SURPLUS UNDER THE PRESIDENT'S PROPOSED POLICY*						
(in billions of dollars)						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
<u>The President's Consolidated Budget</u>						
Receipts.....	1073.5	1170.2	1246.4	1327.6	1408.6	1486.3
Outlays.....	1197.2	1233.3	1271.4	1321.8	1398.0	1476.9
Surplus/Deficit.....	-123.8	-63.1	-25.1	+5.7	+10.7	+9.4
<u>Adjustments</u>						
Postal Service						
Net Outlays.....	-2.4	-1.7	-0.7	-0.1	-0.1	-0.4
Social Security						
Integrity and Debt						
Reduction Fund Outlays.		0	0	-14.1	-53.6	-101.8
<u>The President's Budget (Current Concept)</u>						
Receipts.....	1073.5	1170.2	1246.4	1327.6	1408.6	1486.3
Outlays.....	1194.8	1231.6	1270.7	1307.6	1344.5	1375.5
Surplus/Deficit.....	-121.4	-61.4	-24.4	+20.0	+64.2	+110.8
*The administration's "consolidated" budget includes outlays to the Social Security Integrity and Debt Reduction Fund and net outlays of the Postal Service. The administration's budget on current budget concepts excludes these items.						

A. Major Themes in the Budget

The budget message of the President to Congress that introduces the fiscal year 1991 budget describes five broad themes of the budget:

- "Investing in Our Future" -- Proposals listed in this category include the capital gains tax cut and incentives for family savings, which are intended to increase the level of private investment in the economy, as well as increases in spending for research and development, space exploration, and certain education programs such as Head Start, which are intended to increase human capital. The President also includes increased spending for the war on drugs and continued high levels of defense spending in this category.
- "Advancing States as Laboratories" -- The President's budget lists a number of state and local programs which are described as innovative approaches to the provision of government services. The budget states that some of these programs have been aided by Federal grants and some have been made possible by Federal statutory or administrative waivers.

- "Reforming Mandatory Programs" -- The President points out that nearly half of Federal spending is for entitlements and other mandatory spending, in addition to the 14 percent of the budget that goes to interest payments on the national debt. The President's budget proposes mandatory program reforms that would save \$13.9 billion in fiscal year 1991, with the largest cuts proposed for Medicare (\$5.5 billion, not including \$1.7 billion in increased revenues from requiring coverage of all state and local government employees by the Medicare tax), farm programs (\$1.8 billion), and Federal employee health and retirement benefits (\$4.5 billion).
- "Acknowledging Inherited Claims" -- The President's budget discusses the demands on current and future resources resulting from environmental damage at nuclear weapons facilities, unfunded annuities, and Federal insurance programs.
- "Managing for Integrity and Efficiency" -- The President's budget proposes budget process and program management reforms. The budget also proposes reduced funding for discretionary programs that are described as "low-return" programs, including mass transit, Amtrak, sewage treatment plant construction, new subsidized housing construction, and community services block grants.

In addition, in a new section in the drastically revised budget document, the Director of the Office of Management and Budget, Richard G. Darman, provides a "Director's Introduction to the New Budget" which stresses the following major themes:

- "Global Historical Perspective" -- The Director argues that the great historical shift apparently taking place in Europe has been almost trivialized in the discussion of the "peace dividend." Rather, he suggests, these events place new emphasis on the importance of U.S. economic growth; budget policy should, instead, address the issue of how to achieve a "growth dividend."
- "Deficit-Estimating Perspective" -- The Director discusses different concepts of the budget deficit, some of which are new to this budget. Deficits calculated under these concepts include the Gramm-Rudman-Hollings (GRH) Baseline Deficit, the Adjusted GRH Baseline Deficit, the President's Policy Deficit (including and excluding "speed-ups"), the On-Budget Policy Deficit, and the Consolidated Budget Deficit. (None of these concepts, however, is the current budget deficit concept most recently used by the Congress and the President. The administration's budget deficits on several concepts are projected in Section III. B.) In this context, the Director also discusses the current treatment of Social Security, whose surpluses have masked the true size of the underlying non-Social Security operating deficit, and introduces the administration's proposed "Social Security Integrity and Debt Reduction Fund" to deal with this problem.
- "Capital Budgeting Perspective" -- The Director notes that the current "cash" budget concept is useful if it involves a consolidated accounting that shows the total governmental cash position. However, to get a better sense of future liabilities and the extent to which current income and borrowing finance investment for the future, some form of capital budget concept is required. (The budget presents alternate approaches to capital budgeting in a more detailed section.) The Director also notes that, by

several different measures, the deficit seems to have stabilized and "the pattern of continuous erosion that characterized the early- and mid-1980s seems to have been broken." However, this development is contingent upon continued economic growth, and stabilization should not lead to complacency in light of future hidden liabilities.

- "A Perspective That Gives Greater Weight to Future Liabilities" -- The Director argues that some major future liabilities of the Federal government are hidden under current budget practices and, "like a hidden PACMAN [are] waiting to spring forward and consume another line of resource dots in the budget maze." He discusses briefly the future liabilities related to the rising costs of health care, the rising budgetary claims of mandatory programs, unfunded liabilities of retirement programs (including, under some assumptions, Social Security), obligations for environmental clean-up at Federal facilities, contingent risks of Federal credit programs and government-sponsored enterprises (GSEs), and the contingent risks of Federal insurance programs. He estimates that the "amortized" annual amount of the projected "underfunding" may be on the order of one-half to one percent of GNP, assuming the problem is managed on an orderly basis. Dealing with this would require reforms in mandatory, credit and insurance programs, reduced spending on other programs, increased government managerial efficiency, and growth-oriented economic and budget policies.
- "A Perspective That Attends to Investment in the Future" -- The Director briefly discusses administration proposals for "investing in the future." These include deficit reduction to raise public saving; incentives for private savings and long-term investment (capital gains tax cut, IRA modifications, and Family Savings Accounts); funds for space exploration and research and development; public investments in education and human capital; expenditures for drug control; the Enterprise Zones proposal and project HOPE (Home Ownership and Opportunity for People Everywhere); environmental protection; programs to "foster and preserve the American Heritage;" national security; and management oversight.
- "A Congressional Perspective" -- The Director criticizes Congress's budgetary use of the current services baseline (the projections which display the real cost of programs after adjustment for inflation). He reintroduces a budget projection developed by OMB in 1989, the "Current Congressional Path," to underline the importance of legislation for the budget and laments the "games now in play"-- what he calls the Spend-the - Peace Dividend-Game, the Cut-Social-Security-Game, and the Beat-the-Budget-Game. He observes, finally, that "sooner or later, the American political system will rise to the responsibility to be serious: to complete the job of fiscal policy correction."

B. The President's Deficit Reduction Plan

The following analysis of the President's proposals, arranged by major spending and revenue categories, follows the current budget concepts used by Congress and, before this year, by the administration. However, an adjustment is made to reconcile this presentation with the administration's "consolidated deficit", which includes the Postal Service (an off-budget Federal agency) and the "costs" of the administration's proposed Social Security Integrity and Debt Reduction Fund. (For a description of the latter, see section I. D.)

The President reduces the 1991 deficit sharply, to \$61.4 billion, below the Gramm-Rudman-Hollings (GRH) target of \$64 billion. His plan calls for \$39.1 billion in deficit reduction as compared with the "adjusted GRH baseline" deficit of \$100.5 billion. (See Section VI. A. for a discussion of the GRH baseline.) Over the five-year period FY 1991 - FY 1995, he proposes more than \$320 billion in deficit reduction.

<u>The President's Deficit Reduction Plan</u>		
(In billions. Deficit increase shown by "-")		
	<u>FY 1991</u>	<u>5-Year</u>
GRH BASELINE DEFICIT(-) or SURPLUS(+)	-100.5	-212.3
■ Defense	3.2	87.5
■ Non-defense discretionary	-1.0	2.1
■ Entitlements and other mandatories	13.9	119.1
Medicare	(5.5)	
Civil service/military ret'ment.	(3.0)	
Agriculture	(1.8)	
Federal employees' health	(1.6)	
Power marketing administrations	(1.0)	
All other	(1.0)	
■ Governmental receipts (revenues)	13.9	41.7
Capital gains	(4.9)	
IRS management, etc.	(3.0)	
Tax accelerations	(1.0)	
Other receipts	(5.0)	
■ User fees, offsetting collections	5.6	23.0
Auction broadcast spectrum	(2.3)	
Lease naval petroleum reserve	(1.0)	
Other fees	(2.3)	
■ Other offsetting receipts	0.6	2.8
■ Asset sales & loan prepayments	1.6	7.3
■ Net Interest	1.3	37.9
TOTAL DEFICIT REDUCTION	39.1	321.5
BUDGET DEFICIT(-) or SURPLUS(+)	-61.4	+109.2
Adjustment to include Postal Service Fund	+1.7	+2.1
Social Security "Debt Reduction Fund"	0.0	-169.5
ADMINISTRATION'S CONSOLIDATED DEFICIT	-63.1	-62.4

Defense funding is increased by \$5.3 billion, or 1.8%, over the 1990 level, while outlays grow by \$7.0 billion. This constitutes a budget authority cut of \$9.3 billion from the OMB GRH baseline and an outlay reduction of \$3.2 billion. By 1995 nominal defense funding would be about 8 percent higher than the 1990 level but almost 11 percent below the baseline. As a result, outlays would total \$87.5 billion less than the baseline over the five-year period FY 1991 - FY 1995.

Non-defense discretionary programs show a net budget authority increase of \$0.8 billion and a net outlay increase of \$1.0 billion as compared to OMB's GRH baseline. Over five years, total spending tracks OMB's baseline very closely. However, many sizable long-term increases and decreases are built into the net total.

Increases include: the U.N., Dept. of Energy cleanup costs, NASA, NSF, the Superconducting Supercollider, the "America the Beautiful" initiative, Superfund, aviation programs, the Coast Guard, homeless programs, Presidential merit schools and magnet schools, Head Start, Veterans' hospital construction, drug abuse programs (especially law enforcement), and the IRS.

Decreases include: Ex-Im Bank loans, REA and FmHA loans, fossil energy R&D, state energy conservation grants and low-income weatherization, Park Service construction, EPA sewer construction grants, Amtrak, mass transit, highways, CDBGs and other community development programs (e.g. ARC, EDA, Community development loans, rural water and waste disposal), library grants, Impact Aid part B, Perkins/NDSL student loans, health professions education and training, the Community Services Block Grant, housing for the elderly and handicapped, Employment Services, low-income home energy assistance, Public and Indian housing construction, assistance to states under the immigration reform law, and juvenile justice grants.

Entitlements and other mandatory programs are reduced (net) by \$13.9 billion. This includes major cuts in Medicare, Civil Service and Military Retirement, CCC and Crop Insurance programs, Federal Employee health benefits, Power Marketing programs, and many other programs. Smaller increases are proposed for Foster Care and Adoption Assistance and for the refundable portion of a new Child Care tax credit. The net savings would grow rapidly each year, significantly more rapidly than the general growth of mandatory programs, and would total almost \$120 billion over the five-year period FY 1991 - FY 1995.

Governmental Receipts (i.e. revenues) are increased by \$13.9 billion above the baseline in 1991. This total includes a \$4.9 billion increase assumed to come from tax cuts for capital gains. The total also includes increases of \$3.0 billion to come primarily from "Internal Revenue Service management reforms" and, secondarily, from an increase in the IRS budget. Major components of the remaining \$5.1 billion net increase are a \$3.8 billion increase from extending Medicare and Social Security payroll taxes to employees of state and local government that are not now covered, a \$1.6 billion increase from extension and speedup of the current 3 percent excise tax on telephone service, and a speedup of the payroll tax. Major revenue-losing proposals include extension of expiring tax benefits (tax credits for

research and experimentation, low-income housing, and health insurance deductions for the self-employed), a "family savings" incentive, tax incentives for oil and gas, tax incentives for "enterprise" zones, and a new Child Care tax credit.

The revenue increase of \$13.9 billion in FY 1991 shrinks to an average of \$7 billion per year in FY 1992 - 1995 for three reasons: the capital gains proposal increases revenues primarily in the first few year; some effects of the IRS reforms are temporary; and the payroll and telephone tax speed-ups are essentially timing shifts with virtually no long-term effect. (See section IV. B.)

User fees and other offsetting collections are increased by \$5.6 billion above the baseline, slightly more than the \$5.5 billion recommended last year. Most of the proposals were included in last year's budget and were rejected by Congress. The two largest single proposals, to auction off radio broadcast rights and to lease the Naval Petroleum Reserve, produce only short-term savings. (See section VI. D.)

Other offsetting receipts show the effects in Function 950 of changes in accrual payments from Federal agencies to the Federal retirement and health funds. The major proposed change would increase Postal Service payments on behalf of its annuitants. This is accounted as a receipt by on-budget agencies, but the ultimate deficit reduction would be accomplished through an increase in the price of stamps.

Asset sales and loan prepayments are proposed for each of the next five years, with net proceeds reflecting almost \$0.2 billion per year in lost revenue starting in FY 1992. (See section VI. E.)

D. National Saving, the Social Security Surplus, and the "Social Security Integrity and Debt Reduction Fund"

A great deal of concern has been raised recently about the use, or what many call misuse, of the taxes for Social Security, and the surpluses in the Social Security trust funds (Old Age, Survivors and Disability Insurance -- OASDI). These surpluses result from payroll taxes that are higher than immediately needed to cover the cost of current Social Security benefits. The surpluses result from the Social Security Amendments of 1977 and 1983 that were intended to build up reserves in advance of the rise in benefit costs that will occur when the baby boom generations retire.

The issues related to the Social Security surplus are:

- masking the non-Social Security deficit,
- the regressive shift in taxation,
- providing for the future and intergenerational equity,
- the administration's new proposal.

Social Security Surpluses Mask a Very Large Non-Social-Security Deficit

Currently, the Social Security surpluses offset a deficit in the rest of the budget and mask the size of the non-Social Security deficit, as shown by the following Congressional Budget Office baseline projections of January 1990.

Table 1

CBO Budget Baseline Projections
(Fiscal years, billions of dollars)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Total Federal budget deficit	-138	-138	-135	-141	-130	-118
Social Security surplus ^{1/}	66	74	85	98	112	128
Non-Social Security deficit	-204	-212	-221	-239	-242	-246
Non-Social Security deficit as a percentage of GNP	3.7	3.7	3.6	3.6	3.5	3.4

^{1/} The Social Security surplus includes interest receipts from the general Fund, an intra-budgetary transaction. Beginning in 1990, the amounts are \$16 billion, \$22 billion, \$27 billion, \$34 billion, \$42 billion and \$50 billion. These amounts correspondingly enlarge the non-Social Security deficit.

The Regressive Shift in Taxation

While payroll taxes have been raised to pay for Social Security and Medicare, non-Social Security taxes, principally the income taxes, have been cut relative to Gross National Product since 1981.

This move away from income taxes and toward payroll taxes has shifted Federal government taxes toward those with the least ability to pay. Since the payroll tax applies only to wages up to a ceiling (\$51,300 in 1990), it fails to tax the wages and salaries of higher-income Americans to the same extent as that of lower-middle income Americans. Furthermore, it lacks a personal exemption, does not tax income from capital which is concentrated in the hands of high-income people and does not have graduated tax rates. In contrast, the individual income tax takes a higher proportion of high than low incomes. Reducing the income tax and increasing the payroll tax makes the overall tax system less progressive.

The Congressional Budget Office estimates that between 1980 and 1990, the effective rate of Federal taxation on the bottom twenty percent of the income distribution will go up by 16 percent, while the effective tax rate on the top ten percent of the income distribution will go down by 7 percent. This regressive shift in taxation is analyzed in more detail in section IV. C., "Analysis of Tax Policy," in this report.

Many argue that the payroll tax is acceptable if it is dedicated to paying for present and future Social Security benefits. However, the Social Security surpluses created with the payroll tax are now being used to offset a deficit in the rest of the budget, rather being saved to prepare the nation to pay future Social Security benefits. Critics charge that this an inappropriate use of the tax that is supposed to be dedicated to Social Security.

For this reason, some, including Senator Moynihan, have suggested that either the Social Security surplus be used for its intended purpose -- a net addition to national saving -- or, failing that, that Social Security be put back on a pay-as-you-go basis by cutting payroll taxes.

Providing for the Future: The Problem

Many believe the current situation is contrary to the intent of the 1977 and 1983 Social Security Amendments, because these surpluses are not being used to prepare the nation to furnish future retirement benefits to the baby-boom generations.

Preparing the nation to support future retirees is a problem because there will be about 40 percent fewer workers per retiree in the year 2025 than now. In the next forty-five years, the burden of Social Security benefits (not including Medicare) will rise about 50 percent (from about 4.5 percent of GNP in 1990 to about 6.8 percent of GNP in 2035). The benefits that have been promised will be difficult to pay if the nation is not prepared for this added burden.

A purely pay-as-you-go Social Security system, the historical norm, would put a higher tax burden, as a percent of their incomes, on future workers than is being placed on current workers. Many regard this outcome as inequitable between generations.

It is not just the nation's promises of retirement benefits to the baby-boomers that creates the need to prepare more adequately for the future. There is also the added combination of current total budget deficits and a very low private saving rate. Large total budget deficits in the 1980s have diverted private saving away from investment and caused the U.S. to go into debt internationally. Part of any gain from investment in the U.S. is now mortgaged to outside creditors.

The current net national saving rate is only one-third of our average saving rate between 1950 and 1980. There is an acute need to reduce government

deficits and run surpluses so as to reverse this decline, increase investment, reduce international indebtedness and promote growth in productivity. The benefits of deficit reduction are analyzed in more detail in Section III. A., "Deficits and the Economy," in this report.

Saving the Social Security Surplus and Preparing to Pay Future Benefits

We cannot literally hoard and "set aside" food, clothing, shelter and medical care in a vault for the baby-boomers' use when they retire. These goods and services will have to be produced by future workers and transferred to future retirees at that time. Furthermore, no accounting or policy changes can significantly change the underlying demographic facts.

Therefore, the fundamental issue is whether we will take action now to expand the size of the future economic pie. By expanding the pie, the standard of living of future workers can be protected even though they will have to share a higher proportion of the pie with retirees than do today's workers.

The most directly effective way to expand resources for the future is to eliminate the budget deficit and to create a total budget surplus, or equivalently to preserve the Social Security surpluses and balance the non-Social Security budget.¹ This policy also accomplishes the transfer of some of the burden of future benefits from future workers to present workers.

A total budget surplus produces net retirement of debt held by the public. This would convert the nation's fiscal policy from one that absorbed and extinguished scarce private saving into one that supplemented it. The resulting new investment would make future workers more productive and would raise the income of future workers who will have to support today's workers in their retirement. The nation would be better prepared to support the baby-boom generations in their retirement, and the baby-boomers would be more likely to receive the benefits they have been promised. A Social Security surplus cannot by itself produce capital formation and higher future incomes, because it can be, and is, being offset by a deficit in the rest of the budget.

Running a total budget surplus would also transfer some future Social Security financing burdens from future workers to today's workers. Sufficient spending cuts or tax increases to bring about a budget surplus would reduce the consumption of today's workers, while increasing the income of future workers. A payroll-tax-financed Social Security surplus does not by itself accomplish this intergenerational transfer. There is no reduction in the consumption of present workers when the added payroll tax used to create a Social Security surplus is offset by lower general taxes or higher government programs elsewhere in the budget.

What Happens When the Baby Boom Generations Retire

As explained above, since we cannot literally hoard and "set aside" food, clothing, shelter and medical care for the baby-boomers' retirement, these goods and services will be produced by future American workers (except to the extent they can be borrowed from abroad) and transferred to retirees. Even if the

¹ The nation's future ability to produce could also be increased by shifting government spending away from consumption (for example, current Social Security and Medicare benefits) and toward public investment (for example, technological research, infrastructure, and education and health benefits for children). However, there is intense controversy over which programs are truly investment-oriented and which are successful in raising productivity.

Social Security surplus is "saved," this is the mechanism by which Social Security benefit promises should be fulfilled, and will probably have to be fulfilled.

Most likely, the transfer of resources from future workers to retirees would be effected by higher general taxes. The Social Security system will redeem its Treasury securities, and in order to provide the cash, general taxes will have to be raised. Cuts in non-Social Security spending could also play a role.

The alternative is to attempt to pay for benefits by draining away private savings and investment into higher national consumption. This could be attempted either through government borrowing or, if, hypothetically, Social Security had made private investments, by cashing in those investments. In either case, a capital shortage would result, reducing national investment either directly or by enlarging our debt to foreigners.

The ethics of attempting to pass the cost on to yet another future generation is questionable. This aside, real interest rates would rise, the international value of the dollar would rise, the trade balance would worsen, and U.S. national debt to foreigners would rise just as in recent U.S. fiscal history. The cost of future Social Security benefits does not exceed its dedicated taxes for only a few years, but rather from the year 2018 to as far forward as the actuaries forecast, 2063, and beyond. An attempt to pay for the baby-boomers benefits with borrowing could well founder on the unwillingness of foreign countries to lend massively to the U.S. Such unwillingness could create sufficient economic stress in the form of high interest rates to cause the government to run the monetary printing press, thereby "taxing" people through the effects of rapid inflation.

Changes in Accounting or Social Security Investment Policy

In order to "save" each year's Social Security surplus for the future, there must be an equal amount of annual net retirement of debt held by the public. For this to happen, the non-Social Security budget has to be in balance. Otherwise, funds that might be provided by Social Security to the private sector, or state and local governments as some have suggested, are offset by general fund borrowing. The same proposition is true for any special fund dedicated to retiring the public debt, or to any other earmarking for Social Security surpluses. These arrangements cannot be effective unless backed up by a total budget surplus.

Government or Social Security accounting can be changed to make it appear as though the Social Security surpluses are being "saved" or "invested" in "real" things, but as long as the Treasury has to borrow the funds that are used in this manner, there is no net increase in national saving or investment.

For example, if Social Security were to invest funds in private securities without any reduction in the non-Social Security deficit, the Treasury would have to borrow more funds from the private sector. The two operations cancel in terms of the net availability of saving for investment.

The Administration's New "Social Security Integrity and Debt Reduction" Proposal

The administration proposes a new "Social Security Integrity and Debt Reduction Fund." Funds would be mandatorily transferred each year from the general fund to this new fund. The Fund would spend its income on retirement of Treasury debt held by the public until all of this debt is retired. The administration estimates that, under its plan, retirement of the debt held by the public would be completed between the years 2005 and 2010.

From 1993 through 1995, the amounts to go into the Fund are percentages of projected Social Security surpluses: 15 percent for fiscal year 1993, 50 percent in 1994, and 85 percent for 1995. From 1996 forward, the amount is equal to the entire projected Social Security surplus.

Operating the Fund, however, is not by itself sufficient to ensure that the Social Security surpluses actually contribute to reduction of public debt. As explained above, in the absence of a surplus in the total budget, the Treasury would have to finance payments into the Fund by selling securities. The combination of this borrowing and purchase of securities by the Fund would be a shell game. The Fund would appear to be retiring debt, but the government as a whole would not.

In order to actually bring about the net retirement of debt held by the public, the administration's proposal has two other features.

The administration would permanently extend the Gramm-Rudman law, which requires a balanced budget in 1993 and which provides for the automatic reduction of spending (i.e., sequestration) if the necessary deficit-reduction legislation were not forthcoming. Social Security would be kept in the budget as is now the case for purposes of Gramm-Rudman.

The administration proposal also requires that the traditional measure of spending outlays be increased by the amounts transferred to the new Fund. Thus, the extended Gramm-Rudman law would be applied to a budget "deficit" that includes the projected Social Security surplus as "spending." Requiring balance in this measure of the budget is effectively the same as requiring a real surplus approximately equal to the Social Security surplus.

The operation of the "Social Security Integrity and Debt Reduction Fund" is symbolic, since retirement of debt held by the public is not really spending; it is the consequence of having an excess of revenues over spending, a budget surplus. The correct measure of how the budget affects the general economy and national saving, for example, does not count retirement of debt as spending. Scoring debt retirement as though it were spending simply masks a surplus in the total budget.

Masking the surplus allows Social Security to be kept within the budget, as the administration wants, without having the budget show an official surplus. The reason for keeping Social Security in the budget is to discourage attempts to remove other funds from the budget and to discourage the government from dissipating the Social Security surplus by increasing Social Security benefits or cutting the payroll tax.

Under the administration's proposals, the projections of the Social Security surplus are not updated during the same budget cycle in which benefits might be raised or payroll taxes cut. As a result, the amount scored as spending for debt retirement would not immediately be reduced when benefits are raised or taxes cut. Spending in the consolidated budget would go up or revenues go down, pushing the budget out of compliance with the Gramm-Rudman balance requirement.

However, there is no absolute guarantee of protection for the Social Security surpluses. The government might time an increase in benefits or cut in payroll taxes to coincide with a once-every-five-year updating of the surplus projection. In this case, the prospective deficit in the "official" budget would be offset by a reduction in the amount that would have to be put in the new fund and scored as spending. Alternatively, the government could change the scorekeeping.

Section III. B., "Administration Projections and Deficit Reduction Proposals," of this report shows how the administration budget is able to show a future path that appears to comply with the new Gramm-Rudman proposals. Economic assumptions play the key role.

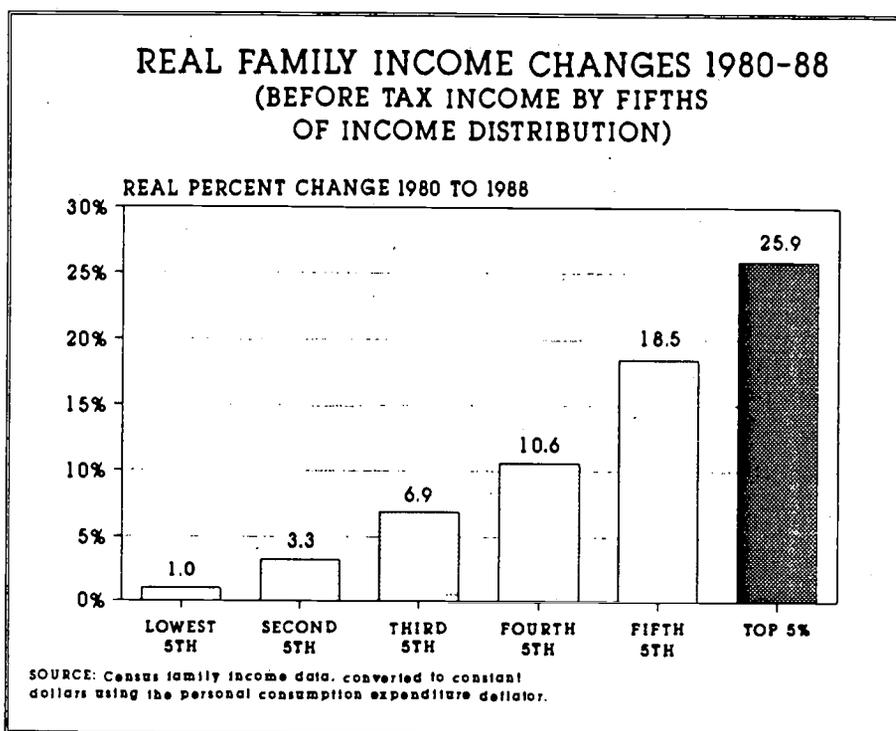
E. Budget Policies, the Distribution of Income, and Poverty

During the 1980s, the distribution of before-tax income became more unequal; Federal tax policies exacerbated the increasing inequality of income, as tax rates were reduced for the upper 20 percent of the population and rose for the other 80 percent, with the most rapid rise for the lowest-income taxpayers; and the poverty rate was not reduced despite a large rise in employment and a generally healthier economy at the end of the decade than at its beginning. In this section, these three developments will be discussed in turn, concluding with a discussion of the characteristics of the poverty population in 1988.

The Distribution of Income Before Tax

Between 1980 and 1988, gains in real before-tax income have been sharply skewed toward the upper end of the income distribution. The poorest 20 percent of families had an average real income gain of just 1 percent over those eight years, despite the fact that the economy in 1988 had lower unemployment and inflation than in 1980, while the top 5 percent of families had average real income gains of 26 percent. These trends are shown in the following chart.

Figure 1



Census data show that the income gap between rich and poor families was wider in 1988 than in any year since the Census Bureau began collecting this data in 1947. The wealthiest fifth of all families received 44 percent of national family income, a postwar record. The poorest fifth received 4.6

percent of national family income, the lowest proportion recorded since 1954. It is true that income inequality has been increasing ever since 1968, but the increase accelerated sharply during the 1980s. Some of this increase in inequality results from social trends such as the rise in female-headed households and the rise in work by wives at the higher end of the income scale. But the acceleration during the 1980s reflects recent Federal government policies as well. The failure to increase the minimum wage during the 1980s is one source. The large deficits and ballooning debt of the 1980s also contributed.

- The overvalued dollar caused by deficits and high interest rates affected manufacturing competitiveness, employment, and wages. All job growth since 1980 has been in "service-producing industries," mainly services and trade, which generally have low-pay jobs. (Claims are sometimes made that recent job growth has been in high-paying occupations, but the occupational definitions are so broad that this claim is meaningless.)
- Growing debt and high interest rates meant higher incomes for bondholders, few of whom are in the lower income categories.

The Changing Distribution of Taxes

Reduced rates in the progressive income tax and increased rates for the regressive Social Security taxes combined during the 1980s to make the Federal tax burden lighter on the rich and heavier throughout the rest of the income distribution, particularly for the lowest fifth of taxpayers. In the following table, Congressional Budget Office calculations of the effective overall Federal tax rate by income group are shown.

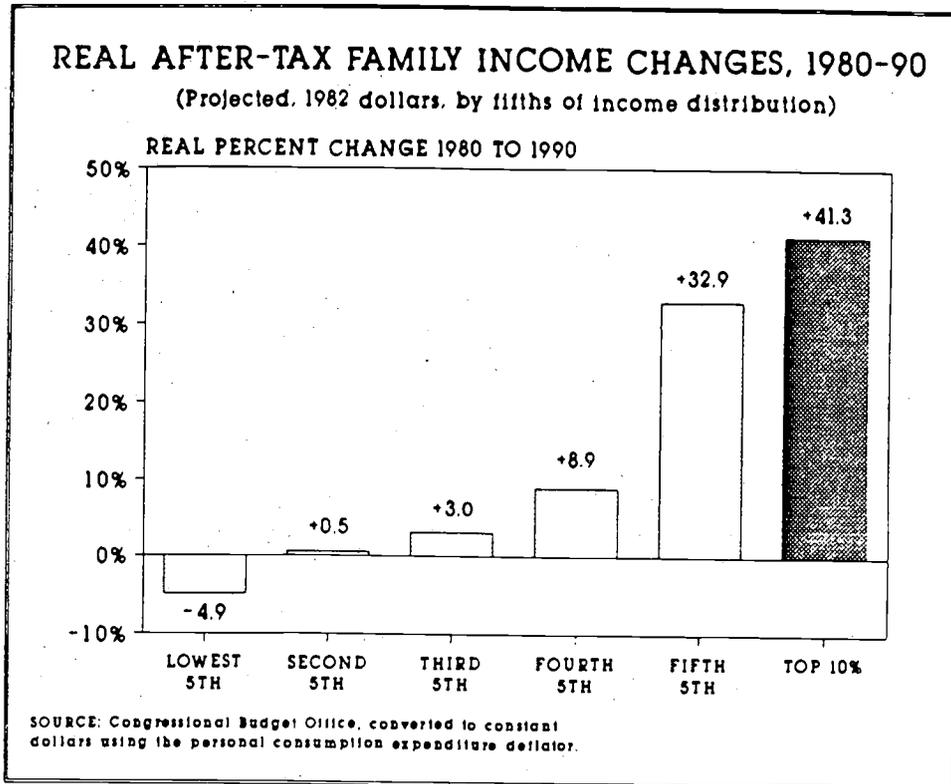
Table 2

Effective Overall Federal Tax Rates

<u>Income Quintile</u>	<u>1980</u>	<u>1990</u>	<u>Percent Change</u>
Top 10 percent	28.4	26.4	-7.0
Top 20 percent	27.3	25.8	-5.5
Fourth 20 percent	23.0	22.5	-2.2
Middle 20 percent	20.0	20.3	+1.5
Second 20 percent	15.7	16.7	+6.4
Bottom 20 percent	8.4	9.7	+15.5

Thus, the effective Federal tax burden has shifted toward those with less ability to pay, and has exacerbated the adverse shift in before-tax income. The same CBO projections of income and tax rates indicate that from 1980 to 1990, real after-tax income of the lowest-income taxpayers will have declined 5 percent, while the real after-tax income of the richest tenth of families rose 41 percent. These data are shown in Figure 2.

Figure 2



Poverty

The official poverty rate -- the number of persons with incomes below the official poverty level for their size family, as a percent of the total population -- was 13.1 percent in 1988, no lower than in the recession year 1980 when the rate was 13.0 percent. This happened in spite of increases in aggregate real income, declines in the unemployment rate, and increases in employment between the two years; but it is not surprising in light of the increasing inequality in the distribution of income that has already been described.

A number of criticisms and recalculations of the official poverty rate have been made. For example, it has been pointed out that rise in the poverty line due to inflation was overstated in the late 1970s and early 1980s because of a biased treatment of homeownership in the Consumer Price Index. Last year the Census Bureau calculated an alternative poverty series using a price measure without such bias. This experimental alternative indicates poverty rates of 11.5 percent in 1980 and 11.6 percent in 1988 and therefore does not change the conclusion that the poverty rate was unchanged over the 1980s.

Another common criticism is that the poverty rate is based on cash income only and does not take into account noncash benefits -- private health insurance and government noncash transfers such as food stamps, public housing, Medicare, and Medicaid. The Census Bureau has also calculated experimental measures of poverty for 1988 and 1987 that include these noncash benefits. Under this definition, the poverty rate was 10.5 percent in 1988, not significantly lower than in 1987 when it was 10.7 percent. Comparable rates are not available for previous years. However, earlier, related Census Bureau studies showed increases of 0.4 to 1.0 percentage point in poverty rates including noncash

benefits from 1980 to 1987, strongly suggesting that there would be no improvement in such a poverty rate between 1980 and 1988.

Whatever statistical criticisms are made of the official poverty thresholds, it is clear that they do not provide a generous standard of living. In 1988, when the median income of four-person families was \$39,051, the poverty threshold for such a family was an income of just \$12,092. This makes it difficult to argue that current poverty rates overstate the problem of deficient income.

The 1988 poverty estimates give useful information about the structure of poverty in an economy at high employment. When the civilian unemployment rate is 5.5 percent, as it was in 1988, there is little "cyclical" unemployment, and most poverty will therefore reflect low earnings and government payments that are low relative to family size, rather than temporarily low income due to recession.

Table 3
Poverty in 1988

<u>Characteristic</u>	<u>In Poverty</u>	
	<u>Number, in millions</u>	<u>Rate (percent of population having characteristic)</u>
All persons	31.9	13.1
By age:		
Under 18	12.6	19.7
18-64	15.8	10.5
65 to 74	1.8	10.0
75 and older	1.7	15.2
By family status:		
In married couple families	11.1	6.6
Female households, no husband	12.7	38.1
Not in families	7.1	20.6
Living alone, 65 and older	2.1	23.6
All families	6.8	10.4
Householders age 15-64, total	6.2	11.3
By work experience:		
Worked full year, full time	1.1	2.9
Worked full time, part year	1.2	18.2
Worked part time	1.0	26.5
Did not work	2.9	44.1

These tabulations show that the highest poverty rate by age is among children -- 20 percent. The "young old" (ages 65 to 74) have poverty rates slightly lower than working-age adults, but the "old old" (75 and older) have higher rates.

Poverty rates are far lower among married-couple families than among those living alone, and over one-third of persons living in female-householder families are living below the poverty line.

Finally, poverty among households where the householder is of working age is mainly associated with not working, working less than full time or working

less than a full year. There were 1.1 million families where the householder worked full-time and full-year and the family was still poor. This represented one-sixth of all poor families, although the poverty rate for such families was only 2.9 percent.

Federal government spending policies have had different effects on different low-income demographic groups. Congressional Budget Office Director Robert Reischauer has testified before the Ways and Means Committee that AFDC benefits fell roughly 25 percent in real terms between 1975 and 1987. The Census Bureau has estimated that cash benefits lifted from poverty in 1979 18.9 percent of families with children who otherwise would have been poor, but by 1987, the number was 10.5 percent. On the other hand, according to Reischauer's testimony, SSI benefits for the elderly rose in real terms because they were indexed to a CPI that overstated inflation.

III. FISCAL POLICY

The basic fiscal policy problem facing the United States in 1990 remains what it has been throughout the 1980s: ending the drain on national saving represented by the Federal deficit. Once that drain has been ended by the achievement of a balanced total budget -- an achievement scheduled for Fiscal Year 1993 in the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Gramm-Rudman-Hollings, or GRH) -- many have recommended that the U.S. fiscal policy goal should be a budget surplus equal to the projected buildup in the Social Security trust fund, which would translate into balance in the non-Social-Security budget. Such an achievement would mean that the Federal government as a whole would be adding to national saving, rather than subtracting from it as at present. This addition to national saving would mean more investment and a more productive economy in the 21st century when the resources will be needed to support the baby boom generation in its retirement.

The President's budget projections are consistent with this goal. However, they achieve the goal as much by optimistic economic and technical assumptions as by hard policy proposals. The projections of the Congressional Budget Office suggest that the President's actual policy proposals will not in fact achieve the balance in 1993 in the total budget, and the implied balance in 1996 in the non-Social Security budget, that they project.

Part A of this section discusses the effects of deficits on the economy. Part B presents the President's projections and the effects of his policy proposals on his projected deficit. Part C discusses the projections of the Congressional Budget Office and Part D uses the CBO projections to analyze the actual fiscal restraint in the President's budget.

A. Deficits and the Economy

Despite a current slowdown, generally expected to be temporary, the U.S. economy has been and is expected to be operating near its effective capacity, where "capacity" is defined as the highest level of capital utilization and the lowest level of unemployment consistent with a stable rate of inflation. The problem of utilizing unused resources has been relatively small over the last year. The bigger problem has been increasing the productivity of the resources we employ: providing more (and more efficient) plant and equipment and better education and training to the American work force. This is required for higher standards of living in the 1990s, and will be a necessity for supporting the baby boom generation in its retirement in the 21st Century, no matter what means of financing Social Security is chosen. Because improvement in investment and productivity is gradual and incremental in its results, we need to start these improvements now.

B. Administration Projections and Deficit Reduction Proposals

The administration's current services budget (Table 2, Section a) is OMB's projection of what the deficit would be under current policy. If there were to be no changes in current revenue and entitlement law, and appropriations were increased by the inflation rate as in the GRH baseline specifications, OMB predicts the 1991 deficit would be \$101 billion.¹

The difference between the current services deficits and the President's proposed deficits (Table 2, Section b) represents policy changes that will reduce the deficit. This difference for 1991 is \$39 billion. Of this reduction, only \$3 billion represents savings from the defense baseline; the defense savings grow and amount to \$34 billion in 1995. In 1991, \$14 billion is saved in entitlement and other mandatory spending and another \$14 billion net is raised through revenue changes, including a cut in the capital gains tax rate which gives a temporary significant boost to revenues. The entitlement savings grow to \$33 billion in 1995; the net revenue gains, however, fade to only \$6 billion by 1995. Including smaller net changes in nondefense discretionary spending and minor gains from user fees, other offsetting receipts and asset sales, the projected deficit reduction grows to nearly \$100 billion by 1995.

The projected deficit, as currently measured, comes to \$61.4 billion in 1991 (Table 2, Section c). Adjusted for asset sales and tax speedups that will not count for Gramm-Rudman-Hollings (GRH), it is exactly equal to the GRH target of \$64 billion (Table 2, Section d). The 1992 and 1993 GRH targets are also met. Since the baseline is so close to balance in 1994-1995, the effect of the deficit reduction policies is to produce a projection of substantial budget surpluses in those years if measured using current budget accounting concepts (Section c). Such surpluses, if achieved, would automatically be used to retire Federal debt held by the public.

However, the administration proposes a new policy beginning in fiscal year 1993 that departs from current deficit measurement concepts (Table 2, Section e). The administration would extend the Gramm-Rudman law, making permanent its balanced budget requirement and sequestration. The administration would also require that the traditional measure of outlays be increased by 15 percent of the previously projected Social Security surplus in fiscal year 1993, 50 percent in 1994, 85 percent in 1995, and in 1996 and thereafter 100 percent. The funds are mandatorily transferred from the general fund to a new "Social Security Integrity and Debt Reduction Fund." This fund would, in turn, repurchase Treasury debt from the public, carrying out the debt retirement which the Treasury would carry out in any case if the projected surpluses were to be achieved. The procedure would expire upon retirement of the entire debt held by the public.

Establishing the fund is not by itself sufficient to insure that the Social Security surpluses actually contribute to reduction of public debt. In the absence of balance in the newly defined budget, the retirement of debt by this

¹ The administration also calculated a baseline following strictly the GRH definition which is lower than the figures quoted above and shown in the table, mainly because it does not assume that the Food Stamp program, which expires at the end of fiscal year 1990, will be reauthorized. The analysis here will use the "adjusted" baseline which does assume reauthorization.

fund would be offset by increased general fund borrowing from the public. It is the balancing of the "consolidated" budget as newly defined that produces the net retirement of public debt (i.e., the surplus under traditional measurements).

Whatever the accounting concept, retirement of the public debt would release funds to flow into private capital formation, preparing the nation for the future burden of supporting the retired baby-boom generations. It would mean that the Social Security surplus was in fact being saved to increase future income rather than spent on current public consumption. The chronic failure to save this surplus has been a major factor in recent proposals to return Social Security to pay-as-you-go financing.

It is important to realize that the President's budget and the current services baseline are based on the same optimistic assumptions. If GNP growth is lower and/or interest rates are higher than OMB predicts, actual deficits will be higher than estimated by the administration, even if all of its policies are adopted, and the projected budget surplus and net retirement of debt held by the public will not materialize. In the sections that follow, a less optimistic projection will be described and compared with the President's.

Table 2

Administration Budget Aggregates
(Fiscal Years, \$ billions, total budget)

	Actual		Projected					
	1988	1989	1990	1991	1992	1993	1994	1995
a. Administration Current Services (adjusted)								
Revenues	909.0	990.7	1072.8	1156.3	1234.9	1323.5	1401.9	1480.8
Outlays	1064.0	1142.6	1194.8	1256.8	1307.8	1362.6	1415.0	1467.4
Surplus+/Deficit-	-155.1	-152.0	-122.0	-100.5	-72.9	-39.2	-13.1	+13.4
b. Administration Proposed Changes								
Defense spending				-3.2	-8.9	-16.7	-24.9	-33.9
Nondefense discretionary spending			+0.1	+1.0	+1.6	+0.1	-1.1	-3.6
Entitlements and mandatory Revenues (effect on deficit) ^{1/}			-0.6	-13.9	-11.4	-4.1	-6.7	-5.6
User fees				-5.6	-3.8	-5.2	-3.4	-4.9
Other offsetting receipts				-0.6	-0.5	-0.5	-0.7	-0.4
Asset sales (net of lost receipts)				-1.6	-1.4	-1.5	-1.4	-1.4
Total Policy Changes (net)			-0.6	-37.8	-44.3	-52.3	-66.5	-82.4

Debt Service Savings			0	-1.3	-4.1	-7.0	-10.6	-14.9

Total Deficit Reduction			-0.6	-39.1	-48.5	-59.1	-77.3	-97.4
c. Administration Proposal - Current Concept								
Revenues			1073.5	1170.2	1246.4	1327.6	1408.6	1486.3
Outlays			1194.8	1231.6	1270.7	1307.6	1344.5	1375.5
Surplus+/Deficit- (as measured in previous budgets)			-121.4	-61.4	-24.4	+20.0	+64.2	+110.8
d. Gramm-Rudman-Hollings (GRH) Concept								
Deficit Target			-100	-64	-28	0	<u>2/</u>	<u>2/</u>
Administration Surplus+/Deficit- excluding asset sales and speedups			-121.4	-64.0	-26.0	+18.3	+62.5	+109.2
e. Consolidated Budget Concept								
Contribution to Social Security Integrity and Debt Reduction Trust Fund			0	0	0	-14.1	-53.6	-101.8
Postal Service surplus+/deficit- Administration "consolidated" surplus+/deficit- ^{3/}			-2.4	-1.7	-0.7	-0.1	+0.1	+0.4
			-123.8	-63.1	-25.1	+5.7	+10.7	+9.4

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

^{1/} Revenue increases are shown as minuses because they reduce the deficit.

^{2/} No targets set in current GRH law. Administration proposes continuation after 1993 of zero deficit target as applied to a budget including the "Social Security Integrity and Debt Reduction Fund" as an outlay.

^{3/} This is the "official" deficit presented in administration summary tables. It is equal to the "current concept" deficit plus the Postal Service deficit plus the contribution to the Social Security Integrity and Debt Reduction Fund.

IV. GOVERNMENTAL RECEIPTS (REVENUES)*

A. Summary

As part of its Fiscal Year 1991 budget, the administration proposes \$13.9 billion in additional governmental receipts. This increase accounts for about one-third of all the proposed deficit reduction amounts from policy actions. Table 1 summarizes the major categories of change.

Table 1

1991 Major Changes in Governmental Receipts (administration estimates) (Billions of dollars)

Capital gains tax cut	+4.9
Internal Revenue Service (IRS) changes	+3.0
Acceleration of tax collections	+1.0
Other	+5.0
Extension of Social Security and Medicare coverage and payroll taxes to state/local government employees	+3.8
Extension of expiring telephone excise tax	+1.5
Increase in aviation-use taxes	+0.5
Other increases	+1.1
Revenue-losing initiatives	-0.7
Extension of expiring tax benefits	-1.2
TOTAL CHANGE	+13.9

The administration estimates that its proposed 30 percent exclusion for capital gains will raise the \$4.9 billion in revenue.

\$2.5 billion of the \$3.0 billion increase for IRS changes comes from "management reforms" that do not require law changes or increased funding for the IRS; the remaining \$0.5 billion comes from adding resources to the IRS.

\$0.9 billion of the +\$1.0 billion in accelerated tax collections comes from changes in payroll tax collections and the rest from the telephone excise tax.

The revenue-losing initiatives responsible for the \$0.7 billion loss include tax benefits for "family savings accounts," tax benefits for oil and gas, tax benefits for enterprise zones and a childrens' tax credit.

The expiring tax benefits responsible for the \$1.2 billion loss from extensions are the research and experimentation credit, the health insurance deduction for the self-employed, and the low-income housing credit.

Part B of this section explains each proposal separately.

*Note: "Governmental Receipts" is the traditional administration term for taxes and mandatory fees. The Congressional Budget Resolution uses the term "revenues" instead of "governmental receipts."

Table 2

Multiyear Totals: Baseline Governmental Receipts,
Recommended Change, and Recommended level
(administration estimates)
(Fiscal years, billions of dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Administration baseline	1,156.3	1,234.9	1,323.5	1,401.9	1,480.8
Recommended net change	+13.9	+11.4	+4.1	+6.7	+5.6
Recommended level	1,170.2	1,246.4	1,327.6	1,408.6	1,486.3
Memo:					
Proposed Receipts as a Percent of GNP	19.9	19.7	19.6	19.5	19.4

Table 2 shows that the proposed increases in revenues diminish after the budget year, 1991. The administration's estimates of the revenue gains from a capital gains tax cut fall to a little over \$1 billion by 1993. The revenue effects from the IRS management reform turn from positive to negative, and the revenue losses from extension of expiring tax benefits and new tax benefits rise substantially.

Table 3

Proposed Governmental Receipts By Source
(administration estimates)
(Fiscal years, billions of dollars)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Individual income taxes	489.4	528.5	561.5	593.6	632.4	668.7
Corporate Income taxes	112.0	129.7	140.6	154.7	159.9	169.7
Social insurance taxes and contributions <u>1/</u>	385.4	421.4	449.7	481.4	514.6	542.5
Excise taxes	36.2	37.6	39.2	40.8	42.2	43.7
Estate and gift taxes	9.3	9.8	10.3	10.4	11.0	11.4
Customs duties and fees	16.8	18.6	20.1	21.5	23.0	24.8
<u>Miscellaneous receipts</u>	<u>24.4</u>	<u>24.6</u>	<u>25.0</u>	<u>25.2</u>	<u>25.5</u>	<u>25.6</u>
TOTAL <u>1/</u>	1073.5	1170.2	1246.4	1327.6	1408.6	1486.3

1/ Includes "off-budget" Social Security tax revenues.

The administration's proposals do not substantially alter the composition of revenues from what would prevail under current law. For analysis of trends leading up to 1990, see part C of this section.

B. Administration Proposals

Table 4

Proposals (administration estimates)
(Fiscal years, billions of dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
<u>Increases:</u>					
Capital gains tax cut	+4.9	+2.8	+1.2	+1.7	+1.4
Internal Revenue Service management initiative	+2.5	+1.1	+0.5	-*	-0.4
Internal Revenue Service <u>net budget increase</u>	<u>+0.5</u>	<u>+0.6</u>	<u>+1.3</u>	<u>+1.5</u>	<u>+1.6</u>
Subtotal, IRS	+3.0	+1.7	+1.8	+1.5	+1.2
Payroll tax acceleration	+0.9	+2.2	-3.1	--	--
<u>Telephone excise tax acceleration</u>	<u>+0.1</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Subtotal, Accelerations	+1.0	+2.2	-3.1	*	*
Medicare extension to all state/local employees	+1.7	+1.7	+1.7	+1.7	+1.6
Social Security extension to state/local employees without pension plan coverage	+2.1	+2.2	+2.3	+2.5	+2.7
Extension of telephone excise	+1.5	+2.5	+2.7	+2.9	+3.1
Increase in aviation-use taxes <u>1/</u>	+0.5	+0.8	+0.9	+0.9	+1.0
Increase harbor maintenance/ cargo tax	+0.3	+0.3	+0.3	+0.4	+0.4
Alter insurance company taxation	+0.2	+0.2	+0.2	+0.1	+0.1
Permit use of "excess" pension funds for retiree health	+0.2	+0.4	+0.2	--	--
Increase and expand SEC fees	+0.1	+0.1	+0.1	+0.1	+0.1
Extend IRS user fee	+0.1	+0.1	+0.1	+0.1	+0.1
Extend abandoned mine reclamation fees	*	+0.1	+0.3	+0.3	+0.3
Other increases	+0.2	+0.2	+0.3	+0.3	+0.3
<u>Reductions:</u>					
Family Savings Accounts	-0.2	-0.6	-1.0	-1.3	-1.6
Waive IRA withdrawal penalty for home purchases	-*	-0.1	-0.1	-0.1	-0.1
Childrens' tax credit <u>2/</u>	-*	-*	-*	-0.1	-0.1
Oil and gas incentives	-0.3	-0.5	-0.5	-0.5	-0.6
Enterprise zones	-0.1	-0.2	-0.3	-0.5	-0.8
<u>Other reductions</u>	<u>-*</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-0.1</u>	<u>-0.1</u>
Subtotal, new initiatives	-0.7	-1.5	-2.1	-2.6	-3.2

Table 4 - Proposals (continued)
(Fiscal years, billions of dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Extend research and experimentation credit and allocation rules	-0.9	-1.6	-1.9	-2.1	-2.5
Extend health insurance deduction for self-employed	-0.2	-0.4	-0.5	-0.5	-0.6
<u>Extend low-income housing credit</u>	<u>-0.1</u>	<u>-0.3</u>	<u>-0.4</u>	<u>-0.4</u>	<u>-0.4</u>
Subtotal, extensions of expiring tax benefits	-1.2	-2.3	-2.7	-3.1	-3.5
Total Change	+13.9	+11.4	+4.1	+6.7	+5.6

* Less than \$50 million.

1/ Increase is measured relative to revenue from 1990 rates. Relative to a triggered 50 percent reduction that was postponed in 1989 legislation, the increase is larger.

2/ Revenue effect only. Because the credits are refundable, they also raise outlays. The estimated increases are \$0.2 billion in 1991, \$1.8 billion in 1992, \$2.0 billion in 1993, \$2.1 billion in 1994, and \$2.2 billion in 1995.

Description of Major Proposals

Capital gains: President Bush proposes a 30 percent exclusion for capital gains on all assets sold by individuals, except collectibles, if held for at least three years. There is a 20 percent exclusion for those assets held between two and three years, and a 10 percent exclusion for those assets held between one and two years. Corporate capital gains do not qualify. For 1990, a transition year, the 30 percent exclusion is available for any asset that has been held more one year. For 1991, also a transition year, assets held for more than two years qualify for the 30 percent exclusion, and assets held for more than 1 year qualify for the 20 percent exclusion. Excluded amounts become a preference item under the alternative minimum tax, and there is depreciation recapture at ordinary tax rates. Although the administration budget assumes that this tax reduction will increase revenues over five years 1991-1995, earlier Congressional estimates of similar proposals suggest that Congressional estimates for this proposal will not show persistent revenue increases.

Internal Revenue Service: The administration budget shows substantial increases in tax collections to come primarily from "Internal Revenue Service management reforms" and secondarily, from an increase in the IRS budget. The management reforms are said to produce added tax collections by means of reallocating the IRS budget rather than increasing it; they do not require new legislation or new regulations. These management reforms increase revenues initially, but decrease it somewhat after 1993, since they speed up collections that would be made later.

Payroll and telephone excise tax speed-ups: The major item is a change in the schedule for payment of payroll taxes. Large employers would be required to deposit taxes by the close of the next banking day on which accumulated taxes due were \$100,000 or more. This proposal changes recently enacted law, under which the number of days of delay varied in 1991, 1992 and 1993. The

administration considers the two tax speed-up proposals "timing" changes within the meaning of the Gramm-Rudman law but the administration does not wish to invoke an allowable Gramm-Rudman waiver, and their budget does not count the 1991 effects of these changes in meeting the 1991 Gramm-Rudman maximum deficit target.

Medicare and its payroll tax: Under current law, state/local employees hired after March 31, 1986 must be covered by Medicare and are subject to the hospital insurance payroll tax. Although many state/local governments have also chosen to participate, roughly one-quarter of state/local employees do not pay this tax. This proposal would make coverage and taxation mandatory for all state/local employees effective October 1, 1990.

Social Security and its payroll tax: Under current law, coverage of state/local employees is not mandatory, although most states and localities have chosen to participate. This proposal would make coverage and taxation mandatory for all state/local employees who are not otherwise covered by a pension plan. Effective October 1, 1990.

Telephone excise tax: The new budget permanently extends the current 3 percent telephone service tax beyond its December 31, 1990 expiration date, and speeds up its collection. The revenue from the acceleration of collections is listed separately in the above table.

Increase in aviation-use taxes: In 1989 legislation, the "triggered" reduction in aviation-use taxes was postponed and did not become effective for 1990. Under prior law, if the sum of 1988-1989 funding for certain aviation programs funded by aviation-use taxes was less than 85 percent of authorizations, most aviation-use tax rates would have been cut in half in calendar year 1990. The taxes expire at the end of 1990. The administration proposes to eliminate the "triggered reduction" provisions and to replace it with a tax increase relative to the 1990 rates. The proposal would raise the passenger ticket tax from 8 to 10 percent with commensurate increases in other use-taxes. The air freight tax would go to 6.25 percent, the noncommercial aviation gasoline tax to 15 cents per gallon, and the noncommercial jet fuel tax to 17.5 cents per gallon. The proposal does not affect the international air departure tax. The purpose of the increases is to move toward user coverage of all aviation-related expenses, not just those financed currently out of the trust fund.

Harbor maintenance/ad valorem cargo tax: The tax rate on cargo would be increased from 0.04 percent to 0.125 percent. The increase is intended to produce revenues to fully offset the cost of Corps of Engineers harbor maintenance dredging, and selected National Oceanic and Atmospheric Administration marine programs.

Insurance company taxation: Property and casualty insurance companies could deduct losses only to the extent they exceeded estimated recoveries of salvage. This proposal is intended to clarify current law.

Use of excess pension funds for retiree health benefits: A limited transfer from excess pension assets would be allowed without termination or disqualification of the plan. The amount of the transfer could not exceed the amount of assets in excess of 140 percent of the plan's current liability, or, if less, the plan's current retiree health liabilities for the current year. Transferred amounts would not be subject to the excise tax on reversions. Transfers would be permitted only in a "plan year" beginning after December 31, 1990 and before January 1, 1993. The proposal raises revenues by substituting for expenditures that would otherwise be tax deductible.

Securities and Exchange Commission fees: The fee on securities transactions would be increased from 1/300 to 1/220 of one percent of dollar volume traded and extended to apply to most over the counter transactions. There would also be increased fees for merger or proxy filing and for registration of securities offerings.

Internal Revenue Service user fees: The proposal would permanently extend current fees for letter ruling, determination letters, opinions or other similar services.

Abandoned mine reclamation fee: The proposal would permanently extend current fees: 35 cents per ton for surface-mined coal and 15 cents per ton for underground-mined coal.

Other increases: Proposals include a new Commodity Futures Trading Commission fee (11 cents per transaction), new Corps of Engineer fees for waterway and wetlands development permit requests, new fees on the nuclear power industry to cover related Federal Emergency Management Agency costs, increased District of Columbia contributions to employee retirement and extension of Social Security and Medicare coverage to all newly hired D.C. employees, and a change in the collection point for Bureau of Alcohol and Tobacco occupational taxes from retailers to wholesalers.

Family Savings Accounts and penalty-free IRA withdrawals: Annual contributions of up to \$5,000 per couple, \$2,500 per individual, would not be tax deductible; however, after seven years or more, the contributions and accumulated investment earnings could be withdrawn tax-free. There would be a penalty for withdrawals made sooner than three years, but not thereafter. Families with incomes of \$120,000 and over or individuals with incomes of \$60,000 or more would not, however, be eligible. Penalty-free withdrawals from Individual Retirement Accounts would also be allowed for first-time home purchases, provided that the home costs no more than 110 percent of the regional median price of homes and that the withdrawal is \$10,000 or less. The revenue losses from the family savings accounts grow within the budget horizon from \$0.2 billion in 1991 to \$1.6 billion in 1995.

Childrens' credit: Once again President Bush proposes a new refundable credit of up to \$1,000 per child for each child under age 4. The credit is equal to 14 percent of parents' wages. In 1991, the credit is phased-out beginning at a \$8,000 income and is not available to families with incomes of more than \$13,000. In 1995, the phase-out begins at a \$15,000 income and is not available to families with incomes over \$20,000. Since the credit is conditioned on wages, at least one parent must be employed. This credit is not tied to family spending on formal day care services. The current dependent care credit would also be made refundable. A family could use whichever credits were larger for each child. The revenue effects are small compared to the effects on spending, which arise because the credits are refundable. The estimated spending increases are \$0.2 billion in 1991, \$1.8 billion in 1992, \$2.0 billion in 1993, \$2.1 billion in 1994, and \$2.2 billion in 1995.

New incentives for oil and gas exploration and recovery: These include a 10 percent credit on the first \$10 million of exploratory intangible drilling costs (IDCs) and a 5 percent credit on the balance of costs. Revisions would be made in the alternative minimum tax to eliminate 80 percent of current preference items generated by IDCs of independent producers; other tax rules affecting depletion availability to independents would be liberalized. A 10 percent credit is proposed for capital spending on tertiary enhanced recovery. The credits would be phased out if the average daily U.S. wellhead price of oil is at or above \$21 per barrel for a calendar year.

Enterprise zones: Up to fifty zones offering tax incentives would be designated over four years. Tax incentives include elimination of the capital gains tax on tangible property used within a zone for at least two years, an immediate deduction for individuals for contributions used by a zone business to acquire tangible assets with an annual limitation of \$50,000 per investor, and for zone employees, a refundable tax credit of 5 percent on wages up to \$10,500 with a phase-out between wage income levels of \$20,000 and \$25,000.

Extension of research and experimentation credit: The administration proposes to permanently extend the 20 percent incremental R&E tax credit that expires after December 31, 1990. (Although 1989 legislation extended the credit through December 31, it also required that eligible expenses be reduced 25 percent for 1990 in order to provide only nine months' worth of benefit from the credit.) The administration also proposes to extend the R&E expense allocation rules that also expired after August 1, 1990 under current law.

Extension of health insurance deduction for self-employed: The 25 percent deduction, which would expire after September 30, 1989, would be permanently extended.

Extension of low-income housing credit: The low-income housing credit was extended last year for 1990 only at 75 percent levels for state allocation ceilings. The administration would extend it at 100 percent with other changes for one year only, 1991.

Other reductions: The major reductions result from the administration practice of lowering estimated revenues when proposing savings in Federal employee pay. (They propose a three-month pay raise delay from October 31, 1990 until January 1, 1991.) The administration also proposes to double and restore the tax deduction for "special-needs" adoption expenses. Up to \$3,000 per child could be deducted. That deduction was repealed by the Tax Reform Act of 1986.

C. Analysis of Tax Policy

Reason for Taxes

The primary purpose of the tax system is to raise revenue to pay for government programs. Borrowing, the alternative source of government finance, crowds out investment for the future and, to the extent that investment is financed by borrowing from abroad, puts this country in debt to the rest of the world. Borrowing also harms interest rate and exchange rate sensitive sectors of the economy: exports, durable goods, housing, and production that competes with imports. As foreign lenders and investors cut back on their willingness to hold dollar-denominated assets, the pressure from deficits is transferred to interest rates, and if higher interest rates are resisted by monetary expansion, to inflation. Borrowing postpones the bills until larger actions must be taken later to get control of budget deficits. Revenue increases, in comparison to deficits, increase national saving, reduce interest rates, and thereby increase economic growth and future living standards.

Tax Legislation Enacted Since 1981

The Federal budget deficit peaked at 6.3 percent of Gross National Product (GNP) in 1983 and fell to 2.9 percent last year, 1989, lower than in 1983 but still higher than the 2.6 percent for 1981. Changes in taxes played an important role. First, a large multiyear tax cut was enacted in 1981, followed by increases in deficits. Subsequently a series of tax increases were enacted that helped to bring deficits under control. The post-1981 period, when action was taken to control deficits, was not a period of no new taxes.

Table 5, which summarizes estimates from past administration budgets, shows the effect of legislation passed between January 1, 1981 and the end of 1988 on revenues. The table shows changes in revenue from what would have prevailed under tax law in place at the end of 1980. The table shows the massive amount of revenue lost because of the 1981 tax bill and the succession of legislation that followed the 1981 act.

President Reagan signed eleven tax-increasing measures between 1982 and 1988, aside from multi-year revenue-neutral legislation and continuing resolutions that provided higher IRS budgets in order to improve tax enforcement. These eleven increases are detailed in Table 5, which also shows that President Reagan's succession of revenue increases was expected to provide for additional revenues of \$142 billion in 1990. Over the nine years 1982-1990 the tax increases signed by President Reagan were expected to raise \$726 billion.

Although this revenue-raising legislation has been enacted since 1981, the Bush administration forecasts that revenues will be a lower proportion of Gross National Product in 1990s than in 1981. The administration estimates that under current law, baseline revenues would average 19.4 percent of GNP over the next five years compared with 20.1 percent in 1981. At 1991's forecast GNP, this is equivalent to a revenue loss of about \$35 billion.

Table 5

Effect of 1981-1988 Legislation on Revenues
(Fiscal Years, billions of dollars, administration estimates)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	Total 1982 -1990
<u>Economic Recovery</u>										
<u>Tax Act of 1981</u>	-36	-91	-137	-170	-210	-242	-264	-291	-323	-1,764
<u>Legislation after 1981:</u>										
Tax Equity and Fiscal Responsibility Act of 1982	+	+17	+36	+39	+47	+57	+57	+56	+57	+366
Highway Revenue Act of 1982	--	+2	+4	+4	+5	+5	+5	+5	+5	+35
Social Security Amendments of 1983	--	--	+6	+9	+10	+12	+25	+31	+23	+116
Railroad Retirement Revenue Act of 1983	--	+	+	+1	+1	+1	+1	+1	+1	+6
Deficit Reduction Act of 1984		--	+1	+9	+16	+22	+25	+28	+31	+132
Consolidated Omnibus Budget Reconciliation Act of 1985			--	--	+1	+3	+3	+3	+3	+13
Omnibus Budget Recon- ciliation Act of 1986				--	--	+3	+2	+2	+1	+8
Superfund Amendments and Reauthorization Act of 1986				--	--	+	+1	+1	+1	+3
Tax Reform Act of 1986				--	--	+22	-9	-24	-20	-31
Continuing Resolution for 1987				--	--	+2	+3	+3	+3	+11
Omnibus Budget Recon- ciliation Act of 1987				--	--		+9	+14	+16	+39
Continuing Resolution for 1988				--	--	+2	+3	+3	+3	+8
Medicare Catastrophic Coverage Act of 1988						--	--	+1	+7	+8
Family Support Act of 1988						--	--	+	+	*
Technical and Miscellaneous Revenue Act of 1988						--	--	.*	.*	*
<u>Other</u>	--	-1	-2	-3	-2	-3	-3	-4	-3	-21
Subtotal	--	+18	+45	+59	+78	+124	+121	+120	+128	+693
TOTAL, ALL LEGISLATION	-36	-73	-92	-111	-132	-118	-143	-171	-195	-1,071

*Less than \$500 million.

Source: Budgets of the U.S. Government, Fiscal Years 1982-1990.

General revenues

Currently, Social Security surpluses offset a deficit in the rest of the budget and mask the size of the non-Social Security deficit. This topic is discussed in more detail in Section I.D., "National Saving, the Social Security surplus, and the Social Security Integrity and Debt Reduction Fund," of this report. Preparing the nation for the cost of future retirement benefits can be accomplished by making sure that the Social Security surpluses are continued and the non-Social Security budget is balanced. Setting aside Social Security exposes the large non-Social Security deficit and raises the question of how these deficits arose. The size of the non-Social Security deficits are shown in Table 6 below.

Table 6

CBO Budget Baseline Projections (Fiscal years, billions of dollars)						
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Total Federal budget deficit	138	-138	-135	-141	-130	-118
Social Security surplus <u>1/</u> 66		74	85	98	112	128
Non-Social Security deficit	-204	-212	-221	-239	-242	-246
Non-Social Security deficit as a percent of GNP	3.7	3.7	3.6	3.6	3.5	3.4

1/ Includes the effect of interest receipts, an intra-budgetary transaction.

The dollar size of the non-Social Security deficit is rising, not falling, and it is stuck at about 3.5 percent of GNP.

Non-Social Security budget deficits reflect recent tax-cut policy. Non-Social Security taxes had been falling relative to Gross National Product for at least a decade prior to 1981, and were then cut more drastically. The 1981 multiyear income tax cut had a dramatic effect. Although some of the revenues were recouped in subsequent legislation, CBO projects levels that will continue to be substantially below those prior to the late 1970s and early 1980s.

Table 7

Non-Social Security Revenues
History and CBO Budget Baseline Projections
(Fiscal years, revenues as a percent of Gross National Product)

<u>Years</u>	<u>Non-Social-Security Revenues</u>
1961-1965 average	17.9
1966-1970 average	18.1
1971-1975 average	14.4
1976-1980 average	14.5
1980	15.1
1981	15.7
1982	15.1
1983	13.6
1984	13.6
1985	13.9
1986	13.6
1987	14.5
1988	13.9
1989	14.1
Projections:	
1990	14.3
1991	14.3
1992	14.1
1993	14.0
1994	14.0
1995	13.9

One interpretation of this trend could be that non-Social Security taxes were cut to make room for Social Security taxes, in order to keep the overall tax level from rising. However, non-Social Security public commitments did not fall as Social Security commitments rose. For example, 1989 non-Social Security spending exceeded non-Social Security revenues by 28 percent. The legacy of this revenue-spending mismatch continues. 1990 baseline CBO non-Social Security spending exceeds non-Social Security revenues by 26 percent. 1995 baseline CBO non-Social Security spending exceeds non-Social Security revenues by 24 percent. If higher taxes are ruled out, it is difficult to "save" the Social Security surplus by balancing the non-Social Security budget.

Shift in Revenue Sources

Increased reliance on social insurance taxes is a byproduct of growth in Social Security and Medicare spending. Decreased reliance on the corporate tax was partly the result of legislation, but also of a long-term decline in corporate profits as a percent of GNP. These shifts, it is generally agreed, reduced the progressivity of the Federal tax system, although the expansion of Social Security and Medicare benefits raised the income and welfare of elderly persons, many of whom would otherwise be poor.

Decreased reliance on the corporate income and estate taxes was accelerated by the tax cut enacted in 1981. However, the Tax Reform Act of 1986, which reduced individual income taxes, increased corporate income taxes. The increase in corporate taxes over the period 1987-1994 will average over \$20 billion per year and over 20 percent compared with pre-1987 law. Reliance on the corporate

tax will rise from 8.4 percent of the total taxes in 1985 to 10.5 percent in 1990.

Corporate taxes remain a lower share of total taxes than in the pre-1970 period because of the increase in social insurance taxes and the decline in corporate profits as a percent of Gross National Product.

Using CBO projections, Table 8 summarizes the changing composition of Federal revenues.

Table 8
Percent Composition of Revenues under Current Law
(Fiscal years, Percent of Total)

	Historical					Projected		
	1950	1960	1970	1980	1985	1991	1993	1995
Individual Income Tax	40	44	47	47	46	47	47	47
Corporate Income Tax	27	23	17	13	8	10	9	9
Social Insurance Taxes & Contributions	11	16	23	31	36	36	36	37
Excises	19	13	8	5	5	3	3	2
Estate & Gift	2	2	2	1	1	1	1	1
Customs & Duties	1	1	1	1	2	2	2	2
Miscellaneous	1	1	2	3	3	2	2	2
<u>Total</u>	<u>100</u>	100	100	100	100	100	100	100

Source: Congressional Budget Office, Baseline Projections, January, 1990.

Shift in taxes toward those less able to pay

For a majority of American workers the combined employer-employee payroll tax amounts are larger than individual income taxes. Unlike the income tax, the payroll tax rates are not graduated and do not apply to all sources of income. Payroll taxes have no personal exemptions or deductions. Wages above \$51,300 are not taxed and non-wage income is exempt. That is, the payroll tax fails to be progressive, while, on the other hand, the income tax is still progressive.

There has been about a 20 percent increase in payroll taxes as a percent of Gross National Product since 1980. Relative to GNP, the payroll taxes for Social Security and Medicare have risen by 1.2 percentage points in nine years, from 5.1 percent in 1980 to 6.2 percent in 1989. In contrast, individual and corporate income taxes have fallen by the nearly the same amount as a percent points of GNP, from 11.6 percent of GNP in 1980 to 10.5 percent in 1989. This shift in the tax mix has shifted the tax burden to those with less ability-to-pay.

The combined payroll tax rate for Social Security and Medicare has gone up by 22 percent in nine years and the maximum taxable wage has gone up about 80 percent faster than inflation. Although the size of the cut in the top

individual income tax rate, from 70 to 28 percent, is misleading because of other tax reforms, it has been highly visible in contrast to the rising payroll tax. A better measure of income tax cuts is the CBO estimate that over all taxpayers, individual income taxes have fallen from an average of 12.3 percent of incomes in 1980 to 11.1 percent in 1990.

The marginal tax rate shows how much taxes go up as a percent of any added income. In 1990, for example, a married couple with two \$50,000 salaries is likely to face a marginal income tax rate of 33 percent and a payroll tax rate of 7.56 percent, for the employee share alone. The combined rate on added income is therefore 40.56 percent. A couple with a \$500,000 income would, however, face a marginal income tax rate of 28 percent and a zero marginal payroll tax rate.

The substitution of payroll taxes for income taxes has been primarily responsible for a decline over this period in the progressivity of the Federal tax system. Furthermore, while the tax burden for the best-off Americans has fallen, the tax burdens for the middle- and lower-income classes have gone up.

CBO estimates that from 1980 to 1990, the effective Federal tax burden (e.g. all taxes divided by income) has shifted toward those with less ability-to-pay.

Table 9

Effective Overall Federal Tax Rates

<u>Income Quintile</u>	<u>1980</u>	<u>1990</u>	<u>Percent Change</u>
Top 10 percent	28.4	26.4	-7.0
Top 20 percent	27.3	25.8	-5.5
Fourth 20 percent	23.0	22.5	-2.2
Middle 20 percent	20.0	20.3	+1.5
Second 20 percent	15.7	16.7	+6.4
Bottom 20 percent	8.4	9.7	+15.5

At the same time, pre-tax income has become more concentrated in the hands of better-off Americans. Thus, the tax changes have served to magnify the increasing disparities in the distribution of income (See Section I. E. of this report).

V. BUDGET POLICIES FOR SELECTED GROUPS AND SECTORS

E. Older Americans

The almost 30 million Americans who are 65 years of age or older compose 12 percent of the population. The Federal budget includes a number of programs which provide income assistance, health care, social services, nutrition, and housing assistance for this population. The most visible of these programs are Social Security, Medicare, Medicaid, Food Stamps, housing, and activities under the Older Americans' Act.

While there is considerable economic diversity among the elderly, Federal assistance is essential for many lower income aged persons. The 1988 median income for an elderly person was \$9,347 (compared to \$13,782 for the general population). However, 12 percent of the elderly are at, or below, the poverty level (compared to 13.1 percent for the total population) of \$5,674 for a single person 65 years of age or older. While the proportion of the elderly who are below the poverty level has declined in recent years relative to the general population, many more of them remain near poverty, and therefore, could quickly fall below poverty with slight changes in income or government assistance. In 1988, for example, 20 percent of the elderly (almost 6 million elderly persons) were within 125 percent of the poverty level compared to 10 percent of the non-elderly population.

Health care cost is an important issue for all Americans, but especially for the elderly because their costs are four times those of the non-aged. Even with such high spending, long-term health care costs remain uncovered for most of the elderly. Because of their substantial health care requirements, the 12 percent of the population who are elderly account for 36 percent of all health spending.

The President's budget requests for programs which are of special interest to the elderly are described below:

Medicare -- The President's budget proposes \$98.60 billion in outlays for Medicare. This assumes legislative proposals which would save \$5.5 billion. New revenues totalling \$1.85 billion in fiscal year 1991 would be raised by requiring all State and local workers to pay the Medicare Hospital Insurance tax. Hospital and other spending under Part A would be reduced by \$3.35 billion while Part B spending for physician and other outpatient services would be reduced by \$2.15 billion. Legislation also is proposed to extend the requirement that Part B premiums cover 25 percent of the program's cost. For hospitals, annual inflationary updates would not be fully funded, capital payments would be held to 15 percent below costs for rural facilities and 25 percent below costs for urban ones, direct and indirect medical education payments for teaching hospitals would be reduced, and payments for hospital outpatient care would be reduced by 10 percent. Physician payments for non-primary care services would not be fully inflated, and overpriced services as well as services provided in overpriced localities would be reduced. In addition, payments for new physicians initially establishing practices would also be reduced, as would payments for anesthesiologists, radiologists, and surgeons. Durable medical equipment and clinical laboratory payments also would be reduced.

The President's budget also proposes an initiative to increase Medicare and Medicaid beneficiary participation in managed care programs such as health maintenance and preferred provider organizations. Savings realized from this effort will be shared with providers and Medicare beneficiaries.

Medicaid -- The President's budget proposes \$44.9 billion in budget authority and outlays for Medicaid in 1991. The budget proposes to save \$113 million by imposing fees on health care facilities for the cost of survey and certification activities. In addition the budget proposes a \$25 million initiative to encourage States to adopt more managed care Medicaid programs. Of the 2 million Medicaid recipients, approximately 14 percent are elderly, yet they account for nearly 40 percent of Medicaid spending. Because of age and disability, this group requires more acute and long-term care, which accounts for the disproportionate share of Medicaid payments.

Social Security -- The President's budget requests \$264.8 billion in outlays. A cost-of-living allowance of 3.9 percent would be provided in January 1991, and 649,000 net additional beneficiaries would be covered. Participation in Social Security would become mandatory for District of Columbia employees hired after January 1, 1991 and for other State and local government workers not already covered by a retirement and disability insurance plan. Benefits would be expanded to provide coverage for certain adopted children. In addition, the Internal Revenue Service would be authorized to withhold tax refunds for former Social Security beneficiaries who have consistently refused to repay Social Security overpayments. The budget also proposes to discontinue the practice required under the 1983 Social Security Amendments wherein trust fund receipt estimates are advanced on a monthly basis from the general funds of the Treasury to the Social Security trust funds. In the future, deposits would be made to the trust funds as they are received from contributors.

The President's budget also proposes to establish a Social Security Integrity and Debt Reduction Fund. Beginning in 1993, a portion of the previously projected annual Social Security surplus will be deposited in the special fund and used for retirement of the national debt. These deposits will be counted as outlays in the budget. In 1993 the deposit will equal 15 percent of the projected surplus. For 1996 and thereafter, it will equal the full amount of the projected surplus. The amounts proposed to be transferred to the new fund are based on estimates of the Social Security surplus as projected in the 1989 Trustees' Report. It is proposed that the 1989 estimates would continue to be used until the year 2000, and after that time would be updated only every five years.

Food Stamps -- The budget proposes \$15.4 billion in funding for the Food Stamp program and assumes a multi-year reauthorization of the program in fiscal year 1991. The Food Stamp proposal assumes no benefit reductions. There are legislative savings of \$50 million resulting from lower payments due to increased child care collections which raise family income and correspondingly reduce the level of benefit eligibility. An additional \$18 million is saved as a result of reduced administrative reimbursement to States. The budget also proposes to replace the Nutrition Assistance to Puerto Rico program with a new block grant operated under the Health and Human Services Department. The new Puerto Rico block grant would be funded at \$825 million in fiscal year 1991, which compares with \$937 million in fiscal year 1990.

Section 202 Housing for Elderly or Handicapped -- This program provides loans to nonprofit organizations to finance the construction of housing for lower-income elderly and handicapped tenants who are participating in the HUD Section 8 housing program. The budget proposes to reduce Section 202 loans by approximately 40 percent from \$473 million of new loans in 1990, which supported an estimated 7,700 new housing units, to \$283 million of new loans in 1991, which would finance an estimated 4,000 new units. As an offset to this reduction, the administration proposes to earmark funds from its proposed Home Ownership and Opportunity for People Everywhere (HOPE) initiative sufficient to allow nonprofit sponsors to rent 3,000 existing housing units for the low-income elderly and the mentally ill homeless.

Older Americans -- The budget proposes \$1,242 million in budget authority for programs under the Older Americans Act, \$6 million less than provided in 1990. The budget request includes \$343 million for community service employment, \$749 million for the Administration on Aging, and \$150 million for elderly nutrition programs.

F. The Homeless

In the past several years the problem of homelessness has captured the Nation's consciousness and become an important part of the Congressional agenda. The McKinney Act was enacted in FY 1987 authorizing \$442.7 million for homeless programs and was reauthorized for FY 1989-90 at a level of \$388.5 for 1989 and \$675.8 for FY 1990.

President's Proposals for Homeless Programs

The President's FY 1991 budget proposes \$819 million for McKinney Act homeless assistance programs including emergency shelter grants and transitional housing demonstration grants, mental health services block grants and demonstration projects, targeted veterans' assistance, job training, homeless children and adult education and emergency social services. In addition, the President proposes \$166 million in non-McKinney Act programs, which is an increase of \$32 million over the President's current services for FY 1991. In this category are programs for runaway and homeless youth, food assistance to soup kitchens and other small programs.

As part of the request for McKinney Act programs, the President proposes \$247 million for a new "Shelter Plus Care" program to help the homeless mentally ill or recovering substance abuser. This is part of a new housing initiative, HOPE, which encourages homeownership and requires targeting of funding for the homeless mentally ill and substance abusing population.

Nature of the Problem

Homelessness raises many complex questions including the causes of homelessness and its relationship to poverty, the interrelationship between homelessness and mental disorders, alcoholism and drug abuse, and the impact of homelessness across society on the children, elderly and families of the Nation. The basic questions are what can be done and what role can the Federal, State and local governments play in the solution?

The number of homeless is not a statistic upon which there is universal agreement. A recent Urban Institute and a National Academy of Medicine study both estimated approximately three quarters of a million homeless on any given night of measurement. In addition, many studies support estimates of total homeless which fall within the range of the one to three million estimated by the National Coalition on the Homeless.

One major cause of homelessness is that people cannot afford the rent in many housing markets. The latest Census data (1985) indicates that about 45 percent of all renters in the U.S. with incomes below the poverty line (3.1 million households) paid at least 70 percent of their income for housing and nearly two-thirds of this group paid at least half of their income for housing. Under HUD program standards, the benchmark of affordable housing is 30 percent or less of household income for housing. The data show that the problem has worsened since the 1970's; the number of

poor renters who pay at least half of their income for housing has increased by nearly 50 percent to 4.3 million. In addition, in 1970 there were 2.4 million more affordable units than renters with incomes under \$10,000 but by 1985 there were 3.7 million fewer affordable units than renters in this same category.

Homelessness also seems to be increasing. The U.S. Conference of Mayors just released an annual survey on hunger and homelessness which reported an increase in demand of 25 percent in emergency shelter requests over last year. Due to insufficient facilities, cities also turned away 22 percent of those seeking shelter. The report also indicated demand for emergency food assistance increased 19% in 1989 and three out of five persons asking for food were children or parents.

Health care is also a problem among the homeless, although the extent and magnitude of health care problems have not been fully documented. However, it is clear that children whose families have no health insurance have less access to health care, especially preventive care. Alcohol abuse and alcoholism are the most frequently diagnosed medical problems among homeless men (sometimes estimated at more than 40 percent). Substance abuse other than alcohol is also more prevalent among the homeless and is often combined with multiple health problems. Serious mental disorders such as schizophrenia are overrepresented among homeless people and most studies show evidence of major mental illness in 30-40 percent of homeless adults. The McKinney Homeless Act provides for a range of general and mental health services and the President's budget proposes \$95 million for these programs in 1991, an increase of \$13 million above the 1990 level of funding. In addition, the President's budget targets \$30 million for care of chronically mentally ill homeless veterans.

Action on Homeless Programs

Both the Congress and the President have increased the resources for helping the homeless. While there is much to commend in the additional commitment to this problem, the question still remains about the limited size of requested resources relative to the overall homeless problem. For instance, even with the HOPE initiative, the President's budget does not provide any significant increase in either funding levels or numbers of units assisted over the current funding level. The proposed 82,049 incremental units fall far short of the CBO estimate that there are as many as 10 million households who are eligible for Federal housing assistance programs but who are not receiving it. Further, the 8,900 units proposed for the Shelter Plus Care program is certainly not sufficient to meet the needs of the homeless with mental and substance abuse problems.

While homelessness continues to grow, there is little agreement about specific needs or the complex relationship between the many factors which contribute to the problem.

G. Children and Youth

The budget proposes funding of \$65.8 billion in budget authority in fiscal year 1991 for major programs which assist children and youth directly or indirectly. This proposal is \$0.45 billion below the CBO baseline for budget authority and is \$0.3 billion below for outlays. The major increases compared to the baseline are increases for Head Start, summer youth employment, elementary and secondary education and child care tax credits. The major decreases compared to the baseline are in the Low Income Home Energy Assistance Program (LIHEAP), child nutrition, Nutrition Assistance to Puerto Rico programs and the proposed termination of the Community Service Block Grant program.

General Background on Children and Youth related Issues:

The latest Census poverty report for 1988 showed very little improvement in the child poverty rate. The 1988 rate for children under 18 in families and unrelated subfamilies was 19.6 percent, compared with 20.3 percent in 1987, showing that about one out of five children lives in poverty. In addition, the rate of poverty for black children was 44.1 percent, and for Hispanic children 37.8 percent. These child poverty rates are far above the national rate of 13.1 percent and an elderly rate of 12.0 percent.

A national bipartisan consensus has developed regarding the need to reverse these poverty trends for our children. It recognizes our Nation's success in reducing the elderly poverty rate and focuses on developing comprehensive policies for investment in children to achieve the same results. At the heart of this consensus is the emphasis on preserving and strengthening families.

Other statistics which characterize the present situation of children include:

- The U.S. Conference of Mayors survey of homeless and hunger needs found that families are the fastest growing segment of the homeless. The National Academy of Sciences estimated that 100,000 children are homeless each night.
- Reports estimate about 1.5 million children and adolescents run away from home each year or are thrown out.
- The Children's Defense Fund reports that between 7.5 million and 9.5 million children and adolescents need help from mental health professionals, but no more than 30 percent are getting the attention they need.
- The House Select Committee on Children, Youth and Families recently reported that nearly 500,000 American children live in detention centers, hospitals, foster homes and mental health facilities and that the number could surge to 840,000 by 1995. Already, the number of children in foster homes has risen by 24 percent between 1985 and 1988 to 340,300.

- The U.S. ranks nineteenth in the industrialized world in infant mortality, according to the National Commission to Prevent Infant Mortality.
- Barely half of America's poor children are covered by Medicaid.
- The Children's Defense Fund estimates that if recent trends continue, the Surgeon General's 1990 goal for reducing the percentage of low-birthweight births for all children will not be met until 2031.

Major Program Changes in Programs and Issues Impacting Children and Youth

Head Start - The President's budget proposes \$1,886 million for Head Start which compares with the CBO baseline of \$1,442, a \$446 million initiative. This initiative would enable Head Start to enroll up to 180,000 more four-year-olds and the total percentage of eligible four-year-old children served could be as high as 70 percent. The requested level would allow the Head Start program to serve approximately 27 percent of the overall eligible population of three-four-and-five year olds, compared with 19 percent in fiscal year 1990.

Elementary and Secondary Education - The President's budget proposes \$11.9 billion in budget authority compared with \$11.5 billion in the baseline. This is an increase of nearly four percent inflation. Within the totals, the budget assumes an increase for Chapter 1 and 2 programs, handicapped education and a new Presidential Merit Schools initiative. The President's budget also proposes to eliminate four elementary and secondary school programs currently funded at \$33 million and significantly reduce Impact Aid Part B.

Summer Youth Employment - The President's budget proposes the replacement of the current block grant and summer youth programs with two new programs--Adult Job Training grants and year-round Youth Job Training Grants. A significant retargeting of funds is proposed from adult grant funding to year-round youth programs. The overall funding proposed for youth oriented programs is \$1.75 billion compared with the 1990 baseline of \$0.7 billion. However, the adult training program would receive \$0.95 billion in 1991 compared to a 1991 baseline amount for the block grant of \$1.75. The President also proposes a new program called Youth Opportunities Unlimited (YOU) which would provide job training demonstration targeted at youth in high poverty areas.

Child Care Tax Credits - The President's budget proposes a new tax credit of up to \$1,000 for each child under age 4 and refundability of the existing Dependent Care Tax Credit. This proposal would result in budget authority of \$157 million in 1991 but would grow significantly to \$1.85 billion in 1992 and more thereafter.

Foster Care and Adoption Services - The President's budget proposes funding in 1991 of \$2.45 billion with legislative savings of \$121 million through a limitation in the growth of administrative costs to no more than 10 percent per State each year.

Youth Related Block Grants - The President's budget proposes \$2.8 billion in budget authority for the Title XX Social Services Block Grant program, the same amount as authorized under current law. The President's budget also proposes the termination of the Community Services Block Grant, funded at \$389 million in 1990.

Food Stamps and Nutrition Assistance to Puerto Rico - The President's budget proposes reauthorization of the food stamp program at \$15.4 billion with no changes in basic benefit structure. The President proposes the elimination of the Nutrition Assistance program for Puerto Rico and replaces it with a new block grant funded at \$825 million, a reduction of about \$150 million from current services.

Child Nutrition Programs - The President proposes \$4.6 billion for child nutrition programs. This includes \$0.4 billion in legislative savings from increasing school lunch subsidies for children in lower income categories and decreasing subsidies for those in higher income categories and means-testing the child care food program. The President also proposes \$2.2 billion for the Women, Infant, Children food program (WIC), essentially current services.

Low Income Home Energy Assistance (LIHEAP) Program - The President's budget proposes \$1.1 billion, a reduction of \$0.35 billion from current services.

Current Child and Youth Program Needs

The key concern regarding children's programs is the sufficiency of funding relative to known needs. Only about 27 percent of eligible children from all age categories would participate in the Head Start program even under the President's proposal. The same question arises in other children's programs; for example, compensatory education enrolls only about half of the eligible children and the Women, Infants and Children nutrition program enrolls only approximately half of the eligible mothers and children. Many of these major children's programs return many dollars in reduced costs to society for each dollar invested.

Last session the Congress enacted an increase in the minimum wage and both the House and Senate passed child care bills. Child care and other related children's programs such as education reform, food stamp reauthorization, implementing welfare reform, expanding children's health care will retain high positions on the Congressional agenda. The reduction of poverty is a National goal which will require significant investment.

MAJOR FEDERAL PROGRAMS FOR CHILDREN AND YOUTH

(In millions of dollars)

	1989 Actual	1989 Actual	1990 CBO Baseline (Preliminary)	1990 CBO Baseline (Preliminary)	1991 CBO Baseline (Preliminary)	1991 CBO Baseline (Preliminary)	1991 Administration Request	1991 Administration Request
Elementary and Secondary Education (excludes adult education).....	9,959	9,017	11,040	9,964	11,486	10,918	11,926	11,096
Community Service Block Grant 1/...	381	383	389	409	404	403	42	150
Title XX Social Services Block Grant 1/.....	2,700	2,671	2,762	2,768	2,800	2,800	2,800	2,798
Head Start.....	1,235	1,386	1,386	1,231	1,442	1,405	1,886	1,621
Child Welfare Services.....	247	271	253	242	263	261	300	289
Foster Care and Adoption Assistance	1,543	1,344	1,803	1,715	2,236	2,119	2,471	2,330
Job Corps.....	742	699	803	744	835	803	818	808
Summer Youth Employment.....	709	696	700	701	728	703	1,769	1,577
Child Care Tax Credits 9/.....	...	...	...	...	...	...	157	157
Juvenile Justice.....								
Medicaid 2/.....	4,357	4,326	4,934	4,934	5,638	5,638	5,616	5,613
Immunizations.....	141	NA	156	145	163	155	153	NA
Maternal and Child Health Block Grant 1/.....	554	NA	554	517	577	557	554	NA
Community Health Centers 3/.....	183	NA	188	176	196	189	192	NA
Migrant Health 1/.....	46	NA	47	44	49	48	48	NA
Indian Health 1/.....	1,082	1,050	1,253	1,194	1,320	1,321	1,292	1,358
Earned Income Tax Credit.....	4,002	4,002	4,104	4,104	4,343	4,343	4,369	4,369
Subsidized Housing 4/.....	2,789	4,894	3,523	5,517	7,099	6,061	5,996	6,047
Food Stamps (includes Puerto Rico) 5/.....	6,912	6,863	7,923	7,655	8,152	8,147	8,151	8,111
Child Nutrition.....	4,591	4,556	4,887	4,894	5,256	5,211	4,644	4,823
WIC and CSFP.....	1,986	1,987	2,191	2,165	2,279	2,273	2,278	2,260
Public Assistance (includes job training) 6/.....	7,464	6,700	8,065	8,580	9,359	9,038	9,129	9,053
Low-Income Home Energy Assistance 1/.....	1,383	1,393	1,393	1,364	1,449	1,463	1,050	1,079

MAJOR FEDERAL PROGRAMS FOR CHILDREN AND YOUTH

(In millions of dollars)

	1989 Actual		1990 CBO Baseline (Preliminary)		1991 CBO Baseline (Preliminary)		1991 Administration Request	
Refugee Assistance 7/.....	141	144	137	143	142	141	137	137
Social Security 8/.....	14,819	12,092	16,370	12,935	17,690	13,818	17,945	13,770
Total (excluding Social Security)	53,147	52,382	58,491	59,206	66,216	63,997	65,778	63,676

NA = Not available (not applicable in the case of Social Security)

- 1/ Amounts shown reflect 100 percent of program funding because breakdown for children and youth is not available.
- 2/ Amounts reflect percentages attributable to children and youth of 13.4 percent in 1980 and 12.5 percent in 1989, 1990, and 1991.
- 3/ Amounts shown above reflect 44 percent of program funding attributable to children and youth.
- 4/ Amounts shown reflect a percentage attributable to children in public or subsidized renter occupied housing of 40 percent. (Census 1986 data.)
- 5/ Amounts shown reflect percentages attributable to children and youth of 47 percent in 1980 and 50 percent in 1988.
- 6/ Amounts shown reflect a percentage attributable to children and youth of 67 percent (1987).
- 7/ Amounts shown reflect a percentage attributable to children and youth of 37 percent (1988).
- 8/ Amounts shown reflect a percentage attributable to children and youth of 5.2 percent
- 9/ In 1992 the President's budget estimates budget authority and outlays as \$1,840 million and increasing amounts in the outyears.

H. Low-Income Individuals

The fiscal year 1991 budget proposes a total of \$152.8 billion in budget authority for high priority programs affecting low-income and other disadvantaged individuals.

The programs used in this analysis are identical with those programs identified as high priority low-income programs in the Concurrent Resolution on the Budget for Fiscal Year 1990 and are essentially the same as in the previous several years. These programs do not represent all programs which could fit into this category. The programs involved in the high priority low-income category are programs which are specifically designed and targeted to aid the poor, homeless and other disadvantaged groups.

The President's fiscal year 1991 budget proposal includes several program reductions and program terminations, as has been the case in the past several years. Three programs are proposed for termination: the low-income weatherization program, the juvenile justice program and the community services block grant program. In addition, significant reductions are proposed in the child nutrition, Nutrition Assistance to Puerto Rico, and Low Income Home Energy Assistance (LIHEAP) programs. These reductions are proposed even though there continue to be high levels of poverty, homelessness and working poor in an economy operating at high levels of output and employment. The President's budget does propose a significant increase above baseline funding for the Head Start program in Function 500 and Homeless Assistance program in Function 450. Much more modest increases are proposed for compensatory education and the job training program.

Entitlement Programs

The budget proposes \$105.4 billion for the 10 entitlement programs, \$0.85 billion above the CBO baseline. In general these entitlement differences are estimating differences; the major exceptions are the child nutrition and Nutrition Assistance to Puerto Rico reductions.

The child nutrition reduction totals \$462 million in budget authority. These savings result from reductions in school lunch subsidies to students from families with incomes over 350 percent of poverty, partially offset by increases in subsidy to students from families with incomes between 130 and 185 percent of poverty and the means testing of the child care feeding program. The Nutrition Assistance to Puerto Rico proposal would eliminate the current nutrition assistance program operated by the Department of Agriculture and replace it with a new block grant operated by the Department of Health and Human Services at a funding level of \$825 million, a reduction of approximately \$150 million from current services. The largest entitlement assistance program medicaid is funded at essentially current services.

Discretionary Programs

The budget proposes a total of \$47.4 billion for the low-income discretionary programs which is \$2.4 billion below the CBO baseline amount. Almost three-quarters of the aggregate difference is explainable by CBO's higher estimate of expiring housing contracts. CBO estimates the cost of fully funding expiring housing contracts at \$9.5 billion whereas OMB estimates the cost to be \$7.7 billion. The remaining \$0.2 billion is a composite of many minuses and partially offsetting pluses. Included in the reductions are the proposals to terminate the low-income weatherization and community services block grant program and the traditional juvenile justice program.

Besides the program terminations, the largest reduction is in the Low Income Home Energy Assistance program, a cut of \$399 million or 27.5 percent.

FUNDING FOR HIGH PRIORITY LOW-INCOME PROGRAMS

(Budget Authority in millions of dollars)

	FY 1991 CBO Baseline	President's Request FY 1991	President's Over(+)/Under(-) Baseline
Entitlement Programs			
500 Vocational Rehab State Grant	1,596	1,597	1
550 Medicaid	45,103	44,927	-176
600 Food Stamps (includes Puerto Rico)	16,304	16,232	-72
Family Support (AFDC)	12,770	13,625	855
AFDC-Jobs	600	1,000	400
Supplemental Security Income	14,431	15,101	670
Child Nutrition	5,256	4,644	-612
Earned Income Tax Credit	4,343	4,369	26
Low-rent public housing	270	200	-70
700 Veterans Pensions	3,879	3,715	-164
Subtotal (Entitlements)1/	104,552	105,410	858
Discretionary Programs			
270 Low-Income Weatherization	169	15	-154
450 BIA Indian Operations	597	585	-12
Indian Construction	143	103	-40
Homeless	11	161	150
500 Compensatory Education	5,583	5,839	256
Indian Education	372	389	17
Handicapped Education	2,137	2,137	0
Student Financial Assistance	6,334	6,352	18
Trio and Historically Black Colleges	456	485	29
Job Training	4,076	4,157	81
Homeless	35	55	20
Older Americans Employment	371	343	-28
Vocational Rehabilitation	263	242	-21
Child Welfare Services	263	300	37
Head Start	1,442	1,886	444
Community Services Block Grant	396	...	-396

FUNDING FOR HIGH PRIORITY LOW-INCOME PROGRAMS

(Budget Authority in millions of dollars)

	FY 1991 CBO Baseline	President's Request FY 1991	President's Over(+)/Under(-) Baseline
550 Maternal and Child Health	577	544	-33
Community Health Centers	445	436	-9
Migrant Health	49	48	-1
Infant Mortality Initiative	33	36	3
Family Planning	145	139	-6
Homeless	87	95	8
Indian Health	1,320	1,292	-28
Immunization and Vaccines	163	153	-10
600 Low-Income Energy Assistance	1,449	1,050	-399
Homeless	441	390	-51
WIC and CSFP	2,279	2,278	-1
Subsidized Housing	19,691	17,512	-2,179
700 Homeless	32	30	-2
750 Legal Services	329	317	-12
Juvenile Justice Assistance	76	8	-68
SUBTOTAL (Discretionary)	49,764	47,377	-2,387
TOTAL	154,316	152,787	-1,529

1/ The differences include both policy and estimating differences.

VI. SELECTED SPECIAL TOPICS

A. Deficit Reduction and the Gramm-Rudman-Hollings Act

The Balanced Budget and Emergency Deficit Control Act (as amended), better known as "Gramm-Rudman-Hollings" or GRH, places limits on Presidential and Congressional budgets and provides "sequestration" to enforce those limits.

Deficit limits: GRH sets deficit targets of \$64 billion for FY 1991, \$28 billion for FY 1992, and zero (a balanced budget) for FY 1993. Both the President's budget and the Congressional budget resolution for FY 1991 must meet the FY 1991 target of \$64 billion,¹ but they are not required to meet the outyear targets; the President's budget meets the targets in all three years.

GRH Baseline and Scorekeeping: Based on current spending and tax law (as opposed to that proposed by President Bush), OMB estimates the FY 1991 "GRH baseline" deficit at \$84.7 billion. As discussed below, most of OMB's analyses use an "adjusted baseline" deficit of \$100.5 billion.

GRH projection and scorekeeping rules differ in a few cases from other budget accounting rules. For example, GRH counts Social Security receipts and outlays in the totals, although Social Security has been technically "off-budget" since FY 1986. GRH also does not count the proceeds of new asset sales and loan prepayments², does not count new timing shifts unless a special exception is invoked by statute³, places constraints on the aggregate defense and non-defense discretionary spendout rates⁴, places limits on Medicare reestimates between January and August, and prescribes rules for projecting appropriations if a full-year appropriations bill has not been enacted. Overall, the rules provide direction for estimating the

¹ The requirement that the FY 1991 budget resolution meet the \$64 billion deficit target is enforced by a point of order. In the Senate, a waiver requires 60 votes. In the House, a waiver requires a majority vote when the budget resolution is first considered and 3/5 of those present and voting when the conference agreement is considered. The point of order does not apply if Congress has declared war.

² Except "routine, ongoing asset sales and loan prepayments at levels consistent with agency operations in FY 1986". OMB expects \$0.5 billion in proceeds from such sales in FY 1991 and builds them into the GRH baseline.

³ Section 202(a) of GRH II states that timing shifts shall not count; section 202(b) allows laws enacting timing shifts to include a waiver of the "do-not-count" rule.

⁴ The average rate at which defense budget authority is assumed to be spent in the first year of its availability (the "spendout rate") must not differ by more than 1/2 percent from the average in the previous year's sequester report, adjusted for changes in program mix. The same constraint applies to non-defense discretionary spendout rates.

baseline deficit if Congress takes no action by August or October (the dates of the two sequestration reports), and for estimating the deficit if Congress enacts some or all of the President's proposals. Some of the scorekeeping rules apply only to OMB's August and October GRH estimates; others apply under all circumstances.⁵

Adjusted Baseline: OMB notes that, because of the mechanical nature of the projection, the baseline deficit of \$84.7 billion includes some figures that are programmatically implausible. For example: 1) The Food Stamp program (including nutrition assistance to Puerto Rico) is scheduled to expire at the end of FY 1990. As a result, the FY 1991 costs of this program (\$16.2 billion) are not included in the GRH baseline. 2) Discretionary programs are assumed to be at FY 1990 levels plus inflation. In the case of the Census Bureau, the FY 1990 level reflected the costs of running the 1990 census, which will not be repeated in FY 1991 (a reduction of \$1 billion). 3) Subsidized housing contracts expire from time to time and need renewal. While 42,000 such renewals were needed in FY 1990, about 295,000 renewals will be needed in FY 1991. OMB estimates that an additional \$6.6 billion in BA and \$0.4 billion in outlays will be needed. 4) One-time appropriations of \$2.8 billion were made in FY 1990 as a result of the California earthquake. It is assumed that these need not be repeated in FY 1991, so that BA can be lower. In addition, other smaller adjustments could be justified.

OMB has chosen to create an "adjusted baseline" for analytical purposes, in which the Food Stamp program is assumed to be re-enacted and Census Bureau funding is assumed to be reduced to the FY 1991 level requested by the President. No adjustments are made for subsidized housing renewals or disaster assistance. The adjusted baseline shows a deficit of \$100.5 billion for FY 1991. Technically, that adjusted baseline would apply if, by August or October, Food Stamps were re-enacted, Census appropriations were enacted at the level requested by the President, and all other appropriations were at baseline levels (or had not yet been enacted).

⁵ Certain types of transactions count for GRH purposes as follows:

	<u>Initial Budget</u>		<u>OMB Baseline</u>		<u>CBO Baseline</u>
	<u>OMB</u>	<u>Congress</u>	<u>Jan</u>	<u>Aug/Oct</u>	<u>Aug/Oct</u>
Social Security surplus.....	Yes	Yes	Yes	Yes	Yes
New asset sales.....	Yes	Yes	No	No	No
New timing shifts.....	(*)	(*)	(na)	(*)	(*)
Spendout rate adjustment.....	No	No	(**)	Yes	No
Medicare reestimates.....	(na)	(na)	(na)	No	Yes

* New timing shifts count only if section 202(b) of GRH II is invoked by statute.

** OMB is not required to reflect spendout rate adjustments until the August and October reports, but has chosen to do so in its January baseline estimate.

Deficit Reduction from the adjusted GRH baseline: Table 1 shows the President's deficit reduction plan for FY 1991 as compared to the adjusted GRH baseline. The table uses GRH accounting, and also shows figures that tie to the administration's consolidated cash (all-inclusive) budget deficit of \$63.1 billion. (A summary of the proposals by category is included in section I. B.)

Table 1: President's FY 1991 Deficit Reduction Plan:
Comparison with GRH Baseline

	<u>GRH Basis</u>	<u>Cash Basis</u>
FY 1991 OMB Baseline Deficit (adj).....	100.5	100.5
■ Defense.....	-3.2	-3.2
■ Non-defense discretionary.....	+1.1	+1.0
■ Entitlements and other mandatories.....	-13.9	-13.9
■ Revenues.....	-12.9	-13.9
■ User fees and offsetting collections....	-5.6	-5.6
■ Other offsetting receipts.....	-0.6	-0.6
■ Asset sales and loan prepayments.....	na	-1.6
■ Net interest.....	<u>-1.3</u>	<u>-1.3</u>
TOTAL Deficit Reduction.....	-36.5	-39.1
Resulting Deficit.....	64.0	61.4
Adjustments:		
■ Count asset sales.....	-1.6	na
■ Count revenue timing shifts.....	-1.0	na
■ Don't count spendout rate adjustment....	-0.1	na
■ Include Postal Service Fund.....	+1.7	+1.7
Administration's consolidated deficit.....	63.1	63.1

Figures may not add due to rounding.

As noted, for purposes of GRH, asset sales and loan prepayments do not count as deficit reduction and timing shifts do not count unless the legislation implementing them invokes section 202(b) of GRH II. The President's budget proposes \$1.6 billion in new asset sales and loan prepayments. In addition it proposes a number of timing shifts: a one-time Medicare payment speed-up, which shifts FY 1991 outlays into FY 1990; a repeal of the Federal retiree "lump sum" option, which shifts FY 1991 costs into future years; a temporary two-day speed-up of employer withholding taxes, which increases FY 1991 and 1992 revenues at the expense of FY 1993 revenues; and a permanent 2-week speed-up of telephone excise taxes.

In the case of the revenue timing shifts, the administration has stated that it will not request a "202(b) waiver", so those timing shifts will not count for GRH purposes. From its budget figures, however, OMB makes it clear that the outlay timing shifts are intended to count. Both the asset sale and the timing shift provisions of GRH have been interpreted to apply

to "new" actions: in the years after a sale, prepayment, or shift has taken place, the effects of that action are generally scored and are built into the baseline. The administration therefore includes the outyear effects of its timing shifts in its outyear GRH accounting of the President's proposals and likewise shows the income loss from asset sales and loan prepayments in the outyear GRH figures.

Additional adjustments are needed to bridge between the administration's GRH deficit and its consolidated cash (all-inclusive) deficit. The 1989 reconciliation bill removed the Postal Service Fund from the budget for all purposes including GRH. Finally, a spendout rate adjustment of +\$63 million in non-defense discretionary outlays is included in the baseline and the GRH deficit, but removed when bridging to the consolidated budget deficit.

Table 2 compares the President's deficits using GRH scorekeeping for FY 1991 through FY 1993, after which GRH expires.

Table 2: President's Deficits or Surpluses
(Deficit = "-"; Surplus = "+")

	FY 1991	FY 1992	FY 1993*
President's Deficit: (consolidated basis)	-63.1	-25.1	+19.8
w/o Postal Service fund.....	-61.4	-24.4	+20.0
GRH basis**.....	-64.0	-26.0	+18.3

* The FY 1993 figures exclude the "outlays" of the proposed "Social Security Integrity and Debt Reduction Fund". See Section I. D.

** Excludes new asset sales, prepayments, and revenue timing shifts, and includes the spendout rate constraint.

The amount of sequestration: GRH requires automatic spending cuts, called sequestration, if OMB determines that the deficit (as measured in August or October) is over the target by more than \$10 billion.⁶ To avoid sequestration in FY 1991, the deficit must therefore be reduced below \$74 billion. If, on October 15th, the FY 1991 GRH deficit were measured at \$100.5 (as in the adjusted GRH baseline above), then \$36.5 billion in automatic spending cuts would occur. The concept behind GRH is that the threat of sequestration provides an incentive for Congress and the President to implement a better-targeted deficit reduction plan. In either case, the deficit would be reduced.

It should be noted that sequestration to reduce outlays by \$36.5 billion would be unprecedented. For FY 1986, the first year of GRH I, sequestration occurred but was capped by that law at \$11.7 billion. For FY 1987, after GRH I was ruled unconstitutional, the August and October reports showed an excess deficit of \$19.4 billion. Congress later enacted

⁶ In FY 1993, no \$10 billion cushion is provided; the budget must be balanced.

sufficient deficit reduction -- albeit mostly temporary -- to get within the \$10 billion margin. For FY 1988, the first year of GRH II, the OMB final report showed a required sequester of \$23.0 billion⁷. However, as a result of the later summit agreement, Congress enacted laws achieving sufficient deficit reduction and cancelling the sequester. For FY 1989, the OMB final report showed that the excess deficit was slightly less than the \$10 billion margin, so no sequester was ordered. For FY 1990, the OMB final report showed an excess deficit of \$16.1 billion. However, later legislation reduced that deficit and instituted a partial sequester in lieu of the one that had been ordered. The partial sequester called for savings of \$5.7 billion (but see The sequester crediting rule).

Sequestration formula: Sequestration, if triggered, follows a formula spelled out by law. Fifty percent of the outlay savings must come from defense (with Military Personnel excluded at the President's option). The remaining fifty percent of the outlay savings come from domestic programs. Some, such as Social Security, certain low-income programs, state unemployment benefits, and veterans compensation and pensions, are exempt from cuts. A few programs are subject to limited cuts: Medicare and veterans hospitals, for example, are cut by no more than 2%. The remaining programs are cut across-the-board by the necessary percentage. In both defense and non-defense accounts, new budgetary resources (e.g. budget authority, loan limits, etc.) are reduced by sequestration. Sequestration does not reduce outlays from commitments pursuant to appropriations made in prior years. Thus, the sequestrable base generally includes new outlays, not total outlays, in non-exempt programs.⁸

Table 3 illustrates a sequester using OMB's adjusted GRH estimates of \$100.5 billion. Note that OMB may forecast a less rosy economic outlook, and thus project a higher deficit, in August. Historically, the "August surprise" has increased the baseline deficit by an average of \$10 billion. Last year, however, OMB's underlying estimates became about \$8 billion more optimistic in August than at the start of the year.

⁷ For FY 1988, GRH set a deficit reduction target; the stated fixed deficit target of \$1444 billion was legally inoperative. Instead, Congress was required to enact \$23.0 billion in deficit reduction legislation as compared to a start-of-session baseline.

⁸ In defense, unobligated carryover balances are also subject to sequestration.

Table 3: Sample Sequestration,
Based on OMB's Estimates as of Jan., 1990

OMB's adjusted GRH deficit.....		\$100.5 billion
GRH TARGET.....		64.0
SEQUESTRATION.....		-36.5
	If Military	If Military
Defense sequester:	<u>Personnel exempt</u>	<u>Personnel cut</u>
Sequestrable outlays...	\$119.0	\$197.0
Required outlay savings	-18.3	-18.3
Percentage cut.....	15.3%	9.3%
Non-defense sequester:		
"Special Rule" programs:		
Medicare (2%).....		-\$1.6 billion
Veterans' hospitals (2%).....		-0.2
Other.....		-0.1
Further required outlay savings.		-16.4
Sequestrable outlays.....		125.7
Percentage cut.....		13.0%

As can be seen, total defense funding would be cut by 9.3 percent; if Military Personnel accounts are exempted by the President, then the other defense accounts would have to be cut by 15.3 percent to achieve the same savings. Non-defense programs, except for those exempt or limited by special rules, would be cut by 13.0 percent.

The sequester crediting rule: In general, sequestration is based on laws in effect on October 15th. Later laws can increase or decrease the deficit, but the sequester is not recomputed. (The President has proposed amending GRH to require another sequester later in the year to address the effect of later legislation -- see section VI. G., Budget Process Proposals.)

GRH provides an exception to the general rule in the case of resolutions making temporary continuing appropriations ("CRs"). For an appropriation account funded by a temporary CR on October 15th, the GRH estimate equals the baseline and the sequester savings for that account equals the amount in the account times the required uniform percentage sequester. The baseline minus the savings produces a "post-sequester level".

Then, when a full-year appropriation is later enacted, the amount actually sequestered from each account is as follows:

- If the funding for the account is at the baseline or above, the sequester savings calculated on October 15th are subtracted from the account. (Thus, the dollar amount calculated on October 15th, rather than the uniform percentage, actually applies.)

- If funding for the account is below the baseline, the account receives the amount actually appropriated or the post-sequester level, whichever is lower.

There are two consequences of this rule. First, the amount sequestered from an appropriation bill will almost certainly be less if the bill is enacted after October 15th. This produces an incentive for Congress or the President to delay favored bills. Second, the smaller sequester means that the GRH deficit target is unlikely to be met.

Table 4 shows a sample sequestration from two accounts, assuming a 10% uniform percentage sequestration.

Table 4: Sample 10% Sequestration
Appropriations Enactment Before vs. After October 15th

	<u>Baseline</u> <u>Bill</u>		<u>Enact before Oct 15</u>		<u>Enact after Oct 15</u>			
			<u>Sequester</u>		<u>Apparent Seg</u>		<u>Actual Seg</u>	
			<u>Cut</u>	<u>Result</u>	<u>Cut</u>	<u>Result</u>	<u>Cut</u>	<u>Result</u>
Acct. #1:	100	130	-13	117	-10	90	-10	120
Acct. #2:	200	170	-17	153	-20	180	0	170
Total:	300	300	-30	270	-30	270	-10	290

As can be seen, for both accounts but especially account #2 (because it was being cut from the baseline), delaying enactment until after October 15th resulted in a higher funding level.

For FY 1990, in which the partial sequester implemented by the reconciliation bill reduced outlays by an apparent \$5.7 billion, the actual outlay savings according to OMB were only \$3.7 billion. Further, instead of the outlay savings being divided 50-50 between defense and non-defense programs, only one-third of the outlay savings came from defense because defense accounts in general had already been reduced below the GRH baseline in the appropriations bills.

Table 5: Apparent and Actual FY 1990 Sequester
(Outlay reductions in billions)

	<u>Apparent</u>	<u>Actual</u>
Defense.....	-2.9	-1.2
Non-defense.....	-2.9	-2.5
Total.....	-5.7	-3.7

G. Budget Process Proposals

Balanced Budget Constitutional Amendment

Proposal

The President proposes a constitutional amendment requiring a balanced budget. The President is not specific about what type of balanced budget amendment he supports, except that it should include safeguards against balancing the budget by enacting legislation increasing taxes.

Current Procedure

There is no constitutional requirement for a balanced budget.

Presidential Line-Item Veto

Proposal

The President proposes a constitutional amendment to provide for a line-item veto applicable to revenue provisions, authorizations mandating spending, and appropriation measures.

Current Procedure

There is no line-item veto authority.

Enhanced Rescission Authority

Proposal

The President proposes that Congress should be required to vote on rescissions, specifically endorsing the Legislative Line Item Veto Act of 1989 (S. 1553) introduced last session by Senators Coats and McCain. Under that proposal, the President would be permitted to propose rescissions at the time he submits his annual budget and within 20 calendar days (not including Saturdays, Sundays, or holidays) of the enactment of any appropriation measure. Congress would then have 20 calendar days of session to agree to a bill or joint resolution disapproving such rescissions or they would take effect.

Current Procedure

The current rescission procedure provides that:

- The President may submit a special message to Congress proposing the cancellation of a specific amount of budget authority; this is referred to the appropriate committee of each House.
- Unless both Houses complete action on a bill approving all or part of the proposed rescission within 45 calendar days of continuous session after the President's message is received, the budget authority must be made available. During that period, the authority is withheld from obligation.
- If the committee to which a rescission message was referred fails to act within 25 calendar days of continuous session, a small number of Members (one-fifth of the total Members of the House or Senate) can discharge the bill from committee and force Floor consideration.

Biennial Budget

Proposal

The President urges greater progress toward a biennial budget process, without endorsing a specific proposal.

Current Procedure

The congressional budget process is an annual process. However, a modified two-year budget cycle was established for fiscal years 1988 and 1989 through implementation of the 1987 Bipartisan Budget Agreement (the "Summit"). The two-year agreement was implemented through the multi-year reconciliation process and the annual appropriation process.

Joint Budget Resolution

Proposal

The President proposes a joint budget resolution. The resolution would be submitted to the President for his signature or veto.

Current Procedure

The existing process requires a concurrent budget resolution that sets forth spending and revenue levels for three fiscal years. The concurrent resolution governs subsequent congressional actions and, as such, does not require presidential signature.

Measuring the Effects of Budget Proposals

Proposal

The President proposes continuation of recent progress in developing a common set of scorekeeping principles to be used in the executive and legislative budget processes.

Current Procedure

The Budget Committee has participated with OMB, CBO, and the appropriate congressional committees in the development of consistent scorekeeping principles.

Social Security Surpluses

Proposal

The President proposes an extension of Gramm-Rudman-Hollings law beyond its current expiration date of 1993, making its balanced budget requirement and sequestration authority permanent. In addition, a "Social Security Integrity and Debt Reduction Fund" would be established.

For further information on this proposal, see Section I. D. of this document.

Second Sequester Trigger Date

Proposal

The President proposes "having a second sequester trigger date, preferably one early in the next calendar year" to take into account the deficit impact of legislation and regulations after October 15. The underlying economic and technical assumptions used in the post-October 15 calculations would be required to be the same as those used for the earlier review.

Current Procedure

At present, no actions after the October 15 sequester date count against the deficit target. Spending increases or revenue reductions in legislation or by regulation add to the deficit but do not trigger or add to sequestration.

Reinforcing Sequesters

Proposal

The President proposes to "require a supermajority vote [in Congress] to cancel (or restore) sequester savings once achieved."

Current Procedure

Legislation "to cancel (or restore) sequester savings once achieved" could be vetoed by the President and would then only become law if two-thirds of both Houses voted to override the veto.

Restraining Supplemental AppropriationsProposal

The President proposes "restraining" supplemental appropriations by requiring that--

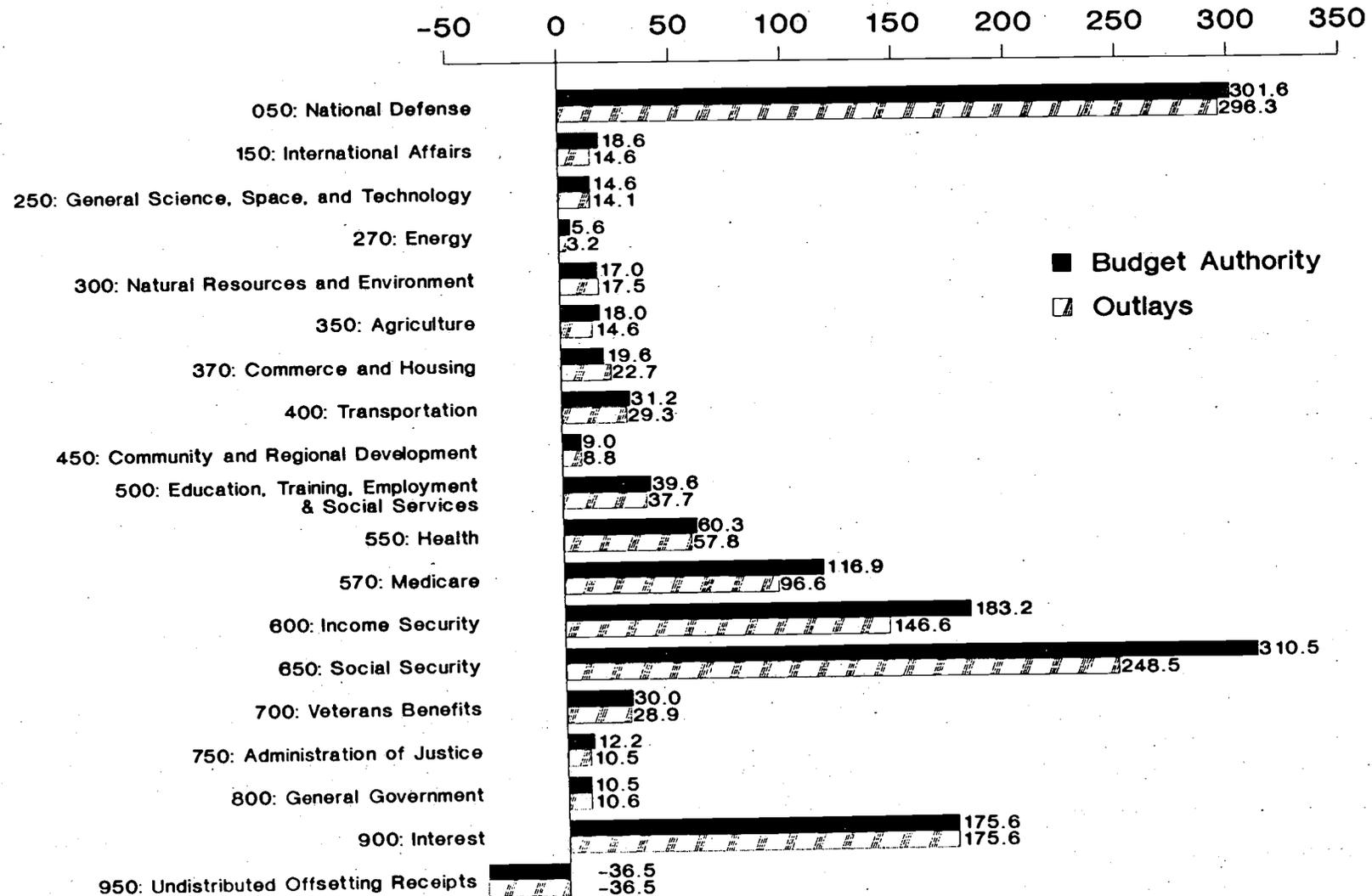
- "supplementals should ... meet a 'dire emergency' standard, both in their submission by the President and their approval by Congress";
- "there should be provision for automatic offsets for both budget authority and outlays in all supplementals";
- "a uniform across-the-board reduction in discretionary accounts in the same appropriations act that is the subject of the supplemental (that is, accounts in the jurisdiction of the same appropriations subcommittee)" would be applied "unless an alternative full offset were provided in the supplemental"; and
- "the automatic across-the-board offset rule should be waived only by a supermajority vote."

Current Procedure

In 1987 and again in 1989, Congress and the President agreed not to initiate supplementals except in the case of a "dire emergency" and that the executive branch, when making such a request of Congress, should accompany it with a presidentially-transmitted budget amendment. These agreements covered fiscal years 1988, 1989, and 1990.

VII. HIGHLIGHTS & ISSUES BY FUNCTION

President's Recommendation by Function Fiscal Year 1991 In Billions of Dollars



FISCAL YEAR 1991

HIGHLIGHTS AND ISSUES

FUNCTION 600: INCOME SECURITY
(In billions of dollars)

	1989 Actual	1990	1991	1992	1993
<u>PRESIDENT'S BUDGET (1-29-90):</u>					
Budget Authority.....	173.4	183.2	198.9	204.4	211.9
Outlays.....	136.0	146.6	153.7	159.6	166.3
<u>CBO CURRENT POLICY (1-30-90):</u>					
Budget Authority.....	173.4	183.4	192.1	199.9	208.7
Outlays.....	136.0	145.9	156.5	163.0	171.4
<u>PRESIDENT'S CURRENT SERVICES (1-29-90):</u>					
Budget Authority.....	173.4	183.2	175.7	182.6	190.2
Outlays.....	136.0	146.6	140.8	146.6	152.7

NOTE: Because CBO and OMB have different economic and technical estimating assumptions, the differences between the President's Budget and the CBO baseline result from both policy differences and estimating differences. CBO will prepare a reestimate of the President's policies using its own estimating assumptions which will be available in approximately late February.

DESCRIPTION AND HISTORY OF FUNCTION

The programs in the Income Security function provide cash and in-kind benefits to people who need temporary or permanent income assistance. The major types of assistance programs include pensions, unemployment insurance, housing, nutrition, welfare and other miscellaneous programs which assist both individuals and families with low incomes.

The vast majority of funding in this function is for entitlement and mandatory programs with just under 10 percent of the total budget authority and approximately 17 percent of the total outlays classified as discretionary.

Approximately 36 percent of the total outlays in the function are composed of the military and civilian retirement pension programs. During the 1980's there have been annual proposals to make significant changes in the pension programs. The major proposals have generally involved a one-year freeze in COLA, a reduced COLA for the CSRS system as well as benefit reductions. Significant reforms were enacted in the civilian and military retirement programs in 1986. An additional pension related repeated proposal has been to privatize the railroad retirement system.

Another major entitlement program in this function is the unemployment insurance program which is proposed at a funding level of \$24.1 billion in budget authority and \$18.6 billion in outlays. The major issues in the unemployment area are the adequacy of reserves if there is an economic downturn and the current erosion in the level of unemployment coverage.

The Federal low income housing programs operated by the Department of Housing and Urban Development have received increased attention because of the growth in homelessness and the "affordable housing crisis". These housing programs total \$11.9 billion in discretionary budget authority and \$16.5 billion in outlays. The housing budget authority and the number of incremental units are substantially below the levels prior to this decade while the outlays have grown substantially as a result of the timing of disbursements resulting from earlier housing commitments. The budget authority for housing is over 60 percent of the overall discretionary budget authority in the function. The major housing issues include maintaining the current inventory of over 4 million assisted households which involves housing modernization and operating funds as well as funding for expiring contracts and contract prepayments. In addition, it is important to focus on expanding Federal assistance to additional needy families, providing innovative programs to meet new and existing needs, preventing homelessness and dealing with the present needs of the homeless as well as fighting drugs and crime in Federally assisted housing.

The major nutrition assistance programs include the food stamp, commodity distribution, child nutrition and Women, Infant and Children (WIC) programs. These programs are in general targeted to provide nutrition and hunger assistance to disadvantaged groups. The funding has generally expanded in relationship to demand, but program reductions did occur in the early part of the decade with some later restorations. The overriding issue is the continued existence of unmet nutritional and hunger needs amongst the economically disadvantaged.

The welfare program in this function was significantly reformed by legislation enacted in 1988. Provisions in the 1988 welfare reform law provided extended job, and education requirements for welfare recipients as well as expanding child care and Medicaid coverage. The reform legislation requires additional funding as the AFDC-JOBS program and other provisions are implemented. Other significant income support programs in this function are the Earned Income Tax Credit program and Supplemental Security Income (SSI), program which are both entitlement programs.

The other major programs in the function include the discretionary Low Income Home Energy Assistance program (LIHEAP) and the Refugee and Entrant Assistance program. The LIHEAP program has had substantial reductions in funding in both real and nominal terms, and Presidential proposals continue to recommend further reductions. The Refugee and Entrant assistance has provided less assistance to States to aid refugees. For instance, the AFDC and Medicaid coverage has been reduced from 24 months in 1989 to currently 4 months. There are now substantially more refugees, particularly from the Soviet Union, ready and willing to emigrate to the U.S. which would further strain available funding resources.

HIGHLIGHTS OF MAJOR PROPOSALS

- Retirement and Disability Programs - The President's budget proposes once again the privatization of the \$5.1 billion railroad retirement program. The budget also re-proposes a reduction of 25 percent in the Federally funded windfall subsidy by substituting partial funding of the program by the rail operators with an estimated savings of \$80 million.

The President's budget proposes \$54.7 billion in budget authority and \$34.3 billion in outlays for the Federal civilian retirement programs. The budget proposals include legislative proposals which save \$2.25 billion in outlays. These legislative proposals include the elimination of the Lump Sum benefit (\$-1.5 billion) and a fiscal year 1991 COLA freeze (\$-0.7 billion). The budget also proposes a CPI-minus 1 COLA payment for the Civil Service Retirement System (CSRS) beginning in 1992 equal to the current Federal Employee Retirement System (FERS) payment. The President's budget proposes \$35.0 billion in budget authority and \$22.1 billion in outlays for military retirement. The budget proposes a COLA freeze on military retirement for fiscal year 1991 which saves \$0.7 billion.

The President's budget proposes to reduce the Federal exposure in the Postal Service and District of Columbia retirement systems by requiring that the employee contribution be raised in steps from 7 percent currently to 14 percent by 1994.

- Unemployment Programs - The President's budget proposes the elimination of the Trade Adjustment Assistance program's (TAA) cash benefit and training stipend funded in this function, for a net savings of \$119 million. A corresponding reduction in TAA employment training funding is found in function 500.
- Low Income Housing Assistance Programs - The President's budget proposes \$17.8 billion in budget authority and \$17.4 billion in outlays for discretionary low income housing assistance. The President's overall housing budget request in this function is \$6.6 billion in budget authority and \$0.4 billion in outlays above his current services estimate and these numbers are precisely the amounts which, when added to the \$1.1 billion in budget authority in the current services baseline, are necessary to fully fund the 295,000 expiring contracts for fiscal year 1991.
- Assisted Housing Account - Within the totals the budget proposes \$13.1 billion for assisted housing which will fund 82,049 incremental units, an amount similar to the current year. Programmatically the budget continues to emphasize vouchers with 5-year terms and the budget proposes the elimination of the public and Indian housing construction programs as well as the Section 8 moderate rehabilitation and Nehemiah programs. The budget also reduces the number of section 202 elderly and housing section 8 certificates by almost half to just over 3,000.

The assisted housing account also includes several major portions of the President's Homeownership and Opportunity for People Everywhere (HOPE) proposal. These portions include: 1,000 leased units costing \$35.8 million targeted to long term homeless; 6,000 certificates and vouchers costing \$251 million for

relocation and replacement of rental units due to tenant homeownership and purchase initiatives; and homeownership opportunities costing \$412 million in multifamily projects where owners elect to prepay. The HOPE proposal also includes "Operation Bootstrap" which requires that public housing operators and local governments "help welfare and other low-income families achieve upward mobility by combining housing assistance with support services such as job training, child care and transportation". However, the budget does not appear to provide any Federal funds for Operation Bootstrap. Operation Bootstrap is also similar to the "Gateway bill" concept which is being considered in the Congress.

- Expiring Section 8 Housing Subsidies - The budget proposes a total of \$7.7 billion in budget authority and \$0.4 billion in outlays to refund an estimated 295,000 expiring housing contracts which compares to \$1.1 billion and 41,000 units in the current fiscal year. HUD "recognizes the need to ensure uninterrupted housing assistance" and is basing renewals on using 5-year contracts. The budget projects an additional 550,000 expiring section 8 contracts and over 250,000 vouchers cumulatively between 1992 and 1995.
- Public Housing Operating, Modernization and Anti-drug Programs - The budget proposes \$1.8 billion in public housing operating subsidies and \$1.8 billion for modernization funding. The operating subsidy is \$43 million below current services and the modernization funding is \$214 million below current services. In addition to these reductions there has been serious controversy regarding inadequate reflection of insurance, utility and other costs in determining operating payments as well as inadequate financing of the modernization program and lack of funding for lead paint removal. The budget proposes \$150 million for anti-drug efforts which is a \$50 million increase over the 1990 appropriated level.
- Rural Housing Vouchers - The President's budget proposes a series of changes in the Farmers Home Administration rural loan programs which are discussed in function 370: Commerce and Housing Credit. As part of these proposals the budget proposes \$190 million to fund 8,000 rural housing vouchers in this function.
- HOPE and Homeless Assistance Programs - The President's HOPE proposal includes a \$250 million grant program to allow low-income families to become homeowners; the creation of Housing Opportunity Zones (tax expenditure proposal); the extension of the low income tax credit through December 1991 (tax expenditure proposal). It also calls for the use of IRA's for young families and first-time homebuyers to aid in purchasing homes; provides for a \$34 million frail elderly demonstration project; and, assumes the creation of Housing and Enterprise Zones (tax expenditure proposal). The HOPE initiative also proposes \$247 million for a homeless "Shelter Care Plus" program, including \$161 million for a new Rental Housing Assistance program (discussed in Function 450), \$50 million for section 8 moderate rehabilitation of single room occupancy units and \$36 million for the section 202(h) homeless program. The budget also continues other homeless McKinney Act funding including \$71 million for emergency shelter grants, \$143 million for transitional housing assistance for the homeless and \$125 million for the emergency food and shelter program.

- Food and Nutrition Assistance - The President's budget assumes the reauthorization of the food stamp program and proposes \$15.4 billion (not including assistance to Puerto Rico) in budget authority with an assumption of \$68 million in legislated savings resulting from lower payments due to increased child care collections and reduced administrative payments to States. The budget also proposes to replace the Nutrition Assistance to Puerto Rico food assistance program with a new block grant funded at \$825 million, a reduction of approximately \$150 million from current services.

The President's budget proposes \$4.6 billion for the child nutrition programs which reflects \$0.4 billion in legislative savings. The President's legislative proposal would reduce grants to schools for operating school lunch programs (\$-220 million) by eliminating subsidies for students from families with incomes above 350 percent of poverty. The proposal would partially offset (\$+48 million) the reduced subsidy to schools by increasing the subsidy formula for students with family income between 130 and 185 percent of poverty. In addition, the child care feeding program would be means tested with a projected savings of \$242 million.

The President's budget proposes \$2.2 billion in budget authority for the Special Supplemental Assistance program for Women, Infants and Children (WIC) consistent with the current services projection for fiscal year 1991. The WIC program has had significant participation increases primarily due to successful infant formula rebate programs. However, the WIC program still serves just over half the eligible population despite its excellent cost-benefit ratio.

The President's budget also reflects reductions in a few smaller nutrition related programs. The budget proposes \$32 million for the purchase of commodities for distribution to soup kitchens. Although \$32 million is the authorized amount it represents a reduction below the \$40 million for the two preceding years and according to Mayors and service providers program demand has increased not decreased. In addition, the budget proposes a reduction in the McKinney Act Emergency Food and Shelter program from the 1990 level of \$130 million to \$125 million.

- Cash Income Assistance Programs - The President's budget proposes full benefit payments for the Aid to Families with Dependent Children (AFDC) and Supplemental Security Income programs (SSI). The AFDC program would be funded at \$12.7 billion and includes minor savings resulting from lower federal reimbursement for child support enforcement by states and a speed up in fiscal sanction collections (cumulatively \$33 million in savings). The budget also assumes \$1 billion in funding for the AFDC- Job Opportunities and Basic Skills Training program (JOBS) which provides work and education experience and opportunities for eligible AFDC recipients. The budget assumption of \$15.1 billion for the SSI program assumes \$55 million in savings resulting from a new administrative fee charged to states that provide a supplemental benefit program.

- Other Income Security Programs - The President's budget proposes \$1.1 billion for the Low Income Home Energy Assistance Program (LIHEAP) which is a reduction of \$0.35 billion from the fiscal year 1990 appropriated level. The President's proposal is based on his contention that "...fuel prices have moderated". However, the real world experience with the LIHEAP program is that despite statistical claims that energy prices have moderated, the program is forced to serve millions fewer than several years ago and now serves less than 40 percent of the eligible population.

The President's budget also proposes \$369 million for the Refugee and Entrant Assistance program which is the same funding level as in 1990 and below the level for fiscal year 1989. The \$369 million funding level is restrictive in light of the substantially increased refugee populations seeking to emigrate from the Soviet Union, Asia, Afghanistan and other locations as well.

FUNCTION 600: INCOME SECURITY

(In billions of dollars)

Program	Fiscal Year 1990						Fiscal Year 1991					
	FY 1989 Actual		CBO Baseline (1-9-90)		President's Budget (1-29-90)		CBO Baseline (1-9-90)		President's Current Services		President's Budget (1-29-90)	
	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0
Special Benefits for Disabled Coal Miner's * 2/.....	1,585	1,524	1,515	1,505	1,494	1,542	1,881	1,871	1,423	1,515	1,400	1,492
Railroad Retirement *.....	4,947	4,193	4,971	4,252	5,039	4,274	5,079	4,431	5,078	4,460	4,903	4,365
Pension Benefit Guaranty Corp Proposed Legislation.....	...	(149)	0	(261)	...	(708)	...	(264)	...	(464)	...	(466)
Civil Service Retirement *...	49,576	29,522	50,758	31,076	51,791	31,491	53,778	34,125	54,881	34,263	54,672	31,997
Military Retirement *.....	33,907	20,184	34,593	21,610	33,456	21,451	36,741	22,976	35,153	22,766	35,005	22,093
Foreign Service Retirement *..	792	...	806	340	806	346	835	367	835	366	835	366
Employees Life Insurance *...	...	(839)	...	(880)	3	(922)	...	(933)	9	(947)	9	(940)
Unemployment Compensation* 2/	22,548	15,616	24,430	17,809	24,818	18,098	22,989	18,010	24,054	18,561	24,054	18,601
Subsidized Housing includes expiring contracts and modernization) 1/.....	6,973	12,250	9,899	13,793	8,373	13,709	17,747	15,153	8,729	14,684	15,181	15,141
Rural Housing Vouchers.....	...	15	...	17	...	15	...	15	...	13	190	23

FUNCTION 600: INCOME SECURITY

(In billions of dollars)

Program	Fiscal Year 1990						Fiscal Year 1991					
	FY 1989 Actual		CBO Baseline (1-9-90)		President's Budget (1-29-90)		CBO Baseline (1-9-90)		President's Current Services		President's Budget (1-29-90)	
	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0
Public Housing Operating Subsidies (including anti-drug funding).....	1,706	1,519	1,743	1,715	1,793	1,788	1,863	1,820	1,868	1,838	1,976	1,885
Low Rent Public Housing Loans *.....	558	731	567	634	400	487	270	394	200	281	200	281
HOPE Grants.....	...	...	...	...	...	...	...	...	...	...	250	...
HUD Salaries & Expenses.....	148	149	149	144	154	150	159	157	161	157	190	179
Homeless Housing.....	126	64	200	73	200	105	208	147	208	145	215	145
Food Donations for Selected Groups.....	289	282	243	247	308	312	242	242	317	310	320	316
Food Stamps and Assistance for Puerto Rico *.....	13,824	13,725	15,847	15,309	15,706	15,306	16,304	16,294	...	186	16,232	16,222
Child Nutrition *.....	4,591	4,556	4,887	4,894	4,864	4,980	5,256	5,211	5,104	5,236	4,644	4,823
Women, Infant, Child Nutrition.....	1,929	1,942	2,126	2,102	2,126	2,127	2,211	2,206	2,215	2,210	2,215	2,210

FUNCTION 600: INCOME SECURITY

(In billions of dollars)

Program	Fiscal Year 1990						Fiscal Year 1991					
	FY 1989 Actual		CBO Baseline (1-9-90)		President's Budget (1-29-90)		CBO Baseline (1-9-90)		President's Current Services		President's Budget (1-29-90)	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Emergency Food and Shelter...	114	125	130	130	130	136	135	135	136	136	125	125
Funds for Strengthening Markets *.....	406	454	581	418	581	423	396	421	374	364	374	365
Family Support Payments (AFDC)*.....	11,140	11,166	11,708	11,956	11,693	12,085	12,770	12,920	12,657	12,644	12,625	12,632
AFDC JOBS *.....	...	...	330	301	463	346	600	570	1,000	880	1,000	880
Supplemental Security Income*	12,474	12,555	12,400	12,433	12,295	12,494	14,431	14,431	14,201	14,201	15,101	14,401
Low-Income Energy Assistance.	1,383	1,393	1,393	1,364	1,393	1,372	1,449	1,463	1,452	1,444	1,050	1,079
Earned Income Tax Credit *...	4,002	4,002	4,104	4,104	4,193	4,193	4,343	4,343	4,369	4,369	4,369	4,369
Refugee Assistance.....	382	389	369	378	369	385	384	381	384	381	369	371

1/ The subsidized housing account consists of assisted housing programs, funding for expiring contracts and modernization funding. The President's budget includes a total of \$7.7 billion in budget authority for expiring contracts and requested \$1.85 billion in budget authority for modernization as a separate program. The CBO fiscal year 1991 baseline number has been adjusted by adding \$8,358 million in budget authority and \$798 million in outlays for comparable full funding for expiring contracts.

FUNCTION 600: INCOME SECURITY

(In billions of dollars)

Program	Fiscal Year 1990						Fiscal Year 1991					
	FY 1989 Actual		CBO Baseline (1-9-90)		President's Budget (1-29-90)		CBO Baseline (1-9-90)		President's Current Services		President's Budget (1-29-90)	
	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0

2/ A small part of these programs is discretionary.

* Mandatory program. For these programs, it is appropriate to compare the President's FY 1991 budget figures to OMB's FY 1991 current services figures. However, a comparison with CBO's figures is less meaningful because both estimating and policy differences would be reflected.

For discretionary programs, it is preferable to compare the President's requested level of FY 1991 budget authority (or loan limits) to CBO's FY 1991 baseline, since that baseline is a better measure of zero real growth. Such an outlay comparison should be avoided, since it may include estimating as well as policy differences.

FISCAL YEAR 1991

HIGHLIGHTS AND ISSUES

FUNCTION 650: SOCIAL SECURITY
(In billions of dollars)

	1989 <u>Actual</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
<u>PRESIDENT'S BUDGET (1-29-90):</u>					
Budget Authority.....	285.0	310.5	345.1	374.0	405.1
Outlays.....	232.5	248.5	264.8	280.9	297.7
<u>CBO CURRENT POLICY (1-30-90):</u>					
Budget Authority.....	285.0	314.8	340.2	368.0	398.3
Outlays.....	232.5	248.8	265.7	282.6	300.3
<u>PRESIDENT'S CURRENT SERVICES (1-29-90):</u>					
Budget Authority.....	285.0	310.5	342.3	370.4	403.8
Outlays.....	232.5	248.5	264.7	280.9	297.7

NOTE: Because CBO and OMB have different economic and technical estimating assumptions, the differences between the President's Budget and the CBO baseline result from both policy differences and estimating differences. CBO will prepare a reestimate of the President's policies using its own estimating assumptions which will be available in approximately late February.

DESCRIPTION AND HISTORY OF FUNCTION

This function includes the Old-Age, Survivors and Disability Insurance Trust Funds (OASDI) which will provide cash assistance to 40 million beneficiaries in FY 1991. The program beneficiaries include persons who are retired and disabled and their dependents or survivors. The average monthly payment will be \$592 for a retired worker in FY 1991, an increase of 4.5 percent above the 1990 average. Benefits are financed primarily through payroll tax contributions of workers. During 1991 over 93 percent of American workers will pay social security taxes of 6.2 percent on the first \$54,300 of income, and employers will match these contributions (an additional 1.45 percent is paid by employers and employees on the same wage base to cover the Medicare Hospital Insurance contribution). Self employed persons pay the employer and employee shares.

The Social Security program is authorized to provide an annual cost of living allowance (COLA) to beneficiaries to cover inflation. A COLA of 4.7 percent was awarded in January 1990 and a 3.9 percent increase is projected for January 1991.

As a result of the 1983 Social Security Amendments, the old-age survivors' and disability insurance trust funds continue to have annual surpluses. The fiscal year 1991 budget estimates a surplus of \$80 billion and a cumulative balance of \$299 billion for fiscal year 1991 in the old-age, survivors and disability insurance programs. These funds are invested in Treasury notes. The budget proposes to establish a Social Security Integrity and Debt Reduction Fund. Annual deposits to this fund would be phased in until they equal the amount of the annual Social Security surplus and would be used to retire the national debt (also discussed under I.D. "National Saving, the Social Security Surplus and the Social Security Integrity and Debt Retirement Fund". For budget presentation purposes, the fund transactions are reflected in Function 800: General Government).

The FY 1991 request assumes a 6.5 percent increase in Social Security outlays over FY 1990. This increase will support the COLA, an additional 649,000 beneficiaries who will be covered, and the higher average wages of new beneficiaries.

HIGHLIGHTS OF MAJOR PROPOSALS

- COLA - The budget proposes full funding of all benefits required under current law, including the 3.9 percent COLA.
- Payroll Taxes - Two new categories of workers would be required to contribute Social Security payroll taxes. District of Columbia government employees hired after January 1, 1991 and State and local workers without other retirement and disability coverage will be brought under Social Security. These changes will increase fiscal year 1991 trust funds income by \$2.3 billion.
- Eligibility - Eligibility for benefits will also be extended to a group of adopted children who are not now covered. These are children who are adopted by the surviving spouse of a deceased worker and who receive benefits based on the deceased worker's earnings. Such children had to have been living in the worker's home at the time of the worker's death or had to have been receiving at least one-half of their support from the deceased worker.
- Overpayment Collections - The budget also includes a provision authorizing the Internal Revenue Service to withhold income tax refunds from former Social Security recipients who owe money to the Federal government as a result of overpayment of Social Security benefits.

FUNCTION 650: SOCIAL SECURITY

(In millions of dollars)

Program	Fiscal Year 1990						Fiscal Year 1991					
	FY 1989 Actual		CBO Baseline (1-30-90)		President's Budget (1-29-90)		CBO Baseline (1-30-90)		President's Current Services		President's Budget (1-29-90)	
	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0
Old Age and Survivors Insurance Trust Fund*.....	260,505	209,151	285,903	223,923	281,934	223,596	308,361	239,325	310,249	238,364	310,842	239,029
Proposed Legislation*.....	...	...	...	...	...	...	...	...	...	...	1,977	-595
Disability Insurance Trust Fund*.....	24,482	23,391	28,910	24,833	28,566	24,866	31,848	26,424	32,074	26,363	32,138	26,458
Proposed Legislation*.....	...	...	...	...	...	...	...	...	...	...	158	-81

* Mandatory program. Comparisons of the budget and the CBO baseline may be misleading because the figures will differ for both estimating and policy reasons.

FISCAL YEAR 1991

HIGHLIGHTS AND ISSUES

FUNCTION 800: GENERAL GOVERNMENT
(In billions of dollars)

	1989 <u>Actual</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
<u>PRESIDENT'S BUDGET (1-29-89):</u>					
Budget Authority.....	10.6	10.5	11.4	11.6	25.7
Outlays.....	9.1	10.6	11.3	11.9	25.8
<u>CBO CURRENT POLICY (1-30-89):</u>					
Budget Authority.....	10.6	10.6	11.3	11.8	12.2
Outlays.....	9.1	10.3	11.2	11.5	11.9
<u>PRESIDENT'S CURRENT SERVICES (1-29-90):</u>					
Budget Authority.....	10.6	10.5	11.1	11.5	11.9
Outlays.....	9.1	10.6	11.0	11.6	11.6

NOTE: Because CBO and OMB have different economic and technical estimating assumptions, the differences between the President's Budget and the CBO baseline result from both policy differences and estimating differences. CBO will prepare a reestimate of the President's policies using its own estimating assumptions which will be available in approximately late February.

DESCRIPTION AND HISTORY OF FUNCTION

This function covers the core activities of the Federal Government which include policy formulation and direction, financial management and revenue collection, construction and management of Federal civilian buildings and property, and administration of the merit personnel system. Other programs in this function include the Federal payment to the District of Columbia; Forest Service receipts paid to States; payment in lieu of taxes (PILT); and payment to territories and Puerto Rico from IRS and Customs Service collections. The major agencies in this function are the Congress, the White House and Executive Office of the President, the General Services Administration, the Office of Personnel Management, and most of the Treasury Department. Over one half of the spending in this function is attributable to the budget of the Internal Revenue Service (IRS). Since the early 1980's, significant increases for the IRS have been proposed by the administration and accepted by the Congress.

HIGHLIGHTS OF MAJOR PROPOSALS

- Internal Revenue Service (IRS) - The President's budget proposes funding of \$6.1 billion in 1991. This compares with \$5.5 billion estimated for 1990. The increased funding over 1990 is associated with an IRS enforcement initiative designed to improve taxpayers' reporting of income and to improve collections from past due accounts. The budget estimates that this initiative will yield \$0.5 billion in increased collections in 1991. The budget also proposes improvements in the management of tax law enforcement resources which would increase revenue yields by \$2.5 billion in 1991 without requiring additional expenditures.
- Payment in Lieu of Taxes (PILT) - This program provides payments to local governments for Federal use of land located within their jurisdictions. The budget proposes fiscal year 1991 funding of \$105 million, which is the same amount provided in 1990.
- Payment to Territories and Puerto Rico - The Federal Government provides special assistance to the local governments of Puerto Rico, Guam, and the Virgin Islands. The budget proposes \$210 million in assistance in 1990 compared with \$199 million provided in 1990.
- Government-sponsored enterprise fees - The budget again proposes to impose on certain Government-sponsored enterprises (GSEs), a fee on new securities issued after September 30, 1990. Savings estimated for the proposal are \$52 million in 1991, \$306 million in 1992, and \$666 million in 1993 and nearly \$3.0 billion over the period 1991-1995. The GSEs affected include the Student Loan Marketing Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. The purpose of this fee is to reimburse the Federal Government for the borrowing advantages these enterprises enjoy as a result of their special relationship with the Government.
- Federal Payment to the District of Columbia (DC) - The 1991 budget proposes a total of \$505 million (net of \$35 million in loan repayments) for D.C. This proposal compares with the 1990 and 1991 CBO baseline estimates of \$505 million and \$545 million respectively. Of the total requested for DC in 1991, \$431 million is for the direct payment, \$52 million is for the Federal share of payments to DC retirement funds for police officers, fire fighters, teachers, and judges, and \$10 million is for a payment to assist in financing St. Elizabeths Hospital as part of the existing plan to transfer administrative and financial responsibility from the Federal Government to the District. The budget also proposes to make permanent, the pilot project involving D.C. directly bill federal agencies for water and sewer costs.
- Social Security Integrity and Debt Reduction Fund (SSIDRF) - The President's budget proposes legislation to assure that the intended buildup in Social Security reserves is not used to mask the non-Social Security deficit. The Fund would receive each year, as outlays, an amount equivalent to the increasing portion of the projected Social Security operating surplus - reaching 100 percent in 1996. The Fund would be linked with a continuing obligation to meet a Gramm-Rudman-Hollings deficit target of zero starting in 1993 and the estimates in this function reflect this policy starting in 1993. Under the budget proposal, payments to the new fund would be \$14.1 billion in 1993, \$53.6 billion in 1994, and \$101.8 billion in 1995. For further discussion of this proposal, see Function 650: Social Security and Part I.D.

FUNCTION 800: GENERAL GOVERNMENT

(In millions of dollars)

Program	Fiscal Year 1990						Fiscal Year 1991					
	FY 1989 Actual		CBO Baseline (1-30-90)		President's Budget (1-29-90)		CBO Baseline (1-30-90)		President's Current Services		President's Budget (1-29-90)	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Legislative Functions.....	1,807	1,651	1,764	1,720	1,779	1,827	1,898	1,878	1,868	1,915	2,147	2,161
Executive Direction and Management.....	137	129	541	263	290	178	566	364	303	288	357	321
Internal Revenue Service...	5,195	5,270	5,501	5,456	5,500	5,486	5,859	5,830	5,763	5,594	6,135	5,930
General Property and Records Management.....	605	(341)	317	190	242	450	341	283	261	329	166	276
General Personnel Activities.	146	134	162	136	156	168	172	169	163	160	164	161
Payments and loans to the District of Columbia (net of loan repayments).....	529	509	505	525	505	525	545	555	546	556	505	514
Payments to States and District of Columbia from Forest Service receipts.....	371	362	357	343	363	361	360	359	366	365	366	365
Payments to States from receipts under the Multiple Use Act.....	432	432	401	402	471	458	419	418	464	478	483	497

FUNCTION 800: GENERAL GOVERNMENT

(In millions of dollars)

Program	Fiscal Year 1990						Fiscal Year 1991					
	FY 1989 Actual		CBO Baseline (1-30-90)		President's Budget (1-29-90)		CBO Baseline (1-30-90)		President's Current Services		President's Budget (1-29-90)	
	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0
Payments to States and counties from Federal land management activities.....	130	128	80	91	145	238	81	80	165	164	165	164
Payment in lieu of taxes...	105	104	105	105	105	105	109	109	109	109	105	105
Internal revenue collections for Puerto Rico.....	272	308	205	205	272	272	205	205	272	272	272	272
Civil Liberties Public Education Fund.....	...	...	...	...	...	...	500	500	...	...	500	500
Claims, judgments, and relief acts.....	510	510	600	600	427	427	416	416	427	427	427	427

For discretionary programs, it is preferable to compare to President's requested level of FY 1991 budget authority (or loan limits) to CBO's FY 1991 baseline, since that baseline is a better measure of zero real growth. Such an outlay comparison should be avoided, since it may include estimating as well as policy differences.

VIII. SUMMARY TABLES AND GRAPHS

A. THE PRESIDENT'S BUDGET 1990 - 1995 BY FUNCTION
(IN BILLIONS OF DOLLARS)

	1989 Actual	1990	1991	1992	1993	1994	1995
BUDGET AUTHORITY.....	1,309.90	1,337.60	1,396.50	1,451.15	1,522.75	1,620.95	1,718.10
OUTLAYS.....	1,142.65	1,197.25	1,233.35	1,271.45	1,321.80	1,398.00	1,476.95
REVENUES.....	990.70	1,073.45	1,170.25	1,246.35	1,327.55	1,408.65	1,486.35
DEFICIT (-) / SURPLUS (+).....	-151.95	-123.80	-63.10	-25.10	5.75	10.65	9.40
DEBT SUBJECT TO LIMIT.....	2,829.80	3,071.10	3,276.60	3,467.20	3,633.40	3,776.80	3,885.30
050 NATIONAL DEFENSE:							
BUDGET AUTHORITY.....	299.55	301.65	306.85	312.55	317.50	321.55	325.70
OUTLAYS.....	303.55	296.35	303.25	309.20	311.90	315.65	318.55
150 INTERNATIONAL AFFAIRS:							
BUDGET AUTHORITY.....	17.25	18.60	20.00	19.65	20.10	20.55	21.50
OUTLAYS.....	9.55	14.55	18.15	19.40	18.75	16.90	19.70
250 GENERAL SCIENCE, SPACE & TECHNOLOGY:							
BUDGET AUTHORITY.....	12.95	14.60	17.85	20.80	22.70	24.10	24.95
OUTLAYS.....	12.85	14.15	16.60	19.35	21.40	22.95	24.00
270 ENERGY:							
BUDGET AUTHORITY.....	4.05	5.60	3.25	4.10	4.55	4.40	4.20
OUTLAYS.....	3.70	3.20	3.05	3.10	3.20	3.05	2.50
300 NATURAL RESOURCES & ENVIRONMENT:							
BUDGET AUTHORITY.....	17.00	16.95	17.65	18.05	17.55	17.15	16.40
OUTLAYS.....	16.20	17.50	18.15	18.90	18.45	18.35	17.80
350 AGRICULTURE:							
BUDGET AUTHORITY.....	21.35	17.95	20.05	21.10	18.90	14.85	15.15
OUTLAYS.....	16.95	14.55	14.95	15.65	13.50	11.85	10.40
370 COMMERCE & HOUSING CREDIT:							
BUDGET AUTHORITY.....	61.95	19.55	14.30	13.95	13.85	15.45	14.40
OUTLAYS.....	27.70	22.70	17.20	10.25	9.65	7.70	6.20
400 TRANSPORTATION:							
BUDGET AUTHORITY.....	29.35	31.15	30.30	31.35	31.70	31.75	32.35
OUTLAYS.....	27.60	29.25	29.75	30.20	30.75	31.30	31.30
450 COMMUNITY & REGIONAL DEVELOPMENT:							
BUDGET AUTHORITY.....	7.90	9.00	6.95	6.15	6.15	6.10	5.10
OUTLAYS.....	5.35	8.80	7.85	6.50	6.10	5.85	5.20
500 EDUCATION, TRAINING, EMPLOYMENT & SOCIAL SERVICES:							
BUDGET AUTHORITY.....	38.75	39.65	41.95	42.90	43.70	44.45	45.05
OUTLAYS.....	36.70	37.65	41.00	42.95	43.50	44.15	44.90
550 HEALTH:							
BUDGET AUTHORITY.....	51.70	60.35	64.80	70.85	76.80	83.05	89.55
OUTLAYS.....	48.40	57.80	63.70	69.95	75.95	82.00	88.30
570 MEDICARE:							
BUDGET AUTHORITY.....	107.35	116.95	125.20	136.40	150.80	164.95	178.80
OUTLAYS.....	84.95	96.60	98.60	110.10	121.90	135.05	149.05
600 INCOME SECURITY:							
BUDGET AUTHORITY.....	173.35	183.20	198.90	204.45	211.85	221.15	227.75
OUTLAYS.....	136.05	146.60	153.75	159.60	166.30	174.60	181.35
650 SOCIAL SECURITY:							
BUDGET AUTHORITY.....	285.00	310.50	345.10	374.00	405.10	438.85	468.65
OUTLAYS.....	232.55	248.45	264.80	280.90	297.70	314.60	331.45
700 VETERANS BENEFITS & SERVICES:							
BUDGET AUTHORITY.....	30.05	30.05	31.00	31.55	32.05	32.80	33.60
OUTLAYS.....	30.05	28.90	30.30	30.95	33.25	32.65	31.75
750 ADMINISTRATION OF JUSTICE:							
BUDGET AUTHORITY.....	9.95	12.25	12.55	13.20	14.15	14.45	14.90
OUTLAYS.....	9.40	10.50	12.60	13.90	14.15	14.25	14.60
800 GENERAL GOVERNMENT:							
BUDGET AUTHORITY.....	10.55	10.50	11.40	11.65	25.70	65.30	113.70
OUTLAYS.....	9.10	10.55	11.30	11.95	25.75	65.20	113.50
900 NET INTEREST:							
BUDGET AUTHORITY.....	169.15	175.60	173.00	163.50	156.95	147.75	136.15
OUTLAYS.....	169.15	175.60	173.00	163.50	156.95	147.75	136.15
920 ALLOWANCES:							
BUDGET AUTHORITY.....	.....	.....	-1.05	-1.10	-1.20	-1.25	-1.30
OUTLAYS.....	.....	.....	-1.05	-1.10	-1.20	-1.25	-1.30
950 UNDISTRIBUTED OFFSETTING RECEIPTS:							
BUDGET AUTHORITY.....	-37.20	-36.45	-43.60	-43.85	-46.20	-46.55	-49.55
OUTLAYS.....	-37.20	-36.45	-43.60	-43.85	-46.20	-46.55	-49.55

1/ The estimates in the President's budget include off budget agencies and asset sales as well as outlays to the Social Security Integrity and Debt Reduction Fund in 1993 - 1995.

B. CONGRESSIONAL BUDGET OFFICE BASELINE 1990 - 1995 BY FUNCTION
(IN BILLIONS OF DOLLARS)

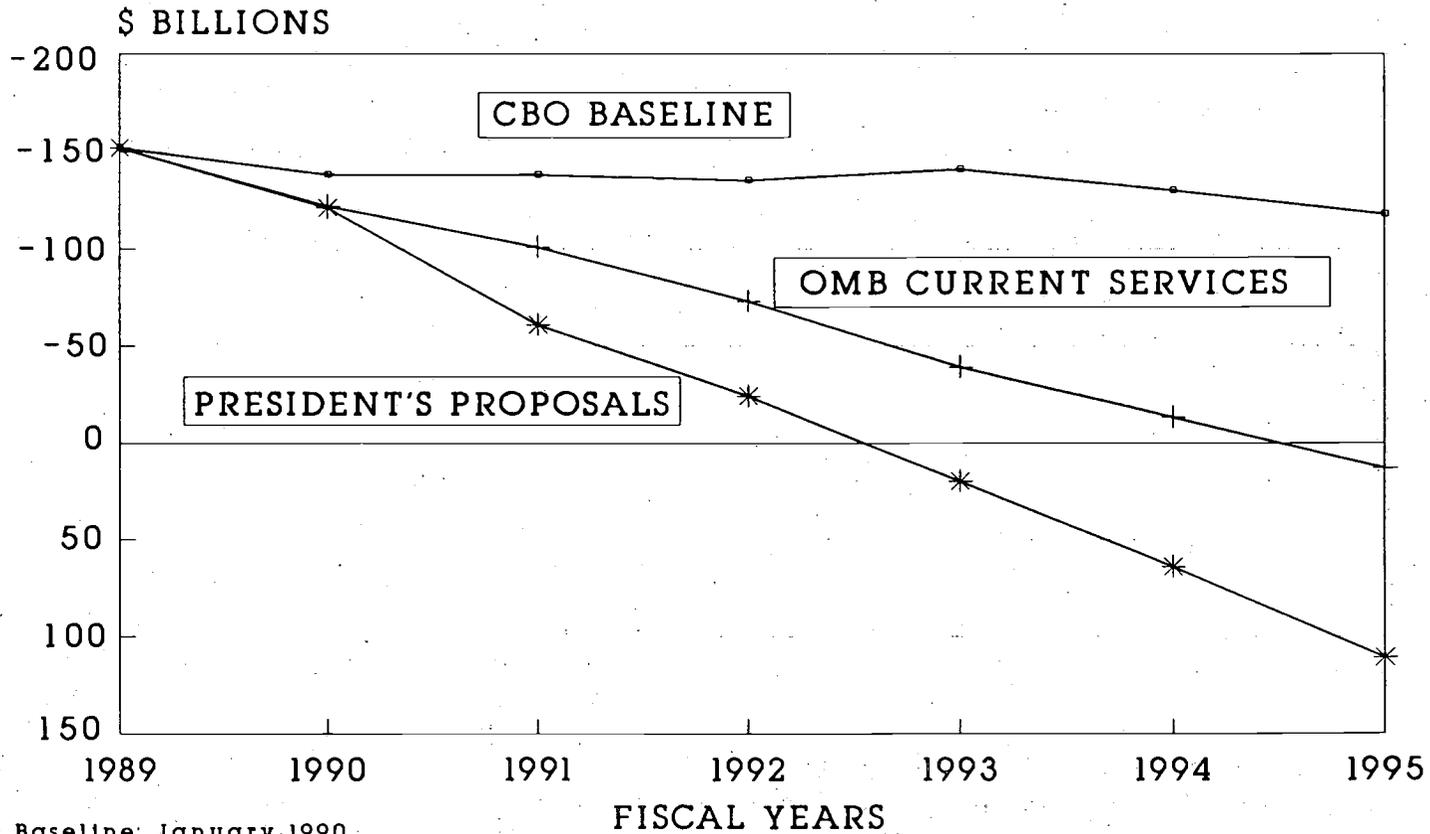
	CBO PRELIMINARY BASELINE (1/9/90)					
	1990	1991	1992	1993	1994	1995
BUDGET AUTHORITY.....	1,346.70	1,433.70	1,509.50	1,605.05	1,682.90	1,776.45
OUTLAYS.....	1,205.50	1,275.25	1,339.05	1,417.50	1,484.10	1,555.35
REVENUES.....	1,067.15	1,137.25	1,203.75	1,276.65	1,354.55	1,437.65
DEFICIT (-) / SURPLUS (+).....	-138.35	-138.00	-135.30	-140.85	-129.55	-117.70
DEBT SUBJECT TO LIMIT.....	3,084.30	3,351.50	3,633.40	3,937.30	4,241.00	4,546.60
050 NATIONAL DEFENSE:						
BUDGET AUTHORITY.....	301.65	315.80	328.45	341.60	355.35	369.70
OUTLAYS.....	296.70	306.95	317.70	328.30	344.80	355.40
150 INTERNATIONAL AFFAIRS:						
BUDGET AUTHORITY.....	18.35	19.00	19.70	20.70	21.60	22.50
OUTLAYS.....	14.65	17.00	17.85	18.40	18.85	19.45
250 GENERAL SCIENCE, SPACE & TECHNOLOGY:						
BUDGET AUTHORITY.....	14.65	15.25	15.90	16.55	17.15	17.85
OUTLAYS.....	14.05	15.10	15.80	16.20	16.85	17.50
270 ENERGY:						
BUDGET AUTHORITY.....	5.15	6.45	5.70	6.25	6.80	7.25
OUTLAYS.....	3.50	4.45	4.40	5.15	5.45	5.20
300 NATURAL RESOURCES & ENVIRONMENT:						
BUDGET AUTHORITY.....	16.80	18.45	19.15	19.80	20.45	21.25
OUTLAYS.....	17.55	18.85	19.45	19.90	20.30	20.85
350 AGRICULTURE:						
BUDGET AUTHORITY.....	16.65	21.75	22.85	20.35	18.40	18.95
OUTLAYS.....	13.30	17.30	17.60	16.35	15.60	14.45
370 COMMERCE & HOUSING CREDIT:						
BUDGET AUTHORITY.....	23.75	25.85	22.50	32.90	20.20	19.60
OUTLAYS.....	30.15	19.40	15.15	21.85	8.65	9.45
400 TRANSPORTATION:						
BUDGET AUTHORITY.....	31.10	32.25	33.45	34.75	36.10	37.55
OUTLAYS.....	29.35	30.95	32.30	33.60	34.85	36.15
450 COMMUNITY & REGIONAL DEVELOPMENT:						
BUDGET AUTHORITY.....	8.80	8.80	8.50	8.85	8.95	9.40
OUTLAYS.....	8.10	7.80	8.35	8.35	8.45	8.65
500 EDUCATION, TRAINING, EMPLOYMENT & SOCIAL SERVICES:						
BUDGET AUTHORITY.....	40.55	42.50	43.45	44.30	46.10	47.90
OUTLAYS.....	39.00	41.10	42.60	43.80	45.10	46.60
550 HEALTH:						
BUDGET AUTHORITY.....	59.55	66.55	73.90	81.45	89.85	99.10
OUTLAYS.....	57.20	65.45	72.80	80.50	88.75	98.05
570 MEDICARE:						
BUDGET AUTHORITY.....	115.25	125.25	138.30	152.60	168.20	185.50
OUTLAYS.....	94.60	106.75	120.80	136.30	153.10	171.30
600 INCOME SECURITY:						
BUDGET AUTHORITY.....	183.45	192.10	199.85	208.75	219.70	228.00
OUTLAYS.....	145.90	156.50	163.00	171.35	181.30	188.85
650 SOCIAL SECURITY:						
BUDGET AUTHORITY.....	314.80	340.20	368.00	398.25	430.95	465.50
OUTLAYS.....	248.75	265.75	282.60	300.35	318.50	337.55
700 VETERANS BENEFITS & SERVICES:						
BUDGET AUTHORITY.....	30.50	31.80	32.80	33.75	34.75	35.90
OUTLAYS.....	29.00	31.40	32.35	33.45	35.95	35.85
750 ADMINISTRATION OF JUSTICE:						
BUDGET AUTHORITY.....	12.20	13.70	14.25	14.85	15.50	16.15
OUTLAYS.....	10.40	12.70	13.95	14.65	15.25	15.90
800 GENERAL GOVERNMENT:						
BUDGET AUTHORITY.....	10.60	11.35	11.80	12.20	12.45	13.05
OUTLAYS.....	10.30	11.25	11.55	11.90	12.15	12.75
850 NATIONAL DEBT:						
BUDGET AUTHORITY.....	179.55	185.15	191.60	199.50	204.95	208.50
OUTLAYS.....	179.55	185.15	191.60	199.50	204.95	208.50
900 FEDERAL RESERVE:						
BUDGET AUTHORITY.....	...	...	...	...	...	...
OUTLAYS.....	...	...	...	...	...	...
950 FEDERAL RESERVE DISCOUNTS, RESERVE BALANCES:						
BUDGET AUTHORITY.....	36.55	-38.50	-40.65	-42.35	-44.75	-47.20
OUTLAYS.....	36.55	38.50	40.65	42.35	44.75	47.20

C. OMB'S CURRENT SERVICES
(ADJUSTED) 1/ 1990-1995 BY FUNCTION
(IN BILLIONS OF DOLLARS)

	1989 Actual	1990	1991	1992	1993	1994	1995
BUDGET AUTHORITY.....	1,309.90	1,333.55	1,410.20	1,478.20	1,555.00	1,629.30	1,697.30
OUTLAYS.....	1,142.65	1,194.80	1,256.85	1,307.80	1,362.65	1,415.00	1,467.40
REVENUES.....	990.70	1,072.80	1,156.35	1,234.95	1,323.45	1,401.90	1,480.75
DEFICIT (-) / SURPLUS (+).....	-151.95	-122.00	-100.50	-72.85	-39.20	-13.10	13.35
050 NATIONAL DEFENSE:							
BUDGET AUTHORITY.....	299.55	301.65	316.15	329.00	341.60	353.60	364.90
OUTLAYS.....	303.55	296.35	306.45	318.10	328.55	340.55	352.50
150 INTERNATIONAL AFFAIRS:							
BUDGET AUTHORITY.....	17.25	18.60	19.00	20.00	20.90	21.50	22.70
OUTLAYS.....	9.55	14.55	17.95	19.25	18.75	18.70	19.65
250 GENERAL SCIENCE, SPACE & TECHNOLOGY:							
BUDGET AUTHORITY.....	12.95	14.60	15.20	15.80	16.40	17.00	17.50
OUTLAYS.....	12.85	14.15	15.20	15.65	16.15	16.70	17.30
270 ENERGY:							
BUDGET AUTHORITY.....	4.05	5.60	6.30	6.05	6.65	7.00	7.25
OUTLAYS.....	3.70	3.20	4.55	4.50	5.10	5.35	5.50
300 NATURAL RESOURCES & ENVIRONMENT:							
BUDGET AUTHORITY.....	17.00	16.95	18.15	19.00	19.40	20.05	20.65
OUTLAYS.....	16.20	17.50	18.15	19.15	19.10	19.75	20.15
350 AGRICULTURE:							
BUDGET AUTHORITY.....	21.35	17.95	22.20	25.25	23.75	20.80	21.70
OUTLAYS.....	16.95	14.55	17.55	20.10	19.45	18.25	17.45
370 COMMERCE & HOUSING CREDIT:							
BUDGET AUTHORITY.....	61.95	15.45	12.80	13.05	13.50	16.10	15.20
OUTLAYS.....	27.70	20.30	16.85	11.70	11.85	10.50	9.50
400 TRANSPORTATION:							
BUDGET AUTHORITY.....	29.35	31.15	32.25	33.50	34.75	35.95	37.15
OUTLAYS.....	27.60	29.25	30.70	31.75	32.65	33.60	34.15
450 COMMUNITY & REGIONAL DEVELOPMENT:							
BUDGET AUTHORITY.....	7.90	9.00	9.55	9.10	9.40	9.70	9.90
OUTLAYS.....	5.35	8.75	8.15	7.20	7.30	7.40	7.95
500 EDUCATION, TRAINING, EMPLOYMENT & SOCIAL SERVICES:							
BUDGET AUTHORITY.....	38.75	39.65	41.55	42.80	43.85	45.40	46.95
OUTLAYS.....	36.70	37.65	40.60	41.95	43.20	44.60	46.05
550 HEALTH:							
BUDGET AUTHORITY.....	51.70	60.35	65.60	72.05	78.30	84.85	91.60
OUTLAYS.....	48.40	57.80	64.45	70.75	77.30	83.70	90.20
570 MEDICARE:							
BUDGET AUTHORITY.....	107.35	116.95	125.10	137.65	153.55	169.30	184.90
OUTLAYS.....	84.95	96.60	104.15	118.45	132.40	147.80	164.55
600 INCOME SECURITY:							
BUDGET AUTHORITY.....	173.35	183.25	192.10	199.60	207.95	217.60	224.40
OUTLAYS.....	136.05	146.65	157.05	163.60	170.50	178.90	185.75
650 SOCIAL SECURITY:							
BUDGET AUTHORITY.....	285.00	310.50	342.30	370.45	403.80	435.50	464.95
OUTLAYS.....	232.55	248.45	264.75	280.95	297.75	314.65	331.50
700 VETERANS BENEFITS & SERVICES:							
BUDGET AUTHORITY.....	30.05	30.05	31.10	31.75	32.55	33.40	34.40
OUTLAYS.....	30.05	28.90	30.65	31.50	34.00	33.50	32.65
750 ADMINISTRATION OF JUSTICE:							
BUDGET AUTHORITY.....	9.95	12.20	13.65	14.20	14.75	15.25	15.75
OUTLAYS.....	9.40	10.45	12.75	14.25	14.90	15.05	15.55
800 GENERAL GOVERNMENT:							
BUDGET AUTHORITY.....	10.55	10.50	11.10	11.55	11.90	12.10	12.55
OUTLAYS.....	9.10	10.55	11.00	11.55	11.60	11.85	12.20
900 NET INTEREST:							
BUDGET AUTHORITY.....	169.15	175.60	174.30	167.60	163.95	158.40	151.05
OUTLAYS.....	169.15	175.60	174.30	167.60	163.95	158.40	151.05
920 ALLOWANCES:							
BUDGET AUTHORITY.....	...	...	...	...	...	...	...
OUTLAYS.....	...	...	0.05	...	...	...	...
950 UNDISTRIBUTED OFFSETTING RECEIPTS:							
BUDGET AUTHORITY.....	-37.20	-36.45	-38.40	-40.20	-41.80	-44.15	-46.20
OUTLAYS.....	-37.20	-36.45	-38.40	-40.20	-41.80	-44.15	-46.20

1/ OMB's adjusted baseline follows GRH rules except that the Food Stamps/Puerto Rico Nutrition programs are assumed to continue and the one-time costs of the 1990 census are not projected.

DEFICITS: PRESIDENT'S BUDGET, CBO AND OMB BASELINES (SURPLUS+/DEFICIT-)



CBO Baseline: January 1990
 OMB Current Services: Adjusted for food stamps and census
 President's Proposals: Current concept

**E. 1. REVENUES BY MAJOR SOURCE
(BILLIONS OF DOLLARS)
FY 1962 - FY 1996**

	Indi- vidual Income Taxes	Corpo- rate Income Taxes	Social Insurance Taxes and Contri- butions	Excise Taxes	Estate and Gift Taxes	Customs Duties	Miscel- laneous Receipts	Total Reve- nues
1962	45.6	20.5	17.0	12.5	2.0	1.1	0.8	99.7
1963	47.6	21.6	19.8	13.2	2.2	1.2	1.0	106.6
1964	48.7	23.5	22.0	13.7	2.4	1.3	1.1	112.6
1965	48.8	25.5	22.2	14.6	2.7	1.4	1.6	116.8
1966	55.4	30.1	25.5	13.1	3.1	1.8	1.9	130.8
1967	61.5	34.0	32.6	13.7	3.0	1.9	2.1	148.8
1968	68.7	28.7	33.9	14.1	3.1	2.0	2.5	153.0
1969	87.2	36.7	39.0	15.2	3.5	2.3	2.9	186.9
1970	90.4	32.8	44.4	15.7	3.6	2.4	3.4	192.8
1971	86.2	26.8	47.3	16.6	3.7	2.6	3.9	187.1
1972	94.7	32.2	52.6	15.5	5.4	3.3	3.6	207.3
1973	103.2	36.2	63.1	16.3	4.9	3.2	3.9	230.8
1974	119.0	38.6	75.1	16.8	5.0	3.3	5.4	263.2
1975	122.4	40.6	84.5	16.6	4.6	3.7	6.7	279.1
1976	131.6	41.4	90.8	17.0	5.2	4.1	8.0	298.1
1977	157.6	54.9	106.5	17.5	7.3	5.2	6.5	355.6
1978	181.0	60.0	121.0	18.4	5.3	6.6	7.4	399.6
1979	217.8	65.7	138.9	18.7	5.4	7.4	9.3	463.3
1980	244.1	64.6	157.8	24.3	6.4	7.2	12.7	517.1
1981	285.9	61.1	182.7	40.8	6.8	8.1	13.8	599.3
1982	297.7	49.2	201.5	36.3	8.0	8.9	16.2	617.8
1983	288.9	37.0	209.0	35.3	6.1	8.7	15.6	600.6
1984	298.4	56.9	239.4	37.4	6.0	11.4	17.0	666.5
1985	334.5	61.3	265.2	36.0	6.4	12.1	18.5	734.1
1986	349.0	63.1	283.9	32.9	7.0	13.3	19.9	769.1
1987	392.6	83.9	303.3	32.5	7.5	15.0	19.3	854.1
1988	401.2	94.2	334.3	35.5	7.6	16.2	19.9	909.0
1989	445.7	103.3	359.4	34.4	8.7	16.3	22.9	990.8
1990*	490.4	101.9	387.7	36.1	9.2	16.9	25.0	1,067.2
1991*	528.5	111.2	411.6	33.8	9.8	17.8	24.5	1,137.3
1992*	563.5	116.2	436.8	32.4	10.3	19.1	25.4	1,203.8
1993*	601.8	119.9	464.8	33.1	10.4	20.6	26.0	1,276.7
1994*	640.5	125.7	494.9	34.0	11.0	22.1	26.4	1,354.5
1995*	682.7	133.6	525.6	34.8	11.4	23.7	27.0	1,437.7

*CBO baseline estimates, January 1990.

Source: The Office of Management and Budget, the U.S. Treasury, and the Congressional Budget Office

**E. 2. REVENUES BY MAJOR SOURCE
(PERCENT OF GNP)
FY 1962 - FY 1995**

	Indi- vidual Income Taxes	Corpo- rate Income Taxes	Social Insurance Taxes and Contri- butions	Excise Taxes	Estate and Gift Taxes	Customs Duties	Miscel- laneous Receipts	Total Reve- nues
1962	8.2	3.7	3.1	2.2	0.4	0.2	0.2	17.9
1963	8.1	3.7	3.4	2.2	0.4	0.2	0.2	18.1
1964	7.7	3.7	3.5	2.2	0.4	0.2	0.2	17.9
1965	7.3	3.8	3.3	2.2	0.4	0.2	0.2	17.4
1966	7.5	4.1	3.5	1.8	0.4	0.2	0.3	17.7
1967	7.7	4.3	4.1	1.7	0.4	0.2	0.3	18.7
1968	8.1	3.4	4.0	1.7	0.4	0.2	0.3	18.0
1969	9.4	3.9	4.2	1.6	0.4	0.2	0.3	20.1
1970	9.1	3.3	4.5	1.6	0.4	0.2	0.3	19.5
1971	8.2	2.5	4.5	1.6	0.4	0.2	0.4	17.7
1972	8.2	2.8	4.6	1.3	0.5	0.3	0.3	18.0
1973	8.1	2.8	4.9	1.3	0.4	0.2	0.3	18.0
1974	8.4	2.7	5.3	1.2	0.4	0.2	0.4	18.6
1975	8.0	2.7	5.6	1.1	0.3	0.2	0.4	18.3
1976	7.7	2.4	5.3	1.0	0.3	0.2	0.5	17.6
1977	8.2	2.8	5.5	0.9	0.4	0.3	0.3	18.4
1978	8.3	2.8	5.6	0.8	0.2	0.3	0.3	18.4
1979	8.9	2.7	5.7	0.8	0.2	0.3	0.4	18.9
1980	9.1	2.4	5.9	0.9	0.2	0.3	0.5	19.4
1981	9.6	2.0	6.1	1.4	0.2	0.3	0.5	20.1
1982	9.5	1.6	6.4	1.2	0.3	0.3	0.5	19.7
1983	8.7	1.1	6.3	1.1	0.2	0.3	0.5	18.1
1984	8.1	1.5	5.5	1.0	0.2	0.3	0.5	18.1
1985	8.5	1.6	7	0.9	0.2	0.3	0.5	18.6
1986	8.3	1.5	6.8	0.8	0.2	0.3	0.5	18.3
1987	8.9	1.9	6.9	0.7	0.2	0.3	0.4	19.4
1988	8.4	2.0	7.0	0.7	0.2	0.3	0.4	19.0
1989	8.7	2.0	7.0	0.7	0.2	0.3	0.4	19.2
1990*	9.0	1.9	7.1	0.7	0.2	0.3	0.5	19.6
1991*	9.1	1.9	7.1	0.6	0.2	0.3	0.4	19.6
1992*	9.1	1.9	7.1	0.5	0.2	0.3	0.4	19.5
1993*	9.1	1.8	7.1	0.5	0.2	0.3	0.4	19.4
1994*	9.1	1.8	7.1	0.5	0.2	0.3	0.4	19.3
1995*	9.1	1.8	7.0	0.5	0.2	0.3	0.4	19.3

*CBO baseline estimates, January 1990.

Source: The Office of Management and Budget, the U.S. Treasury, and the Congressional Budget Office

F.1 SPENDING BY MAJOR CATEGORY
 FY 1962 - FY 1995
 (IN BILLIONS OF DOLLARS)

	National Defense	Entitlements & Other Mandatory Spending	Nondefense Discretionary Spending	Net Interest	Offsetting Receipts	Total Outlays
1962	52.3	30.7	23.9	6.9	-7.0	106.8
1963	53.4	33.2	25.1	7.7	-8.1	111.3
1964	54.8	34.4	29.0	8.2	-7.8	118.5
1965	50.6	34.7	32.3	8.6	-8.0	118.2
1966	58.1	37.5	38.1	9.4	-8.5	134.5
1967	71.4	45.3	40.8	10.3	-10.3	157.5
1968	81.9	52.3	43.6	11.1	-10.8	178.1
1969	82.5	58.5	41.1	12.7	-11.1	183.6
1970	81.7	66.2	45.0	14.4	-11.6	195.6
1971	78.9	80.6	50.1	14.8	-14.2	210.2
1972	79.2	94.2	56.1	15.5	-14.2	230.7
1973	76.7	110.2	59.6	17.3	-18.1	245.7
1974	79.3	124.4	65.4	21.4	-21.3	269.4
1975	86.5	156.4	84.7	23.2	-18.5	332.3
1976	89.6	182.8	92.4	26.7	-19.7	371.8
1977	97.2	196.5	107.2	29.9	-21.6	409.2
1978	104.5	216.3	125.5	35.4	-23.0	458.7
1979	116.3	234.2	136.3	42.6	-26.1	503.5
1980	134.0	277.2	157.6	52.5	-30.3	590.9
1981	157.5	320.4	170.8	68.7	-39.2	678.2
1982	185.3	356.0	156.6	85.0	-37.2	745.7
1983	209.9	398.8	156.0	89.8	-46.1	808.3
1984	227.4	394.7	163.9	111.1	-45.3	851.8
1985	252.7	437.3	174.9	129.4	-48.0	946.3
1986	273.4	454.8	173.2	136.0	-47.0	990.3
1987	282.0	472.4	165.1	138.6	-54.2	1003.8
1988	290.4	502.7	177.2	151.7	-58.0	1064.0
1989	303.5	543.6	191.0	168.9	-64.2	1142.9
1990*	297.0	584.0	205.0	180.0	-60.0	1205.0
1991*	307.0	624.0	219.0	185.0	-60.0	1275.0
1992*	318.0	664.0	229.0	192.0	-63.0	1339.0
1993*	328.0	718.0	237.0	199.0	-65.0	1418.0
1994*	345.0	758.0	245.0	205.0	-69.0	1484.0
1995*	355.0	809.0	254.0	209.0	-72.0	1555.0

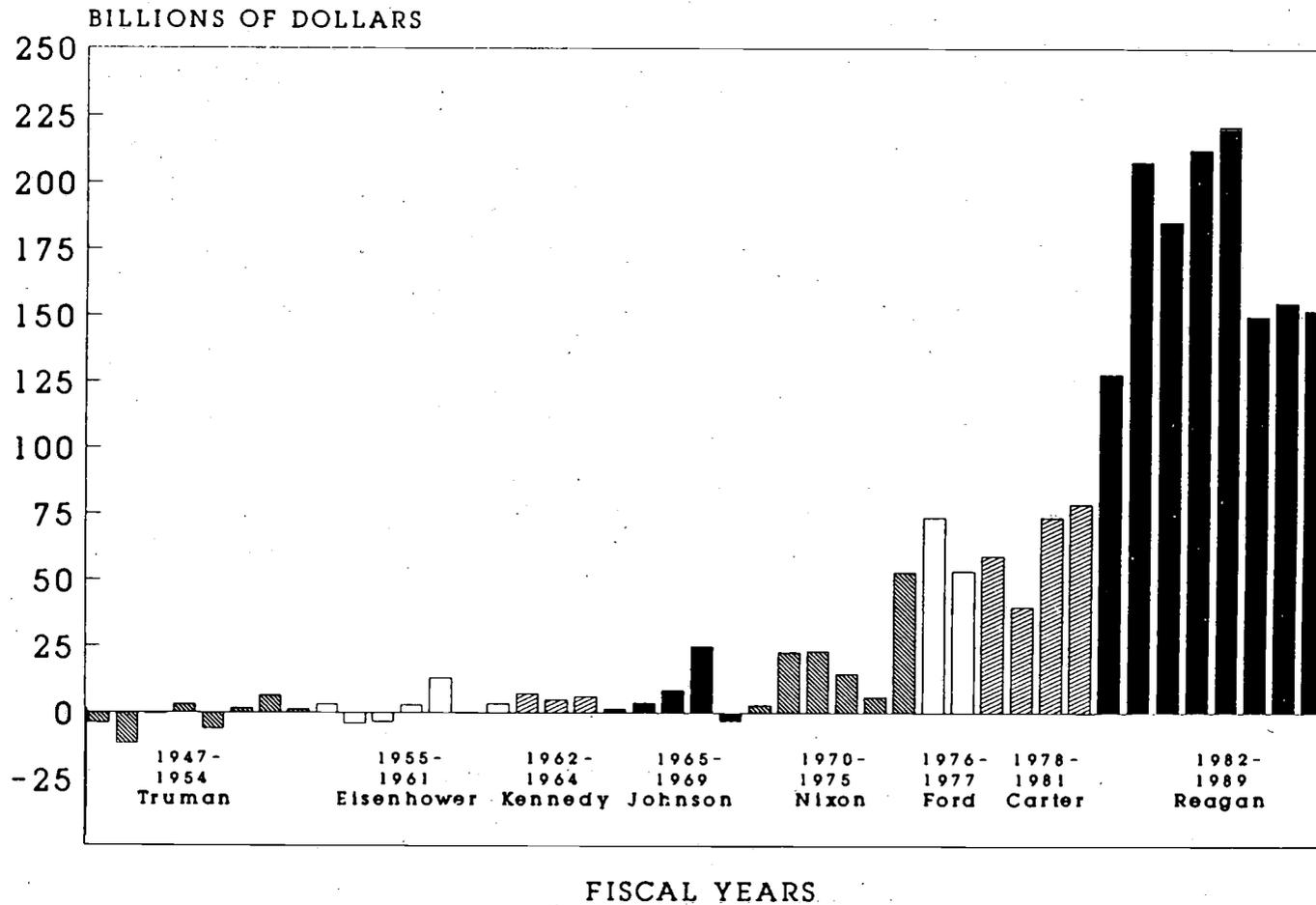
* CBO Preliminary Baseline.

F.2 SPENDING BY MAJOR CATEGORY
 FY 1962 - FY 1995
 (AS A PERCENT OF GNP)

	National Defense	Entitlements & Other Mandatory Spending	Nondefense Discretionary Spending	Net Interest	Offsetting Receipts	Total Outlays
1962	9.4	5.5	4.3	1.2	-1.3	19.2
1963	9.1	5.7	4.3	1.3	-1.4	18.9
1964	8.7	5.5	4.6	1.3	-1.2	18.8
1965	7.5	5.2	4.8	1.3	-1.2	17.6
1966	7.9	5.1	5.2	1.3	-1.2	18.2
1967	9.0	5.7	5.1	1.3	-1.3	19.8
1968	9.6	6.2	5.1	1.3	-1.3	21.0
1969	8.9	6.3	4.4	1.4	-1.2	19.8
1970	8.2	6.7	4.5	1.5	-1.2	19.8
1971	7.5	7.6	4.7	1.4	-1.3	19.9
1972	6.9	8.2	4.9	1.3	-1.2	20.0
1973	6.0	8.6	4.7	1.4	-1.4	19.2
1974	5.6	8.8	4.6	1.5	-1.5	19.0
1975	5.7	10.3	5.6	1.5	-1.2	21.8
1976	5.3	10.8	5.4	1.6	-1.2	21.9
1977	5.0	10.2	5.5	1.5	-1.1	21.2
1978	4.8	10.0	5.8	1.6	-1.1	21.1
1979	4.8	9.6	5.6	1.7	-1.1	20.6
1980	5.0	10.4	5.9	2.0	-1.1	22.1
1981	5.3	10.7	5.7	2.3	-1.3	22.7
1982	5.9	11.3	5.0	2.7	-1.2	23.8
1983	6.3	12.0	4.7	2.7	-1.4	24.3
1984	6.2	10.7	4.4	3.0	-1.2	23.1
1985	6.4	11.1	4.4	3.3	-1.2	23.9
1986	6.5	10.9	4.1	3.3	-1.1	23.7
1987	6.4	10.7	3.7	3.1	-1.2	22.7
1988	6.1	10.5	3.7	3.2	-1.2	22.2
1989	5.9	10.6	3.7	3.3	-1.2	22.2
1990*	5.4	10.7	3.8	3.3	-1.1	22.1
1991*	5.3	10.8	3.8	3.2	-1.0	22.0
1992*	5.1	10.7	3.7	3.1	-1.0	21.7
1993*	5.0	10.9	3.6	3.0	-1.0	21.5
1994*	4.9	10.8	3.5	2.9	-1.0	21.2
1995*	4.8	10.8	3.4	2.8	-1.0	20.8

* CBO Preliminary Baseline.

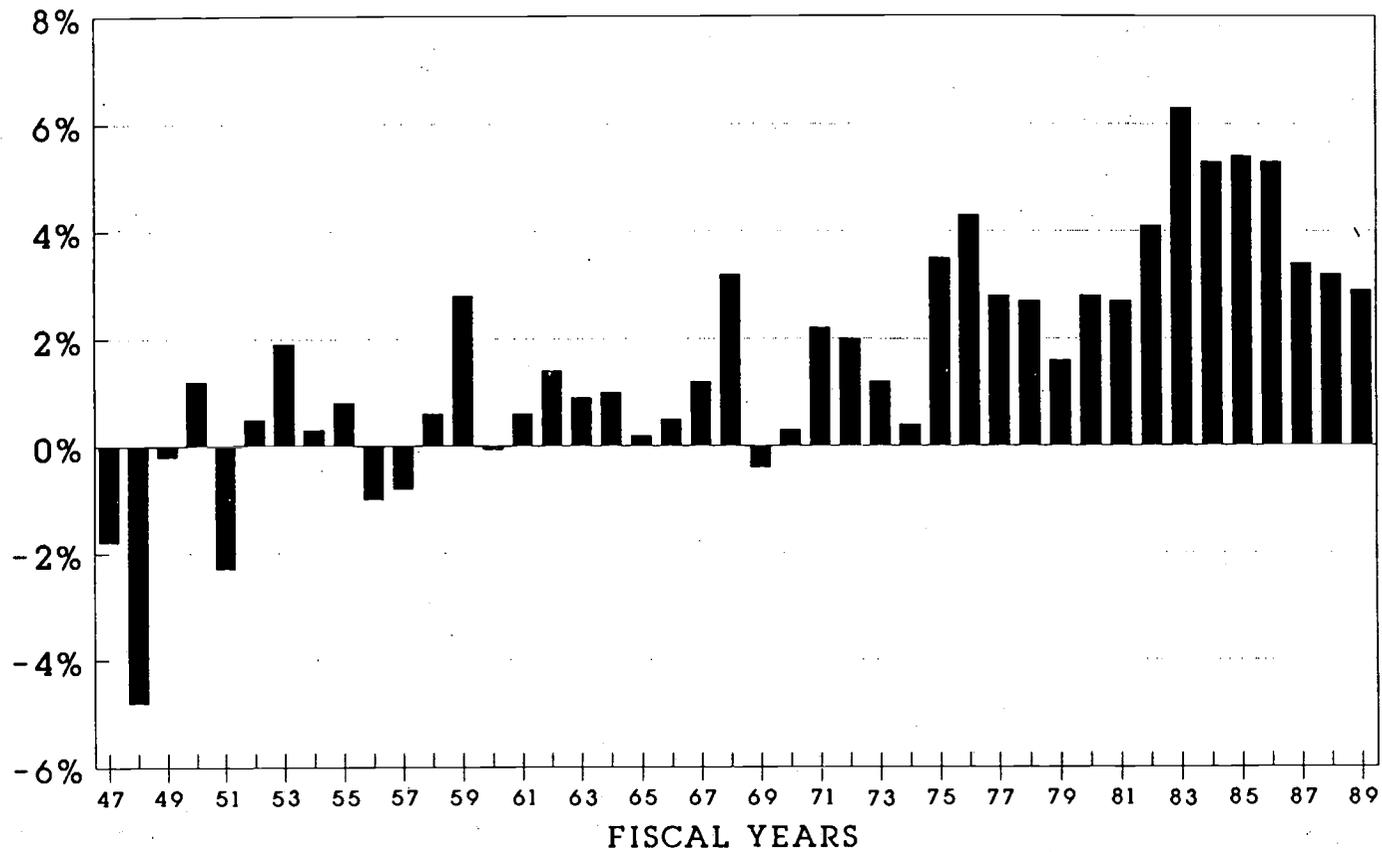
FEDERAL BUDGET DEFICITS: 1947-1989



Negative values indicate surpluses

FEDERAL BUDGET DEFICITS: 1947-1989

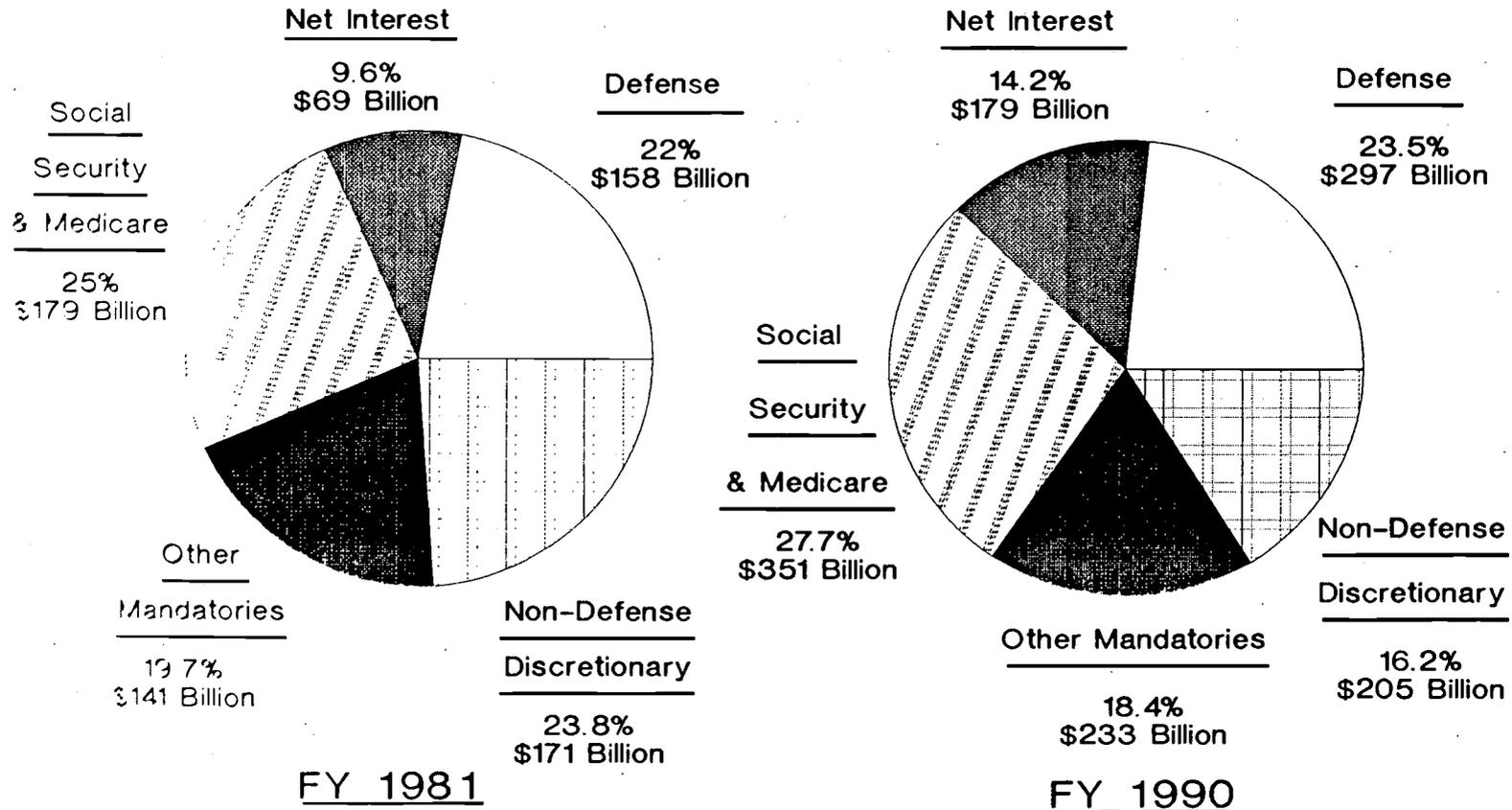
PERCENT OF GNP



Negative values indicate surpluses

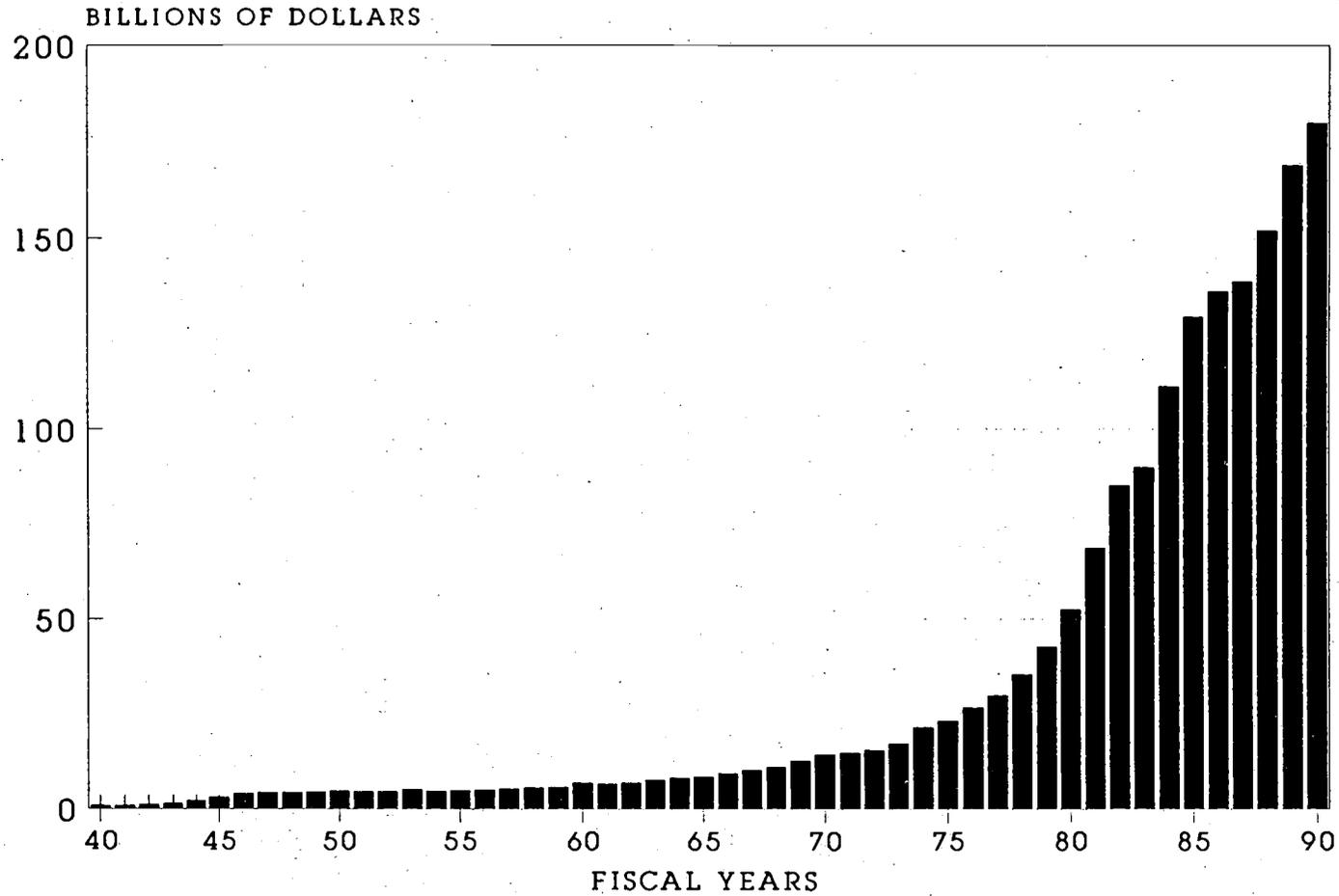
CHANGING BUDGET PRIORITIES IN THE 1980'S

MAJOR SPENDING CATEGORIES AS A PERCENT OF TOTAL SPENDING*



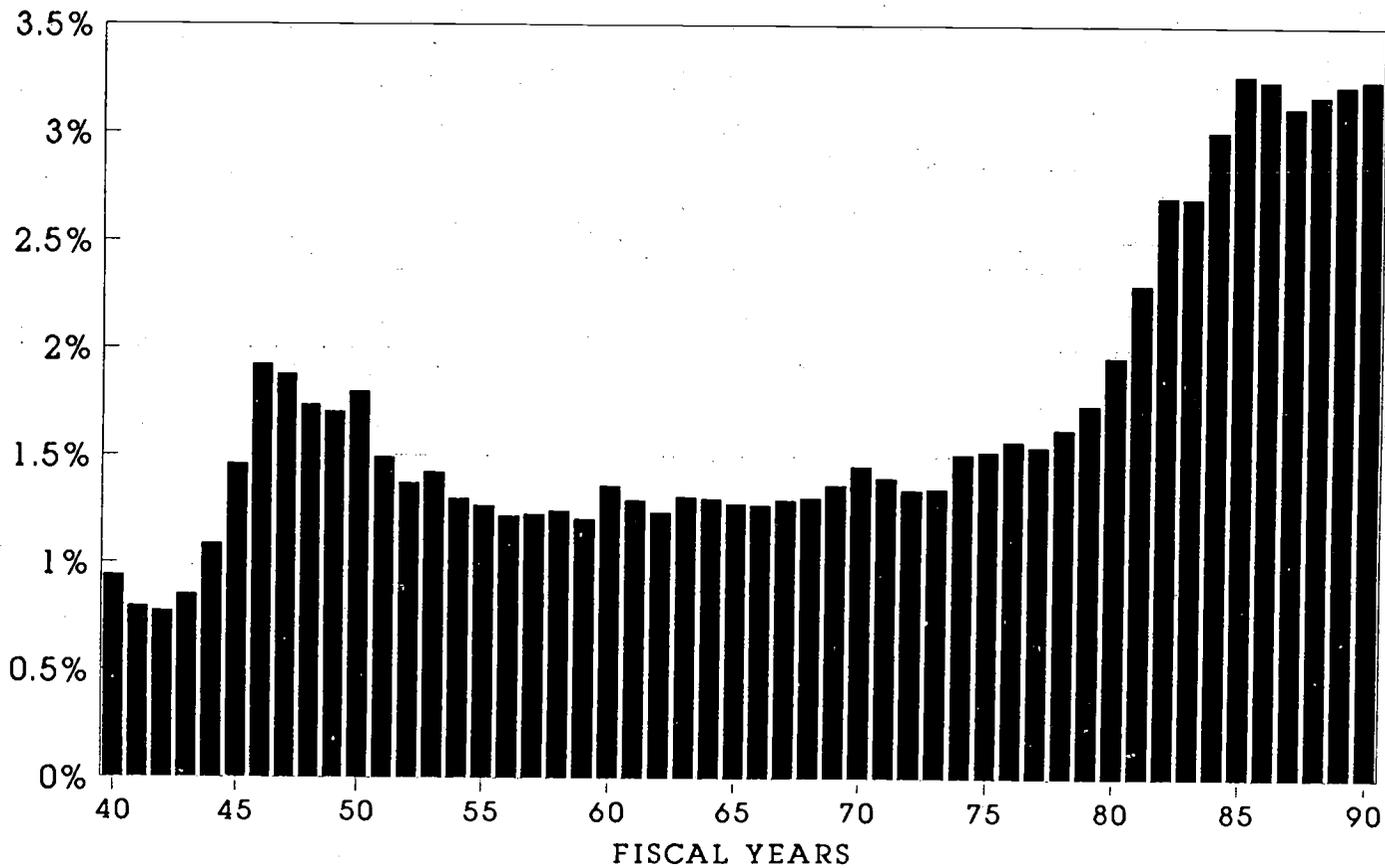
* Excludes outlays, excluding offsetting receipts; figures reflect 1990 revised categorization.

NET INTEREST PAYMENTS



1990: CBO JANUARY BASELINE

NET INTEREST PAYMENTS AS A PERCENT OF GNP



1990: CBO JANUARY BASELINE

101ST CONGRESS }
2d Session }

COMMITTEE PRINT

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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

BACKGROUND MATERIALS ON FEDERAL BUDGET
AND TAX POLICY FOR FISCAL YEAR 1991 AND
BEYOND

Prepared for Hearings to be Held on February 6, 1990



FEBRUARY 6, 1990

Prepared for the use of the Committee on Ways and Means by its staff

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PART 1—BUDGET AND TAX TABLES

DESCRIPTION OF TABLES

OVERVIEW

The following tables and charts are compiled from a variety of Congressional Budget Office (CBO) and Office of Management and Budget (OMB) publications as well as Departments of Treasury and Health and Human Resources documents. The first 10 tables present information on the changing progressivity of the Federal tax system. The next four tables (11–14) present data on the amount of revenue obtained from different kinds of Federal tax and data on the number of families paying more social security tax than income tax.

The next nine tables (15–23) present CBO baseline data on Federal expenditures, deficits, trust fund surpluses, and Federal debt. Table 24 presents information on net savings and investment flows. Table 25 presents average weekly earnings, median family income, and male and female median income of year-round, full-time workers.

The remaining tables present data relating to the administration's budget and revenue proposals.

THE CHANGING PROGRESSIVITY OF THE FEDERAL SYSTEM

These tables are based entirely upon two CBO studies: "The Changing Distribution of Federal Taxes: 1975–1990" issued in October, 1987 and "The Changing Distribution of Federal Taxes: A Closer Look at 1980" issued in July 1988. The reader is referred to those studies for greater detail about methodology. The tables presented here are unpublished tables which correspond to pages 86 and 87 in the CBO report titled "The Economic and Budget Outlook: Fiscal Years 1991–1995." These tables present effective tax rates, income and shares of tax burdens in much greater detail.

Study Methodology

In these CBO studies, combined Federal taxes include individual and corporate income taxes, social insurance payroll taxes, and excise taxes except for the windfall profit tax. Although Federal tax payments are made by persons, corporations, and noncorporate employers, the economic burden of all taxes ultimately rests with families and individuals. Economists speak of the reduction in family income or purchasing power as the incidence of a tax. The incidence of some taxes, particularly the corporate income tax, has not been estimated conclusively, and remains a controversial issue. The following incidence assumptions were used in the following tables.

- The individual income tax burden is attributed to the families who directly pay the tax. The study assumes no shifting of the tax among families.
- The social insurance payroll tax burden is allocated to employee compensation. The portion of the payroll tax collected from employers is assumed to be shifted back onto employees in the form of lower wages.

- Excise taxes are assumed to be passed forward to individual consumers in higher prices on goods subject to the tax.
- Although the corporate income tax is collected from corporations, families are assumed ultimately to bear its economic burden. Economists disagree, however, about who is affected by the corporate income tax, employees of the corporation or shareholders. The tables that follow assume that half of the corporate income tax is allocated to capital income and half to labor income. The method of allocation does not affect the main conclusions about how the distribution of the tax burden among income classes has changed over time.

These tables do not attempt to allocate the distributional effects of general government spending. In comparing the distribution of Federal taxes in different years, shifts in the distribution of general expenditures between those years are ignored. The CBO studies also separate the distribution effects of taxes from the effects of expenditures significantly related to those taxes. Social Security revenues are thus implicitly treated as independent of benefit payments.

Family income is measured on a cash receipt basis, a definition generally consistent with the measure of income used by the Federal tax system. Family income equals the sum of wages, salaries, self-employment income, and personal rents, interest, and dividends plus cash pension benefits and realized capital gains. Family income excludes accrued but unrealized capital gains, employer contributions to pension funds, in-kind government transfer payments, and other noncash income. Because income is measured before reductions for any Federal taxes, employer contributions for Federal social insurance and Federal corporate profits taxes are added to family income. Family incomes are put in constant dollars by the CPI-U price index.

Data Sources

Distributions of family income for 1977, 1980, 1985, and the projected distribution in 1990 are based on data from four sources. The primary source is the March Current Population Survey (CPS) for 1978, 1981, 1986, and 1988. The CPS is a monthly survey of approximately 60,000 families, conducted by the Bureau of the Census. Each March, the survey collects detailed information on family characteristics and family income in the previous calendar year. The reported data on income from taxable sources from the CPS files were adjusted for consistency with reported income from Statistics of Income (SOI) samples for calendar years 1977, 1980, 1985 and early data for 1987. The SOI is an extensive annual sample of actual individual income tax returns. Data on consumer expenditures were taken from the 1980/81, 1984, and 1985 Consumer Expenditure Survey (CES) Interview Surveys. The CES Interview Survey is a quarterly panel survey conducted by the Bureau of Labor Statistics. The survey collects detailed data on household expenditures over a 12-month period. The 1980/81 CES data were adjusted to 1977 levels by changes in per capita expenditures of certain types as reported in the National Income and Product Accounts. Each of the 1987 files was adjusted to 1990 using actual growth rates in population, income, and expenditures through 1988, and projected growth rates for 1989 and 1990.

Many people incur "paper losses" for tax purposes. In order to approximate better the economic income of families, rental losses and most partnership losses were not subtracted from family income. All losses of sole proprietorships were allowed.

Reported pre-tax family incomes were adjusted to include the amount of the employer share of the Social Security payroll tax, the unemployment insurance payroll tax, and the corporate income tax. The unemployment insurance payroll tax and the employer share of the Social Security payroll tax were allocated to the employee on whose behalf the taxes were paid.

Study Results

Federal taxes in 1990 will be less progressive than they were in either 1977 or 1980 but more progressive than in 1985. The distribution of taxes is progressive if the ratio of taxes to income rises as incomes rise; is regressive if the ratio falls as incomes rise; and is proportional if the ratio is the same at all income levels. In 1990, the effective tax rate for the one-fifth (quintile) of people in families with the highest incomes will be 25.8 percent, slightly less than in 1977 or 1980. The effective tax rates for people in the lowest three quintiles will be higher than they were in either 1977 or 1980.

Effective Federal tax rates—the percentage of family income paid in taxes—for people ranked in quintiles by their adjusted pretax family income are shown in Table 1. (Adjusted pretax income includes all cash income plus realized capital gains and is measured before all Federal taxes, including those collected from business but assumed to be borne by families.) People are assigned to quintiles based on family income divided by the poverty threshold for the appropriate family size. Twenty percent of the population are in each quintile for each year. They will represent a different percentage of families. Families include both families and single individuals. Tax rates for the lowest quintile were calculated excluding families with negative or zero incomes. The poverty thresholds depend on family size, the age of the householder, and the number of children. The average thresholds for various family types are shown in the table below.

POVERTY THRESHOLDS AND EQUIVALENCE VALUES FOR DIFFERENT FAMILY SIZES

Family size (persons)	1980	1985	1990	Equivalence value (one person = 1)
1, under 65	4,290	5,593	6,710	1.00
1, 65 or older	3,949	5,156	6,186	1.00
2, head under 65	5,537	7,231	8,677	1.28
2, head 65 or over	4,983	6,503	7,804	1.28
3	6,565	8,573	10,284	1.57
4	8,414	10,989	13,185	2.01
5	9,966	13,007	15,600	2.38
6	11,269	14,696	17,612	2.69

What has caused the Federal tax system to become less progressive than it was a decade ago? The individual income tax has not become significantly less progressive over the period, although it did become less progressive between 1977 and 1985. However, recent changes in tax law—especially the Tax Reform Act of 1986—will make the tax more progressive in 1990 than it was in 1985, restoring 1990 effective tax rates approximately to their 1977 levels.

The major factor in reducing the progressivity of Federal taxes is the increased reliance on social insurance payroll taxes. Because these taxes are levied only on earnings and only below a maximum amount, they are much less progressive than individual income taxes across most of the income distribution and, in fact, regressive in the upper part of the distribution. In 1990, 77 percent of families who pay social insurance payroll taxes will pay higher payroll taxes (counting both the employee and the employer portions) than Federal income taxes. In 1977, 58 percent of these families paid more in payroll taxes than in income taxes.

Table 1

Table 1 compares the total Federal effective tax rates for all families. In 1990, total Federal taxes are projected to be 9.7 percent of income for the lowest 20 percent of the population, while they are estimated to be 25.8 percent for the highest. From 1980 to 1990, the tax rate is estimated to rise by 16.1 percent for the lowest quintile. By contrast, it is expected to fall by 5.5 percent for the highest quintile.

Table 2

Table 2 compares the adjusted family income for all families, with income expressed as multiples of the poverty thresholds and percentage changes in real income adjusted for inflation. In 1990, average adjusted family income is estimated to be 84 percent of the poverty threshold for the lowest 20 percent of the population, while it is projected to be an average of 11.34 times poverty for the highest. From 1980 to 1990, real income is projected to fall by 3.2 percent for the lowest quintile. By contrast, it is expected to rise by 31.7 percent for the highest.

Chart 1 graphically depicts the percentage change from 1980 to 1990 in real income and Federal tax rates (Tables 1 and 2). For the lowest 20 percent of the population, real income fell by 3.2 percent; while the total Federal tax rate rose by 16.1 percent. By contrast, for the highest 20 percent of the population, real income rose by 31.7 percent, while the total Federal tax rate fell by 5.5 percent.

Table 3

Table 3 describes the Federal effective tax rates for different kinds of taxes for all families. In 1980, for the middle quintile in income of the population, the individual income tax rate was 8.1 percent of income. Overall, for the total U.S. population it was 12.3 percent. From 1980 to 1990, the tax rate for the middle group declined by 17.2 percent.

In 1980, for the middle quintile, the social insurance tax rate was 8.7 percent of income. Overall, for the total U.S. population it was 7.2 percent. From 1980 to 1990, the tax rate for the middle group rose by 23.3 percent.

Table 4

Table 4 presents data with respect to total Federal effective tax rates by family type. In 1990, for families with children in the lowest 20 percent of

income of the total U.S. population, total Federal taxes are estimated to be 10.0 percent of income; 22.1 percent for the middle quintile, and 26.3 percent for the highest. From 1980 to 1990, the total Federal effective tax rate is expected to rise by 7.2 percent for families with children in the lowest quintile of the total U.S. population and by 2.5 percent for the middle quintile. By contrast, it is expected to fall by 2.9 percent for the highest quintile.

In 1990, for elderly households in the lowest 20 percent of income of the total U.S. population, total Federal taxes are estimated to be 2.7 percent of income; 7.9 percent for the middle quintile, and 21.9 percent for the highest. From 1980 to 1990, the total Federal effective tax rate is expected to fall by 25.3 percent for elderly households in the lowest quintile of the total U.S. population; by 6.3 percent for those in the middle quintile, and by 11.2 percent in the highest. Middle income elderly rates are considerably less than tax rates for the middle quintile for non-elderly families.

In 1990, for non-elderly households without children in the lowest 20 percent of income of the total U.S. population, total Federal taxes are expected to be 14.2 percent of income; 22.8 percent for the middle quintile, and 27.0 percent for the highest. From 1980 to 1990, the total Federal effective tax rate is expected to rise by 28.5 percent for non-elderly households without children in the lowest quintile of the total U.S. population, by 6.0 percent in the middle quintile, and to fall by 4.6 percent in the highest quintile.

In 1990, for all families in the lowest 20 percent in income of the total U.S. population, total Federal taxes are projected to be 9.7 percent of income; 20.3 percent for the middle quintile, and 25.8 percent for the highest. The reader is referred to Table 1 for these figures.

Table 5

Table 5 compares the share of total Federal taxes paid by all families, from lowest to highest quintiles. In 1990, families in the lowest 20 percent in income of the total U.S. population paid 1.6 percent of the total tax burden, while the highest quintile paid 58.1 percent. From 1980 to 1990, the tax burden of the lowest 20 percent in income of the total U.S. population remained the same, while it rose by 2.4 percentage points for the highest quintile. The increase in the share of the tax burden borne by the highest quintile results entirely from the fact that real incomes increased by a substantially larger amount (31.7 percent—see Table 2) than tax rates declined (5.5 percent—see Table 1).

Table 6

Table 6 describes shares of pre-tax income for all families, from lowest to highest quintiles. In 1980, families in the lowest 20 percent in income of the total U.S. population received 4.5 percent of total pre-tax income, while the highest quintile acquired 47.4 percent. From 1980 to 1990, pre-tax income of families in the lowest quintile dropped by .8 percentage points, while it rose by 4.4 percentage points for the highest quintile.

Table 7

Table 7 describes shares of after-tax income for all families, from lowest to highest quintiles. In 1980, families in the lowest 20 percent in income of the total U.S. population received 5.4 percent of total after-tax income, while the highest quintile acquired 44.8 percent. From 1980 to 1990, after-tax income of families in the lowest quintile dropped by 1.1 percentage points, while it rose by 5.1 percentage points for the highest quintile.

Chart 2 graphically depicts shares and changes in shares of after-tax income of all families, from 1980 to 1990 (refer to Table 7). The representation shows that growth in after-tax income for the highest 20 percent of the total U.S. population between 1980 and 1990 is more than the total income of the lowest quintile.

Table 8

Table 8 illustrates shares of tax burdens for different kinds of taxes for all families. In 1985, the lowest 20 percent in income of the total U.S. population paid zero percent of total individual income taxes, while the highest owed 68.1 percent.

Table 9

Table 9 illustrates the distribution of persons across the different quintiles for different family types. The lowest quintile excludes persons living in families with negative or zero income. These persons are, however, included in the totals. Overall the population is projected to increase by 10.9 percent from 1980 to 1990. Persons living in families with children will increase by 3.8 percent between 1980 and 1990, while persons in families with an elderly head (age 65 or over) will increase 22.8 percent and persons living in non-elderly families without children will increase by 20.6 percent.

The number of persons in the lowest quintile in income in elderly households actually declined by 10.3 percent. There was a substantial migration of these persons from the lowest and second quintiles to the top three quintiles.

Among persons living in families with children, there was a substantial migration into the lowest quintile and to a lesser extent the second and highest quintiles.

These percentage shifts in the composition of the quintiles are illustrated in the last four columns of Table 10.

Table 10

Table 10 presents income and demographic information for each quintile for 1990. The first column illustrates average pre-tax family income. The second column is the number of families in millions. The percentage composition of persons living in different types of households is illustrated in the following columns.

COMPARISON OF PAYROLL AND INDIVIDUAL INCOME TAXES

Table 11

The last two columns of Table 11 illustrate the percentage of families paying some taxes who pay larger social security taxes than income taxes. In 1990, this percentage will be 34.4 percent, if only the employee portion of the social security tax is counted. This percentage increases to 69.4 percent, if both the employer and employee portions of the social security tax are counted.

Table 12

Table 12 illustrates estimates of the number of families paying no tax, paying income tax only, or payroll tax only. In addition, for those families paying both payroll and income taxes, the table shows the number of families where the payroll tax is greater than the income tax. In one set of estimates (last two columns) only the employee share of the payroll tax is

counted. In the preceding two columns both the employer and employee shares are counted.

REVENUE TABLES

Table 13

Table 13 presents total Federal revenues in nominal dollars and as a percentage of GNP from fiscal years 1989 to 1995 in the January CBO baseline.

Table 14

Table 14 presents similar data to that in Table 13 for selected historical years.

BUDGET TABLES

Table 15

Table 15 compares CBO and OMB projections of baseline revenues, outlays and deficits. In general, these baseline projections assume that revenue and entitlement law are unchanged, that expiring provisions do indeed expire, and for discretionary programs it is assumed that the budget authority is increased to reflect inflation. For fiscal year 1991, CBO projects a baseline deficit of \$138 billion while OMB projects a deficit of \$101 billion, approximately \$37 billion less.

Without any change in law, OMB projects the deficit will fall and become a surplus of \$13 billion by 1995, while CBO projects a small decline in the deficit. The primary reason for these differences is the economic assumptions, primarily the interest rate assumption.

Table 16

Table 16 illustrates the trust fund surpluses in the January CBO baseline. In fiscal year 1991 the trust funds will have an annual surplus of \$136 billion. This will increase to \$185 billion by 1995. The rest of the budget will have a deficit of \$273 billion in fiscal year 1991 which will increase to \$303 billion by 1995.

Table 17

Table 17 shows CBO baseline outlay projections for major spending categories.

Table 18

Table 18 shows CBO baseline projections for entitlements and other mandatory spending categories.

Table 19

Table 19 shows CBO baseline estimates of Federal debt and interest costs.

Table 20

Table 20 presents rules of thumb which illustrate the impact on revenues, outlays, and deficit projections if the economic assumptions assumed in the baseline do not materialize. For example, the first panel illustrates that if real growth were 1 percent lower beginning in January 1990 the deficit projection for fiscal year 1991 would be \$26 billion higher. The fourth panel indicates a similar effect for a 1 percentage point increase in interest rates.

Thus, a 2 percentage point change in the interest rates compared to the baseline assumption would increase the deficit in fiscal year 1991 by \$22 billion.

Table 21

Table 21 illustrates the increase in spending if government expenditures in major categories had been increased for prices and population. This table blindly assumes that spending should stay the same in real per capita terms. The methodology does not take into account medical price increases different from inflation, it does not account for defense policy needs nor account for the fact that some programs serve populations growing faster than average. The price index chosen in this methodology is the GNP deflator. This table is primarily designed to illustrate which major spending programs are growing faster than prices and population and which categories are growing more slowly.

If 1980 is chosen as a base year, defense spending would have grown to \$282 billion in fiscal year 1995 compared to \$355 billion in the January CBO baseline. This is a difference of \$73 billion as illustrated in the last column of the table. Medicare spending under these assumptions would have increased to \$71 billion in 1995 compared to the CBO estimate of \$183 billion. Non-defense discretionary spending shows a completely different result. If expenditures had been adjusted for prices and population, non-defense discretionary spending would have been \$78 billion more than is projected in the CBO baseline for 1995. The bottom third of this table shows somewhat different results using 1985 as the base year.

Table 22

Table 22 shows CBO January baseline projections for programs within the jurisdiction of the Committee on Ways and Means.

Table 23

Table 23 presents outlays for major spending categories for selected years in nominal dollars and as a percent of Gross National Product (GNP).

SAVINGS AND INVESTMENT

Table 24

Table 24 presents net savings and investment flows as a percentage of GNP. This table shows that net domestic savings shortfalls (primarily a result of the Federal deficit and declines in net private domestic savings) have been met by capital inflows from abroad. These have grown from zero in 1982 to 3.2 percent in 1987 and have fallen to 1.5 percent in 1989.

MEDIAN INCOME

Table 25

Table 25 illustrates average weekly earnings, median income of male and female year-round full-time workers and median family income in constant dollar amounts. Median income of a full-time year-round male worker in 1988 is below each and every year in the 1970's.

ADMINISTRATION PROPOSALS

Table 26

Table 26 illustrates OMB estimates of deficit reduction proposals by major category. In 1991, the Administration proposes to decrease defense spending by \$3.2 billion relative to the GRH baseline. Non-defense discretionary spending is to be increased by \$1.0 billion, entitlements are to be reduced by \$13.9 billion, and revenues are to be increased by \$13.9 billion.

Table 27

Table 27 illustrates management, asset sales and non-recurring savings in the fiscal year 1991 budget.

Table 28

Table 28 compares the Administration budget proposals to sequestration assuming an OMB deficit projection of \$85 billion. Defense programs would receive a \$10.3 billion outlay reduction under sequestration compared to a \$3.2 billion decrease under the Administration budget proposals. Non-defense discretionary programs would receive a \$8.0 billion reduction under sequestration and a \$1.0 billion increase under the Administration budget proposals.

Table 29

Table 29 illustrates preliminary estimates by the Administration for budget proposals affecting programs within the jurisdiction of the Committee on Ways and Means. Medicare legislative proposals are projected to reduce outlays by \$5.5 billion in fiscal year 1991 increasing to \$15.2 billion by fiscal year 1995. The Administration also proposes to end the Trade Adjustment Program for a total savings of \$1.1 billion over the next five years.

Table 30

Table 30 illustrates revenue proposals within the jurisdiction of the Committee on Ways and Means.

TABLE 3. - FEDERAL EFFECTIVE TAX RATES FOR
DIFFERENT KINDS OF TAXES FOR ALL FAMILIES

	1977	1980	1985	1990	% Change 1980-90
INDIVIDUAL INCOME TAX					
Quintile					
Lowest	-0.6	-0.4	-0.1	-1.5	N
Second	3.5	4.5	4.0	3.5	-22.0
Third	7.0	8.1	6.8	6.7	-17.2
Fourth	9.6	11.0	9.2	9.0	-17.9
Highest	**16.0	17.1	14.4	15.6	-8.8
Top 10 %	18.1	18.9	15.8	17.3	-8.5
Top 5 %	20.1	20.7	17.2	18.9	-8.6
Overall	11.1	12.3	10.7	11.3	-8.4
SOCIAL INSURANCE TAX					
Quintile					
Lowest	5.3	5.4	6.9	7.6	41.1
Second	7.6	7.9	9.2	10.1	27.6
Third	8.1	8.7	9.8	10.7	23.3
Fourth	7.8	8.7	9.8	10.6	22.1
Highest	5.2	5.9	6.7	6.8	16.5
Top 10 %	4.1	4.7	5.5	5.5	16.2
Top 5 %	3.0	3.5	4.0	4.0	15.6
Overall	6.5	7.2	8.2	8.6	19.7
CORPORATE INCOME TAX					
Quintile					
Lowest	1.8	1.3	1.0	1.1	-15.1
Second	2.7	1.9	1.3	1.6	-15.7
Third	3.0	2.2	1.5	1.8	-17.1
Fourth	3.2	2.4	1.7	2.0	-17.1
Highest	5.0	3.7	2.4	2.8	-23.6
Top 10 %	5.8	4.2	2.6	3.1	-27.0
Top 5 %	6.8	4.9	2.9	3.3	-31.2
Overall	3.9	2.9	1.9	2.3	-19.1

TABLE 4. - TOTAL FEDERAL EFFECTIVE TAX RATES
BY FAMILY TYPE (by quintile)

	1977	1980	1985	1990	% Change 1980-90
For Families With Children					
Lowest **	10.2	9.4	11.9	10.0	7.2
Second	17.4	17.8	18.4	18.8	5.3
Third	20.7	21.6	21.3	22.1	2.5
Fourth	22.5	23.9	23.2	23.9	-0.3
Highest	26.8	27.1	24.2	26.3	-2.9
Overall	22.2	23.0	22.2	23.4	2.1
For Elderly Households					
Lowest	5.1	3.6	2.7	2.7	-25.3
Second	6.6	5.1	3.7	4.5	-12.1
Third	9.5	8.4	7.0	7.9	-6.3
Fourth	13.2	12.9	10.8	12.3	-4.7
Highest	23.5	24.6	20.8	21.9	-11.2
Overall	16.3	16.8	14.5	16.0	-4.9
For Non-Elderly Households Without Children					
Lowest	12.2	11.0	13.8	14.2	28.5
Second	17.1	17.9	18.8	19.8	10.7
Third	20.9	21.5	21.5	22.8	6.0
Fourth	23.3	24.4	23.4	24.4	0.1
Highest	28.2	28.3	25.0	27.0	-4.6
Overall	25.5	25.8	23.9	25.4	-1.4

Source: Congressional Budget Office (CBO) Tax Simulation Model

Note: Table reads for figure with double asterisk (**) that for families with children in the lowest 20 percent in income of the total population in 1977, total federal taxes were 10.2 percent of income.

TABLE 8.--SHARES OF TAX BURDENS FOR DIFFERENT
KINDS OF TAXES FOR ALL FAMILIES
(by quintile, in percent)

	1977	1980	1985	1990	Difference 1990-1980
INDIVIDUAL INCOME					
Lowest	-0.3	-0.2	0.0	-0.5	-0.3
Second	3.4	3.8	3.5	2.9	-0.9
Third	9.9	10.2	9.4	8.6	-1.6
Fourth	19.6	20.1	19.0	17.2	-2.9
Highest **	67.4	66.0	68.1	71.8	5.8
TOTAL	100.0	100.0	100.0	100.0	0.0
Top 10 %	50.1	48.8	51.5	56.1	7.3
Top 5 %	37.5	36.0	39.0	44.1	8.1
SOCIAL INSURANCE					
Lowest	4.0	3.4	3.2	3.3	-0.1
Second	12.4	11.5	10.7	10.8	-0.7
Third	19.5	18.8	17.8	17.9	-0.9
Fourth	27.0	27.2	26.5	26.5	-0.7
Highest	37.1	38.9	41.6	41.4	2.5
TOTAL	100.0	100.0	100.0	100.0	0.0
Top 10 %	19.3	20.9	23.2	23.4	2.5
Top 5 %	9.5	10.4	12.0	12.3	1.9
CORPORATE					
Lowest	2.3	2.1	1.9	1.8	-0.3
Second	7.3	6.8	6.4	6.3	-0.5
Third	12.0	11.7	11.5	11.1	-0.6
Fourth	18.4	18.8	18.7	18.4	-0.4
Highest	59.7	60.4	61.3	62.4	2.0
TOTAL	100.0	100.0	100.0	100.0	0.0
Top 10 %	45.8	46.2	46.6	48.1	1.9
Top 5 %	35.8	35.7	35.9	37.3	1.6

TABLE 9. - DISTRIBUTION OF PERSONS AMONG
DIFFERENT FAMILY TYPES (in millions)

	1977	1980	1990	% Change 1980-90
ALL FAMILIES				
Lowest *	40.6	42.1	47.3	12.5
Second	42.9	44.9	49.9	11.0
Third	42.9	45.0	49.9	10.8
Fourth	42.9	45.0	49.9	10.9
Highest	42.9	45.0	49.9	10.9
TOTAL	214.4	224.9	249.3	10.9
FAMILIES WITH CHILDREN				
Lowest *	27.6	28.5	31.9	12.0
Second **	30.0	29.9	31.8	6.1
Third	30.5	30.5	30.3	-0.9
Fourth	26.0	26.3	25.5	-3.1
Highest	17.1	17.3	18.6	7.9
TOTAL	132.5	134.2	139.3	3.8
ELDERLY HOUSEHOLDS				
Lowest *	6.3	6.6	6.0	-10.3
Second	5.5	6.5	7.2	11.5
Third	4.0	4.6	6.4	40.6
Fourth	3.9	4.3	6.6	55.8
Highest	5.1	5.5	7.5	37.0
TOTAL	24.9	27.6	33.9	22.8
NON-ELDERLY HOUSEHOLDS WITHOUT CHILDREN				
Lowest *	6.8	7.0	9.5	36.0
Second	7.4	8.5	10.9	28.0
Third	8.4	9.9	13.2	33.0
Fourth	13.0	14.4	17.7	23.0
Highest	20.7	22.2	23.7	6.7
TOTAL	57.0	63.1	76.1	20.6

Source: CBO Tax Simulation Model

Note: Table reads for figure with double asterisk (**) that the second quintile in income of the total population in 1977 contained 30.0 million persons living in families with children.

* Excludes persons living in families with negative or zero incomes. These persons are included in the totals.

TABLE 10. - INCOME AND DEMOGRAPHIC CHARACTERISTICS OF THE POPULATION FOR 1990

	Average Pre-Tax Family Income	Families (number in millions)	With Children (Percentage Composition of Persons By Family Type)	Elderly	Non-Elderly W/Out Children	Total
QUINTILE						
Lowest	\$7,725	20.3	67.4	12.7	20.1	100.0
Second	\$19,348	20.1	63.7	14.4	21.8	100.0
Third	\$30,964	19.7	60.7	12.8	26.5	100.0
Fourth	\$44,908	20.3	51.1	13.2	35.5	100.0
Highest	\$105,209	20.9	37.3	15.0	47.5	100.0
TOTAL	\$41,369	102.7	55.9	13.6	30.5	100.0
TOP 10%	\$144,832	10.7	N/A	N/A	N/A	N/A
TOP 5%	\$206,162	5.4	N/A	N/A	N/A	N/A

Source: Congressional Budget Office (CBO) Tax Simulation Model

Table 11. - Individual Income Taxes and Payroll Taxes
By Income Quintile

	Effective Tax Rates			Percentage of Families Paying Some Taxes Who Pay Larger Social Security Taxes than Income Taxes	
	All Federal Taxes	Individual Income Taxes	Social Insurance Payroll Taxes	Employee Share Only	Employee and Employer Share
1990					
All Families					
Lowest Quintile	9.7	-1.5	7.6	97.0	98.1
Second Quintile	16.7	3.5	10.1	68.4	90.5
Middle Quintile	20.3	6.7	10.7	27.2	79.4
Fourth Quintile	22.5	9.0	10.6	9.7	69.0
Highest Quintile	25.8	15.6	6.8	2.8	27.8
All Families	23.0	11.3	8.6	34.4	69.4
Families Paying Social Security Taxes					
Lowest Quintile	13.4	-2.3	11.8	97.9	99.1
Second Quintile	19.3	4.1	12.2	72.8	96.3
Middle Quintile	22.1	7.2	12.1	30.9	90.1
Fourth Quintile	23.8	9.3	11.7	11.0	78.7
Highest Quintile	26.5	15.8	7.6	3.2	31.7
All Families	24.4	11.7	9.7	38.0	76.6

1977					
All Families					
Lowest Quintile	9.5	-0.6	5.3	97.6	98.6
Second Quintile	15.6	3.5	7.6	60.0	91.9
Middle Quintile	19.6	7.0	8.1	17.1	71.7
Fourth Quintile	21.9	9.6	7.8	5.6	33.0
Highest Quintile	27.1	16.0	5.2	1.4	6.5
All Families	22.8	11.1	6.5	28.9	53.5
Families Paying Social Security Taxes					
Lowest Quintile	12.8	-0.9	8.7	98.8	99.8
Second Quintile	17.6	4.0	9.2	62.7	96.0
Middle Quintile	20.7	7.4	9.1	18.5	77.9
Fourth Quintile	22.7	9.9	8.6	6.3	36.7
Highest Quintile	27.5	16.3	5.7	1.5	7.2
All Families	23.9	11.6	7.4	31.2	57.8

SOURCE: Congressional Budget Office tax simulation models.

Table 12. - Comparison of Income Taxes and Payroll Taxes by Level of Family Income, 1990 (Number of families including single individuals, in thousands)

Family Income (in thousands)	All	No Taxes	Income Tax Only	Payroll Tax Only	Employer and Employee		Employee Only	
					Payroll Tax > Income Tax	Payroll Tax =< Income Tax	Payroll Tax > Income Tax	Payroll Tax =< Income Tax
Less than \$10	18,982	9,858	137	3,663	5,211	112	5,073	251
\$10-\$20	19,872	3,653	1,702	1,083	12,967	466	7,733	5,701
\$20-\$30	17,502	848	2,237	323	12,711	1,382	6,068	8,026
\$30-\$40	14,267	52	1,659	47	9,864	2,645	3,551	8,958
\$40-\$50	9,396	21	983	13	6,283	2,096	1,453	6,925
\$50-\$75	13,038	18	1,067	9	7,147	4,797	1,063	10,881
\$75-\$100	5,069	12	327	3	1,440	3,287	145	4,583
\$100 or more	4,573	0	317	5	394	3,856	61	4,189
All Incomes	102,697	14,463	8,429	5,146	56,017	18,642	25,146	49,513

Source: CBO tax simulation model

Table 13. - CBO BASELINE REVENUE PROJECTIONS BY SOURCE
(By fiscal year)

Major Source	Actual 1989	Base 1990	Projected				
			1991	1992	1993	1994	1995
In Billions of Dollars							
Individual Income	446	490	529	564	602	641	682
Corporate Income	103	102	111	116	120	126	134
Social Insurance	359	388	412	437	465	495	526
Excise	34	36	34	32	33	34	35
Estate and Gift	9	9	10	10	10	11	11
Customs Duties	16	17	18	19	21	22	24
Miscellaneous	<u>23</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>26</u>	<u>26</u>	<u>27</u>
Total	991	1,067	1,137	1,204	1,277	1,355	1,438
As a Percentage of GNP							
Individual Income	8.7	9.0	9.1	9.1	9.1	9.1	9.1
Corporate Income	2.0	1.9	1.9	1.9	1.8	1.8	1.8
Social Insurance	7.0	7.1	7.1	7.1	7.1	7.1	7.0
Excise	0.7	0.7	0.6	0.5	0.5	0.5	0.5
Estate and Gift	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Customs Duties	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Miscellaneous	<u>0.4</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
Total	19.2	19.6	19.6	19.5	19.4	19.3	19.3
SOURCE: Congressional Budget Office.							

Table 14. - FEDERAL REVENUES BY SOURCE, IN NOMINAL DOLLARS AND AS A PERCENTAGE OF GNP FOR FISCAL YEARS 1965, 1970, 1975, 1980, 1985, 1990, AND 1995

Revenue source by type of tax	1965	1970	1975	1980	1985	1990	1995
In nominal dollars (billions):							
Individual Income	48.8	90.4	122.4	244.1	334.5	490	682
Corporate Income	25.5	32.8	40.6	64.6	61.3	102	134
Social Insurance	22.2	44.4	84.5	157.8	265.2	388	526
Excise	14.6	15.7	16.6	24.3	36.0	36	35
Estate and Gift	2.7	3.6	4.6	6.4	6.4	9	11
Other	3.0	5.8	10.4	19.9	30.6	42	51
Total	116.8	192.8	279.1	517.1	734.1	1,067	1,438
As a percentage of GNP:							
Individual Income	7.2	9.1	8.0	9.1	8.5	9.0	9.1
Corporate Income	3.8	3.3	2.7	2.4	1.6	1.9	1.8
Social Insurance	3.3	4.5	5.5	5.9	6.7	7.1	7.0
Excise	2.2	1.6	1.1	0.9	0.9	0.7	0.5
Estate and Gift	0.4	0.4	0.3	0.2	0.2	0.2	0.2
Other	0.4	0.5	0.6	0.8	0.8	0.8	0.7
Total	17.3	19.5	18.3	19.4	18.6	19.6	19.3

Note: Columns may not add due to rounding.

Source: Congressional Budget Office, "The Economic and Budget Outlook: Fiscal Years 1991-95."

Table 15 -- CBO AND OMB BASELINE ESTIMATES (CURRENT SERVICES)
(fiscal year, in billions of dollars)

	1990	1991	1992	1993	1994	1995
Revenues						
CBO	1,067	1,137	1,204	1,277	1,355	1,438
OMB	1,073	1,156	1,235	1,324	1,402	1,481
Outlays						
CBO	1,205	1,275	1,339	1,415	1,485	1,555
OMB	1,195	1,257	1,308	1,363	1,415	1,468
Deficit						
CBO	138	138	135	141	130	118
OMB	122	101	73	39	13	(13)
CBO**	161	149	135	142	128	117
Deficit Targets	100	64	28	0	*	*
as a percentage of GNP						
Revenues - CBO	19.6	19.6	19.5	19.4	19.3	19.3
Outlays - CBO	22.1	22.0	21.7	21.5	21.2	20.0
CBO						
OMB						
Deficit - CBO	2.5	2.4	2.2	2.1	1.8	1.6

Note: Totals include Social Security, which is off-budget.

Sources: Congressional Budget Office; Office of Management and Budget.

() indicates surplus

* The Balanced Budget Act sequestration procedure and deficit targets expire at the end of fiscal year 1993.

** Deficit including Postal Service, Farm Credit System, Financial Assistance Corporation (FAC), Financing Corporation (FICO) and Resolution Corporation (REFCORP).

Table 16. - TRUST FUND SURPLUSES IN THE CBO BASELINE
(By fiscal year, in billions of dollars)

Trust Fund	1990	1991	1992	1993	1994	1995
Social Security	66	74	85	98	112	128
Medicare ^a	21	18	18	16	15	14
Military Retirement	13	14	14	15	15	15
Civilian Retirement ^b	20	20	22	22	24	25
Unemployment	7	5	4	4	3	3
Highway and Airport	3	1	c	c	-1	-1
Other ^d	3	2	2	2	2	1
Total Trust Fund Surplus	132	136	145	157	170	185
Federal Funds Deficit	-270	-273	-280	-297	-299	-303
Total Deficit	-138	-138	-135	-141	-130	-118

SOURCE: Congressional Budget Office.

- a. Hospital Insurance and Supplementary Medical Insurance.
- b. Includes Civil Service Retirement, Foreign Service Retirement, and several smaller funds.
- c. Less than \$500 million.
- d. Primarily Railroad Retirement, Employees' Health Insurance and Life Insurance, and Hazardous Substance Superfund.

Table 17. - CBO BASELINE OUTLAY PROJECTIONS FOR
MAJOR SPENDING CATEGORIES (By fiscal year)

Spending Category	Actual 1989	Base 1990	Projected				
			1991	1992	1993	1994	1995
In Billions of Dollars							
National Defense	304	297	307	318	328	345	355
Nondefense Discretionary Spending	191	205	219	229	237	245	254
Entitlements and Other							
Mandatory Spending	544	584	624	664	718	758	809
Net Interest	169	180	185	192	199	205	209
Offsetting Receipts	<u>-64</u>	<u>-60</u>	<u>-60</u>	<u>-63</u>	<u>-65</u>	<u>-69</u>	<u>-72</u>
Total	1,143	1,205	1,275	1,339	1,418	1,484	1,555
As a Percentage of GNP							
National Defense	5.9	5.4	5.3	5.1	5.0	4.9	4.8
Nondefense Discretionary Spending	3.7	3.8	3.8	3.7	3.6	3.5	3.4
Entitlements and Other							
Mandatory Spending	10.6	10.7	10.8	10.7	10.9	10.8	10.8
Net Interest	3.3	3.3	3.2	3.1	3.0	2.9	2.8
Offsetting Receipts	<u>-1.2</u>	<u>-1.1</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>
Total	22.2	22.1	22.0	21.7	21.5	21.2	20.8

SOURCE: Congressional Budget Office.

Table 18. - CBO BASELINE OUTLAY PROJECTIONS FOR ENTITLEMENTS AND OTHER MANDATORY SPENDING
(By fiscal year, in billions of dollars)

Category	Actual 1989	Base 1990	Projected				
			1991	1992	1993	1994	1995
Means-Tested Programs							
Medicaid	35	39	45	51	57	63	70
Food Stamps ^a	14	15	16	17	18	19	19
Supplemental Security Income	11	11	13	14	15	18	18
Family Support	11	12	13	14	15	15	16
Veterans' Pensions	4	4	4	4	4	4	4
Child Nutrition	5	5	5	6	6	6	6
Earned Income Tax Credit	4	4	4	5	5	5	5
Stafford Loans ^b	4	4	4	4	4	4	3
Other	1	2	2	2	2	3	3
Total, Means-Tested Programs	89	97	108	116	125	137	146
Non-Means-Tested Programs							
Social Security	230	247	263	280	298	316	335
Medicare	94	104	116	131	147	165	183
Subtotal	325	351	380	411	445	480	518
Other Retirement and Disability							
Federal civilian ^c	32	34	39	41	44	47	51
Military	20	22	23	24	26	27	29
Other	5	5	5	5	6	6	6
Subtotal	57	61	67	71	75	80	86
Unemployment Compensation	14	16	16	17	17	18	19
Other Programs							
Veterans' benefits ^d	15	14	15	15	15	17	16
Farm price supports	11	8	12	12	12	11	10
Deposit insurance	21	22	12	8	14	1	2
Social services	5	5	6	6	5	5	5
Other ^e	8	11	10	9	9	8	8
Subtotal	59	60	54	50	56	42	41
Total, Non-Means-Tested Programs	455	487	517	548	593	621	664
Total							
All Entitlements and Other Mandatory Spending	544	584	624	664	718	758	809

SOURCE: Congressional Budget Office.

NOTE: Spending for major benefit programs shown in this table includes benefits only. Outlays for administrative costs of most benefit programs are classified as nondefense discretionary spending, and Medicare premium collections as offsetting receipts.

- a. Includes nutrition assistance to Puerto Rico.
- b. Formerly known as Guaranteed Student Loans.
- c. Includes Civil Service, Foreign Service, Coast Guard, and other retirement programs, and annuitants' health benefits.
- d. Includes veterans' compensation, readjustment benefits, life insurance, and housing programs.
- e. Excludes Postal Service outlays after 1989.

Table 19. - FEDERAL DEBT AND INTEREST COSTS
IN THE CBO BASELINE (By fiscal year)

	Actual	Projected					
	1989	1990	1991	1992	1993	1994	1995
Net Interest Outlays (In billions of dollars)							
Interest on Public Debt (Gross interest) ^a	241	260	272	287	304	320	334
Interest Received by Trust Funds							
Social Security	-11	-16	-22	-27	-34	-42	-50
Other trust funds ^b	<u>-41</u>	<u>-46</u>	<u>-49</u>	<u>-52</u>	<u>-55</u>	<u>-58</u>	<u>-61</u>
Subtotal	-52	-63	-71	-79	-89	-100	-111
Other Interest ^c	-20	-18	-17	-16	-15	-15	-15
Total, Net Interest Outlays	169	180	185	192	199	205	209
Federal Debt, End of Year (In billions of dollars)							
Gross Federal Debt	2,866	3,131	3,403	3,681	3,979	4,279	4,584
Less: Debt Held by Government Accounts							
Social Security	157	223	297	383	481	593	721
Other government accounts ^b	<u>520</u>	<u>584</u>	<u>646</u>	<u>705</u>	<u>764</u>	<u>824</u>	<u>884</u>
Subtotal	677	807	943	1,088	1,245	1,417	1,605
Equals: Debt Held by the Public	2,189	2,324	2,460	2,593	2,734	2,862	2,979
Debt Subject to Limit	2,830	3,084	3,351	3,633	3,937	4,241	4,547
Federal Debt as a Percentage of GNP							
Debt Held by the Public	42.5	42.6	42.4	42.0	41.5	40.8	39.9

SOURCE: Congressional Budget Office.

- a. Excludes interest costs of debt issued by agencies other than Treasury (primarily deposit insurance agencies).
- b. Principally Civil Service Retirement, Military Retirement, Medicare, Unemployment Insurance, the Highway, and the Airport and Airway Trust Funds.
- c. Primarily interest on loans.

Table 21. COMPARISON OF CBO BASELINE PROJECTIONS TO 1980 AND 1985 SPENDING ADJUSTED FOR POPULATION AND PRICES (by fiscal year, in billions)

	--CBO Baseline Projections--			
	1980	1985	1990	1995
National Defense	134.0	252.7	297.0	355.0
Social Security	117.1	186.5	247.0	335.0
Medicare	33.9	69.8	104.0	183.0
Medicaid	14.0	22.7	39.0	70.0
AFDC, SSI, Food Stamps*	21.8	30.4	38.0	53.0
Other Entitlements	90.4	127.9	155.9	168.4
Non-defense Discretionary	157.6	174.9	205.0	254.0
Net Interest	52.5	129.4	180.0	209.0
Offsetting Receipts	-30.3	-48.0	-60.0	-72.0
Total	591.0	946.3	1205.9	1555.4

Increases In Spending Only If Price And Population Adjustments Since 1980				
	Diff. From		Diff. From	
	1990 Baseline	1995 Baseline	1990 Baseline	1995 Baseline
National Defense	223.7	73.3	282.2	72.8
Social Security	195.4	51.6	246.6	88.4
Medicare	56.6	47.4	71.4	111.6
Medicaid	23.4	15.6	29.5	40.5
AFDC, SSI, Food Stamps*	36.4	1.6	45.9	7.1
Other Entitlements	150.9	5.0	190.4	-22.0
Non-defense Discretionary	263.0	-58.0	331.9	-77.9
Net Interest	87.6	92.4	110.6	98.4
Offsetting Receipts	-50.6	-9.4	-63.8	-8.2
Total	986.4	219.5	1244.5	310.9

Increases In Spending Only If Price And Population Adjustments Since 1985				
	Diff. From		Diff. From	
	1990 Baseline	1995 Baseline	1990 Baseline	1995 Baseline
National Defense	309.4	-12.4	390.3	-35.3
Social Security	228.3	18.7	288.1	46.9
Medicare	85.5	18.5	107.9	75.2
Medicaid	27.8	11.2	35.1	34.9
AFDC, SSI, Food Stamps*	37.2	0.8	47.0	6.0
Other Entitlements	156.6	-0.7	197.6	-29.2
Non-defense Discretionary	214.1	-9.1	270.2	-16.2
Net Interest	158.4	21.6	199.9	9.1
Offsetting Receipts	-58.8	-1.2	-74.1	2.1
Total	1158.6	47.3	1461.7	93.7

Source: Committee staff based on 1995 CBO projections.

* Includes nutrition assistance to Puerto Rico and child support enforcement outlays.

Table 22. - CBO Baseline Projections for Programs within the Jurisdiction of the Committee on Ways and Means for Fiscal Years 1989-95 (By fiscal year in billions of dollars)

	1989 Actual	1990	1991	1992	1993	1994	1995
Social Security	230.4	246.6	263.5	280.2	297.9	315.9	334.9
OASI	207.7	222.5	237.8	253.0	268.9	285.2	302.1
DI	22.7	24.1	25.6	27.2	28.9	30.8	32.8
Medicare	94.4	103.9	116.3	130.9	147.1	164.5	183.4
HI	57.5	62.4	67.5	74.7	82.7	90.9	99.4
SMI	36.9	41.5	48.8	56.2	64.4	73.6	84.0
Trade Adjustment Unemployment Ins.	0.2 14.0	0.2 15.9	0.2 16.1	0.2 16.6	0.2 17.3	0.2 17.8	0.2 18.4
Family Support	11.2	12.3	13.5	14.2	14.8	15.3	16.1
EITC - Outlays	4.0	4.1	4.3	4.6	4.8	4.9	5.2
SSI	11.5	11.3	13.3	14.2	15.3	17.7	17.6
Title XX - Soc Services	2.7	2.8	2.8	2.8	2.8	2.8	2.8
Child Welfare	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Foster Care & Adoption Asst.	1.3	1.7	2.1	2.3	2.5	2.8	3.2
SMI Premium	11.6	11.6	11.9	12.6	13.4	14.2	15.0
Total	381.3	410.8	444.3	478.9	516.2	556.6	597.2

OASI and DI numbers are the account entitlements minus normalized transfers. Actuals include benefits, demonstration projects, vocational rehabilitation, railroad and treasury administration. SMI and HI numbers are entitlement account totals. Actuals include benefits, PROs, Treasury administration and transfers to RRB, OPM and PHS.

Unemployment Insurance equals trust fund entitlement less repayable advances.

Family Support sums family support payments and AFDC work programs.

SSI estimates include only the entitlement portion of the account. Child Welfare calculated by inflating the fiscal year 1990 appropriation.

Source: CBO

Table 23. - OUTLAYS FOR MAJOR SPENDING CATEGORIES FOR SELECTED YEARS
IN NOMINAL DOLLARS, AND AS A PERCENT OF GNP
(by fiscal year)

	1965	1970	1975	1980	1985	1990	1995
	in nominal dollars (billions)						
National Defense	50.6	81.7	86.5	134.0	252.7	297	355
Social Security	17.1	29.4	63.1	117.1	186.5	247	335
Medicare	xxx	6.8	14.1	33.9	69.8	104	183
Medicaid	0.3	2.7	6.8	14.0	22.7	39	70
AFDC, SSI, Food Stamps	xxx	6.5	14.5	22.8	31.3	38	53
Other Entitlements	17.1	20.8	57.3	90.4	127.5	156	168
Non-defense Discretionary	32.5	45.1	85.3	156.6	175.8	205	254
Net Interest	8.6	14.4	23.2	52.5	129.4	180	209
Offsetting Receipts	-8.0	-11.6	-18.5	-30.3	-49.5	-60	-72
Total	118.2	195.6	332.3	509.9	946.2	1205	1555
Memo: GNP	672.6	990.2	1522.5	2670.6	3943.6	5456	7462
	as a percent of GNP						
National Defense	7.5	8.3	5.7	5.0	6.4	5.4	4.8
Social Security	2.5	3.0	4.1	4.4	4.7	4.5	4.5
Medicare	xxx	0.7	0.9	1.3	1.8	1.9	2.5
Medicaid	0.0	0.3	0.4	0.5	0.6	0.7	0.9
AFDC, SSI, Food Stamps	xxx	0.7	1.0	0.9	0.8	0.7	0.7
Other Entitlements	2.5	2.1	3.8	3.4	3.2	2.9	2.3
Non-defense Discretionary	4.8	4.6	5.6	5.9	4.5	3.8	3.4
Net Interest	1.3	1.5	1.5	2.0	3.3	3.3	2.8
Offsetting Receipts	-1.2	-1.2	-1.2	-1.1	-1.3	-1.1	-1.0
Total	17.6	19.8	21.8	19.1	24.0	22.1	20.8
Memo: Social Security, Medicare and Medicaid	2.6	3.9	5.5	6.2	7.1	7.1	7.9

Source: Congressional Budget Office

TABLE 26. - ADMINISTRATION'S FISCAL YEAR 1991 MAJOR POLICY INITIATIVES
(by fiscal year, in billions of dollars)

	1991	1992	1993	1994	1995	1991-1995
Defense	-3.2	-8.9	-16.7	-24.9	-33.9	-87.6
Non-defense Discretionary	1.0	1.7	0.1	-1.1	-3.7	-2.0
Entitlement Savings Medicare	-13.9 (-5.5)	-20.1 (-8.2)	-24.3 (-10.3)	-28.4 (-12.6)	-32.5 (-15.2)	-119.2 (-51.8)
Increased Taxes	-13.9	-11.4	-4.1	-6.7	-5.6	-41.7
User Fees	-5.6	-3.8	-5.2	-3.4	-4.9	-22.9
Asset Sales	-1.6	-1.4	-1.5	-1.4	-1.4	-7.3
Undistributed Offsetting Receipts	-0.6	-0.5	-0.5	-0.7	-0.4	-2.7
TOTAL--Policy Changes	-37.8	-44.4	-52.2	-66.6	-82.4	-279.4
Net Interest	-1.3	-4.1	-6.9	-10.7	-15.0	-38.0
TOTAL DEFICIT REDUCTION	-39.1	-48.5	-59.1	-77.3	-97.4	-317.4
Memorandum						
Defense as a % of Total	8.2	18.4	28.3	32.2	34.8	27.6
Medicare as a % of Total	14.6	18.5	19.7	18.9	18.4	18.5

Source: OMB, Baseline assumes an adjusted GRH

TABLE 29. - MAJOR SPENDING REDUCTIONS WITHIN THE JURISDICTION
OF THE COMMITTEE ON WAYS AND MEANS
(by fiscal year, in billions)

	1991	1992	1993	1994	TOTAL	
					1995	1991-1995
SPENDING						
AFDC	*	*	*	*	*	-0.2
Foster Care	-0.1	-0.3	-0.5	-0.7	-0.8	-2.4
Medicare						
Hospital						
Capital	-1.6	-2.0	-2.2	-2.4	-2.6	-10.8
Education Proposals	-1.3	-1.5	-1.7	-1.8	-2.0	-8.2
PPS Update	-0.6	-0.8	-0.9	-0.9	-1	-4.3
Outpatient Reforms	-0.7	-0.9	-1.1	-1.2	-1.4	-5.3
TOTAL--Hospital	-4.2	-5.3	-5.8	-6.3	-7.0	-28.5
Physicians	-1.1	-1.9	-2.3	-2.6	-3.0	-10.9
DME-Proposals	-0.3	-0.4	-0.5	-0.5	-0.6	-2.2
Clinical Labs	*	-0.1	-0.1	-0.2	-0.2	-0.6
Increase Part B Prem.	0	-0.7	-1.8	-3.1	-4.8	-10.4
Other	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
HMO Payments	-0.2	-0.3	-0.3	-0.3	-0.3	-1.3
TOTAL--Medicare	-5.5	-8.2	-10.3	-12.6	-15.2	-51.8
Social Security	*	*	*	*	*	-0.1
SSI	*	-0.1	-0.2	-0.2	-0.2	-0.7
End Trade Adjustment	-0.1	-0.2	-0.2	-0.2	-0.2	-1.1
Use IRS for Veteran's Income Eligibility	-0.1	-0.2	-0.2	-0.2	-0.2	-0.9
GRAND TOTAL--Spending	-5.9	-9.0	-11.4	-13.9	-16.6	-57.0

Source: OMB

TABLE 30. - MAJOR REVENUE INCREASES WITHIN THE JURISDICTION
OF THE COMMITTEE ON WAYS AND MEANS (by fiscal year, in billions)

	1991	1992	1993	1994	1995	TOTAL 1991-1995
REVENUES						
Capital Gains Reduction	4.9	2.8	1.2	1.7	1.4	12.0
Speedup of Taxes	1.0	2.2	-3.1	0.0	0.0	0.1
Revenue Increases						
OASDI And HI Coverage To State And Local Emp.	3.8	3.9	4.0	4.2	4.3	20.2
Airport and Airway Trust Fund *	0.5	0.8	0.9	0.9	1.0	4.1
Extend Telephone Excise Tax	1.5	2.5	2.7	2.9	3.1	12.7
Other	0.9	1.2	1.2	1.1	1.1	5.5
Total	6.7	8.4	8.8	9.1	9.5	42.5
Revenue Losers						
IRA Proposals	-0.2	-0.7	-1.1	-1.4	-1.7	-5.1
R&E Proposals	-0.9	-1.6	-1.9	-2.1	-2.5	-9.0
Energy Tax Incentives	-0.3	-0.4	-0.4	-0.5	-0.5	-2.1
Enterprise Zone Tax Incentives	-0.1	-0.2	-0.3	-0.5	-0.8	-1.9
Child Care Tax Credits	-0.2	-1.8	-2.0	-2.2	-2.3	-8.5
Low Income Housing Cr.	-0.1	-0.3	-0.4	-0.4	-0.4	-1.6
Ext. of Health Insur. For Self-Employed	-0.2	-0.4	-0.5	-0.5	-0.6	-2.2
Total	-2.0	-5.4	-6.6	-7.6	-8.8	-30.4
TOTAL--Revenues	10.6	8.0	0.3	3.2	2.1	24.2
Custom Service User Fees	0.8	0.8	0.8	0.9	0.9	4.2
Total--Rev. and User Fees	11.4	8.8	1.1	4.1	3.0	28.4
GRAND TOTAL--DEFICIT REDUCTION (inc. spending)	17.3	17.8	12.5	18.0	19.6	85.2

* Only additional taxes are shown here. The extension of the basic airport taxes and permanent suspension of the trigger are assumed in the baseline.

** Not all the user fee proposals within the jurisdiction of the Committee may be reflected here.

Source: OMB and Treasury

**PART 2—DESCRIPTION OF PROPOSALS AFFECTING
PROGRAMS WITHIN THE JURISDICTION OF THE
COMMITTEE ON WAYS AND MEANS**

MEDICARE

21. Part B Premium

Current law and background

From 1984 through 1990, the Part B premium has been set at 25 percent of program costs for the elderly and adjusted for interest income to provide for an appropriate contingency margin. The remaining 75 percent is covered by general revenues. In 1991, however, the method for calculating the premium will revert to the formula used prior to 1984. Namely, increases in the Part B premium will be limited by the Social Security cost-of-living adjustment (COLA).

Description of proposal

The budget proposes to set a floor on the rate increase each year, beginning in calendar year 1991, at a level that would be necessary to finance 25 percent of the program.

SUPPLEMENTAL SECURITY INCOME

1. Fee for Administration of State Supplementation

Current Law and Background

The Social Security Administration administers the State supplementation of SSI benefits in 17 States and the District of Columbia. No fee is charged for this service.

Description of Proposal

Assess a fee for administration of State supplementation programs.

SOCIAL SECURITY

1. Coverage of State and Local Employees Not Covered by A Public Retirement Program

Current law and background

State and local employees are covered by social security under agreements between the state and the Secretary of Health and Human Services. The state has broad latitude to decide which groups of employees are covered. In some cases where states have elected not to provide coverage, a part of their work force does not participate in any public retirement plan. Most of these individuals are temporary workers, part-time workers, and students employed by state universities.

Description of proposal

The proposal would require social security coverage for individuals not covered by the public retirement program.

2. Coverage of All New Employees of the District of Columbia

Current law and background

Since October 1, 1987, new District employees have been covered by social security unless they participate in one of the city's three special retirement programs. These programs cover police and fire fighters, teachers, and judges.

Description of proposal

The proposal would make social security coverage for new District employees universal by extending it to new employees covered by these three systems.

3. Recoupment of Certain Overpayments through Income Tax Refund Offset

Current law and background

A federal agency that is owed a past-due, legally enforceable debt, other than a social security overpayment, can collect it by having the Internal Revenue Service withhold or reduce the debtor's income tax refund.

Description of proposal

The proposal would authorize SSA to use this system to recover overpayments from two groups of individuals: (1) former beneficiaries and (2) beneficiaries who are not in current pay status (i.e., whose monthly check has been suspended due to earnings).

4. Preeffectuation Review Requirements

Current law and background

The Social Security Act Amendments of 1980 require the Secretary of HHS to review 65 percent of favorable disability determinations made by State Disability Determination Services (DDSs) before the decision becomes effective. The review applies to favorable decisions on initial claims, reconsiderations, and continuing disability investigations.

Description of proposal

The proposal would require the Secretary to review 50 percent of DDS allowances and 25 percent of continuances. The 50 percent requirement would apply both to initial claims and reconsiderations. To the extent feasible, the reviews would focus on allowances and continuances that are likely to be incorrect.

5. Normalized Tax Transfers to the Trust Funds

Current law and background

The Treasury credits the social security trust funds at the beginning of the month with the payroll tax revenues that it estimates will be received during the month. This practice, known as the normalized tax transfer, was instituted in 1983, when the trust funds had virtually no reserves and faced a monthly cash flow problem. While the trust funds earn additional interest as a result of this advance crediting, the social security trust funds reimburse the Treasury each June and December for the loss of revenue from interest the general fund would have received if the transfer had taken place on a daily basis. It is an even exchange of funds. In addition, however, advanced crediting enables the social security trust funds to purchase bonds at the beginning of each month, giving the trust funds a wider investment portfolio. As a result, the trust funds are in a position to sell short-term, low interest bonds to meet their monthly benefit obligations and preserve their investments in long-term, high interest bonds.

Description of proposal

The proposal would eliminate the practice of crediting the trust funds in advance and instead would return to a system of transferring social security payroll tax receipts on a daily basis as the Treasury receives them. The Social Security Administration's Office of the Actuary estimated in 1989 that eliminating the normalized tax transfer would cost the trust funds between \$100-\$200 million per year in lost interest depending on economic assumptions. There would be no revenue loss within the unified budget because the Treasury, as issuer of the bonds, would pay less interest.

6. Benefits for Adopted Children

Current law and background

A child adopted by the surviving spouse of a deceased worker must meet several tests in order to be entitled to benefits as a surviving adopted child. First, adoption proceedings must have been initiated prior to the worker's death or the adoption must have been completed within 2 years of the worker's death. Second, the child must have been living in the worker's home and cannot have been receiving support from any source other than the

worker and the spouse (i.e. a welfare agency) in the year prior to the worker's death.

Description of proposal

The proposal would change the support requirements to permit entitlement if the child either lived with the worker or received one-half support from the worker in the year prior to death. The requirements relating to the timing of the adoption are not changed.

7. SSA Staffing (non-legislative proposal)

After six consecutive years of staffing reductions, SSA has recently reached its goal of reducing the size of the agency by 20 percent. The fiscal year 1991 budget includes no further staff reductions. Rather, it proposes to stabilize agency staff at a level of 62,875 full-time equivalents (FTEs), a modest increase of 375 positions over last year.

RAILROAD RETIREMENT

1. Privatization of Railroad Retirement

Current law and background

The railroad retirement system is a federally-administered retirement program that pays social security-type benefits (Tier 1) and private pension-type benefits (Tier 2 and other benefits) to railroad workers and their families.

Description of proposal

The proposal would privatize the railroad retirement system. Tier 1 benefits would be paid by the Social Security Administration. Tier 2 and other benefits would be converted to a privately-administered industry pension.

2. Social Security Benefits for Railroad Retirement Dependents

Current law and background

Railroad retirement Tier 1 benefits are in most cases identical to social security benefits and are computed under the social security benefit formula. However, benefits for certain dependent family members that would be payable if the worker had worked under social security are not paid at all under railroad retirement. These dependents include the child of a retired or disabled worker, the retired divorced spouse of a railroad worker who has not yet retired, the spouse or divorced spouse of a disabled worker, and a surviving spouse who elects to withdraw pre-1974 taxes paid under railroad retirement in a lump sum rather than receiving monthly benefits. In addition, railroad retirement does not pay a lump sum death benefit if the recipient of the benefit is entitled to a railroad retirement benefit for the month of the worker's death.

Description of proposal

The proposal would pay social security benefits to those family members of railroad workers who do not receive benefits that they would be eligible for had the worker been employed under social security.

SOCIAL SECURITY AND BUDGET PROCESS

The President proposes to create a Social Security Integrity and Debt Reduction fund. Beginning in 1993, an amount equal to an increasing portion of the projected social security annual surplus (30 percent in fiscal year 1993, 100 percent in fiscal year 1994 and thereafter) would be paid into this fund from the general fund. The amount would be an outlay from the general fund and would increase the size of the deficit. Gramm-Rudman-Hollings (GRH) targets would be extended to require balance in the unified budget for 1993 and thereafter. Thus, additional deficit reduction equal to the amount of the payment into the debt reduction fund would be required each year (\$17 billion in fiscal year 1993 and \$62 billion in fiscal year 1994). The amounts in the fund would be used to reduce federal debt held by the public.

The impact of the proposal is to increase the amount of deficit reduction which must be accomplished to reach GRH targets. As under current law, the unified federal budget (including social security) would be balanced by 1993, and thereafter any additional deficit reduction would retire federal debt and increase national savings. The amount of reserves in the social security trust funds would not be affected. Because these trust funds remain on-budget, cuts or increases in social security benefits and taxes would be counted for purposes of reaching the GRH targets.

PART 3--READINGS

Statement of Robert D. Reischauer, Director, Congressional Budget Office
Before the Committee on the Budget, U.S. House of Representatives
January 31, 1990

Mr. Chairman, I am pleased to appear before the Committee this afternoon to discuss the latest economic and budget projections of the Congressional Budget Office (CBO). These projections are described in detail in the CBO report titled *The Economic and Budget Outlook: Fiscal Years 1991-1995*, which is being released today.

CBO forecasts that the U.S. economy will grow by almost 2 percent in 1990 and slightly faster next year. The restrictive monetary policy that was in force from 1987 through mid-1989 is still tending to slow the economy, as will the tighter fiscal policy slated for 1990. The Federal Reserve began to loosen monetary policy in June 1989, and CBO expects that it will continue to encourage lower interest rates for most of this year. CBO forecasts that this policy will succeed in avoiding a recession in 1990 without boosting inflation.

CBO estimates that the federal budget deficit will fall from \$152 billion in fiscal year 1989 to \$138 billion in 1990. Over the next few years, no further progress in reducing the deficit can be expected under current budgetary policies. The Balanced Budget Act requires a deficit of \$64 billion in 1991 and a balanced budget in 1993. But without spending cuts or tax increases, the deficit in 1993 is likely to be no lower than in 1990. Figure 1 compares CBO's baseline budget projections for 1990 through 1995 with the statutory targets.

Social Security Projections

The Balanced Budget Act currently includes Social Security in its calculations and makes Social Security subject to the same fiscal discipline as the rest of the budget. From an economic perspective, this approach makes sense. The purpose of reducing the deficit is to increase national saving, which can spur economic growth and capital formation. The federal budget deficit absorbs private saving, thereby impairing the growth of living standards. The annual balance in the Social Security programs affects national saving in exactly the same way as the balance in any other government account.

Thus, the most appropriate measure of the impact of the federal budget on the economy is the total deficit, not any part of it. The total government deficit, including the Social Security and other trust

funds, determines the government's fiscal stance, its drain on credit markets, and the amount of saving that it diverts from uses that promote growth in living standards.

Nevertheless, the Balanced Budget Act requires that the Social Security trust funds be shown as off-budget to highlight their contribution to the totals. With income of the trust funds exceeding benefits and other costs, the Social Security surplus grows from \$66 billion in 1990 to \$128 billion in 1995, as shown in Table 5. An

TABLE 5. ON- AND OFF-BUDGET TOTALS
(By fiscal year, in billions of dollars)

	1990	1991	1992	1993	1994	1995
On-Budget (Excludes Social Security and Postal Service)						
Revenues	779	828	874	924	978	1,037
Outlays	984	1,041	1,095	1,163	1,220	1,283
Deficit	204	212	221	239	242	246
Off-Budget (Social Security) ^a						
Revenues	288	309	330	352	376	401
Outlays	222	234	244	254	264	273
Surplus	66	74	85	98	112	128
Total^a						
Revenues	1,067	1,137	1,204	1,277	1,355	1,438
Outlays	1,205	1,275	1,339	1,418	1,484	1,555
Deficit	138	138	135	141	130	118

SOURCE: Congressional Budget Office.

a. For comparability with the Balanced Budget Act targets, the projections exclude the Postal Service, which is also off-budget.

increasing amount of this surplus, however, reflects interest payments received from the Treasury. Because these interest payments are merely intragovernmental transfers, they do not reduce the government's need to borrow in the market. Excluding interest, Social Security's contribution to holding down the total deficit looks much smaller--about \$50 billion in 1990 and \$78 billion in 1995.

Sources of Growth in Spending

Baseline revenues and outlays are both projected to grow by \$70 billion in 1991. Table 6 shows that \$59 billion of the growth in outlays occurs automatically under current law. These built-in increases stem from such factors as cost-of-living increases and growth of caseloads for Social Security and other retirement and disability programs. Spending for Medicare and Medicaid, two of the fastest growing programs, is driven up by increases in the price of medical care and by the wider use of more expensive medical technologies. Net interest outlays--arguably the least controllable component of spending--are determined by the government's deficit and by interest rates.

Figure 2 illustrates how just three programs contribute half of the growth in spending. Social Security and Medicare account for \$29

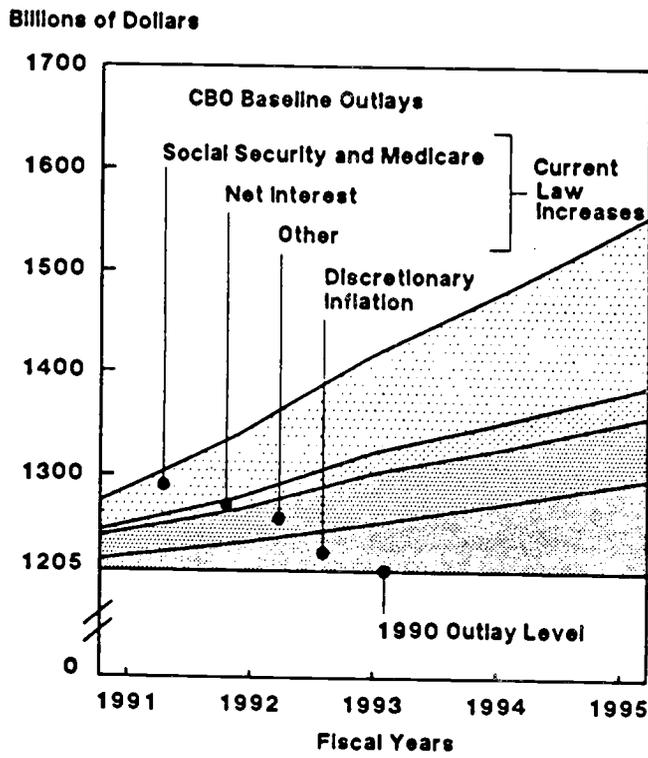
TABLE 6. COMPONENTS OF CBO BASELINE SPENDING PROJECTIONS (By fiscal year, in billions of dollars)

	1991	1992	1993	1994	1995
1990 Level	1,205	1,205	1,205	1,205	1,205
Current Law Increases					
COLAs for entitlement programs ^a	10	25	41	57	74
Increases in price of medical care ^a	4	9	16	24	32
Increases in entitlement program caseloads	7	14	22	30	40
Increases in use of medical care ^b	11	23	36	48	61
Rising benefits for new Social Security beneficiaries ^b	6	10	13	16	20
Expected changes in offsetting receipts	^c	-3	-6	-9	-12
Increased interest costs	6	12	20	25	29
Other	<u>14</u>	<u>15</u>	<u>22</u>	<u>16</u>	<u>13</u>
Subtotal	59	105	164	209	257
Inflation Adjustments to Maintain Real Spending for Discretionary Programs					
Defense purchases	3	9	16	24	32
Defense pay	3	8	12	17	22
Nondefense purchases	3	8	15	22	29
Nondefense pay	<u>1</u>	<u>3</u>	<u>5</u>	<u>7</u>	<u>9</u>
Subtotal	11	28	48	70	93
Total Increases	70	134	212	279	350
CBO Baseline	1,275	1,339	1,418	1,484	1,555

SOURCE: Congressional Budget Office.

- a. Represents program growth that could be eliminated by freezing cost-of-living adjustments and certain medical reimbursement rates.
- b. All growth not explained by increases in caseloads and prices.
- c. Less than \$500 million.

Figure 2. Sources of Growth in Outlays



SOURCE: Congressional Budget Office.

billion, or over 40 percent of the growth in 1991. Another \$6 billion--almost 10 percent of the growth--is added by net interest. Other increases required under current law total \$24 billion. Only \$11 billion of the projected increase in spending in 1991 stems from discretionary increases in appropriations that are assumed in the CBO baseline.

The figures in Table 6 permit one to estimate the amount of deficit reduction required by Chairman Panetta's proposed Budget Process Reform Act. Under the Chairman's proposal, the 1991 deficit would have to be reduced by the amount of increases for inflation included in the baseline, plus an additional \$10 billion. In the CBO baseline, inflation increases other than Social Security cost-of-living adjustments total about \$18 billion. The required deficit reduction in 1991 would therefore total \$28 billion, and the resulting deficit would be \$110 billion.

[From "The Economic and Budget Outlook: Fiscal Years 1990-1994,"
Congressional Budget Office, U.S. Government Printing Office, 1989]

CHAPTER III

IMPLICATIONS OF FEDERAL DEFICITS

FOR ECONOMIC GROWTH

New attention is being devoted to the outlook for living standards in the United States over the next half century. Economic projections by the Social Security trustees and other analysts show a substantial slowing in the growth of such measures as output and consumption per capita. In large part, the slowdown is caused by the projected effects of the retirement of the "baby-boom" generation early in the next century: a smaller part of the population will be working then, and their output will have to be shared with the larger population of retirees. Observers are worried by this outlook for several reasons: it means that future generations of Americans may inherit a lower rate of growth in living standards than their forebears enjoyed; and, on a more practical level, that social and political strains may arise between workers and retirees.

Faster economic growth would head off many of these problems, since it would increase the amount of goods and services available to be shared. The search for ways to make the economy grow faster has focused on national saving, which is put forward as an important factor in determining long-run economic growth. An increase in saving raises investment, which in turn increases productive capacity. One way to increase national saving and investment would be to reduce the federal deficit.

This chapter reviews the part played by public and private saving in determining economic growth, and the contributions deficit reduction might make to improving the current outlook for growth. The chapter reaches three main conclusions:

- o A decline in saving, both by the private sector and by the federal government, has contributed to the prospective long-term decline in the economic growth rate;
- o Reduction of the federal deficit is the most promising way to increase saving; an increase in private saving seems unlike-

ly to occur by itself, and in any case cannot be directly controlled by policymakers;

- o Saving and investment in the long run will be most affected by the overall deficit, not by components of the deficit such as the Social Security surplus.

The technical discussion in this chapter cannot disguise the fact that reducing the deficit for the benefit of later generations is ultimately a political choice. It means making some sacrifice of consumption now for the sake of higher consumption later. Economic analysis can only help inform that choice; it is up to the voting public to decide whether the future benefits pictured by the analysis in this report justify the sacrifices they would entail.

Other factors besides falling saving and the retirement of the baby-boom generation contribute significantly to the projected decline in economic growth, but are not discussed in detail in this chapter. In particular, growth in the proportion of the population in the labor force, especially women, is expected to slow. The economically active proportion of the population is projected to decline and remain low by historical standards even after the "baby-boom bulge" of retirees has passed from the scene. Growth in productivity, finally, has already slowed significantly, and may not return to earlier rates. Policy measures--such as changes in the age of eligibility for Social Security retirement benefits--could make a difference to some of these prospective developments.

Reducing the federal deficit could have several additional benefits, which also are not the focus of this chapter. It could, for example, reduce interest rates and thus improve prospects for many interest-sensitive sectors in the United States as well as benefiting debt-burdened countries abroad; it could reduce the trade deficit, and with it the inflows of foreign capital to the United States; and it could reduce the likelihood of sharp swings in financial markets.

In order to describe the implications of deficit reduction for the growth of living standards over long periods, this chapter uses certain simplifying assumptions that set it apart from traditional short-run economic analyses of fiscal policy. In particular, the analysis supposes that changes in the deficit and in other components of U.S. flows of

saving and dissaving are immediately reflected in changes in investment and, therefore, in productive capital and in potential gross national product (GNP). This type of analysis takes no account of business cycles, which could affect the conclusion that all saving gives rise to changes in capital. Similarly, the chapter does not take account of the role of the budget deficit in stabilizing the economy. Instead, it imagines that the economy is quite stable at high-employment levels of output and that fiscal policy therefore primarily affects the division of national output between consumption and investment, rather than stabilizing the economy.

RECENT TRENDS IN NATIONAL SAVING AND INVESTMENT

Effects of Social Security. Increases in expected Social Security benefits may reduce private saving, but it seems unlikely that this effect has been significant in explaining the downward trend. Such an effect could occur because households with large expected Social Security benefits do not need to save as much on their own to achieve a given standard of living in retirement. This effect may be offset, however, by the lure of early retirement in a generous system. If households plan retirement earlier in life, the need to save may actually rise.

These conflicting effects of Social Security "wealth" on saving have been tested in empirical work, and the results are inconclusive.⁶ A relatively large number of economists believe the effect of Social Security wealth on saving is negative, but such an effect would help explain the recent decline in saving only if expected benefits had risen

6. See Sheldon Danziger, Robert Haveman, and Robert Plotnick, "How Income Transfer Programs Affect Work, Savings, and the Income Distribution: A Critical Review," *Journal of Economic Literature* (September 1981); Martin Feldstein, "Social Security, Induced Retirement, and Aggregate Wealth Accumulation," *Journal of Political Economy* (September 1974); and Henry J. Aaron, *Economic Effects of Social Security* (Washington, D.C.: Brookings Institution, 1982).

dramatically relative to expected payroll taxes in the 1980s. But recent legislation has raised Social Security taxes and slowed real benefit growth, so net Social Security wealth has fallen from its level of a decade ago. Moreover, lower expectations of long-run growth in real wages may have further diminished the influence of Social Security wealth on saving.

FISCAL POLICY AND THE FINANCING OF SOCIAL SECURITY

The improvement in future living standards that would result from a shift in fiscal policy toward surplus has thus far been discussed independently of the mechanism by which that surplus would be achieved. In fact, significant shifts are likely to take place in the makeup of federal revenues and spending, even if the overall surplus is unchanged. In current projections, for example, the Social Security trust funds will run large surpluses in the next few decades, but will later go into deficit as the baby boom retires. Assuming a constant surplus in the overall budget implies that the *non*-Social Security budget offsets this pattern by running large deficits in the next few decades, followed by surpluses when the baby boom retires.

As stressed throughout this chapter, only a change in the government's *overall* budgetary position will significantly affect future saving and investment: neither the projected Social Security trust fund buildup nor the balance in the non-Social Security budget affects the outlook for these variables except insofar as it helps determine the overall budget balance. The financing of Social Security does, however, affect the equity with which the tax burden is distributed among younger and older taxpayers, and among taxpayers of different income levels; it may also affect incentives to work and save.

Methods of Social Security Financing

Through much of its history, Social Security operated as a "pay-as-you-go" system. In general, the trust funds' receipts roughly matched the benefits being paid out. Changes in the asset positions of the Social Security trust funds--more specifically, the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds--primarily reflected the Congress's goal of insulating the system from business cycles. More recently, under amendments enacted in 1977 and 1983, Social Security has shifted to what is sometimes called a "partial advanced funding" mechanism, whereby revenues collected exceed benefits paid for a period of time, resulting in substantial interest earnings designed to supplement other revenues.

Under the current partial advanced funding mechanism, the Social Security trust funds are projected to collect substantially more in revenues than they are expected to pay in benefits until at least the beginning of the retirement of the baby-boom generation in about 2010.¹¹ In the interim, the most commonly used projections of the Social Security Administration indicate that trust fund assets--claims on future resources--will grow rapidly, from slightly over \$100 billion (about 2 percent of GNP) at the end of 1988 to about \$9.1 trillion (about 29 percent of GNP) by the year 2020. By that time, federal tax revenues for Social Security will not cover program outlays, but interest payments on the trust funds' accumulated reserves will be more than sufficient to offset the revenue shortfall, and the surplus will still be positive. Ten years later, however, the large reserve is expected to begin diminishing as trust fund securities are redeemed, and it should be depleted by 2048.

The large buildup and subsequent decline in the Social Security trust funds projected under the current partial advanced payment scheme, when viewed in the context of a fixed overall deficit and government spending policy, will shift the composition of federal receipts

11. The 1988 annual reports of the trustees of the Old-Age and Survivors Insurance and the Disability Insurance trust funds present estimates of the financial operations of the funds over the next 75 years under four different sets of economic and demographic assumptions. Under the most pessimistic assumptions, annual surpluses persist through about the year 2015. The trustees' projections under the most commonly used assumptions--the intermediate B or II-B set--show deficits beginning in about 2030. If interest income is excluded, the surpluses disappear under the II-B assumptions beginning about 2019.

from one form of taxation to another. There will be heavy reliance on payroll taxes for the next three decades as the trust funds (which rely heavily on payroll taxes) accumulate a surplus and invest it in Treasury securities. After that, the government will have to redeem the trust funds' securities using general revenues, and as a result there will be a shift toward other forms of revenue--most likely, the income tax--as the baby-boom generation retires.

The current partial advanced funding system involves higher payroll taxes during the next few decades compared with a pay-as-you-go system, but lower payroll taxes later. The advanced funding approach uses its payroll tax receipts to build up reserves until early in the twenty-first century; if a pay-as-you-go approach were substituted, lower rates would be possible because no buildup in reserves would be needed during this period. On the other hand, payroll tax rates would have to be raised by 2020 under the pay-as-you-go approach to cover high benefit payments when the baby-boom retirement begins in earnest. This increase would not be necessary under partial advanced funding, since benefit payments under that approach would be paid by drawing down reserves.

The federal government would nevertheless have to raise funds under the partial advanced funding approach to redeem the trust funds' securities after 2020. The method that the government chose to raise these funds, when compared with the payroll tax involved in the pay-as-you-go approach, could affect equity among generations and among individuals at different income levels, as well as incentives to work and save. Since most non-Social Security revenues are currently drawn from the individual income tax, most analyses of the equity of the two systems are based on comparisons of the payroll tax and the income tax.

Equity Considerations in Social Security Financing

If funds to redeem trust fund securities under partial advanced funding were raised through increases in income tax rates, more of the burden would fall on older people than under the pay-as-you-go approach. The difference would likely be relatively slight, however.

The burden of the pay-as-you-go approach would be likely to fall more heavily on people at lower incomes than that of the partial advanced funding approach when the baby-boom generation retires. Here again, however, the effect might be slight. Economists generally agree that payroll taxes fall more heavily on low-wage workers than does the income tax, and this accounts for the more regressive nature of the pay-as-you-go system early in the next century.

Incentive Effects of Social Security Financing

The choice between the pay-as-you-go approach and partial advanced funding also affects the disincentives to work and save that are embodied in the tax system. Higher payroll taxes under pay-as-you-go would reduce the return from working, but only for workers at wage levels below the wage ceiling of the tax. After-tax wages would be higher under the partial advanced funding approach with higher income tax rates, but the return from saving would be lower. This effect occurs because the higher tax burden under this approach would fall less heavily on wages and more heavily on property income.

CONCLUSIONS

Under current projections, a smaller share of the population will be working in the United States in the next century. This change implies a slowdown in overall economic growth, with the working population receiving a smaller share of total output. Fiscal policy, through its effects on national saving and investment, can offset these trends somewhat and improve the living standards of future generations, though the change would require less consumption in the near term.

The extent to which increasing saving now would raise living standards in the future cannot be stated with certainty, since the outcome would depend crucially on the uncertain relationship between saving and total factor productivity. If total factor productivity grows independently of saving, the contribution of saving to output growth would be relatively small. If, on the other hand, saving increases growth in productivity as some evidence suggests, the reward to saving may be substantial. Accepting the mid-range of these possi-

bilities, if the federal budget were to move permanently to a surplus of 2 percent of GNP, consumption per person would increase by 8 percent in the long run--though there would first be a period of five to ten years during which the average person's consumption would be lower than if saving had not been increased.

The policy of allocating revenues toward the Social Security trust funds, enacted in 1977 and 1983, does not represent an increase in national saving. It does, however, imply a shift in taxation toward wages in the near term. By the year 2030, taxes will have to shift back to other forms of income as the accumulated trust funds are drawn down. The demographic shift toward a smaller work force in relation to the population also complicates the issue. Current fiscal policy will create the framework in which future policymakers must make their decisions.



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Data and Materials for the
Fiscal Year 1991
Finance Committee Report

Under the
Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

Lloyd Bentsen, *Chairman*



FEBRUARY 1990

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SUMMARY: IMPACT OF CONGRESSIONAL BUDGET PROCESS ON FINANCE COMMITTEE

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

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

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

1. Letter to Budget Committee.—By February 25 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the Committee's views and estimates with respect to such expenditures, revenues, and the debt limit. For the current year, the deadline for submitting this report has been extended to March 9 to allow additional time to consider the budget submissions of the Administration. (The report submitted for the 1st Session of the 101st Congress appears as Appendix A of this document.)

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

3. Budget allocation reports.—After the adoption of a budget resolution by the Congress, the Finance Committee is required to file an allocation report showing how the aggregate spending authority assumed in the budget resolution for all Finance Committee programs will be subdivided. This subdivision can be by program or by

subcommittee. A point of order will lie against any bill or amendment affecting Finance Committee spending program jurisdiction if the allocation report has not been filed or if it is inconsistent with the proposed legislation. Also, for non-trust fund entitlement programs, bills reported from the Finance Committee could be subject to 15-day referrals to the Appropriations Committee if they have not been provided for in an allocation report. As it acts on legislation throughout the year, the Committee can file revised allocation reports.

4. *Resolution totals binding.*—By April 15, Congress is required to complete action on the concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. For the duration of the Gramm-Rudman-Hollings legislation, the budget resolution must set a deficit which is no greater (but can be smaller) than the Gramm-Rudman-Hollings maximum deficit amounts described above. After the resolution is adopted, points of order can be raised against bills or amendments which would cause its overall spending ceiling to be exceeded, or would cause revenues to fall below its revenue floor, or would cause the Gramm-Rudman-Hollings maximum deficit amount to be breached.

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

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

THE BUDGET PROCESS

1. Key Concepts

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

In early January of each year, the President submits to the Congress his budget plan for the fiscal year which will start on the following October 1. The President’s budget not only sets forth the overall levels of spending and revenues that he recommends but also contains a detailed listing of how much he estimates and proposes for each individual program of government.

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

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

Baseline.—Both the President's budget and the Congressional budget set forth plans as to what the ultimate levels of taxes, spending, and deficit or surplus should be for the fiscal year after the impact of any legislative changes which may be enacted. In order to determine how much of a change in law or policy is required to reach the budgetary goals, it is necessary to compare the budget plan with a "baseline" budget which represents the continuation of current law and policy. A baseline would generally assume continuation of entitlement programs and revenue laws without substantive change and the enactment of discretionary appropriations at a level which permits the continuation of existing policies. Ordinarily, in order to construct a baseline that represents a continuation of existing policy, an inflation factor would be applied to discretionary appropriations. At the present time, the budget process uses three different baselines: the CBO baseline which projects spending and revenues using CBO's own economic and technical assumptions, the OMB "current services" baseline which employs the Administration's economic and technical assumptions, and the Gramm-Rudman-Hollings baseline. The GRH baseline is similar to the OMB "current services" baseline, but it follows certain statutory specification in the GRH legislation and is used to determine how much deficit reduction is needed to avoid sequestration.

BASELINE FOR FISCAL YEAR 1991

[in billions of dollars]

	Baseline deficit	Required deficit reduction	
		to meet target	to avoid sequester
CBO baseline.....	138	74	64
OMB current services/adjusted GRH baseline.....	101	37	27
GRH baseline.....	¹ 85	21	11

¹ The GRH baseline calculation does not assume reauthorization of the Food Stamp program as well as other probable changes and is therefore somewhat misleading as an indication of required deficit reduction.

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

DISCRETIONARY APPROPRIATIONS

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

ENTITLEMENTS

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

Outlays.—Although Congress exercises control over spending by enacting, modifying, or repealing various forms of “spending authority, the annual deficit or surplus is determined by comparing revenues and outlays. Outlays take place when the spending authority actually results in the expenditure of funds. In some programs (for example, defense procurement activities), there can be major differences between spending authority and outlays. For practical purposes, however, Finance Committee programs are assumed to have annual outlays equal to annual spending authority (which is not the same as “budget authority”).

Treatment of Social Security and Medicare.—Public Laws 98-21 and 99-177 established special rules for the budgetary treatment of the Old-age, Survivors, and Disability Insurance (OASDI) and the Hospital Insurance (HI) programs. Effective starting in FY 1993 for HI and effective starting with FY 1986 for the OASDI program, current law requires that the expenditures and revenues of these programs be excluded in computing budgetary totals for purposes of both the President’s budget and the Congressional Budget. At the same time, however, the Gramm-Rudman-Hollings statute specifies that the income and outgo of the OASDI program is to be included in determining whether or not the GRH targets are met. Since the current budget process focuses heavily on the attainment of the GRH targets, most budgetary displays show combined (or

“unified”) totals which include the impact of social security. Strictly speaking, however, OASDI is “off-budget.”

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

2. Outline of Congressional Budget Process

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

When agreed to by the House and the Senate (which is required to happen by April 15), the budget resolution represents congressional judgment of the appropriate fiscal situation for the coming year. The resolution is intended to guide the development of legislation providing for taxes and spending, and such legislation can be subject to points of order if it is inconsistent with meeting the overall revenue and spending totals in the resolution.

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

3. Waiver of Rules Regarding Budget Procedure

Some of the rules applicable to Senate procedures under the Congressional Budget Act can be waived by a majority vote of the Senate. Others require a vote of three-fifths of the full Senate membership (60 votes). In addition, the act includes a special waiver procedure in connection with the provisions requiring that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before the adoption of the budget resolution. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee, which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is reported by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted on by the Senate. If it were approved, the Senate could then proceed to consider the legislation.

4. Impact of the Budget Act on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the concurrent resolution on the budget, each committee is required to make a report to the Budget Committee presenting its views and estimates concerning spending under its jurisdiction during the coming fiscal year (and the following two fiscal years). By statute this report is due no later than February 25. This year the reporting date has been postponed to March 9.

Allocation report after adoption of budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction or among its subcommittees. These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution. Bills and amendments involving spending may not be considered until the committee with jurisdiction over that spending program has filed its allocation report, and points of order may be raised against bills or amendments which are not accommodated in these allocation reports.

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

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

After the adoption of the budget resolution for a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution to be exceeded or would cause the deficit for the fiscal year to exceed the maximum deficit amount. In the case of the

Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new or revised budget resolution could, however, be passed to authorize such additional spending, or the rule could be waived by a three-fifths vote of the Senate.)

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

Appropriations Committee review of certain entitlement bills.-- Legislation in such areas as supplemental security income, welfare, social services, or Medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriations acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the committee's allocation of its spending authority under the most recent budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such an amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending or extending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

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

Report on spending legislation.--The Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent budget resolution. In addition, if this information is provided by the Congressional Budget Office (CBO) on a timely basis, the report must also include CBO projections showing the extent to which the

legislation provides financial aid to States and localities and a projection for five fiscal years of the spending which will result from the legislation. This requirement also applies to conference reports, if the information is provided by CBO on a timely basis.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The annual report to the Budget Committee which is described above also must, in the case of the Finance Committee, present its views and estimates with regard to revenues and the debt limit.

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

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

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

Impact of a budget resolution.—As with spending measures, the concurrent resolution adopted in mid-April sets mandatory levels for revenue and debt limit legislation, and may direct the Committee on Finance to report reconciliation legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determined to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which is to be acted upon by June 15.

Once a budget resolution is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the levels specified in the budget resolution would be subject to a point of order. If the budget resolution sets a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having

nearly negligible revenue impacts can be rejected on a point of order. If the resolution includes goals based on unrealistic assumptions about revenue increases, the committee will face points of order against the consideration of any revenue reducing legislation.

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

CHARTS AND DESCRIPTIONS

Report to Budget Committee

Views and estimates of Finance Committee on:

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

Relating both to existing law and proposals to
change existing law

Chart 1

Report to Budget Committee

Under the Congressional Budget Act of 1974, as amended, the Committee on the Budget is required by April 1 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a budget, the Act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by February 25 of each year. For 1990, this deadline has been changed to March 9.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 5, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1991 (and for planning purposes, fiscal years 1992 and 1993). The report sent to the Budget Committee in 1989 is reprinted in Appendix A.

Section 301(c) of the Budget Act, which deals with the February 25 report to the Budget Committee, is included in the excerpts from that Act which appear in Appendix B.

Chart 2.—ECONOMIC ASSUMPTIONS

[Calendar years; dollars in billions]

	1990		1991		1992		1993	
	CBO	OMB	CBO	OMB	CBO	OMB	CBO	OMB
Gross National Product (GNP):								
Current dollars	5,534	5,583	5,893	6,002	6,279	6,439	6,688	6,881
Percent change in real GNP	1.7	2.4	2.4	3.2	2.5	3.2	2.5	3.1
Wages and salaries	2,795	2,805	2,975	3,022	3,168	3,246	3,377	3,469
Other personal income	1,886	1,896	2,001	2,017	2,123	2,138	2,253	2,261
Corporate profits	320	360	356	421	371	472	386	515
Percent change in CPI	4.0	3.9	4.3	4.0	4.3	3.9	4.3	3.6
Unemployment rate, total (percent)	5.6	5.4	5.5	5.3	5.5	5.2	5.5	5.1
Treasury bill rate, 91-day (percent)	6.9	6.7	7.2	5.4	6.9	5.3	6.1	5.0

Chart 2

Economic Assumptions

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

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

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

In developing the Congressional budget, the Congress has most frequently used the economic assumptions of the Congressional Budget Office. In as much as the Gramm-Rudman-Hollings legislation is based upon determinations made by the Office of Management and Budget (OMB), the Congress in 1989 used the OMB economic assumptions which were the basis for the President's budget. This chart shows the major economic assumptions underlying the budget as submitted by President Bush in January and also those which have been adopted by CBO. In general, the CBO assumptions project somewhat slower economic growth, higher inflation and interest rates, and higher unemployment levels.

Chart 3.—THE OVERALL BUDGET

[In billions of dollars]

	CBO Baseline			OMB current services			President's Budget		
	FY91	FY92	FY93	FY91	FY92	FY93	FY91	FY92	FY93
Budget:									
Outlays	1,041	1,095	1,163	1,007	1,046	1,089	997	1,026	1,067
Revenues	828	874	924	845	901	963	856	909	966
Deficit	-212	-221	-239	-162	-145	-126	-142	-118	-102
Social Security:									
Outlays	234	244	254	234	244	255	236	245	255
Revenues	309	330	352	312	334	361	315	337	362
Surplus.....	74	85	98	78	90	106	79	92	107
"Gramm-Rudman-Hollings":									
Deficit.....	-138	-138	-135	-101	-73	-39	-63	-25	6
Target.....	-64	-28	0	-64	-28	0	-64	-28	0
Difference.....	74	110	135	37	45	39	+1	+3	+6

Chart 3

The Overall Budget

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

Because of differing economic and technical assumptions, OMB and CBO project somewhat different budgetary totals under a continuation of current policies. For fiscal year 1991, the CBO projection would indicate a need for \$74 billion in deficit reduction in order to meet the \$64 billion deficit required by the Emergency Deficit Reduction and Budget Control Act ("Gramm-Rudman-Hollings"). The OMB current services projections would show a need for \$37 billion in deficit reduction to meet that target.

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

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

Chart 4
FEDERAL SPENDING
Role of Finance Committee Programs

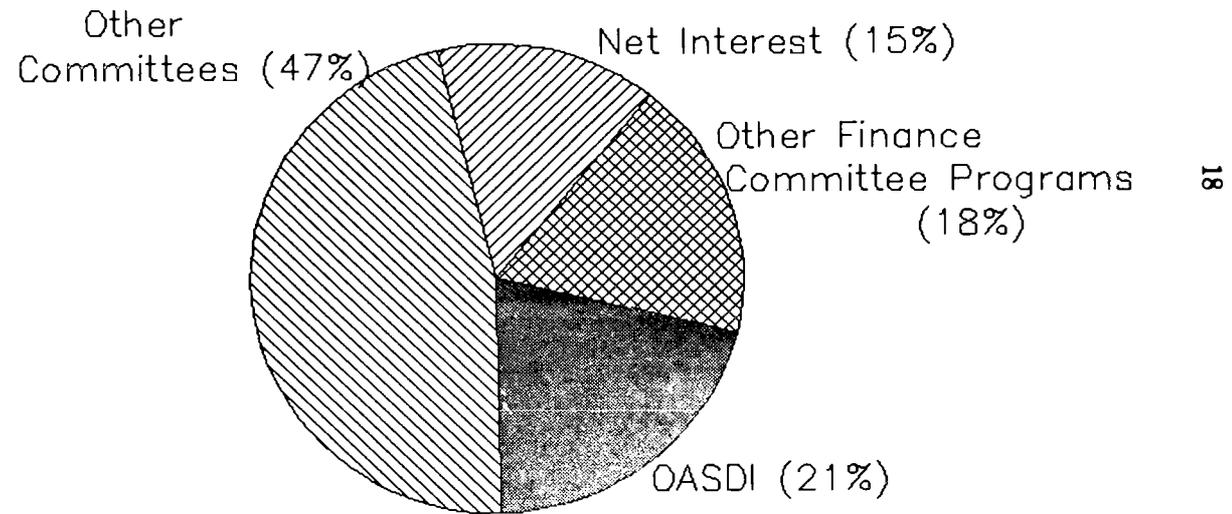


Chart 4

Federal Spending: Role of Finance Committee Programs

Chart 4 shows how the budgetary impact of Finance Committee spending jurisdiction relates to total Federal spending for fiscal year 1991. Amounts shown reflect the current policy estimates of the Congressional Budget Office as follows:

[In billions of dollars]

Total Spending:	
Finance Committee programs:	
Social Security (OASDI) ¹	267
Other accounts	229
Net interest	185
Non-Finance Committee programs	594
Total outlays	<hr/> 1,275

¹ The amount shown here represents actual programmatic outlays. It differs from the amount shown in table 3 which is a net amount after treating certain general fund transfers (e.g. interest) as "Negative Outlays."

Chart 5

Major Expenditure Programs Under Finance Committee Jurisdiction

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

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

Chart 5

Major Expenditure Programs Under Finance Committee Jurisdiction

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

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

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

[In billions of dollars]

	Fiscal year—					
	1990	1991	1992	1993	1994	1995
Present law: ¹						
Income to trust funds	310.2	342.5	370.4	403.8	435.5	464.8
Outgo from trust funds	248.3	264.7	280.9	297.7	314.7	331.6
Difference	61.9	77.8	89.5	106.1	120.8	133.2
End of year balance in trust funds	218.6	296.3	385.8	491.9	612.7	745.9
Trust fund ratio (percent) ²	71	90	113	138	165	193

¹ These are projections under current law based on the economic and demographic assumptions used in the fiscal year 1991 budget submitted by President Bush.

² Start-of-year assets as a percent of outgo for the year. Assets at the start of the year are equal to the assets at the end of the prior year plus the advance tax transfers for October.

Source: SSA Office of the Actuary, January 11, 1990.

Chart 6

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

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

The Administration estimates that on average in fiscal year 1991 a total of 35.8 million individuals will receive monthly social security benefits from the Old Age and Survivors Insurance Trust Fund, as retired workers or their dependents, or as survivors of deceased workers. In addition, some 4.2 million individuals will receive benefits from the Disability Insurance Trust Fund as disabled workers or as dependents of disabled workers. In total, approximately 40 million people will be receiving some type of monthly social security cash benefit.

The status of the trust funds.—The Administration budget projections under current law for the next 5 years continue to reflect an improving financial outlook for the OASDI trust funds with the combined trust reserve ratio growing from 71 percent of the projected annual outgo at the beginning of fiscal year 1990 to 193 percent at the beginning of fiscal year 1995.

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

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

[IN PERCENT]

	Calendar year—						
	1989	1990	1991	1992	1993	1994	1995
Percent change in CPI.....	4.8	3.9	4.0	3.9	3.6	3.3	3.0
Benefit increase ¹	4.7	3.9	4.1	3.8	3.6	3.3	3.0
Real wage differential.....	1.6	2.3	2.6	2.5	2.1	1.8	1.9
Civilian unemployment rate.....	5.3	5.5	5.4	5.3	5.2	5.1	5.1

¹ Benefit increase payable in January of the following year.

Limitation on administrative expenses.—The 1991 budget requests \$4,167 million in budget authority for administrative expenses, an increase of \$330 million compared to 1990.

PROPOSED LEGISLATION

The budget submitted by President Bush includes six proposals affecting the Old-age, Survivors, and Disability Insurance program.

SOCIAL SECURITY PROPOSALS—BUDGET IMPACT

[In millions of dollars]

	Fiscal year—					5-year total
	1991	1992	1993	1994	1995	
Cover State and local employees:						
Administration estimate	2,105	2,177	2,344	2,521	2,691	11,838
CBO estimate	2,035	2,213	2,358	2,514	2,685	11,805
Cover new D.C. employees:						
Administration estimate	2	6	13	16	23	60
CBO estimate	2	6	13	16	23	60
Adopted children:						
Administration estimate	0	1	1	2	2	6
CBO estimate	0	1	1	2	2	6
Income tax refund offset:						
Administration estimate	-79	-97	-27	-18	-18	-239
CBO estimate	-78	-56	-37	-28	-22	-221
Pre-effectuation review:						
Administration estimate	-2	-5	-5	-6	-8	-26
CBO estimate	-2	-5	-5	-6	-8	-26
Advance tax transfer:						
Administration estimate	0	0	0	0	0	0
CBO estimate	0	0	0	0	0	0

Coverage of State and local employees not covered by a public retirement program.—Employees of State and local government are covered by Social Security under agreements between the State and the Secretary of Health and Human Services. Currently about 30 percent of State and local government jobs (about 7 million employees) are not covered by OASDI. About 3.8 million of these employees, many of whom are young and are employed part-time or temporarily, are not participating in a public employee retirement plan.

The Administration is proposing mandatory coverage of State and local employees who are not participating in a public employee retirement system, effective October 1, 1990.

Coverage of new employees of the District of Columbia.— Since October 1, 1987, new employees of the District of Columbia have

been covered by Social Security unless they participate in one of the city's three special retirement programs (for police and fire fighters, teachers, and judges).

The budget includes a proposal to cover all new employees, including the groups currently covered by the special retirement programs.

Benefits for adopted children.—Under current law, a child adopted by the surviving spouse of a deceased worker must meet several tests in order to be entitled to benefits as a surviving adopted child. First, adoption proceedings must have been initiated prior to the worker's death or the adoption must have been completed within two years of the worker's death. Second, the child must have been living in the worker's home and cannot have been receiving support from any source other than the worker and the spouse in the year prior to the worker's death.

The Administration is proposing to change the support requirements to permit a child who is adopted by the surviving spouse of a deceased worker to receive benefits on that worker's earnings if the child was living in the worker's home when the worker died, or the child was receiving one-half support from the worker at the time of death.

Recoupment of certain overpayments through income tax refund offset.—Under current law, Federal agencies that are owed a past-due, legally enforceable debt, other than a social security overpayment, may collect it by having the Internal Revenue Service withhold or reduce the debtor's income tax refund.

The Administration's budget includes a proposal to give SSA permanent authority to collect social security and SSI overpayments by withholding the amount due from Federal income tax refunds if recovery through benefit adjustment or direct payment by the overpaid individual has not been successful. The proposal would apply only to amounts owed by former beneficiaries, not to amounts owed by current beneficiaries.

Pre-effectuation review requirement.—State Disability Determination Services, under contract with the Federal government, make determinations on individuals' initial and continuing eligibility for disability benefits. Amendments enacted in 1980 require the Secretary of HHS to review 65 percent of favorable disability determinations before the decision becomes effective. The review applies to favorable decisions on initial claims, reconsiderations, and continuing disability investigations.

The Administration is proposing to reduce the review requirement to 50 percent of all allowances (initial claims and reconsiderations) and 25 percent of all continuances.

Advance tax transfer.—Another proposal in the Bush budget would end the advance tax transfer provision. These provisions were adopted in the 1983 social security amendments when trust fund balances were precariously low. They provide for crediting the social security trust funds at the beginning of each month with the social security taxes expected to be collected during the month. The trust funds are required to repay the general fund for any interest paid on amounts transferred in advance of when they are collected so that there should be no financial advantage to either the trust funds or the general fund. In some cases, however, the availability

of the advance tax transfer makes it possible for the trust funds to avoid redeeming investments that would otherwise be needed to meet benefit payments at the start of the month. Depending on prevailing interest rates, this apparently unintended effect could result in the trust funds earning more or less interest than would be the case in the absence of the advance tax transfer provision. The Administration estimates that the provision will result in a lowering of interest paid to the trust fund over the next several years. Since interest payments are an interfund transaction, there would be no budgetary impact on the "unified" or Gramm-Rudman-Hollings deficit.

Chart 12.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

	Fiscal year—	
	1990	1991
Present law:		
Total SSI outlays.....	¹ 12	14

¹ Includes 11 monthly payments, compared to 12 monthly payments in 1991.
Source: Congressional Budget Office.

Chart 12

Supplemental Security Income

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

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

[In thousands]

	Fiscal year—		
	1989	1990 est.	1991 est.
Aged.....	1,239	1,238	1,214
Blind and disabled.....	2,870	2,986	3,068
Total Federal.....	4,109	4,224	4,282
State supplementation only.....	375	381	384
Total SSI recipients.....	4,484	4,605	4,666

The maximum Federal monthly payment in calendar year 1990 is \$386 for an individual, and \$579 for a couple. Annual adjustments are made in January to reflect increases in the cost of living. CBO estimates a January 1991 COLA of 4.1 percent.

CBO estimates Federal program outlays as follows:

[In millions of dollars]

	Fiscal year—		
	1989	1990 est.	1991 est.
Federal benefits.....	11,483	11,329	13,259
Beneficiary services.....	19	28	28

[In millions of dollars]—Continued

	Fiscal year—		
	1989	1990 est.	1991 est.
Administration	1,051	1,090	1,158
Research and Demonstration	1	2	2
Total.....	12,555	12,449	14,477

PROPOSED LEGISLATION

The Administration's budget includes one proposal to reduce costs in the SSI program.

SUPPLEMENTAL SECURITY INCOME—SAVINGS

[In millions of dollars]

	Fiscal year—					5-year total
	1991	1992	1993	1994	1995	
Administration fee ¹	-55	-110	-165	-165	-165	-660

¹ Administration estimate. No independent CBO estimate available.

Under present law, States may choose to supplement the Federal payment and have these supplements administered by SSA. SSA currently administers the supplementation programs for 17 States and the District of Columbia. Currently there is no provision in the statute allowing SSA to charge a fee for administering these programs.

The Administration's budget proposes to assess a fee from States for administration of State supplementation programs. Details of how the fees would be assessed are still to be worked out, but, according to the Administration, the fee that a State must pay will generally reflect the total amount of the State's supplementary benefits.



CHART 13.—HEALTH PROGRAMS: CURRENT LAW SPENDING

[In billions of dollars]

	Fiscal year—						5-Year total (1991-95)
	1990	1991	1992	1993	1994	1995	
MEDICARE OUTLAYS							
Part A	63.9	67.5	75.5	83.2	91.4	99.8	417.5
Part B	43.4	49.3	57.1	65.2	74.1	83.7	329.4
Less Beneficiary premiums	11.6	11.9	12.6	13.4	14.2	15.0	67.1
Total	95.6	104.9	120.0	135.0	151.4	168.6	679.9
Hospitals	54.7	60.2	66.7	73.7	81.2	88.9	370.6
Physicians	26.5	29.5	33.6	37.7	42.0	46.5	189.3
Other	26.1	27.2	32.3	37.0	42.3	48.2	187.0
Less Beneficiary premiums	11.6	11.9	12.6	13.4	14.2	15.0	67.1
Total	95.6	104.9	120.0	135.0	151.4	168.6	679.9
MEDICAID OUTLAYS							
Federal expenditures	39.5	45.1	50.8	56.8	63.3	70.5	286.6
State costs	29.6	33.0	36.6	41.0	45.6	50.8	207.0
Total	69.1	78.2	87.4	97.8	108.9	121.3	493.6
MATERNAL AND CHILD HEALTH BLOCK GRANT							
Federal expenditures	0.6	0.6	0.6	0.6	0.7	0.7	3.1
State costs	0.4	0.4	0.4	0.4	0.4	0.4	2.0
Total	0.9	0.9	1.0	1.0	1.1	1.1	5.1

Source: Congressional Budget Office estimates.

Chart 13

Health Programs

MEDICARE

Medicare is a nationwide health insurance program for 33 million aged and disabled individuals. It is authorized by Title XVIII of the Social Security Act and consists of two parts. Part A, the Hospital Insurance Program, provides protection against the costs of inpatient hospital services, skilled nursing facility services, home health care and hospice care. Part B, the Supplemental Medical Insurance program, is a voluntary program which provides protection against the costs of physicians' services and other medical services.

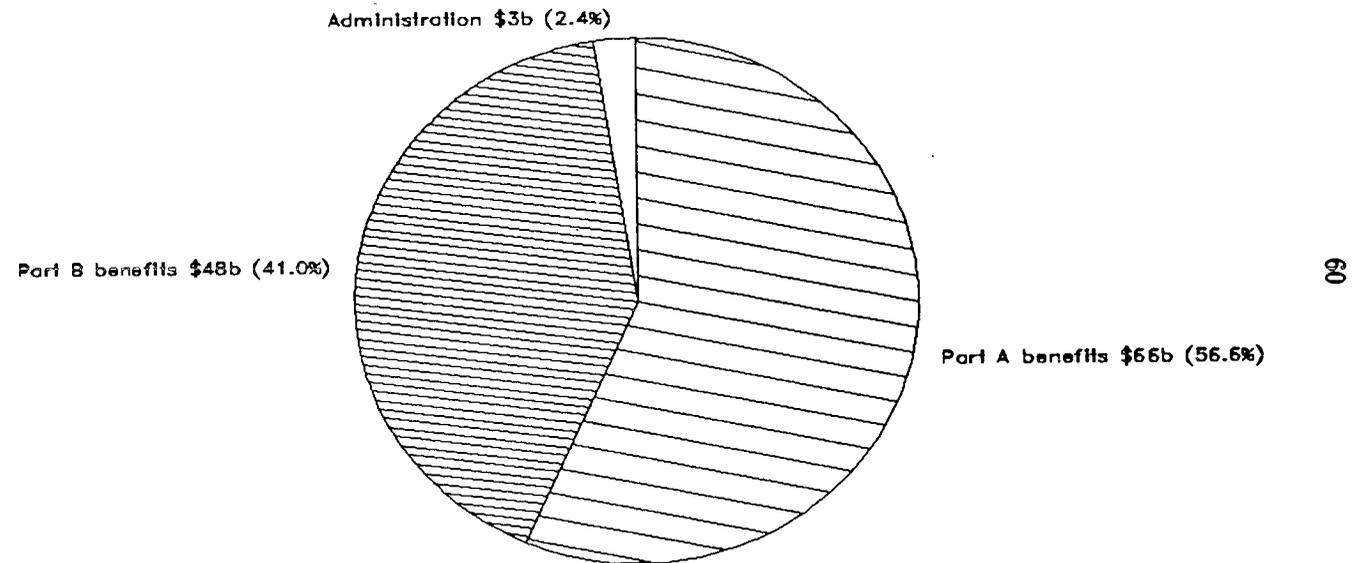
The Congressional Budget Office estimates that under current law, spending for the Medicare program in FY 1991 will be \$116.8 billion, of which \$67.5 billion is for part A and \$49.3 billion is for part B. The CBO estimates that basic premiums collected from Medicare participants in FY 1991 will total \$11.9 billion. Spending for program administration will be \$2.8 billion for FY year 1991, about 2.4 percent of the total.

MEDICAID

Medicaid is a Federally-aided, State-designed and administered program, authorized by Title XIX of the Social Security Act, which provides medical assistance for certain low-income persons. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. The Federal government's share of Medicaid expenditures is tied to a formula inversely related to the per capita income of the State. Federal matching for services varies from 50 percent to 78 percent. Administrative costs are generally matched at 50 percent except for certain items which are subject to higher matching rates.

Recent budget reconciliation acts have expanded Medicaid's coverage for pregnant women and young children. Pursuant to the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239), States are required, as of April 1, 1990, to cover all pregnant women and children up to age six with family incomes up to 133 percent of the Federal Poverty Level (\$14,045 for a family of three). At their option, States may cover pregnant women and infants (up to age one) with family incomes up to 185 percent of the Federal Poverty Level (\$19,536 for a family of three).

Fiscal Year 1991 Medicare Outlays
Current Law



SOURCE: CBO estimates

NOTE: Figures do not reflect offsetting income from beneficiary premiums

Chart 14

Health Programs: Administration Proposals

MEDICARE

The Administration budget proposes to reduce outlays and increase premiums under the Medicare program for fiscal year 1991 by \$5.158 billion. This amount includes \$3.035 in reduced payments to providers under Part A, and \$2.108 billion in payment reductions and premium changes under Part B. It does not include increased revenue to the Hospital Insurance Trust Fund associated with proposals to include State and local government workers under Medicare. (See section on revenue). All estimates have been prepared by the Congressional Budget Office. Table 14 compares Administration and CBO estimates of Medicare savings proposals. Unless otherwise specified, the proposals are legislative, rather than regulatory, in nature.

Of the \$5.158 billion in Medicare spending cuts, \$3.9 billion, or 75 percent, would come from reducing payments to hospitals for both inpatient and outpatient services. Payments to physicians would be reduced roughly \$990 million, less than 20 percent of the total.

MEDICARE PART B

14. Part B premium.—The part B premium was originally set at a level to cover 50 percent of program costs, but subsequently the increase in the premium from year to year was limited to the most recent percentage increase in Social Security cash benefits. As a result, the percentage of program costs covered by the premium dropped to 24 percent by 1981, and legislation was enacted to hold the premium at 25 percent of program costs through 1984. This provision was extended on a number of occasions, but will expire at the end of 1990.

The Administration budget would establish the part B premium at the greater of 25 percent of program costs or the previous year's premium, increased by the annual percentage increase in Social Security cash benefits. This provision would be permanent. (\$2 million in 1991)

CHART 17.—TAX REVENUES UNDER PRESENT LAW

[In billions of dollars]

	Current Services		CBO Baseline	
	1991	1992	1991	1992
Individual Income	524	560	529	564
Corporate Income	129	141	111	116
Social Insurance	417	444	412	437
Excise Taxes.....	35	35	34	32
Other ¹	52	55	53	54
TOTAL	1,156	1,235	1,139	1,203

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

Chart 17

Tax Revenues Under Present Law

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

Under President Bush's 1991 budget proposals, total receipts would rise to \$1,170 billion in 1991 and \$1,246 in 1992. These proposals are listed in chart 17.

Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS
ON RECEIPTS

[In billions of dollars]

	1991	1992	1993
1. Capital Gains	4.9	2.8	1.2
2. IRS Management Reforms	2.5	1.1	0.5
3. State and Local Employees ¹	3.8	3.9	4.0
4. Telephone Excise Tax ¹	1.6	2.5	2.7
5. Payroll Tax Deposit Rules	0.9	2.2	—3.1
6. IRS Enforcement Funding	0.5	0.8	1.3
7. Airport and Airway Trust Fund Excise Taxes ¹ .	0.5	0.8	0.9
8. Ad Valorem Fee on Shippers ¹	0.3	0.3	0.3
9. Permit Limited Use of Excess Pension Funds to Pay Retiree Health Bene- fits.	0.2	0.4	0.2
10. Treatment of Salvage Value by Proper- ty and Casualty Insurance Compa- nies.	0.2	0.2	0.2
11. SEC Fees	0.1	0.1	0.1
12. Federal Reserve Reimbursement	0.1	0.1	0.1
13. IRS User Fee	0.1	0.1	0.1
14. Abandoned Mine Reclamation Fees ¹		0.1	0.3
15. CFTC Fee	(*)	(*)	(*)
16. Liquor Occupation Taxes	(*)	(*)	(*)
17. D.C. Employees:			
CSRS contribution	(*)	(*)	(*)
OASDHI coverage	(*)	(*)	(*)
18. FEMA Fees	(*)	(*)	(*)
19. Corps of Engineers Fees	(*)	(*)	(*)
20. R&E Tax Credit	—0.5	—0.9	—1.1
21. R&E Allocation Rules	—0.4	—0.7	—0.8

Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS
ON RECEIPTS—Continued

[In billions of dollars]

	1991	1992	1993
22. Energy Tax Incentives.....	-0.3	-0.5	-0.5
23. Family Savings Accounts.....	-0.2	-0.6	-1.0
24. Health Insurance Deduction for Self- employed.	-0.2	-0.4	-0.5
25. Low-income Housing Credit.....	-0.1	-0.3	-0.4
26. Enterprise Zones.....	(-*)	-0.2	-0.3
27. Early Withdrawals from IRAs.....	(-*)	-0.1	-0.1
28. Delay Federal Pay Raise.....	(-*)	-0.1	-0.1
29. Child Care Credit ²	(-*)	(-*)	(-*)
30. Railroad UI.....	(-*)	(-*)	(-*)
31. Special Needs Adoption.....	(-*)	(-*)	(-*)
32. Other Proposals.....	-0.1	-0.2	(-*)

*\$50 million or less.

¹ Net of income tax offsets.

² Reflects only the effect of the proposal on budget receipts. The proposal increases outlays by the following amounts: 1991, \$0.2 billion; 1992, \$1.8 billion; and 1993, \$2.0 billion.

Chart 18

Description of Bush Administration Proposals on Receipts

1. *Capital Gains*.—The Administration proposes to allow individuals, beginning in 1990, to exclude a percentage of gain on capital assets as defined under present law, except that collectibles would be excluded. After 1991, the exclusion would increase based on the length of time the asset was held: 30 percent for assets held 3 years or more, 20 percent for assets held at least 2 years but less than 3 years, and 10 percent for assets held at least 1 year but less than 2 years. The alternative minimum tax would apply to excluded amounts and all depreciation would be recaptured in full as ordinary income.

2. *IRS Management Reforms*.—The Administration intends that IRS will undertake several management initiatives that would increase revenue yields without requiring additional expenditures.

3. *State and Local Employees*.—The Administration proposes extending mandatory social security (OASDI) coverage to State and local government employees who do not participate in retirement plans. The Administration also proposes extending mandatory Medicare hospital insurance (HI) coverage to State and local employees not otherwise covered under present law, effective October 1, 1990.

4. *Telephone Excise Tax*.—The Administration proposes making the current 3 percent Federal excise tax on telephone service permanent. Under existing law, the excise tax is scheduled to expire at the end of 1990. The Administration also proposes to move the deposit date for the tax.

5. *Payroll Tax Deposit Rules*.—The Administration proposes that payroll tax deposits of \$100,000 or more must be made by the close of the next banking day.

6. *IRS Enforcement Funding*.—The Administration proposes to increase budget authority for the IRS to about \$6.1 billion. IRS funding for enforcement would be increased.

7. *Airport and Airway Trust Fund Excise Taxes*.—The Administration proposes to repeal the aviation tax reduction "trigger." The Administration also proposes to extend the excise taxes beyond 1990 and increase the air passenger ticket tax from 8 percent to 10 percent, the domestic air freight tax from 5 percent to 6.25 percent, and the noncommercial aviation taxes from 12 cents per gallon to 15 cents per gallon for gasoline and from 14 cents per gallon to 17.5 cents per gallon for jet and other fuels.

8. *Ad Valorem Fee on Shippers*.—The Administration proposes to increase the ad valorem fee on shippers from 0.04 percent of cargo value to approximately 0.125 percent of cargo value.

9. *Permit Limited Use of Excess Pension Funds to Pay Retiree Health Benefits*.—The Administration proposes to permit the trans-

fer of excess pension plan assets to a section 401(h) medical benefits account within the plan without termination or disqualification of the plan, under certain restrictions.

10. *Treatment of Salvage Value by Property and Casualty Insurance Companies.*—The Administration proposes that the deduction for losses incurred by property and casualty insurance companies should be reduced by estimated recoveries of salvage (including subrogation claims) attributable to such losses, beginning after December 31, 1989.

11. *Securities and Exchange Commission (SEC) Fees.*—The Administration proposes to increase the fee on securities market transactions from 1/300 to 1/200 of 1 percent of dollar value of sales, and to expand this fee to apply to most over-the-counter securities transactions. The Administration also proposes to increase the fee charged for merger or proxy filing from 1/50 to 1/40 of 1 percent of the value of the transaction, and the registration fee on securities from 1/50 to 1/40 of 1 percent of the value of the securities.

12. *Federal Reserve Reimbursement.*—The Administration proposes to establish a permanent, indefinite appropriation to reimburse Federal Reserve banks for their services as fiscal agents for the Bureau of the Public Debt. This would result in a corresponding increase in deposit of earnings by the Federal Reserve System.

13. *IRS User Fee.*—The Administration proposes to extend permanently the existing fee on private letter ruling and similar requests.

14. *Abandoned Mine Reclamation Fees.*—The Administration proposes to extend permanently the abandoned mine reclamation fees, which would expire in August 1992 under current law.

15. *Commodity Futures Trading Commission (CFTC) Fee.*—The Administration proposes to impose a futures market transactions fee of 11 cents per transaction, effective October 1, 1990.

16. *Liquor Occupation Taxes.*—The Administration proposes to eliminate the special occupational taxes currently levied on liquor retailers and increase the existing taxes on wholesalers and manufacturers.

17. *District of Columbia (D.C.) Employees.*—The Administration proposes to require the D.C. government to phase in payments for current Civil Service Retirement System cost of living (COLA) liabilities and to pay the cost of COLAs for post-1986 CSRS annuitants. The Administration also proposes to extend Social Security and Medicare hospital insurance (OASDHI) coverage to all newly hired D.C. government employees, effective January 1, 1991.

18. *Federal Emergency Management Agency (FEMA) Fees.*—The Administration proposes to impose user fees on the owners of nuclear power plants.

19. *Corps of Engineers Application Fees.*—The Administration proposes to collect fees on requests for permits for development or other activities on navigable waterways and wetlands.

20. *Research and Experimentation (R&E) Tax Credit.*—The Administration proposes making permanent the R&E tax credit, with 100 percent of research expenses eligible in 1990.

21. *Allocation of Research and Experimentation (R&E) Expenses.*—The Administration proposes making permanent the R&E

allocation rules, as modified by the Omnibus Budget Reconciliation Act of 1989.

22. *Energy Tax Incentives.*—The Administration makes four proposals to boost energy production: a 10 percent tax credit for the first \$10 million of exploratory intangible drilling costs and a 5 percent credit for the balance of such costs; a 10 percent credit for new tertiary enhanced recovery projects; for percentage depletion, eliminating the transfer rule and increasing the net income limitation for independent producers; and eliminating 80 percent of the exploratory intangible drilling cost preferences of independent producers from the minimum tax.

23. *Family Savings Accounts.*—The Administration proposes to create a new type of savings account, the “Family Savings Account.” Although no current-year tax deduction would be available for contributions to these accounts, the contributions and the earnings could be withdrawn tax-free, as long as the account was maintained for at least seven years. Withdrawals of earnings on contributions maintained in the account for less than three years would be subject not only to regular income tax, but also to a 10 percent excise tax penalty. The proposal would allow contributions of up to \$2,500 a year for single individuals with income of \$60,000 or less, and \$5,000 a year for families with income of \$120,000 or less.

24. *Health Insurance Deduction for Self-employed.*—The Administration proposes to extend permanently the 25 percent deduction for health insurance expenses of self-employed individuals, which would expire after September 30, 1990 under current law.

25. *Low-income Housing Tax Credit.*—The Administration proposes to extend the low-income housing tax credit, as modified by the Omnibus Budget Reconciliation Act of 1989, through 1991 with 100 percent of the credit available in 1990.

26. *Enterprise Zones.*—The Administration proposes targeting new employment- and capital-based tax incentives to businesses that locate in designated enterprise zones. Under the Administration’s proposal, up to 50 zones would be eligible for these tax benefits.

27. *Waive Excise Tax for Early Withdrawals from IRAs.*—The Administration proposes to permit penalty-free withdrawals from some Individual Retirement Accounts (IRAs) to purchase a first home.

28. *Delay the Federal Employee Pay Raise.*—The Administration proposes to delay the Federal employee pay raise 3 months from October 31, 1990 to January 1, 1991.

29. *Child Care Credit.*—The Administration proposes establishing a new refundable child care tax credit of up to \$1,000 for each child under age four for families with adjusted gross income up to \$13,000; the income ceiling would be gradually raised to \$20,000 by 1995. The Administration proposal would also make the existing child and dependent care credit refundable.

30. *Railroad UI Reimbursable Status.*—The Administration proposes to extend beyond 1990 the exemption from the full railroad unemployment tax rate provided to public commuter railroads. The Administration proposal would also extend the same exemption to Amtrak beginning in 1991.

31. *Deduction for Special Needs Adoption.*—The Administration proposes restoring a deduction of up to \$3,000 for the expenses associated with adopting special needs children.

32. *Other Proposals.*—Other Administration proposals affecting receipts include modification of the EPA pesticide fee and an increase in the HUD interstate land sales fee.

Chart 19.—TAX EXPENDITURES

[In billions of dollars]

	Outlay equivalent		Revenue loss	
	1990	1991	1990	1991
National defense.....	2.3	2.4	2.0	2.0
International affairs.....	6.8	7.3	4.9	5.3
General science, space, and technology.....	3.4	2.9	2.7	2.5
Energy	1.2	1.5	1.4	1.7
Natural resources and environment.....	2.9	2.8	2.5	2.5
Agriculture	0.5	0.5	0.6	0.5
Commerce and housing	151.6	154.7	145.3	148.9
Transportation.....	0.2	0.2	0.1	0.1
Community and regional development	2.7	2.9	2.1	2.2
Education, training, employment and social services	23.1	24.4	20.9	22.1
Health.....	51.4	56.8	42.9	47.4
Income security.....	80.7	84.7	63.3	66.5
Social security.....	19.9	20.9	19.9	21.0
Veterans benefits and services ..	1.9	2.0	1.9	1.9
General government	37.0	39.2	33.6	35.5
Interest	1.1	1.1	1.0	1.1

Chart 19

Tax Expenditures

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

The Budget Act defines tax expenditures as "revenue losses" attributable to provisions of the Federal tax laws that allow a special exclusion, exemption, or deduction from gross income, or which provide a special credit, a preferential rate of tax, or a deferral of liability. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability, which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

The definition of "tax expenditure" is not precise. This imprecision has resulted in substantial controversy. Chart 18 includes all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or any judgment about the effectiveness of any provision.

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

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

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

APPENDIX A

**Committee on Finance Reports to the Budget Committee with
Respect to Fiscal Year 1990**

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, March 7, 1989

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

DEAR MR. CHAIRMAN:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the fiscal year 1990 budget. I am also enclosing a committee print which provides additional information on matters within the jurisdiction of the Committee on Finance.

Sincerely,

LLOYD BENTSEN, *Chairman*

Attachment.

March 7, 1989

**Views and Estimates of the Committee on Finance With Respect
to the Budget for Fiscal Year 1990**

Overall budgetary situation.—Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1990 projects a deficit which meets the target, but only if current policies (including appropriations) are changed sufficiently to reduce the disparity between spending and revenues by approximately \$27 billion. The baseline estimates of the Congressional Budget Office would indicate that an even larger amount of deficit reduction would be required to meet the goal of having a deficit for fiscal year 1990 which does not exceed \$100 billion.

As the committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years. At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high-priority needs of the nation, and many of the programs within Finance Committee jurisdiction are vital to the health and well-being of the citizens of this country.

It is clear, in any case, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration. We look forward to working with the Administration in fashioning those details of the budgetary program which involve matters within the jurisdiction of this committee.

Tax proposals.—As noted above, the President's Budget projects a baseline deficit under the Gramm-Rudman-Hollings statute which must be reduced by approximately \$27 billion if we are to meet the revised goals set by Congress and the Administration in 1987. That situation could worsen if economic conditions develop unfavorably in the next few months. The President's budget does include several revenue proposals. Some of these would reduce the deficit while others would increase it. The Committee is committed to assuring that any revenue changes it may propose will be designed in such a way as not to worsen the deficit. The Committee believes, however, that revenues are unlikely to play a role in meeting this year's deficit reduction goals unless there is bipartisan agreement on such an approach. In the absence of bipartisan agreement, the budget resolution should contain no reconciliation

instruction directing the Committee on Finance to propose revenue increases.

Medicare.—The Committee notes that the Medicare program has over the past several years borne much of the burden of outlay reduction. While that program does represent a major element of Federal spending, it cannot continue indefinitely to absorb major cutbacks without damaging the health care system in ways which will ultimately be harmful to the nation and the program's beneficiaries. The Committee will of course continue to carefully review this program to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly believes, however, that the Congressional budget for fiscal year 1990 should not be based on any assumption of significant cutbacks in Medicare. Specifically, the Committee feels that the level of Medicare deficit reduction projected in the President's budget (\$5 billion in fiscal year 1990; \$24 billion over fiscal years 1990-1992) exceeds the level that it will be willing to recommend.

Welfare reform.—In the last Congress, a major reform of the welfare system was enacted into law. This legislation has the potential for changing welfare in this nation from a program of dependency into a program which provides recipients with the tools to be independent, productive members of society. It is crucial to the success of this legislation that it be adequately funded in accord with the statutory entitlements (including the new JOBS program) established last year. The Congressional budget should assume both that entitlement funding and funding to implement several provisions of the welfare reform legislation which were adopted on a non-entitlement basis as discretionary authorizations. This includes, for example, funds for research and evaluation. The full cost of funding the welfare reform legislation, from a budgetary standpoint, was offset by financing provisions in that same act.

Children's initiatives.—While the Committee is deeply concerned with the need for deficit reduction, the existence of that deficit does not relieve the nation of its responsibility to find ways to improve the lives of its children, especially those who are poor or disabled. The Committee expects to propose meeting that responsibility by implementing new initiatives in the areas of child welfare, child care, and child health. Several elements of the Committee's jurisdiction are closely involved with those areas including: the tax code; the social services program under title XX of the Social Security Act; the adoption assistance, foster care, and child welfare services programs; Medicaid; and the maternal and child health program. While the Committee has not yet had the opportunity to review or develop specific proposals in these areas, we recommend that the budget resolution accommodate new children's initiatives in these Finance Committee programs in fiscal year 1990.

Customs/International Trade.—We note that the budget submitted by President Reagan assumed the repeal of the Trade Adjustment Assistance program which was just extended and reformed by last year's trade bill. It is extremely unlikely that the Committee will recommend repeal, so the Committee on the Budget should not assume the enactment of repeal legislation. With respect to funding of the United States Trade Representative, the Committee is concerned that the President's budget submission does not fully

take into account the increased program activities of the agency due to enactment of last year's trade bill, implementation of the U.S.-Canada Free Trade Agreement, and increased activity in the Uruguay Round of multilateral trade negotiations. We recommend that the budget resolution assume that the Committee may increase USTR's funding above the President's requested level in order to assure that the agency has adequate resources to perform its functions.

Other Finance Committee programs.—In general, the Committee recommends that the budget resolution be based on an assumption that the programs in its jurisdiction which are not specifically addressed above be continued without substantive change.

Public Debt Limit.—The debt limit under existing law is set at \$2.8 trillion. It appears that this level will be exceeded by the end of fiscal year 1989. At that time, a debt subject to limit of approximately \$2.85 trillion is now projected. By the end of fiscal year 1990, the debt limit will have to be increased to about \$3.1 trillion. The budget resolution should reflect these projections.

Summary.—As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.

APPENDIX B

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

DEFINITIONS

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

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

(2) The term “budget authority” means authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds or to collect offsetting receipts, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

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

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

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

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

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

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

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

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

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

- (A) with respect to the fiscal year beginning October 1, 1985, \$171,900,000,000;
- (B) with respect to the fiscal year beginning October 1, 1986, \$144,000,000,000;
- (C) with respect to the fiscal year beginning October 1, 1987, \$144,000,000,000;
- (D) with respect to the fiscal year beginning October 1, 1988, \$136,000,000,000;
- (E) with respect to the fiscal year beginning October 1, 1989, \$100,000,000,000;
- (F) with respect to the fiscal year beginning October 1, 1990, \$64,000,000,000;
- (G) with respect to the fiscal year beginning October 1, 1991, \$28,000,000,000; and
- (H) with respect to the fiscal year beginning October 1, 1992, zero.

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

- (A) which is established by Federal law, and
- (B) the receipts and disbursements of which are required by law to be excluded from the totals of—
 - (i) the budget of the United States Government submitted by the President pursuant to section 1105 of title 31, United States Code, or
 - (ii) the budget adopted by the Congress pursuant to title III of this Act.

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

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

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

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

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

On or before:	Action to be completed:
First Monday after January 3.....	President submits his budget.
February 15.....	Congressional Budget Office submits report to Budget Committees.
February 25.....	Committees submit views and estimates to Budget Committees.
April 1.....	Senate Budget Committee reports concurrent resolution on the budget.
April 15.....	Congress completes action on concurrent resolution on the budget.
May 15.....	Annual appropriation bills may be considered in the House.
June 10.....	House Appropriations Committee reports last annual appropriation bill.
June 15.....	Congress completes action on reconciliation legislation.
June 30.....	House completes action on annual appropriation bills.
October 1.....	Fiscal year begins.

ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, for the following—

- (1) totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;
- (2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;
- (3) the surplus or deficit in the budget;
- (4) new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1); and
- (5) the public debt.¹

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

(b) **ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.**—The concurrent resolution on the budget may—

(1) set forth, if required by subsection (f), the calendar year in which, in the opinion of the Congress, the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 should be achieved;

(2) include reconciliation directives described in section 310;

(3) require a procedure under which all or certain bills or resolutions providing new budget authority or new entitlement authority for such fiscal year shall not be enrolled until the Congress has completed action on any reconciliation bill or reconciliation resolution or both required by such concurrent resolution to be reported in accordance with section 310(b); and

(4) set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act.

(c) **CONSIDERATION OF PROCEDURES OR MATTERS WHICH HAVE THE EFFECT OF CHANGING ANY RULE OF THE HOUSE OF REPRESENTATIVES.**—If the Committee on the Budget of the House of Representatives reports any concurrent resolution on the budget which includes any procedure or matter which has the effect of changing any rule of the House of Representatives, such concurrent resolution shall then be referred to the Committee on Rules with instructions to report it within five calendar days (not counting any day on which the House is not in session). The Committee on Rules shall have jurisdiction to report any concurrent resolution referred to it under this paragraph with an amendment or amendments changing or striking out any such procedure or matter.

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

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

deems desirable. Each of the recommendations as to short-term and medium-term goals set forth in the report submitted by the members of the Joint Economic Committee under subsection (d) may be considered by the Committee on the Budget of each House as part of its consideration of such concurrent resolution, and its report may reflect its views thereon, including its views on how the estimates of revenues and levels of budget authority and outlays set forth in such concurrent resolution are designed to achieve any goals it is recommending. The report accompanying such concurrent resolution shall include, but not be limited to—

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, total direct loan obligations, total primary loan guarantee commitments, as set forth in such concurrent resolution, with those estimated or requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof) with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and with each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and any alternative economic assumptions and objectives which the committee considered;

(6) projections (not limited to the following), for the period of five fiscal years beginning with such fiscal year, of the estimated levels of total budget outlays and total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments;

(8) information, data, and comparisons indicating the manner in which and the basis on which, the committee determined each of the matters set forth in the concurrent resolution; and

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

(f) ACHIEVEMENT OF GOALS FOR REDUCING UNEMPLOYMENT.—

(1) If, pursuant to section 4(c) of the Employment Act of 1946, the President recommends in the Economic Report that the goals for reducing unemployment set forth in section 4(b) of such Act be achieved in a year after the close of the five-year period prescribed by such subsection, the concurrent resolution on the budget for the fiscal year beginning after the

date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(2) After the Congress has expressed its opinion pursuant to paragraph (1) as to the year in which the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 can be achieved, if, pursuant to section 4(e) of such Act, the President recommends in the Economic Report that such goals be achieved in a year which is different from the year in which the Congress has expressed its opinion that such goals should be achieved, either in its action pursuant to paragraph (1) or in its most recent action pursuant to this paragraph, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(3) It shall be in order to amend the provision of such resolution setting forth such year only if the amendment thereto also proposes to alter the estimates, amounts, and levels (as described in subsection (a)) set forth in such resolution in germane fashion in order to be consistent with the economic goals (as described in section 3(a)(2) and 4(b) of the Employment Act of 1946) which such amendment proposes can be achieved by the year specified in such amendment.

(g) ECONOMIC ASSUMPTIONS.—

(1) It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year, or any amendment thereto, or any conference report thereon, that sets forth amounts and levels that are determined on the basis of more than one set of economic and technical assumptions.

(2) The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall set forth the common economic assumptions upon which such joint statement and conference report are based, or upon which any amendment contained in the joint explanatory statement to be proposed by the conferees in the case of technical disagreement, is based.

(3) Subject to periodic reestimation based on changed economic conditions or technical estimates, determinations under titles III and IV of the Congressional Budget Act of 1974 shall be based upon such common economic and technical assumptions.

(h) BUDGET COMMITTEE CONSULTATION WITH COMMITTEES.—The Committee on the Budget of the House of Representatives shall consult with the committees of its House having legislative jurisdiction during the preparation, consideration, and enforcement of the concurrent resolution on the budget with respect to all matters which relate to the jurisdiction or functions of such committees.

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

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

(1)(A) Except as provided in paragraph (2), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of total budget outlays for such fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7), or if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7).

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

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

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

(C) For purposes of the application of subparagraph (B), the amount of deficit reduction for a fiscal year provided for in a concurrent resolution, or amendment thereto or conference report thereon, shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

SEC. 302. (a) ALLOCATION OF TOTALS.—

(1) For the House of Representatives, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority, total entitlement authority, and total credit authority among each committee of

the House of Representatives which has jurisdiction over laws, bills and resolutions providing such new budget authority, such entitlement authority, or such credit authority. The allocation shall, for each committee, divide new budget authority, entitlement authority, and credit authority between amounts provided or required by law on the date of such conference report (mandatory or uncontrollable amounts), and amounts not so provided or required (discretionary or controllable amounts), and shall make the same division for estimated outlays that result from such new budget authority.

(2) For the Senate, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority and new credit authority among each committee of the House of Representatives and the Senate which has jurisdiction over bills and resolutions providing such new budget authority.

(b) **REPORTS BY COMMITTEES.**—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays, new budget authority, and new credit authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection.

(c) **POINT OF ORDER.**—It shall not be in order in the House of Representatives or the Senate to consider any bill or resolution, or amendment thereto, providing—

(1) new budget authority for a fiscal year;

(2) new spending authority as described in section 401(c)(2)

for a fiscal year; or

(3) new credit authority for a fiscal year;

within the jurisdiction of any committee which has received an appropriate allocation of such authority pursuant to subsection (a) for such fiscal year, unless and until such committee makes the allocation or subdivision required by subsection (b), in connection with

the most recently agreed to concurrent resolution on the budget for such fiscal year.

(d) **SUBSEQUENT CONCURRENT RESOLUTIONS.**—In the case of a concurrent resolution on the budget referred to in section 304, the allocations under subsection (a) and the subdivision under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

(e) **ALTERATION OF ALLOCATIONS.**—At any time after a committee reports the allocations required to be made under subsection (b), such committee may report to its House an alteration of such allocations. Any alteration of such allocations must be consistent with any actions already taken by its House on legislation within the Committee's jurisdiction.

(f) **LEGISLATION SUBJECT TO POINT OF ORDER.**—

(1) **IN THE HOUSE OF REPRESENTATIVES.**—After the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, new entitlement authority effective during such fiscal year, or new credit authority for such fiscal year, or any conference report on any such bill or resolution, if—

(A) the enactment of such bill or resolution as reported;

(B) the adoption and enactment of such amendment; or

(C) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate allocation made pursuant to subsection (b) for such fiscal year of new discretionary budget authority, new entitlement authority, or new credit authority to be exceeded.

(2) **IN THE SENATE.**—At any time after the Congress has completed action on the concurrent resolution on the budget required to be reported under section 301(a) for a fiscal year, it shall not be in order in the Senate to consider any bill or resolution (including a conference report thereon), or any amendment to a bill or resolution, that provides for budget outlays or new budget authority in excess of the appropriate allocation of such outlays or authority reported under subsection (b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year.

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

CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, NEW CREDIT AUTHORITY, OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) as reported to the House or Senate which provides—

- (1) new budget authority for a fiscal year;
- (2) an increase or decrease in revenues to become effective during a fiscal year;
- (3) an increase or decrease in the public debt limit to become effective during a fiscal year;
- (4) new entitlement authority to become effective during a fiscal year; or
- (5) new credit authority for fiscal year,

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

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

- (1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or
- (2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

After May 15 of any calendar year, subsection (a) does not apply in the House of Representatives to any general appropriation bill, or amendment thereto, which provides new budget authority for the fiscal year beginning in such calendar year.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution (or amendment thereto) to which subsection (a) applies may at or after the time it reports such bill or resolution (or amendment), report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution (or amendment), and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That Committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that Committee's recommendations and reasons for such recommendations with respect to the resolution. If the Committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal

shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) shall not apply with respect to the bill or resolution (or amendment thereto) to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 304. (a) IN GENERAL.—At any time the concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises or reaffirms the concurrent resolution on the budget for such fiscal year most recently agreed to.

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

(b) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—The provisions of section 301(i) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under section 301(i) (and amendments thereto and conference reports thereon).

(c) ECONOMIC ASSUMPTIONS.—The provisions of section 301(g) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under such section 301(g) (and amendments thereto and conference reports thereon).

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House of Representatives has reported any concurrent resolution on the budget, it is in order at any time after the fifth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution by the Committee on the Budget has been available to Members of the House and, if applicable, after the first day (excluding Saturdays, Sundays, and legal holidays) following the day on which a report upon such resolution by the Committee on Rules pursuant to section 301(c) has been available to Members of the House (even though a previous motion to the same effect has been dis-

agreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between majority and minority parties, plus such additional hours of debate as are consumed pursuant to paragraph (3). A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

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

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

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

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

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

cedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that with respect to any concurrent resolution referred to in section 304(a) all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

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

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

(5) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(6) Notwithstanding any other rule, an amendment or series of amendments to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

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

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, and all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

(d) REQUIRED ACTION BY CONFERENCE COMMITTEE.—If at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in

disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

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

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

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

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

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

**LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE
HANDLED BY BUDGET COMMITTEES**

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

**HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE
COMPLETED BY JUNE 10**

SEC. 307. On or before June 10 of each year, the Committee on Appropriations of the House of Representatives shall report annual appropriation bills providing new budget authority under the jurisdiction of all of its subcommittees for the fiscal year which begins on October 1 of that year.

**REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET
ACTIONS**

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR NEW CREDIT AUTHORITY, OR PROVIDING AN INCREASE OR DECREASE IN REVENUES OR TAX EXPENDITURES.—

(1) Whenever a committee of either House reports to its House a bill or resolution, or committee amendment thereto, providing new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, or the committee shall make available such a state-

ment in the case of an approved committee amendment which is not reported to its House, prepared after consultation with the Director of the Congressional Budget Office—

(A) comparing the levels in such measure to the appropriate allocations in the reports submitted under section 302(b) for the most recently agreed to concurrent resolution on the budget for such fiscal year;

(B) including an identification of any new spending authority described in section 401(c)(2) which is contained in such measure and a justification for the use of such financing method instead of annual appropriations;

(C) containing a projection by the Congressional Budget Office of how such measure will affect the levels of such budget authority, budget outlays, spending authority, revenues, tax expenditures, direct loan obligations, or primary loan guarantee commitments under existing law for such fiscal year and each of the four ensuing fiscal years, if timely submitted before such report is filed; and

(D) containing an estimate by the Congressional Budget Office of the level of new budget authority for assistance to State and local governments provided by such measure, if timely submitted before such report is filed.

(2) Whenever a conference report is filed in either House and such conference report or any amendment reported in disagreement or any amendment contained in the joint statement of managers to be proposed by the conferees in the case of technical disagreement on such bill or resolution provides new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or provides an increase or decrease in revenues for a fiscal year, the statement of managers accompanying such conference report shall contain the information described in paragraph (1), if available on a timely basis. If such information is not available when the conference report is filed, the committee shall make such information available to Members as soon as practicable prior to the consideration of such conference report.

(b) UP-TO-DATE TABULATIONS OF CONGRESSIONAL BUDGET ACTION.—

(1) The Director of the Congressional Budget Office shall issue to the committees of the House of Representatives and the Senate reports on at least a monthly basis detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority, new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year. Such reports shall include but are not limited to an up-to-date tabulation comparing the appropriate aggregate and functional levels (including outlays) included in the most recently adopted concurrent resolution on the budget with the levels provided in bills and resolutions reported by committees or adopted by either House or by the Congress, and

with the levels provided by law for the fiscal year preceding such fiscal year.

(2) The Committee on the Budget of each House shall make available to Members of its House summary budget scorekeeping reports. Such reports—

(A) shall be made available on at least a monthly basis, but in any case frequently enough to provide Members of each House an accurate representation of the current status of congressional consideration of the budget;

(B) shall include, but are not limited to, summaries of tabulations provided under subsection (b)(1); and

(C) shall be based on information provided under subsection (b)(1) without substantive revision.

The chairman of the Committee on the Budget of the House of Representatives shall submit such reports to the Speaker.

(c) **FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACTION.**—As soon as practicable after the beginning of each fiscal year, the rector of the Congressional Budget Office shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period;

(3) tax expenditures for each fiscal year in such period;

(4) entitlement authority for each fiscal year in such period; and

(5) credit authority for each fiscal year in such period.

HOUSE APPROVAL OF REGULAR APPROPRIATION BILLS

SEC. 309. It shall not be in order in the House of Representatives to consider any resolution providing for an adjournment period of more than three calendar days during the month of July until the House of Representatives has approved annual appropriation bills providing new budget authority under the jurisdiction of all the subcommittees of the Committee on Appropriations for the fiscal year beginning on October 1 of such year. For purposes of this section, the chairman of the Committee on Appropriations of the House of Representatives shall periodically advise the Speaker as changes in jurisdiction among its various subcommittees.

RECONCILIATION

SEC. 310. (a) **INCLUSION OF RECONCILIATION DIRECTIVES IN CONCURRENT RESOLUTIONS ON THE BUDGET.**—A concurrent resolution on the budget for any fiscal year to the extent necessary to effectuate the provisions and requirements of such resolution, shall—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

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

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

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

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

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

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

(b) **LEGISLATIVE PROCEDURE.**—If a concurrent resolution containing directives to one or more committees to determine and recommend changes in laws, bills, or resolutions is agreed to in accordance with subsection (a), and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House reconciliation legislation containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations and submit such recommendations to the Committee on the Budget of its House, which, upon receiving all such recommendations, shall report to its House reconciliation legislation carrying out all such recommendations without any substantive revision.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(c) **COMPLIANCE WITH RECONCILIATION DIRECTIONS.**—Any committee of the House of Representatives or the Senate that is directed, pursuant to a concurrent resolution on the budget, to determine and recommend changes of the type described in paragraphs (1) and (2) of subsection (a) with respect to laws within its jurisdiction, shall be deemed to have complied with such directions—

(1) if—

(A) the amount of the changes of the type described in paragraph (1) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under such paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection, and

(B) the amount of the changes of the type described in paragraph (2) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under that paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection; and

(2) if the total amount of the changes recommended by such committee is not less than the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection.

(d) LIMITATION OF AMENDMENTS TO RECONCILIATION BILLS AND RESOLUTIONS.—

(1) It shall not be in order in the House of Representatives to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of increasing any specific budget outlays above the level of such outlays provided in the bill or resolution (for the fiscal years covered by the reconciliation instructions set forth in the most recently agreed to concurrent resolution on the budget), or would have the effect of reducing any specific Federal revenues below the level of such revenues provided in the bill or resolution (for such fiscal years), unless such amendment makes at least an equivalent reduction in other specific budget outlays, an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years), except that a motion to strike a provision providing new budget authority or new entitlement authority may be in order.

(2) It shall not be in order in the Senate to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of decreasing any specific budget outlay reductions below the level of such outlay reductions provided (for the fiscal years covered) in the reconciliation instructions which relate to such bill or resolution set forth in a resolution providing for reconciliation, or would have the effect of reducing Federal revenue increases below the level of such revenue increases provided (for such fiscal years) in such instructions relating to such bill or resolution, unless such amendment makes a reduction in other specific budget outlays, an increase in other specific Federal revenues, or a combination thereof (for such fiscal years) at least equivalent to any increase in outlays or decrease to revenues provided by such amendment, except that a motion to strike a provision shall always be in order.

(3) Paragraphs (1) and (2) shall not apply if a declaration of war by the Congress is in effect.

(4) For purposes of this section, the levels of budget outlays and Federal revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

(5) The Committee on Rules of the House of Representatives may make in order amendments to achieve changes specified by reconciliation directives contained in a concurrent resolution on the budget if a committee or committees of the House fail to submit recommended changes to its Committee on the Budget pursuant to its instruction.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills reported under subsection (b) and conference reports thereon.

(2) Debate in the Senate on any reconciliation bill reported under subsection (b), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) COMPLETION OF RECONCILIATION PROCESS.—

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

(2) POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.—It shall not be in order in the House of Representatives to consider any resolution providing for an adjournment period of more than three calendar days during the month of July until the House of Representatives has completed action on the reconciliation legislation for the fiscal year beginning on October 1 of the calendar year to which the adjournment resolution pertains, if reconciliation legislation is required to be reported by the concurrent resolution on the budget for such fiscal year.

(g) LIMITATION ON CHANGES TO THE SOCIAL SECURITY ACT.—Notwithstanding any other provisions of law, it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or reconciliation resolution reported pursuant to a concurrent resolution on the budget agreed to under section 301 or 304, or a resolution pursuant to section 254(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, or any amendment thereto or conference report thereon, that contains recommendations with respect to the old-age survivors, and disability insurance program established under title II of the Social Security Act.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—Except as provided by subsection (b), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;
 (2) the adoption and enactment of such amendment; or
 (3) the enactment of such bill or resolution in the form recommended in such conference report,
 would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution or, in the Senate, would otherwise result in a deficit for such fiscal year that—

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

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

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

(b) EXCEPTION IN THE HOUSE OF REPRESENTATIVES.—Subsection (a) shall not apply in the House of Representatives to any bill, resolution, or amendment which provides new budget authority or new entitlement authority effective during such fiscal year, or to any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report,

would not cause the appropriate allocation of new discretionary budget authority or new entitlement authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.

(c) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

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

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2) (A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, conference report, or amendment also provides that such new spending authority as described in subsection (c)(2) (A) or (B) is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day in which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

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

(c) DEFINITIONS.—

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

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

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

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

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

(D) to forgo the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such forgone receipts; and

(E) to make payments by the United States (including loans, grants, and payments from revolving funds) other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act, as of the date of enactment of the Balanced Budget and Emergency Deficit Control Act of 1985; or

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

LEGISLATION PROVIDING NEW CREDIT AUTHORITY

SEC. 402. (a) CONTROLS ON LEGISLATION PROVIDING NEW CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House, or any amendment which provides new credit authority described in subsection (b)(1), unless that bill, resolution, conference report, or amendment also provides that such new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) **DEFINITION.**—For purposes of this Act, the term “new credit authority” means credit authority (as defined in section 3(10) of this Act) not provided by law on the effective date of this section, including any increase in or addition to credit authority provided by law on such date.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

SEC. 403. (a) The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate;

(2) an estimate of the cost which would be incurred by State and local governments in carrying out or complying with any significant bill or resolution in the fiscal year in which it is to become effective and in each of the four fiscal years following such fiscal year, together with the basis for each such estimate;

(3) a comparison of the estimates of costs described in paragraphs (1) and (2), with any available estimates of costs made by such committee or by any Federal agency; and

(4) a description of each method for establishing a Federal financial commitment contained in such bill or resolution.

The estimates, comparison, and description so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

(b) For purposes of subsection (a)(2), the term "local government" has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term "significant bill or resolution" is defined as any bill or resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of \$200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

JURISDICTION OF APPROPRIATIONS COMMITTEES

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

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

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

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

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

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

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

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

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

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

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

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate

(b) For purposes of subsection (a)(2), the term "local government" has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term "significant bill or resolution" is defined as any bill or resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of \$200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

JURISDICTION OF APPROPRIATIONS COMMITTEES

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

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

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

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

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

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

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

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

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

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

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

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate

APPENDIX C

Budget Act Points of Order in the Senate

BUDGET ACT POINTS OF ORDER IN THE SENATE

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

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

APPENDIX D

**The Byrd Rule on Extraneous Matter in Reconciliation
Legislation**

THE BYRD RULE ON EXTRANEOUS MATTER IN RECONCILIATION LEGISLATION

[Section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 7006 of the Omnibus Budget Reconciliation Act of 1986 and section 205 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987]

Sec. 20001. Miscellaneous Provisions

(a) When the Senate is considering a reconciliation bill or a reconciliation resolution pursuant to section 310 of the Congressional Budget Act of 1974, upon a point of order being made by any Senator against material extraneous to the instructions to a committee which is contained in any title or provision of the bill or resolution or offered as an amendment to the bill or resolution, and the point of order is sustained by the Chair, any part of said title or provision that contains material extraneous to the instructions to said Committee as defined in subsection (d) shall be deemed stricken from the bill and may not be offered as an amendment from the floor. An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required to sustain an appeal of the ruling of the Chair on a point of order raised under this section, as well as to waive or suspend the provisions of this subsection.

(b) No motion to waive or suspend the requirement of section 305(b)(2) of the Congressional Budget Act of 1974, as it relates to germaneness with respect to a reconciliation bill or resolution, shall be agreed to unless supported by an affirmative vote of three-fifths of the Members, duly chosen and sworn, which super-majority shall be required to successfully appeal the ruling of the Chair on a point of order raised under that section, as well as to waive or suspend the provisions of this subsection.

(c) This section shall become effective on the date of enactment of this title and shall remain in effect until September 30, 1992.

(d)(1)—

(A) Except as provided in paragraph (2), a provision of a reconciliation bill or reconciliation resolution considered pursuant to section 310 of the Congressional Budget Act of 1974 shall be considered extraneous if such provision does not produce a change in outlays or revenues, including changes in cutlays and revenues brought about by changes in the terms and conditions under which outlays are made or revenues are required to be collected;

(B) any provision producing an increase in outlays or decrease in revenues shall be considered extraneous if the net effect of provisions reported by the Committee reporting the title containing the provision is that the Committee fails to achieve its reconciliation instructions;

(C) a provision that is not in the jurisdiction of the Committee with jurisdiction over said title or provision shall be considered extraneous;

(D) a provision shall be considered extraneous if it produces changes in outlays or revenues which are merely incidental to the non-budgetary components of the provision; and

(E) a provision shall be considered to be extraneous if it increases, or would increase, net outlays, or if it decreases, or would decrease, revenues during a fiscal year after the fiscal years covered by such reconciliation bill or reconciliation resolution, and such increases or decreases are greater than outlay reductions or revenue increases resulting from other provisions in such title in such year.

(2) A provision shall not be considered extraneous under paragraph (1)(A) if the Chairman and Ranking Minority Member of the Committee on the Budget and the Chairman and Ranking Minority Member of the Committee which reported the provision certify that—

(A) the provision mitigates direct effects clearly attributable to a provision changing outlays or revenues and both provisions together produce a net reduction in the deficit;

(B) the provision will result in a substantial reduction in outlays or a substantial increase in revenues during fiscal years after the fiscal years covered by the reconciliation bill or reconciliation resolution;

(C) a reduction of outlays or an increase in revenues is likely to occur as a result of the provision, in the event of new regulations authorized by the provision or likely to be proposed, court rulings on pending litigation, or relationships between economic indices and stipulated statutory triggers pertaining to the provision, other than the regulations, court rulings or relationships currently projected by the Congressional Budget Office for scorekeeping purposes; and

(D) such provision will be likely to produce a significant reduction in outlays or increase in revenues but, due to insufficient data, such reduction or increase cannot be reliably estimated.

(3) A provision reported by a committee shall not be considered extraneous under paragraph (1)(C) if—

(A) the provision is an integral part of a provision or title, which if introduced as a bill or resolution would be referred to such committee, and the provision sets forth the procedure to carry out or implement the substantive provisions that were reported and which fall within the jurisdiction of such committee; or

(B) the provision states an exception to, or a special application of, the general provision or title of which it is a part and such general provision or title if introduced as a bill or resolution would be referred to such committee.

Application of the Byrd Rule to Conference Reports

[S. Res. 286 (99th Congress, 1st Session), as amended by S. Res. 509 (99th Congress, 2d Session), which appears at 132 Cong. Rec. S 16416 (Oct. 16, 1986)]

The resolution (S. Res. 509) was agreed to, as follows:

S. RES. 509

That Senate Resolution 286 (99th Congress, 2d Session), adopted December 19, 1985, is amended by striking out all after the resolving clause and inserting in lieu thereof the following:

"That (a) when the Senate is considering a conference report on, or an amendment between the Houses in relation to, a reconciliation bill or reconciliation resolution pursuant to section 310 of the Congressional Budget Act of 1974, upon—

"(1) a point of order being made by any Senator against extraneous material meeting the definition of subsections (d)(1)(A) or (d)(1)(D) of section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, and

"(2) such point of order being sustained, such material contained in such conference report or amendment shall be deemed stricken, and the Senate shall proceed, without intervening action or motion, to consider the question of whether the Senate shall recede from its amendment and concur with a further amendment, or concur in the House amendment with a further amendment, as the case may be, which further amendment shall consist of only that portion of the conference report or House amendment, as the case may be, not so stricken. Any such motion in the Senate shall be debatable for 2 hours. In any case in which such point of order is sustained against a conference report (or Senate amendment derived from such conference report by operation of this resolution), no further amendment shall be in order.

"(b) An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required to sustain an appeal of the ruling of the Chair on a point of order raised under this resolution, as well as to waive or suspend the provisions of this resolution.

"(c) The provisions of this resolution shall remain in effect until the date of termination of section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985".

APPENDIX E

**Tax Expenditures by Function (Excerpt From the Budget of the
United States Government for Fiscal Year 1991)**

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

(Fiscal year, in millions of dollars)

Description	Outlay Equivalents			Revenue Loss						
	1982	1990	1991	Corporations			Individuals			
				1982	1990	1991	1982	1990	1991	
National defenses:										
Exclusion of benefits and allowances to armed forces personnel	2,215	2,295	2,380				1,900	1,955	2,010	
International affairs:										
Exclusion of income earned abroad by United States citizens	1,560	1,645	1,710				1,155	1,205	1,255	
Exclusion of income of foreign sales corporations (FSC)	795	880	965	525	560	635				
Inventory property sales source rules exception	3,000	3,300	3,630	2,000	2,200	2,420				
Certain nonfinancial institutions operations interest allocation rules exception	100	130	135	65	85	90				
Deferral of income from controlled foreign corporations:										
Pre-1983 budget method	750	800	850	750	800	850				
Post-1982 budget method										
Total (after interactions)	6,225	6,755	7,290							
General science, space, and technology:										
Expensing of research and development expenditures:										
Pre-1983 budget method	1,750	1,750	1,800	1,720	1,720	1,770	30	30	30	
Post-1982 budget method										
Credit for increasing research activities	1,590	1,410	960	1,120	970	660	25	20	15	
Suspension of the allocation of research and experimentation expenditures										
Total (after interactions)	3,675	3,420	2,860							
Energy:										
Expensing of exploration and development costs:										
Oil and gas	-65	110	365	-625	-490	-280	560	600	615	
Other fuels	35	35	35	35	35	35				
Excess of percentage over cost depletion:										
Oil and gas	530	560	565	80	80	80	310	325	330	
Other fuels	210	220	230	125	135	140	10	10	10	
Exclusion of interest on State and local industrial development bonds for certain energy facilities	380	405	440	315	340	360				
Alternative, conservation and new technology credits:										
Supply incentives	110	110	35	80	75	25				
Conservation incentives										
Alternative fuel production credit	15	15	15	10	10	10				
Alcohol fuel credit		45	155		35	110				
Energy credit for intercity buses										
Special rules for mining reclamation reserves	50	50	50	45	45	45	5	5	5	
Exception from passive loss limitation for working interests in oil and gas properties	135	175	200				135	175	200	
Total (after interactions)	995	1,225	1,480							
Natural resources and environment:										
Expensing of exploration and development costs, nonfuel minerals	40	40	40	35	35	35	5	5	5	
Excess of percentage over cost depletion, nonfuel minerals	315	330	350	220	235	245	15	15	15	
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	1,905	1,830	1,760	1,575	1,515	1,455				
Tax incentives for preservation of historic structures	140	140	130	45	45	40	95	95	90	
Expensing of multiperiod timber growing costs	310	360	400	180	205	225	130	155	175	
Investment credit and seven-year amortization for reforestation expenditures	210	215	220	40	40	40	160	170	175	
Total (after interactions)	2,860	2,855	2,840							
Agriculture:										
Expensing of certain capital outlays	505	495	450	60	60	50	445	435	400	
Expensing of certain multiperiod production costs	85	180	160	35	60	55	50	120	105	
Treatment of loans forgiven solvent farmers as if insolvent	10	10	10				10	10	10	
Deferral of drought-related payments	190	-125	-85	25	-15	-10	165	-110	-75	
Total (after interactions)	745	530	505							
Commerce and housing credit:										
Exemption of credit union income	645	740	850	445	510	590				
Excess bad debt reserves of financial institutions	45	25	20	45	25	20				
Special merger rules for financial institutions	5,635	5,720	4,795	3,885	3,945	3,310				
Exclusion of interest on life insurance savings	8,115	9,025	10,040	145	240	350	6,085	6,680	7,335	
Special alternative tax on small property and casualty insurance companies	45	35	35	35	25	25				
Tax exemption of certain insurance companies	30	35	40	25	25	30				
Small life insurance company deduction	105	105	110	75	60	60				
Exemption of RIC expenses from miscellaneous deduction floor	385	420	600				300	325	470	
Deductibility of interest on consumer credit	3,945	2,060	770				3,945	2,060	770	
Exclusion of interest on small issue industrial development bonds	3,020	2,840	2,650	2,660	2,445	2,280				
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	2,195	2,045	1,875				1,835	1,775	1,625	
Exclusion of interest on State and local debt for rental housing	1,510	1,420	1,340	1,220	1,150	1,080				
Deductibility of mortgage interest on owner-occupied homes	34,190	39,785	45,595				34,190	39,785	45,595	
Deductibility of property tax on owner-occupied homes	10,065	11,240	12,430				10,065	11,240	12,430	
Deferral of income from post 1987 installment sales	570	735	790	170	185	195	500	550	595	
Ordinary income treatment of loss from small business corp. stock sale	30	20	20				30	20	20	
Deferral of capital gains on home sales	12,035	12,635	13,265				12,035	12,635	13,265	
Exclusion of capital gains on home sales for persons age 55 and over	4,195	4,250	4,280				3,190	3,230	3,250	

Table C-1 ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(Fiscal years in millions of dollars)

Description	Gaily Expenditures			Revenue Loss					
	1989	1990	1991	Corporations			Individuals		
				1989	1990	1991	1989	1990	1991
Step-up basis of capital gains at death	16,635	18,075	19,640				12,310	13,375	14,535
Carryover basis of capital gains on gifts	75	85					75	85	90
Investment credit, other than ESO's, rehabilitation of structures, energy property, and reforestation expenditures	8,560	5,545	3,715	5,860	4,030	2,655	795	490	295
Accelerated depreciation on rental housing									
Pre-1983 budget method	2,410	2,730	2,065	1,135	1,055	975	605	555	570
Post-1982 budget method									
Accelerated depreciation of buildings other than rental housing									
Pre-1983 budget method	9,875	9,475	9,230	4,995	4,795	4,665	1,990	1,910	1,865
Post-1982 budget method									
Accelerated depreciation of machinery and equipment									
Pre-1983 budget method	41,590	33,985	28,065	23,145	19,155	16,055	5,560	4,370	3,365
Post-1982 budget method									
Safe harbor leasing rules	-710	-710	-715	-710	-710	-715			
Amortization of start-up costs	230	245	265	30	35	35	130	135	145
Reduced rates on the first \$100,000 of corporate income									
Pre-1983 budget method	4,435	4,980	5,760	2,875	3,235	3,715			
Post-1982 budget method									
Exception from the passive loss rules for \$25,000 of rental losses	4,210	5,475	6,435				4,210	5,475	6,435
Treatment of Alaska Native Corporations	660	235	170	660	235	170			
Permanent exceptions from imputed interest rules	140	160	170				110	125	135
Total (after interactions)	153,085	151,590	154,685						
Transportation:									
Deferral of tax on shipping companies	115	125	135	115	125	135			
Exclusion of interest on State and local government bonds for mass commuting vehicles	45	40	30	20	20	20			
Total (after interactions)	160	165	165						
Community and regional development:									
Five-year amortization for housing rehabilitation	15	10	5	10	5	5	5	5	*
Credit for low-income housing investments	400	700	850	60	100	120	225	400	485
Investment credit for rehabilitation of structures (other than historic)	130	115	100	70	65	55	60	50	45
Exclusion of interest on IOBs for airports, docks and sports and convention facilities	875	860	840	715	700	685			
Exemption of certain mutuals' and cooperatives' income	1,015	1,065	1,120	725	760	800			
Total (after interactions)	2,425	2,730	2,895						
Education, training, employment, and social services:									
Exclusion of scholarship and fellowship income	700	730	770				640	665	700
Pre-1983 budget method									
Post-1982 budget method									
Exclusion of interest on State and local student loan bonds	305	275	260				290	265	240
Exclusion of interest on State and local debt for private nonprofit educational facilities	315	305	300				270	265	255
Exclusion of interest on savings bonds transferred to educational institutions	*	20	75				*	15	60
Parental personal exemption for students age 19 or over	435	450	465				395	405	470
Deductibility of charitable contributions (education)	1,735	1,890	2,030	470	500	525	1,100	1,220	1,320
Exclusion of employer provided educational assistance	235	275	95				190	225	80
Total education (after interactions)	3,765	3,990	4,040				200	240	290
Exclusion of employer provided child care	260	320	380						
Exclusion of employer meals and lodging (other than military)	790	830	865				715	750	780
Exclusion of contributions to prepaid legal services plans	85	85	30				65	70	20
Investment credit for ESO's	195	115	65	145	85	50			
Credit for child and dependent care expenses	4,875	5,210	5,505				3,710	3,895	4,165
Targeted job credit	340	335	275	300	300	245	40	35	30
Total training and employment (after interactions)	6,635	6,990	7,220						
Expensing of costs of removing certain architectural barriers to the handicapped	20	20	25	15	15	20	5	5	5
Deductibility of charitable contributions, other than education and health	10,795	11,945	12,885	585	620	655	10,005	11,110	12,000
Exclusion of certain foster care payments	25	25	25				20	20	20
Exclusion of parsonage allowances	215	240	265				175	195	215
Total social services (after interactions)	10,965	12,130	13,090						
Grand total (after interactions)	21,365	23,110	24,350						
Health:									
Exclusion of employer contributions for medical insurance premiums and medical care	32,425	36,465	40,945				26,550	29,820	33,450
Exclusion of untaxed Medicare benefits	7,290	7,685	8,325				5,965	6,285	6,810
Deductibility of medical expenses	2,690	2,860	3,035				2,690	2,860	3,035
Exclusion of interest on State and local debt for private nonprofit health facilities	2,805	2,725	2,675				2,430	2,370	2,305
Deductibility of charitable contributions (health)	1,515	1,665	1,785	290	305	325	1,125	1,250	1,350
Tax credit for orphan drug research	80	150	175	55	100	120			
Special Blue Cross/Blue Shield deduction									
Total (after interactions)	46,725	51,400	56,165						
Income security:									
Exclusion of railroad retirement system benefits	275	295	300				275	295	300
Exclusion of workman's compensation benefits	2,760	2,980	3,220				2,760	2,980	3,220

TAX EXPENDITURES

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Table C-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(Final years in millions of dollars)

Description	Other Equivalents			Revenue Laws						
	1989	1990	1991	Corporations			Individuals			
				1989	1990	1991	1989	1990	1991	
Exclusion of public assistance benefits:										
Pre-1983 budget method	340	355	375				340	355	375	
Post-1983 budget method										
Exclusion of special benefits for disabled coal miners	110	110	110				110	110	110	
Exclusion of military disability pensions	105	110	110				105	110	110	
Net exclusion of pension contributions and earnings										
Employer plans	56,985	60,095	62,660				42,805	45,085	46,910	
Individual Retirement Accounts	7,155	7,820	8,155				5,440	5,960	6,230	
Keogh plans	1,715	1,900	2,100				1,325	1,470	1,630	
Exclusion of income earned by voluntary employee beneficiary & other associations	410	445	485				350	380	415	
Exclusion of employer provided death benefits	25	25	25				20	20	20	
Exclusion of other employee benefits:										
Premiums on group term life insurance	3,195	3,335	3,480				2,460	2,565	2,680	
Premiums on accident and disability insurance	165	170	175				125	130	135	
Income of trusts to finance supplementary unemployment benefits	30	30	30				30	30	30	
Special ESOP rules (other than investment credit)	850	1,745	2,125	580	1,200	1,465	15	20	25	
Additional deduction for the blind	10	15	15				10	10	10	
Additional deduction for the elderly	1,575	1,885	2,120				1,290	1,505	1,695	
Tax credit for the elderly and disabled	95	105	115				75	85	90	
Deductibility of casualty losses	170	205	180				140	165	150	
Earned income credit ¹	2,215	2,405	2,720				1,780	2,045	2,400	
Total (after interactions)	75,810	80,870	84,690							
Social Security:										
Exclusion of social security benefits:										
OASDI benefits for retired workers	14,840	15,680	16,490				14,840	15,680	16,490	
Disability insurance benefits	1,105	1,145	1,195				1,105	1,145	1,195	
Benefits for dependents and survivors	2,940	3,110	3,285				2,940	3,110	3,285	
Total (after interactions)	18,885	19,935	20,970							
Veterans benefits and services:										
Exclusion of veterans disability compensation	1,490	1,500	1,590				1,490	1,500	1,590	
Exclusion of veterans pensions	80	75	75				80	75	75	
Exclusion of GI bill benefits	55	45	40				55	45	40	
Exclusion of interest on state and local debt for veterans housing	320	295	275				255	240	220	
Total (after interactions)	1,945	1,915	1,980							
General government:										
Exclusion of interest on public purpose State and local debt	13,490	13,520	13,865	2,075	2,100	2,105	9,035	9,190	9,240	
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	18,495	20,290	21,860				18,495	20,290	21,860	
Tax credit for corporations receiving income from doing business in United States possessions	2,895	3,185	3,505	1,910	2,100	2,310				
Total (after interactions)	34,880	36,995	39,230							
Interest:										
Deferral of interest on savings bonds	960	1,070	1,090				960	1,070	1,090	
Adventurers—Aid to State and local governments:										
Deductibility of										
Property taxes on owner-occupied homes	10,065	11,240	12,430				10,065	11,240	12,430	
Nonbusiness State and local taxes other than on owner-occupied homes	18,495	20,290	21,860				18,495	20,290	21,860	
Exclusion of interest on										
Public purpose State and local debt	13,490	13,520	13,865	2,075	2,100	2,105	9,035	9,190	9,240	
IDBs for certain energy facilities	380	405	440	315	340	360				
IDBs for pollution control and sewage and waste disposal facilities	1,905	1,830	1,760	1,575	1,515	1,455				
Small-issue IDBs	3,020	2,840	2,650	2,600	2,445	2,280				
Owner-occupied mortgage revenue bonds	2,195	2,045	1,875				1,895	1,775	1,625	
State and local debt for rental housing	1,510	1,420	1,340	1,220	1,150	1,080				
Mass commuting vehicle IDBs	45	40	30	20	20	20				
IDBs for airports, docks, and sports and convention facilities	875	860	840	715	700	685				
State and local student loan bonds	305	275	260				290	265	240	
State and local debt for private nonprofit educational facilities	315	305	300				270	265	255	
State and local debt for private nonprofit health facilities	2,805	2,725	2,675				2,430	2,370	2,305	
State and local debt for veterans housing	320	295	275				255	240	220	
Total (after interactions) ¹	23,990	22,575	22,385							

¹ \$2.5 million or less. All estimates have been rounded to the nearest \$1 million.
² In addition, the actual exemption from the excise tax on interest from records is a reduction in income tax receipts of \$445 million in 1989, \$425 million in 1990, and \$415 million in 1991.
³ The figures in the table indicate the tax estimates provided in the current income tax credit. The effect in millions is: 1989: \$4,000 million; 1990: \$4,190 million; 1991: \$4,310 million.

APPENDIX F

**Outlays Under Finance Committee Expenditure Accounts for
Fiscal Years 1991-1993 (CBO baseline projections—in millions
of dollars)**

OUTLAYS UNDER FINANCE COMMITTEE EXPENDITURE ACCOUNTS FOR FY 1991-1993

[CBO baseline projections—in millions of dollars]

	Fiscal year—			
	1991	1992	1993	1991-93
Social Security (OASDI)	266,771	283,681	301,485	851,937
Medicare	118,702	133,437	149,676	401,815
Medicaid	45,103	50,753	56,706	152,562
Maternal and Child Health	639	673	702	2,014
Supplemental Security Income	14,431	15,438	16,517	46,386
AFDC and Child Support	12,920	13,495	14,087	40,502
AFDC work programs (WIN/JOBS)	570	660	670	1,900
Earned Income Tax Credit	4,343	4,554	4,754	13,651
Foster Care/Adoption	2,119	2,263	2,474	6,856
Child Welfare Services/Training	276	240	240	756
Social Services	2,800	2,800	2,800	8,400
Unemployment Compensation	18,091	18,682	19,464	56,237
Trade Adjustment	220	223	227	670
Job Service	1,118	1,162	1,209	3,489
Puerto Rico Tax Rebates	205	205	205	615
Puerto Rico Customs Rebates	134	139	145	418
Public Debt Administration	202	211	220	633
Interest on Public Debt	272,318	287,470	303,898	863,686
Interest on Tax Refunds	2,073	2,092	2,201	6,366
Pension Benefit Guaranty Corp.	(264)	(254)	(240)	(758)
U.S. Trade Representative	19	20	20	59
International Trade Commission	39	41	43	123
Customs—general administration	1,193	1,187	1,241	3,621
Customs—air interdiction	220	238	253	711
Customs Refunds, Forfeitures, etc.	54	56	58	168
Tax Court	29	31	32	92
Internal Revenue Service	5,830	6,083	6,347	18,260
Totals:				
Social Security (OASDI)	266,771	283,681	301,485	851,937
Other (except interest)	228,993	252,337	277,850	759,180

(155)





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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

LEGISLATIVE HISTORY OF WAYS AND
MEANS DEMOCRATIC ALTERNATIVE



OCTOBER 15, 1990

Prepared for the use of the Committee on Ways and Means by its
majority staff

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PREFACE

This document has been prepared by the majority staff of the Committee on Ways and Means to reflect the legislative history of the Ways and Means Democratic Alternative to the revenue and Medicare beneficiary provisions officially transmitted without recommendation to the House Budget Committee. This document has not been reviewed and approved by the Committee.

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TITLE XII—SPENDING

1. Medicare Part B Premium

PRESENT LAW

Part B is a voluntary program financed by premiums paid by aged, disabled and chronic renal disease enrollees and by general revenues of the Federal government. The premium rate is derived annually based partly upon the projected costs of the program for the coming year. Under prior law, the premium rate was changed on July 1 of each year. The Social Security Amendments of 1983 moved the premium increase to January 1 of each year to coincide with the changed date for the annual Social Security cash benefit cost-of-living adjustment (COLA).

Ordinarily, the premium rate is the lower of (1) an amount sufficient to cover one-half of the costs of the program for the aged or (2) the current premium amount increased by the percentage by which cash benefits were increased under the COLA provisions of the Social Security program.

From 1984 through 1990, the premium was set at 25 percent of program costs for aged beneficiaries. The remaining 75 percent was covered by general revenues. In CY 1990, the basic Part B premium is \$28.60.

EXPLANATION OF PROVISION

The Part B premium would be set to cover 25 percent of program costs as follows: \$29.90 in 1991, \$31.70 in 1992, \$36.50 in 1993, \$41.20 in 1994 and \$46.20 in 1995.

EFFECTIVE DATE

For premiums beginning January 1, 1991.

TITLE XIII—REVENUE PROVISIONS

**SUBTITLE A. INDIVIDUAL INCOME TAX PROVISIONS; LUXURY EXCISE
TAX**

4. Increase in Dollar Limitation on Amount of Wages and Self-Employment Income Subject to the Hospital Insurance Payroll Tax (sec. 13105 of the bill and sec. 3121 of the Code)

PRESENT LAW

As part of the Federal Insurance Contributions Act (FICA), a tax is imposed on employees and employers up to a maximum amount of employee wages. The tax is comprised of two parts: old-age, survivor, and disability insurance (OASDI) and Medicare hospital insurance (HI). For wages paid in 1990 to covered employees, the HI tax rate is 1.45 percent on both the employer and the employee on the first \$51,300 of wages and the OASDI tax rate is 6.2 percent on both the employer and the employee on the first \$51,300 of wages.

Under the Self-Employment Contributions Act of 1954 (SECA), a tax is imposed on an individual's self-employment income. The self-employment tax rate is the same as the total rate for employers and employees (i.e., 2.9 percent for HI and 12.40 percent for OASDI). For 1990, the tax is applied to the first \$51,300 of self-employment income and, in general, the tax is reduced by any wages for which employment taxes were withheld during the year.

The cap on wages and self-employment income subject to FICA and SECA taxes is indexed to changes in the average wages in the economy. In 1991, the amount of wages or self-employment income subject to the tax is projected to be \$54,300.

REASONS FOR CHANGE

Increasing the cap on wages and self-employment income subject to tax with respect to the HI tax will improve the progressivity of the tax system. In addition, increased revenues under the bill will provide necessary funding for the Hospital Insurance Trust Fund and will enhance its long-term solvency.

EXPLANATION OF PROVISION

The bill increases the cap on wages and self-employment income considered in calculating HI tax liability to \$100,000. As under present law, for years beginning after 1991, this cap is indexed to changes in the average wages in the economy. The OASDI wage cap remains at the level provided under present law.

EFFECTIVE DATE

The provision is effective on January 1, 1991.

SUBTITLE C.—OTHER REVENUE INCREASES

6. Employment Tax Provisions

- a. *Extend social security retirement coverage (OASDI) to State and local government employees not covered by a public employee retirement program (sec. 13341 of the bill and sec. 3121 of the Code)*

PRESENT LAW

Employees of State and local governments are covered under social security by voluntary agreements entered into by the States with the Secretary of Health and Human Services (HHS). After a State has entered into such an agreement, it may decide, or permit its political subdivisions to decide, whether to include particular groups of employees under the agreement. All States have entered into such agreements. The extent of coverage is high in some States and limited in others. Nationally, about 72 percent of State and local workers are covered by social security.

With certain exceptions, a State has broad latitude to decide which groups of State and local employees are covered under its agreement. In some cases in which States have elected not to provide coverage, a part of the workforce does not participate in any public retirement plan.

For 1990, the social security (Old Age, Survivors, and Disability Insurance) tax rate is 6.2 percent of covered wages up to \$51,300 and is imposed on both the employer and employee (for a total of 12.40 percent).

REASONS FOR CHANGE

Certain employees of State and local governments have no retirement protection either from social security or a public retirement system. Many of these individuals are low-paid individuals with limited or intermittent work experience who are not able to earn adequate retirement benefits. Therefore, social security coverage will provide important disability, survivorship, and retirement protection.

EXPLANATION OF PROVISION

Under the bill, State and local workers who are not covered by a retirement system in conjunction with their employment for the State or local government are required to be covered under social security (Old Age, Survivors, and Disability Insurance) and such workers wages are subject to the OASDI portion of taxes under the Federal Insurance Contributions Act (FICA). An exception is provided for students employed in public schools, colleges, and universities, for whom coverage may continue to be provided at the option of the State government. This exception maintains parallel coverage rules for students employed by public educational institutions and those employed by private schools, colleges, and universities.

A retirement system is defined as under the definition of retirement system in the Social Security Act (42 U.S.C. sec. 418(b)(4)). Thus, a retirement system is defined as a pension, annuity, retire-

ment, or similar fund or system established by a State or by a political subdivision thereof.

Whether an employee is a member (i.e., is a participant) of a retirement system is based upon whether that individual actually participates in the program. Thus, whether an employee participates is not determined by whether that individual holds a position that is included in a retirement system. Instead, that individual must actually be a member of the system. For example, an employee whose job classification is of a type that ordinarily is entitled to coverage is not a member of a retirement system if he or she is ineligible because of age or service conditions contained in the plan and, therefore, is required to be covered under social security. Similarly, if participation in the system is elective, and the employee elects not to participate, that employee does not participate in the system for purposes of this rule, and is to be covered under the social security system.

The Secretary of the Treasury, in conjunction with the Social Security Administration, is required to issue guidance in order to implement the purposes of this provision.

EFFECTIVE DATE

The provision is effective with respect to services performed after December 31, 1990.

c. Payroll tax deposit stabilization (sec. 13343 of of the bill and sec. 6302(g) of the Code)

PRESENT LAW

Treasury regulations have established the system under which employers deposit income taxes withheld from employees' wages and FICA taxes. The frequency with which these taxes must be deposited increases as the amount required to be deposited increases.

Employers are required to deposit these taxes as frequently as eight times per month, provided that the amount to be deposited equals or exceeds \$3,000. These deposits must be made within three banking days after the end of the eighth-monthly period.

Effective August 1, 1990, employers who are on this eighth-monthly system are required to deposit income taxes withheld from employees' wages and FICA taxes by the close of the applicable banking day (instead of by the close of the third banking day) after any day on which the business cumulates an amount to be deposited equal to or greater than \$100,000 (regardless of whether that day is the last day of an eighth-monthly period).

For 1990, the applicable banking day is the first. For 1991, the applicable banking day is the second. For 1992, the applicable banking day is the third. For 1993 and 1994, the applicable banking day is the first. The Treasury Department is given authority to issue regulations for 1995 and succeeding years to provide for similar modifications to the date by which deposits must be made in order to minimize unevenness in the receipts effects of this provision.

REASONS FOR CHANGE

It is appropriate to simplify this provision by making the deposit rules uniform for all years.

EXPLANATION OF PROVISION

The bill requires that deposits equal to or greater than \$100,000 must be made by the close of the next banking day for all years. Thus, no change from present law is necessary for calendar year 1990, but for calendar years 1991 and 1992 deposits are accelerated. The regulatory authority provided to the Treasury Department is repealed.

EFFECTIVE DATE

The provision is effective for amounts required to be deposited after December 31, 1990.

H.R. 5835

By Mr. PURSELL:

—Amend subtitle A of title XII to read as follows:

Subtitle A—Provisions Relating to Medicare
Part A

SEC. 13901. REDUCTIONS IN PAYMENTS FOR CAPITAL-RELATED COSTS OF INPATIENT HOSPITAL SERVICES FOR FISCAL YEARS 1991 THROUGH 1995.

(a) IN GENERAL.—Section 1886(g)(3)(A)(v) of the Social Security Act (42 U.S.C. 1395ww(g)(3)(A)(v)) is amended by striking "September 30, 1990" and inserting "September 30, 1995".

(b) EXEMPTION FOR RURAL PRIMARY CARE HOSPITALS.—Section 1886(g)(3)(B) of such Act is amended by striking "1886(d)(5)(D)(iii)." and inserting "1886(d)(5)(D)(iii) or a rural primary care hospital (as defined in section 1861(mm)(1))."

(c) DELAY IN PROSPECTIVE PAYMENT FOR CAPITAL-RELATED COSTS.—Section 1886(g)(1)(A) of such Act (42 U.S.C. 1395ww(g)(1)(A)) is amended by striking "October 1, 1991," and inserting "October 1, 1995."

SEC. 13902. PROSPECTIVE PAYMENT HOSPITALS.

(a) HOSPITAL PAYMENT ADJUSTMENTS.—

(1) CHANGES IN UPDATE FACTORS.—

(a) IN GENERAL.—Section 1886(b)(3)(B)(1) of the Social Security Act (42 U.S.C. 1395ww(b)(3)(B)(1)) is amended—

(i) by striking "and" at the end of subclause (V);

(ii) in subclause (VI)—

(I) by striking "1991" and inserting "1994", and

(II) by redesignating such subclause as subclause (IX); and

(iii) by inserting after subclause (V) the following new subclauses:

"(VI) for fiscal year 1991, the market basket percentage increase minus 2.0 percentage points for hospitals in all areas,

"(VII) for fiscal year 1992, the market basket percentage increase minus 1.1 percentage points for hospitals in all areas,

"(VIII) for fiscal year 1993, the market basket percentage increase minus 0.2 percentage points for hospitals in all areas, and"

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) shall apply to

payments for discharges occurring on or after January 1, 1991.

(2) RURAL AND INNER-CITY HOSPITALS.—

(A) PROVISIONS RELATING TO DISPROPORTIONATE SHARE ADJUSTMENT.—

(i) **REPEAL OF SUNSET.**—Section 1886(d) of such Act (42 U.S.C. 1395ww(d)) is amended by striking “and before October 1, 1995,” each place it appears in paragraph (2)(C)(iv) and paragraph (5)(F)(i).

(ii) **NO RESTANDARDIZING FOR ADJUSTMENTS UNDER OBRA 1989.**—Section 1886(d)(2)(C)(iv) of such Act (42 U.S.C. 1395ww(d)(2)(C)(iv)) is amended by striking the period at the end and inserting the following: “, except that the Secretary shall not exclude additional payments under such paragraph made as a result of the enactment of section 6003(c) of the Omnibus Budget Reconciliation Act of 1989.”

(iii) **EFFECTIVE DATE.**—The amendment made by clause (i) shall take effect on the date of the enactment of this Act, and the amendment made by clause (ii) shall take effect as if included in the enactment of the Omnibus Budget Reconciliation Act of 1989.

(B) PHASE-OUT OF SEPARATE AVERAGE STANDARDIZED AMOUNTS.—

(i) **IN GENERAL.**—Section 1886(b)(3)(B)(i) of such Act (42 U.S.C. 1395ww(b)(3)(B)(i)), as amended by subsection (a)(1), is further amended—

(I) in subclause (VI), by striking “in all areas,” and inserting “in a large urban or other urban area, and the market basket percentage increase minus 0.5 percentage points for hospitals located in a rural area,”;

(II) in subclause (VII), by striking “in all areas,” and inserting “in a large urban or other urban area, and the market basket percentage increase plus 0.3 percentage points for hospitals located in a rural area,”;

(III) in subclause (VIII), by striking “in all areas, and” and inserting “in a large urban or other urban area, and the market basket percentage increase plus 1.5 percentage points for hospitals located in a rural area,”;

(IV) in subclause (IX)—

(a) by striking “1994” and inserting “1986”, and

(b) by redesignating such subclause as subclause (XI); and

(V) by inserting after subclause (VIII) the following new subclause:

“(IX) for fiscal year 1994, the market basket percentage increase for hospitals located in a large urban or other urban area, and the market basket percentage increase plus 1.5 percentage points for hospitals located in a rural area,

“(X) for fiscal year 1995, the market basket percentage increase for hospitals located in a large urban or other urban area, and the market basket percentage increase plus 1.5 percentage points for hospitals located in a rural area, and”.

(ii) **CONFORMING AMENDMENTS.**—Section 1886(d) of such Act (42 U.S.C. 1395ww(d)) is amended—

(I) in paragraph (1)(a)(iii), by striking “rural, large urban, or other urban area”;

(II) in paragraph (3)(A)—

(a) in clause (ii), by striking “the Secretary” and inserting “and ending on or before September 30, 1995, the Secretary”;

(b) by redesignating clause (iii) as clause (iv), and

(c) by inserting after clause (ii) the following new clause:

“(iii) For discharges occurring in a fiscal year beginning on or after October 1, 1995, the Secretary shall compute an average standardized amount for hospitals located in a large urban area and for hospitals located in other areas within the United States and within each region equal to the respective average standardized amount computed for the previous fiscal year under this sub-

paragraph increased by the applicable percentage increase under subsection (b)(3)(B)(i) with respect to hospitals located in the respective areas for the fiscal year involved.”;

(III) in paragraph (3)(B), by striking “in an urban area” and all that follows through “rural area” and inserting “in a large urban area and for hospitals located in an other urban area”;

(IV) in paragraph (3)(D)(i)—

(a) in the matter preceding subclause (I), by striking “an urban area (or,” and all that follows through “area),” and inserting “a large urban area, and 7

(b) in subclause (I), by striking “an urban area” and inserting “a large urban area”; and

(V) in paragraph (3)(D)(ii), by striking “a rural area” each place it appears and inserting “other areas”.

(iii) **EFFECTIVE DATE.**—The amendments made by clause (i) shall apply to payments for discharges occurring on or after January 1, 1991, and the amendments made by clause (ii) shall take effect October 1, 1995.

(3) **PHASE-IN OF AREA WAGE INDEX UPDATE FOR FISCAL YEAR 1991.**—Subject to the last sentence of section 1886(d)(3)(E) of the Social Security Act, for purposes of determining the amount of payment made to a hospital under part A of title XVIII of the Social Security Act for the operating costs of inpatient hospital services, the Secretary of Health and Human Services, in adjusting such amount under such section to reflect the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage index, shall—

(A) for discharges occurring during the period beginning January 1, 1991, and ending September 30, 1991, apply a combined area wage index consisting of—

(i) 75 percent of the area wage index determined using the survey of the 1988 wages and wage-related costs of hospitals in the United States conducted under such section, and

(ii) 25 percent of the area wage index applicable to the hospital for discharges occurring during fiscal year 1990, as determined using the survey of the 1984 wages and wage-related costs of hospitals in the United States conducted under such section; and

(B) for discharges occurring during fiscal year 1992 and fiscal year 1993, apply the area wage index otherwise applicable to the hospital under such section for discharges occurring during such fiscal year.

(4) **STUDY OF AREA WAGE INDEX ADJUSTMENTS BASED ON PROFESSIONAL OCCUPATIONAL COMPONENT.—**

(A) **COLLECTION OF DATA.**—The Secretary of Health and Human Services shall collect data on employee compensation and paid hours of employment for employees of subsection (d) hospitals (as defined in section 1886(d)(1)(B) of the Social Security Act) in various occupational categories, and shall provide such data to the Prospective Payment Assessment Commission.

(B) **REPORT TO CONGRESS.**—Not later than September 1, 1993, the Prospective Payment Assessment Commission shall, using the data provided by the Secretary under subparagraph (A), prepare and submit a report to Congress analyzing methods to adjust the area wage index applicable to a hospital under section 1886(d)(3)(E) of such Act to take into account variations in occupational categories included in such index.

(5) **PERMANENT EXTENSION OF REGIONAL FLOOR ON STANDARDIZED AMOUNTS.—**

(A) **IN GENERAL.**—Section 1886(d)(1)(A)(iii) of such Act (42 U.S.C. 1395ww(d)(1)(A)(iii)) is amended by striking “during the period”

and all that follows through “1990” and inserting “on or after April 1, 1988.”

(B) **EXTENSION MADE ON BUDGET-NEUTRAL BASIS.**—The Secretary of Health and Human Services shall make any adjustments resulting from the amendment made by subparagraph (A) in the amount of the payments made to hospitals under section 1886(d) of the Social Security Act in a fiscal year for the operating costs of inpatient hospital services in a manner that ensures that the aggregate payments under such section are not greater or less than those that would have been made in the year without such adjustments.

(C) **EFFECTIVE DATE.**—The amendment made by subparagraph (A) shall apply to discharges occurring on or after October 1, 1990.

(6) **ELIMINATION OF HOSPITAL OFF-SET FOR SERVICES OF PHYSICIAN ASSISTANTS.—**

(A) **IN GENERAL.**—Section 9338 of the Omnibus Budget Reconciliation Act of 1986 is amended by striking subsection (d).

(B) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall take effect as if included in the enactment of the Omnibus Budget Reconciliation Act of 1986.

(7) **DETERMINATION OF REASONABLE COSTS RELATING TO SWING BEDS.**—(A) Section 1883(a)(2)(B)(ii)(I) of such Act (42 U.S.C. 1395tt(a)(2)(B)(ii)(I)) is amended by striking “the previous calendar year” and all that follows through the period and inserting “the most recent year for which cost reporting data are available with respect to such services (increased in a compounded manner by the applicable increase for payments for routine service costs of skilled nursing facilities under section 1888 for subsequent cost reporting periods and up to and including such calendar year) under this title to freestanding skilled nursing facilities in the region (as defined in section 1886(d)(2)(D)) in which the facility is located.”

(B) If, as a result of the amendment made by subparagraph (A), the reasonable cost of routine services furnished by a hospital during a calendar year (as determined under section 1883 of the Social Security Act) is less than the reasonable cost of such services determined under such section for the previous calendar year, the reasonable cost of such services furnished by the hospital during the calendar year under such section shall be equal to the reasonable cost determined under such section for the previous calendar year.

(C) The amendment made by subparagraph (A) shall apply to services furnished on or after October 1, 1990.

(b) **ADMINISTRATION OF HOSPITAL PAYMENT SYSTEM.—**

(1) **UNIFORM REPORTING REQUIREMENTS FOR CERTAIN HOSPITALS.—**

(A) **REQUIREMENTS.**—Each hospital described in subparagraph (B) shall, in accordance with the uniform system for reporting by medicare participating hospitals developed by the Secretary of Health and Human Services under section 4007(c) of the Omnibus Budget Reconciliation Act of 1987, report the information described in paragraph (2) of such section to the Secretary.

(B) **HOSPITALS SUBJECT TO REQUIREMENT.**—Each of the following hospitals is subject to the requirement of subparagraph (A):

(i) A hospital receiving an additional payment under section 1886(d)(5)(F) of the Social Security Act (relating to payments to disproportionate share hospitals).

(ii) A hospital classified by the Secretary of Health and Human Services as a sole community hospital under section 1886(d)(5)(D) of such Act.

(iii) A hospital classified by the Secretary as a regional referral center under section 1886(d)(5)(C) of such Act.

(iv) A hospital classified by the Secretary as a medicare-dependent, small rural hospital under section 1886(d)(5)(G) of such Act.

(v) A hospital designated by the Secretary as an essential access community hospital under section 1820(i)(1) of such Act.

(C) EFFECTIVE DATE.—The requirement of subparagraph (A) shall apply to hospitals with respect to cost reporting periods beginning on or after October 1, 1990.

(2) RESPONSIBILITIES AND REPORTING REQUIREMENTS OF PROSPECTIVE PAYMENT ASSESSMENT COMMISSION.—

(A) EXPANSION OF RESPONSIBILITIES.—Section 1886(e)(2) of the Social Security Act (42 U.S.C. 1395ww(e)(2)) is amended—

(i) by striking "(2)" and inserting "(2)(A)"; and

(ii) by adding at the end the following new subparagraphs:

"(B) In order to promote the efficient and effective delivery of high-quality health care services, the Commission shall, in addition to carrying out its functions under subparagraph (A), study and make recommendations for each fiscal year to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives regarding changes in each existing reimbursement policy under this title under which payments to an institution are based upon prospectively determined rates and the development of new institutional reimbursement policies under this title, including recommendations relating to—

"(i) payments during each fiscal year under the prospective payment system established under this section for determining payments for the operating costs of inpatient hospital services, including changes in the number of diagnosis-related groups used to classify inpatient hospital discharges under subsection (d), adjustments to such groups to reflect severity of illness, and changes in the methods by which hospitals are reimbursed for capital-related costs, together with general recommendations on the effectiveness and quality of health care delivery systems in the United States and the effects on such systems of institutional reimbursements under this title;

"(ii) payments to hospitals located in large urban areas, including the appropriate treatment of bad debt and charity care and the relation between payments to hospitals under this section and payments under programs that reimburse hospitals for providing inpatient care to low-income individuals;

"(iii) payments to hospitals located in rural areas, including appropriate responses to problems relating to low hospital occupancy rates, the quality of care provided by such hospitals, and the access of individuals living in rural areas high-quality health care services; and

"(iv) changes in the insurance program established by this title that will constrain the costs to private employers of providing health care to employees.

"(C) By not later than June 1 before the beginning of each fiscal year, the Commission shall submit a report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives containing a description of its activities during the preceding fiscal year."

(B) REPORTING REQUIREMENTS FOR COMMISSION AND SECRETARY; ELIMINATION OF OTA REPORTING REQUIREMENTS.—Section 1886 of such Act (42 U.S.C. 1395ww) is amended—

(i) by striking subparagraph (D) of subsection (d)(4);

(ii) in the second sentence of subsection (e)(2)(A), as amended by paragraph (1)(A), by striking "In addition" and all that follows through "the Commission" and inserting "The Commission";

(iii) in subsection (e)(3)(A)—

(I) by striking "the Secretary" and inserting "the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives", and

(II) by striking the period at the end and inserting the following: ", together with its general recommendations under paragraph (2)(B)(i) regarding the effectiveness and quality of health care delivery systems in the United States.";

(iv) in subsection (e)(4)—

(I) by striking "(4)" and inserting "(4)(A)", and

(II) by adding at the end the following new subparagraph:

"(B) In addition to the recommendation made under subparagraph (A), the Secretary shall, taking into consideration the recommendations of the Commission under paragraph (2)(B), recommend for each fiscal year (beginning with fiscal year 1992) other appropriate changes in each existing reimbursement policy under this title under which payments to an institution are based upon prospectively determined rates.";

(v) in subsection (e)(5)—

(I) by striking "recommendation" each place it appears and inserting "recommendations", and

(II) by adding at the end the following new sentence: "To the extent that the Secretary's recommendations under paragraph (4) differ from the Commission's recommendations for that fiscal year, the Secretary shall include in the publication referred to in subparagraph (A) an explanation of the Secretary's grounds for not following the Commission's recommendations."; and

(vi) in subsection (e)(6)(G)—

(I) by striking clause (i), and

(II) by redesignating clauses (ii) and (iii) as clauses (i) and (ii).

(C) COMPOSITION OF COMMISSION.—Section 1886(e)(6)(B) of such Act (42 U.S.C. 1395ww(e)(6)(B)) is amended—

(i) by striking "professionals" and inserting "professions"; and

(ii) by striking "including physicians" and inserting "including (but not limited to) physicians".

(D) CONFORMING AMENDMENT.—Section 1845(c)(1)(D) of such Act (42 U.S.C. 1395w-1(c)(1)(D)) is amended by striking "reports and".

(E) EFFECTIVE DATE.—The amendments made by this paragraph shall take effect on the date of the enactment of this Act.

SEC. 12004. EXPANSION OF DRG PAYMENT WINDOW.

(a) IN GENERAL.—The first sentence of section 1886(a)(4) of the Social Security Act (42 U.S.C. 1395ww(a)(4)) is amended by striking the period and inserting the following: "; and includes the costs of all services for which payment may be made under this title that are provided by the hospital to the patient during the 72-hour period ending on the date of the patient's admission."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to services furnished on or after January 1, 1991.

SEC. 12004. PAYMENTS FOR DIRECT GRADUATE MEDICAL EDUCATION COSTS.

(a) DETERMINATION OF FULL-TIME-EQUIVALENT RESIDENTS.—

(1) TREATMENT OF PRIMARY CARE AND NON-PRIMARY CARE RESIDENTS IN INITIAL RESIDENCY PERIOD.—Section 1886(h)(4)(C)(ii) of the Social Security Act (42 U.S.C. 1395ww(h)(4)(C)(ii)) is amended by striking "is 1.00," and inserting the following: "is—

"(I) 1.1, in the case of a resident who is a primary care resident;

"(II) 1.0, in the case of a resident who is not a primary care resident and who specializes in internal medicine or pediatrics; or

"(III) .75, in the case of a resident not described in subclauses (I) or (II)."

(2) Weighting factor after initial residency period.—Section 1886(h)(4)(C)(iv) of such Act (42 U.S.C. 1395ww(h)(4)(C)(iv)) is amended by striking ".50" and inserting ".80".

(3) DEFINITION.—Section 1886(h)(5) of such Act (42 U.S.C. 1395ww(h)(5)) is amended—

(A) by redesignating subparagraph (H) as subparagraph (I); and

(B) by inserting after subparagraph (G) the following new subparagraph:

"(H) PRIMARY CARE RESIDENT.—The term 'primary care resident' means (in accordance with criteria established by the Secretary) a resident being trained in a distinct program of family practice medicine, general internal medicine, or general pediatrics."

(4) EFFECTIVE DATE.—The amendments made by paragraphs (1), (2), and (3) shall apply to cost reporting periods beginning on or after October 1, 1990.

(b) CAP ON APPROVED FTE RESIDENT AMOUNTS.—Section 1886(h)(2)(D) is amended by striking the period at the end and inserting the following: ", except that the approved FTE resident amount for the hospital may not exceed—

"(i) for cost reporting periods beginning in fiscal year 1992, 200 percent of the median of all approved FTE amounts for hospitals under this paragraph for cost reporting periods beginning in such fiscal year, adjusted by the area wage index applicable to the hospital under subsection (d)(3)(E) during such cost reporting period;

"(ii) for cost reporting periods beginning in fiscal year 1993, 175 percent of the median of all approved FTE amounts for hospitals under this paragraph for cost reporting periods beginning in such fiscal year, adjusted by the area wage index applicable to the hospital under subsection (d)(3)(E) during such cost reporting period; and

"(iii) for cost reporting periods beginning in fiscal year 1994 or any subsequent fiscal year, 150 percent of the median of all approved FTE amounts for hospitals under this paragraph for cost reporting periods beginning in such fiscal year, adjusted by the area wage index applicable to the hospital under subsection (d)(3)(E) during such cost reporting period."

SEC. 12005. PPS-EXEMPT HOSPITALS.

(a) REDUCTION IN PAYMENT FOR CAPITAL-RELATED COSTS.—Section 1886(g)(3) of the Social Security Act (42 U.S.C. 1395ww(g)(3)) is amended by adding at the end the following new subparagraph:

"(C) In determining the amount of the payments that may be made under this title with respect to the capital-related costs of inpatient hospital services of inpatient hospital services of a hospital that is not described in subparagraph (A), the Secretary shall reduce the amount of such payments otherwise established under this title by 15 percent for payments attributable to portions of cost reporting periods or discharges (as the case may be) occurring during fiscal year 1991 or fiscal year 1992."

(b) DEVELOPMENT OF NATIONAL PROSPECTIVE PAYMENT RATES FOR CURRENT NON-PPS HOSPITALS.—

(1) DEVELOPMENT OF PROPOSAL.—The Secretary of Health and Human Services shall develop a proposal to modify the current system under which hospitals that are not subsection (d) hospitals (as defined in section 1886(d)(1)(B) of the Social Security

Act) receive payment for the operating and capital-related costs of inpatient hospital services under part A of the Medicare program or a proposal to replace such system with a system under which such payments would be made on the basis of nationally-determined average standardized amounts. In developing any proposal under this paragraph to replace the current system with a prospective payment system, the Secretary shall—

(A) take into consideration the need to provide for appropriate limits on increases in expenditures under the Medicare program;

(B) provide for adjustments to prospectively determined rates to account for changes in a hospital's case mix, severity of illness of patients, volume of cases, and the development of new technologies and standards of medical practice;

(C) take into consideration the need to increase the payment otherwise made under such system in the case of services provided to patients whose length of stay or costs of treatment greatly exceed the length of stay or cost of treatment provided for under the applicable prospectively determined payment rate;

(D) take into consideration the need to increase payments under the system to hospitals that treat a disproportionate share of low-income patients, teaching hospitals, and hospitals located in geographic areas with high wages and wage-related costs; and

(E) provide for the appropriate allocation of operating and capital-related costs of hospitals not subject to the new prospective payment system and distinct units of such hospitals that would be paid under such system.

(2) **REPORTS.**—(A) By not later than February 1, 1991, the Secretary shall submit the proposal developed under paragraph (1) to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

(B) By not later than May 1, 1991, the Prospective Payment Assessment Commission shall submit an analysis of and comments on the proposal developed under paragraph (1) to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

(c) **APPEALS OF TARGET AMOUNTS.**—

(1) **DEADLINES FOR REVIEW AND DECISION.**—(A) Section 1816(f) of the Social Security Act (42 U.S.C. 1395h(f)) is amended—

(i) by striking "(1)" and "(2)" and inserting "(A)" and "(B)";

(ii) by striking "(f)" and inserting "(f)(1)"; and

(iii) by striking "Such standards and criteria" and all that follows and inserting the following:

"(2) The standards and criteria established under paragraph (1) shall include—

"(A) with respect to claims for services furnished under this part by any provider of services other than a hospital—

"(i) whether such agency or organization is able to process 75 percent of reconsiderations within 60 days (except in the case of fiscal year 1989, 66 percent of reconsiderations) and 90 percent of reconsiderations within 90 days; and

"(ii) the extent to which such agency or organization's determinations are reversed on appeal; and

"(B) with respect to applications for a reconsideration of the target amount applicable under section 1886(b) to a hospital that is not a subsection (d) hospital (as defined in section 1886(d)(1)(B))—

"(i) if such agency or organization receives a completed application, whether such agency or organization is able to process

such application not later than 60 days after the application is filed, and

"(ii) if such agency or organization receives an incomplete application, whether such agency or organization is able to return the application with instructions on how to complete the application not later than 60 days after the application is filed."

"(B) Section 1886(b)(4)(A) of such Act (42 U.S.C. 1395ww(b)(4)(A)) is amended by adding at the end the following new sentence: "The Secretary shall announce a decision on any request for an exemption, exception, or adjustment under this paragraph not later than 120 days after receiving a completed application for such exemption, exception, or adjustment, and shall include in such decision a detailed explanation of the grounds on which such request was approved or denied."

"(2) **STANDARDS FOR ASSIGNMENT OF NEW BASE PERIOD.**—Section 1886(b)(4) of such Act (42 U.S.C. 1395ww(b)(4)) is amended—

(A) by redesignating subparagraph (B) as subparagraph (C); and

(B) by inserting after subparagraph (A) the following new subparagraph:

"(B) In determining under subparagraph (A) whether to assign a new base period which is more representative of the reasonable and necessary cost to a hospital of providing inpatient services, the Secretary shall take into consideration—

"(i) changes in applicable technologies, medical practices, or case mix severity that increase the hospital's costs;

"(ii) whether increases in wages and wage-related costs in the geographic area in which the hospital is located exceed the average of the increases in such costs paid by hospitals in the United States; and

"(iii) such other factors as the Secretary considers appropriate in determining increases in the hospital's costs of providing inpatient services."

"(3) **GUIDANCE TO INTERMEDIARIES AND HOSPITALS.**—The Administrator of the Health care financing Administration shall provide guidance to agencies and organizations performing functions pursuant to section 1816 of the Social Security Act and to hospitals that are not subsection (d) hospitals (as defined in section 1886(d)(1)(B) of such Act) to assist such agencies, organizations, and hospitals in filing complete applications with the Administrator for exemptions, exceptions, and adjustments under section 1886(b)(4)(A) of such Act.

(4) **EFFECTIVE DATES.**—The amendments made by paragraph (1) shall take effect on the date of the enactment of this Act, and the amendments made by paragraph (2) shall take effect as if included in the enactment of the Omnibus Budget Reconciliation Act of 1989.

SEC. 1899A. FREEZE IN PAYMENTS UNDER PART A THROUGH DECEMBER 31.

(a) **IN GENERAL.**—Notwithstanding any other provision of law, for purposes of determining the amount of payment for items or services under part A of title XVIII of the Social Security Act (including payments under section 1886 of such Act attributable to or allocated under such part) during the period described in subsection (b):

(1) The market basket percentage increase (described in section 1886(b)(3)(B)(ii) of the Social Security Act) shall be deemed to be 0 for discharges occurring during such period.

(2) The percentage increase or decrease in the medical care expenditure category of the consumer price index applicable under section 1814(d)(2)(B) of such Act shall be deemed to be 0.

(3) The area wage index applicable to a subsection (d) hospital under section 1886(d)(3)(E) of such Act shall be deemed to

be the area wage index applicable to such hospital as of September 30, 1990.

(4) The percentage change in the consumer price index applicable under section 1886(h)(2)(D) of such Act shall be deemed to be 0.

(b) **DESCRIPTION OF PERIOD.**—The period referred to in subsection (a) is the period beginning on November 1, 1990, and ending on December 31, 1990.

—Amend subtitle D of title XII to read as follows:

Subtitle D—Provisions Relating to Medicare Part B Premium and Deductible

SEC. 1891. PART B PREMIUM.

Section 1839(e) of the Social Security Act (42 U.S.C. 1395r(e)(1)) is amended by striking "1991" each place it appears and inserting "1996".

SEC. 1891. PART B DEDUCTIBLE.

Section 1833(b) of the Social Security Act (42 U.S.C. 1395r(e)(1)) is amended by inserting after "\$75" the following: "for calendar years before 1991 and \$100 for 1991 and subsequent years".

—Strike section 12401 and insert the following (and conform the table of contents accordingly):

SEC. 12401. CUSTOMS USER FEE.

(a) **EXTENSION OF EFFECTIVE PERIOD FOR FEE.**—Paragraph (3) of section 13031(j) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 56c(j)(3)) is amended by striking out "1991" and inserting "1995".

(b) **ADJUSTMENT OF FEE.**—Paragraph (9) of section 13031(b) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 56c(b)(9)) is amended to read as follows:

"(9)(A) For the processing of merchandise that is formally entered or released during any fiscal year, a fee in an amount equal to 0.17 percent ad valorem, unless adjusted under subparagraph (B).

"(B)(i) The Secretary of the Treasury may adjust the ad valorem rate specified in subparagraph (A) for merchandise that is formally entered or released during any fiscal year after September 30, 1991, to an ad valorem rate (but not to a rate of more than 0.19 percent nor less than 0.15 percent) that would, if charged, offset the salaries and expenses that will likely be incurred by the Customs Service in the processing of such entries and releases during that fiscal year.

"(ii) In determining the amount of any adjustment under clause (i), the Secretary of the Treasury shall take into account whether there is a surplus or deficit in the fund established under section 613A of the Tariff Act of 1930 with respect to the provision of customs services for the processing of formal entries and releases of merchandise.

"(iii) An adjustment may not be made under clause (i) with respect to the fee charged during any fiscal year unless the Secretary of the Treasury—

"(i) determines, not later than the 60th day after the date of the enactment of the Act providing regular appropriations for the Customs Service for that fiscal year, that such an adjustment should be made;

"(ii) before making the determination referred to in subclause (i), consults with the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate regarding the adjustment; and

"(iii) publishes notice of the determination in the Federal Register.

"(iv) The 60-day period referred to in clause (iii) shall be computed by excluding—

"(i) the days on which either House is not in session because of an adjournment of

more than 3 days to a day certain or an adjournment of the Congress sine die; and

"(II) any Saturday and Sunday, not excluded under subclause (I), when either House is not in session.

"(v) An adjustment made under this subparagraph is effective with respect to formal entries and releases made on or after the 30th day after the date of publication of the notice required under clause (III)(III) and before the first day of the next fiscal year.

"(vi) Any fee charged under this paragraph, whether or not adjusted under this subparagraph, is subject to the limitations in subsection (b)(8)(A)."

(c) **AGGREGATION OF MERCHANDISE PROCESSING FEES.**—Section 111(f)(1)(B) of the Customs and Trade Act of 1990 is amended by striking out "determined in" and inserting "currently in effect under".

(d) **CUSTOMS SERVICE ADMINISTRATION.**—Section 113 of the Customs and Trade Act of 1990 is amended—

(1) by inserting "and" after the semicolon at the end of subsection (a)(1);

(2) by striking out the semicolon at the end of subsection (a)(2) and inserting a period;

(3) by striking out paragraphs (3), (4), and (5) of subsection (a); and

(4) by striking out "Committees referred to in subsection (a)(5) in subsection (b) and inserting "the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate".

—Strike title XIII and insert the following:

TITLE XIII—COMMITTEE ON WAYS AND MEANS: REVENUE PROVISIONS

SEC. 13001. SHORT TITLE; ETC.

(a) **SHORT TITLE.**—This title may be cited as the "Reconciliation Revenue Act of 1990".

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) **TABLE OF CONTENTS.**

TITLE XIII—COMMITTEE ON WAYS AND MEANS: REVENUE PROVISIONS

Sec. 13001. Short title; etc.

Subtitle A—User-Related Taxes

Sec. 13101. Extension of aviation-related taxes and trust fund; repeal of trigger.

Sec. 13102. Extension of leaking underground storage tank trust fund taxes.

Sec. 13103. Extension and modification of telephone excise tax.

Subtitle B—Compliance Provisions

Sec. 13201. Suspension of statute of limitations during proceedings to enforce certain summonses.

Sec. 13202. Accuracy-related penalty to apply to section 482 adjustments.

Sec. 13203. Disclosures to persons providing services permitted.

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Subtitle A—User-Related Taxes

SEC. 13101. EXTENSION OF AVIATION-RELATED TAXES AND TRUST FUND; REPEAL OF TRIGGER.

(a) **EXTENSION OF TAXES AND TRUST FUND.**—

(1) **TRANSPORTATION TAXES.**—Sections 4261(g) and 4271(d) are each amended by striking "January 1, 1991" and inserting "January 1, 1990".

(2) **FUEL TAXES.**—
(A) Subparagraph (B) of section 4091(b)(6) (as redesignated by section 13211(b)) is amended by striking "January 1, 1991" and inserting "January 1, 1990".
(B) Paragraph (5) of section 4041(c) is amended by striking "December 31, 1990" and inserting "December 31, 1995".

(3) **DEPOSITS INTO TRUST FUND.**—Subsection (b) of section 9502 (relating to transfer to Airport and Airway Trust Fund of amounts equivalent to certain taxes) is amended by striking "January 1, 1991" each place it appears and inserting "January 1, 1986".

(b) **REPEAL OF TRIGGER.**—
(1) Section 4283 (relating to reduction in aviation related taxes in certain cases) is hereby repealed.

(2) The table of sections for part III of subchapter C of chapter 33 is amended by striking the item relating to section 4283.

(3) Subsection (c) of section 4041 is amended by striking paragraph (6).

SEC. 13102. EXTENSION OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND TAXES.

(a) **IN GENERAL.**—Paragraph (2) of section 4081(d) is amended to read as follows:

"(2) **LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.**—The Leaking Underground Storage Tank Trust Fund financing rate under subsection (a)(2) shall not apply after December 31, 1995."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on the 30th day after the date of the enactment of this Act.

SEC. 13103. EXTENSION AND MODIFICATION OF TELEPHONE EXCISE TAX.

(a) **EXTENSION.**—Paragraph (2) of section 4251(b) is amended by striking "1990" and inserting "1995".

(b) **ACCELERATION OF DEPOSIT REQUIREMENTS.**—

(1) **IN GENERAL.**—Subsection (e) of section 6302 (relating to time for deposit of taxes of airline tickets) is amended—

(A) by inserting "COMMUNICATIONS SERVICES AND" before "AIRLINE", and
(B) by inserting "section 4251 or" before "subsection (a) or (b)".

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to payments of taxes considered collected for semimonthly periods beginning after December 31, 1990.

Subtitle B—Compliance Provisions

SEC. 13201. SUSPENSION OF STATUTE OF LIMITATIONS DURING PROCEEDINGS TO ENFORCE CERTAIN SUMMONSES.

(a) **GENERAL RULE.**—Section 6503 (relating to suspension of running of period of limita-

tion) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

"(k) **EXTENSION IN CASE OF CERTAIN SUMMONSES.**—

"(1) **IN GENERAL.**—If any designated summons is issued by the Secretary with respect to any return of tax by a corporation, the running of any period of limitations provided in section 6501 on the assessment of such tax shall be suspended—

"(A) during any judicial enforcement period—

"(i) with respect to such summons, or

"(ii) with respect to any other summons which is issued during the 30-day period which begins on the date on which such designated summons is issued and which relates to the same return as such designated summons, and

"(B) if the court in any proceeding referred to in paragraph (3) requires any compliance with a summons referred to in subparagraph (A), during the 120-day period beginning with the 1st day after the close of the suspension under subparagraph (A).

If subparagraph (B) does not apply, such period shall in no event expire before the 60th day after the close of the suspension under subparagraph (A).

"(2) **DESIGNATED SUMMONSES.**—For purposes of this subsection—

"(A) **IN GENERAL.**—The term 'designated summons' means any summons issued for purposes of determining the amount of any tax imposed by this title if—

"(i) such summons is issued at least 60 days before the day on which the period prescribed in section 6501 for the assessment of such tax expires (determined with regard to extensions), and

"(ii) such summons clearly states that it is a designated summons for purposes of this subsection.

"(B) **LIMITATION.**—A summons which relates to any return shall not be treated as a designated summons if a prior summons which relates to such return was treated as a designated summons for purposes of this subsection.

"(3) **JUDICIAL ENFORCEMENT PERIOD.**—For purposes of this subsection, the term 'judicial enforcement period' means, with respect to any summons, the period—

"(A) which begins on the day on which a court proceeding with respect to such summons is brought, and

"(B) which ends on the day on which there is a final resolution as to the summoned person's response to such summons."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to any tax (whether imposed before, on, or after the date of the enactment of this Act) if the period prescribed by section 6501 of the Internal Revenue Code of 1986 for the assessment of such tax (determined with regard to extensions) has not expired on such date of the enactment.

SEC. 13202. ACCURACY-RELATED PENALTY TO APPLY TO SECTION 482 ADJUSTMENTS.

(a) **GENERAL RULE.**—Subsection (e) of section 6662 (defining substantial valuation overstatement under chapter 1) is amended to read as follows:

"(e) **SUBSTANTIAL VALUATION MISSTATEMENT UNDER CHAPTER 1.**—

"(1) **IN GENERAL.**—For purposes of this section, there is a substantial valuation misstatement under chapter 1 if—

"(A) the value of any property (or the adjusted basis of any property) claimed on any return of tax imposed by chapter 1 is 200 percent or more of the amount determined

to be the correct amount of such valuation or adjusted basis (as the case may be), or

"(B)(i) the price for any property or services claimed on any such return in connection with any transaction between persons described in section 482 is 200 percent or more (or 50 percent or less) of the amount determined under section 482 to be the correct amount of such price, or

"(ii) the net section 482 transfer price adjustment for the taxable year exceeds \$10,000,000.

"(2) LIMITATION.—No penalty shall be imposed by reason of subsection (b)(3) unless the portion of the underpayment for the taxable year attributable to substantial valuation misstatements under chapter 1 exceeds \$5,000 (\$10,000 in the case of a corporation other than an S corporation or a personal holding company (as defined in section 542)).

"(3) NET SECTION 482 TRANSFER PRICE ADJUSTMENT.—For purposes of this subsection, the term 'net section 482 transfer price adjustment' means, with respect to any taxable year, the net increase in taxable income for the taxable year (determined without regard to any amount carried to such taxable year from another taxable year) resulting from adjustments under section 482 in the transfer price for any property or services. For purposes of the preceding sentence, rules similar to the rules of the last sentence of section 55(b)(2) shall apply."

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 6662(b) is amended to read as follows:

"(3) Any substantial valuation misstatement under chapter 1."

(2) Subparagraph (A) of section 6662(h)(2) is amended to read as follows:

"(A) any substantial valuation misstatement under chapter 1 as determined under subsection (e) by substituting—

"(i) '400 percent' for '200 percent' each place it appears,

"(ii) '25 percent' for '50 percent', and

"(iii) '\$20,000,000' for '\$10,000,000'."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 13203. TREATMENT OF PERSONS PROVIDING SERVICES.

(a) GENERAL RULE.—Subsection (n) of section 6103 (relating to certain other persons) is amended—

(1) by striking "and the programming" and inserting "the programming", and

(2) by inserting after "of equipment," the following "and the providing of other services."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 13204. APPLICATION OF AMENDMENTS MADE BY SECTION 7403 OF REVENUE RECONCILIATION ACT OF 1989 TO TAXABLE YEARS BEGINNING ON OR BEFORE JULY 10, 1989.

(a) GENERAL RULE.—The amendments made by section 7403 of the Revenue Reconciliation Act of 1989 shall apply to—

(1) any requirement to furnish information under section 6038A(a) of the Internal Revenue Code of 1986 (as amended by such section 7403) if the time for furnishing such information under such section is after the date of the enactment of this Act,

(2) any requirement under such section 6038A(a) to maintain records which were in existence on or after March 20, 1990,

(3) any requirement to authorize a corporation to act as a limited agent under section 6038A(e)(1) of such Code (as so amended) if the time for authorizing such action is

after the date of the enactment of this Act, and

(4) any summons issued after such date of enactment,

without regard to when the taxable year (to which the information, records, authorization, or summons relates) began. Such amendments shall also apply in any case to which they would apply without regard to this section.

(b) CONTINUATION OF OLD FAILURES.—In the case of any failure with respect to a taxable year beginning on or before July 10, 1989, which first occurs on or before the date of the enactment of this Act but which continues after such date of enactment, section 6038A(d)(2) of the Internal Revenue Code of 1986 (as amended by subsection (c) of such section 7403) shall apply for purposes of determining the amount of the penalty imposed for 30-day periods referred to in such section 6038A(d)(2) which begin after the date of the enactment of this Act.

SEC. 13205. OTHER REPORTING REQUIREMENTS.

(a) GENERAL RULE.—Subpart A of part III of subchapter A of chapter 61 (relating to information concerning persons subject to special provisions) is amended by inserting after section 6038B the following new section:

"SEC. 6038C. INFORMATION WITH RESPECT TO FOREIGN CORPORATIONS ENGAGED IN U.S. BUSINESS.

"(a) REQUIREMENT.—If a foreign corporation (hereinafter in this section referred to as the 'reporting corporation') is engaged in a trade or business within the United States at any time during a taxable year—

"(1) such corporation shall furnish (at such time and in such manner as the Secretary shall by regulations prescribe) the information described in subsection (b), and

"(2) such corporation shall maintain (at the location, in the manner, and to the extent prescribed in regulations) such records as may be appropriate to determine the liability of such corporation for tax under this title as the Secretary shall by regulations prescribe (or shall cause another person to so maintain such records).

"(b) REQUIRED INFORMATION.—For purposes of subsection (a), the information described in this subsection is—

"(1) the information described in section 6038A(b), and

"(2) such other information as the Secretary may prescribe by regulations relating to any item not directly connected with a transaction for which information is required under paragraph (1).

"(c) PENALTY FOR FAILURE TO FURNISH INFORMATION OR MAINTAIN RECORDS.—The provisions of subsection (d) of section 6038A shall apply to—

"(1) any failure to furnish (within the time prescribed by regulations) any information described in subsection (b), and

"(2) any failure to maintain (or cause another to maintain) records as required by subsection (a),

in the same manner as if such failure were a failure to comply with the provisions of section 6038A.

"(d) ENFORCEMENT OF REQUESTS FOR CERTAIN RECORDS.—

"(1) AGREEMENT TO TREAT CORPORATION AS AGENT.—The rules of paragraph (3) shall apply to any transaction between the reporting corporation and any related party who is a foreign person unless such related party agrees (in such manner and at such time as the Secretary shall prescribe) to authorize the reporting corporation to act as such related party's limited agent solely for purposes of applying sections 7602, 7603, and 7604 with respect to any request by the Secretary to examine records or produce

testimony related to any such transaction or with respect to any summons by the Secretary for such records or testimony. The appearance of persons or production of records by reason of the reporting corporation being such an agent shall not subject such persons or records to legal process for any purpose other than determining the correct treatment under this title of any transaction between the reporting corporation and such related party.

"(2) RULES WHERE INFORMATION NOT FURNISHED.—If—

"(A) for purposes of determining the amount of the reporting corporation's liability for tax under this title, the Secretary issues a summons to such corporation to produce (either directly or as an agent for a related party who is a foreign person) any records or testimony,

"(B) such summons is not quashed in a proceeding begun under paragraph (4) of section 6038A(e) (as made applicable by paragraph (4) of this subsection) and is not determined to be invalid in a proceeding begun under section 7604(b) to enforce such summons, and

"(C) the reporting corporation does not substantially comply in a timely manner with such summons and the Secretary has sent by certified or registered mail a notice to such reporting corporation that such reporting corporation has not so substantially complied,

the Secretary may apply the rules of paragraph (3) with respect to any transaction or item to which such summons relates (whether or not the Secretary begins a proceeding to enforce such summons). If the reporting corporation fails to maintain (or cause another to maintain) records as required by subsection (a), and by reason of that failure, the summons is quashed in a proceeding described in subparagraph (B) or the reporting corporation is not able to provide the records requested in the summons, the Secretary may apply the rules of paragraph (3) with respect to any transaction or item to which the records relate.

"(3) APPLICABLE RULES.—If the rules of this paragraph apply to any transaction or item, the treatment of such transaction (or the amount and treatment of any such item) shall be determined by the Secretary in the Secretary's sole discretion from the Secretary's own knowledge or from such information as the Secretary may obtain through testimony or otherwise.

"(4) JUDICIAL PROCEEDINGS.—The provisions of section 6038A(e)(4) shall apply with respect to any summons issued under paragraph (2)(A); except that subparagraph (D) of such section shall be applied by substituting 'transaction or item' for 'transaction'.

"(e) DEFINITIONS.—For purposes of this section, the terms 'related party', 'foreign person', and 'records' have the respective meanings given to such terms by section 6038A(c)."

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 6038A(a) is amended by striking "or is a foreign corporation engaged in trade or business within the United States".

(2) The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6038B the following new item:

"Sec. 6038C. Information with respect to foreign corporations engaged in U.S. business."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) any requirement to furnish information under section 6038C(a) of the Internal Revenue Code of 1986 (as added by this sec-

tion) if the time for furnishing such information under such section is after the date of the enactment of this Act.

(2) any requirement under such section 6038C(a) to maintain records which were in existence on or after March 20, 1990,

(3) any requirement to authorize a corporation to act as a limited agent under section 6038C(d)(1) of such Code (as so added) if the time for authorizing such action is after the date of the enactment of this Act, and

(4) any summons issued after such date of enactment,

without regard to when the taxable year (to which the information, records, authorization, or summons relates) began.

SEC. 13304. STUDY OF SECTION 482.

(a) GENERAL RULE.—The Secretary of the Treasury or his delegate shall conduct a study of the application and administration of section 482 of the Internal Revenue Code of 1986. Such study shall include examination of—

(1) the effectiveness of the amendments made by this part in increasing levels of compliance with such section 482,

(2) use of advanced determination agreements with respect to issues under such section 482,

(3) possible legislative or administrative changes to assist the Internal Revenue Service in increasing compliance with such section 482, and

(4) coordination of the administration of foreign tax laws and with domestic nontax laws.

(b) REPORT.—Not later than March 1, 1992, the Secretary of the Treasury or his delegate shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the study conducted under subsection (a), together with such recommendations as he may deem advisable.

Subtitle C—Retiree Health Provisions

PART I—TREATMENT OF REVERSIONS OF QUALIFIED PLAN ASSETS TO EMPLOYERS

SEC. 13301. INCREASE IN REVERSION TAX.

Section 4980(a) (relating to tax on reversion of qualified plan assets to employer) is amended by striking "15 percent" and inserting "20 percent".

SEC. 13302. REQUIREMENT OF REPLACEMENT PLAN FOR PORTION OF EXCESS ASSETS.

(a) IN GENERAL.—Section 4980 is amended by adding at the end thereof the following new subsection:

"(d) INCREASE IN TAX FOR FAILURE TO ESTABLISH REPLACEMENT PLAN OR INCREASE BENEFITS.—

"(1) IN GENERAL.—Subsection (a) shall be applied by substituting '40 percent' for '20 percent' with respect to any employer reversion from a qualified plan unless—

"(A) the employer establishes or maintains a qualified replacement plan, or

"(B) the plan provides benefit increases meeting the requirements of paragraph (3).

"(2) QUALIFIED REPLACEMENT PLAN.—For purposes of this subsection, the term 'qualified replacement plan' means a qualified plan established or maintained by the employer in connection with a qualified plan termination (hereinafter referred to as the 'replacement plan') with respect to which the following requirements are met:

"(A) PARTICIPATION REQUIREMENT.—Substantially all of the active participants in the terminated plan are active participants in the replacement plan.

"(B) ASSET TRANSFER REQUIREMENT.—

"(i) 90 PERCENT CUSHION.—A direct transfer from the terminated plan to the replacement plan is made before any employer re-

version in an amount equal to the excess (if any) of—

"(I) 20 percent of the maximum amount which the employer could receive as an employer reversion without regard to this subsection, over

"(II) the amount determined under clause (ii).

"(ii) REDUCTION FOR INCREASE IN BENEFITS.—The amount determined under this clause is an amount equal to the present value of the aggregate increases in the nonforfeitable accrued benefits under the terminated plan of any participants (including nonactive participants) pursuant to a plan amendment which—

"(I) is adopted during the 60-day period ending on the date of termination of the qualified plan, and

"(II) takes effect immediately on the termination date.

"(iii) TREATMENT OF AMOUNT TRANSFERRED.—In the case of the transfer of any amount under clause (i)—

(I) such amount shall not be includable in the gross income of the employer,

"(II) no deduction shall be allowable with respect to such transfer, and

"(III) such transfer shall not be treated as an employer reversion for purposes of this section.

"(iv) SPECIAL RULE FOR ELECTING EMPLOYERS.—If an employer makes an election under paragraph (3)(A)(iii), the amount required to be transferred under this subparagraph shall be the amount determined under such paragraph (and no reduction shall be made in such amount under clause (i)(I)).

"(C) ALLOCATION REQUIREMENTS.—

"(i) IN GENERAL.—In the case of any defined contribution plan, the portion of the amount transferred to the replacement plan under subparagraph (B)(1) is—

"(I) allocated under the plan to the accounts of participants in the plan year in which the transfer occurs, or

"(II) credited to a suspense account and allocated from such account to accounts of participants no less rapidly than ratably over the 7-plan-year period beginning with the year of the transfer (or, if any limitation under section 415 applies, the period allowable under such section).

"(ii) TREATMENT OF INCOME.—Any income on any amount credited to a suspense account under clause (i)(II) shall be allocated to accounts of participants no less rapidly than ratably over the remainder of the period determined under such clause.

"(iii) UNALLOCATED AMOUNTS AT TERMINATION.—If any amount credited to a suspense account under clause (i)(II) is not allocated as of the termination date of the plan—

"(I) such amount shall be allocated to the accounts of participants as of such date, except that any amount which may not be allocated by reason of any limitation under section 415 shall be allocated to the accounts of other participants, and

"(II) if any portion of such amount may not be allocated to other participants under subclause (I) by reason of such limitation, such portion shall be treated as an employer reversion to which this section applies.

"(3) BENEFIT INCREASES.—The requirements of this paragraph are met if either of the following requirements are met:

"(A) PRO RATA INCREASE IN BENEFITS.—

"(i) IN GENERAL.—A plan amendment to the terminated plan is adopted in connection with the termination of the plan which provides pro rata increases in the nonforfeitable accrued benefits of all participants (including nonactive participants) which—

"(I) have an aggregate present value not less than 25 percent of the maximum amount which the employer could receive as

an employer reversion without regard to this subsection, and

"(II) take effect immediately on the termination date.

"(ii) PRO RATA INCREASE.—For purposes of clause (i), a pro rata increase is an increase in the nonforfeitable accrued benefit of each participant (including nonactive participants) in an amount which bears the same ratio to the aggregate amount determined under clause (i)(I) as—

"(I) the present value of such participant's nonforfeitable accrued benefit (determined without regard to this subsection), bears to

"(II) the aggregate present value of nonforfeitable accrued benefits of the terminated plan (as so determined).

Notwithstanding the preceding sentence, the aggregate increases in the nonforfeitable accrued benefits of nonactive participants shall not exceed 40 percent of the aggregate amount determined under clause (i)(I).

"(iii) ELECTION OF REPLACEMENT PLAN FOR ACTIVE PARTICIPANTS.—An employer may elect, in lieu of providing benefit increases under this subparagraph to active participants, to establish or maintain a qualified replacement plan with respect to active participants. For purposes of paragraph (2)(B), the amount required to be transferred to such qualified replacement plan shall be an amount equal to the aggregate present value of the increases in nonforfeitable accrued benefits of active participants which (but for this clause) would be required under this subparagraph.

"(B) BENEFIT INCREASE OF 30 PERCENT OR GREATER.—The aggregate present value of the increases in nonforfeitable accrued benefits described in paragraph (2)(B)(ii) is 30 percent or more of the maximum amount which the employer could receive as an employer reversion without regard to this subsection.

"(4) COORDINATION WITH OTHER PROVISIONS.—

"(A) LIMITATIONS.—A benefit may not be increased under paragraph (2)(B)(ii) or (3)(A), and an amount may not be allocated to a participant under paragraph (2)(C), if such increase or allocation would result in a failure to meet any requirement under section 401(a)(4) or 415.

"(B) TREATMENT AS EMPLOYER CONTRIBUTIONS.—Any increase in benefits under paragraph (2)(B)(ii) or (3)(A), or any allocation of any amount (or income allocable thereto) to any account under paragraph (2)(C), shall be treated as an employer contribution for purposes of section 415.

"(C) 10-YEAR PARTICIPATION REQUIREMENT.—Except as provided by the Secretary, section 415(b)(5)(D) shall not apply to any increase in benefits by reason of this subsection to the extent that the application of this subparagraph does not discriminate in favor of highly compensated employees (as defined in section 414(q)).

"(5) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

"(A) NONACTIVE PARTICIPANT.—The term 'nonactive participant' means an individual who—

"(i) is a participant in pay status as of the termination date,

"(ii) is a beneficiary who has a nonforfeitable right to an accrued benefit under the terminated plan as of the termination date, or

"(iii) is a participant not described in clause (i) or (ii)—

"(I) who has a nonforfeitable right to an accrued benefit under the terminated plan as of the termination date, and

"(II) whose service, which was creditable under the terminated plan, terminated during the period beginning 3 years before the termination date and ending with the date on which the final distribution of assets occurs.

"(B) PRESENT VALUE.—Present value shall be determined as of the termination date and on the same basis as liabilities of the plan are determined on termination.

"(C) REALLOCATION OF INCREASE.—Except as provided in paragraph (2)(C), if any benefit increase is reduced by the last sentence of paragraph (3)(A)(ii) or paragraph (4), the amount of such reduction shall be allocated to the remaining participants on the same basis as other increases (and shall be treated as meeting any allocation requirement of this subsection).

"(D) AGGREGATION OF PLANS.—The Secretary may provide that 2 or more plans may be treated as 1 plan for purposes of determining whether there is a qualified replacement plan under paragraph (2).

"(6) SUBSECTION NOT TO APPLY TO EMPLOYER IN BANKRUPTCY.—This subsection shall not apply to an employer who, as of the termination date of the qualified plan, is in bankruptcy liquidation under chapter 7 of title 11 of the United States Code."

(b) AMENDMENTS TO EMPLOYEE RETIREMENT INCOME SECURITY ACT.—

(1) FIDUCIARY RESPONSIBILITY.—Section 404 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104) is amended by adding at the end thereof the following new subsection:

"(d)(1) If, in connection with the termination of a single-employer plan, an employer elects to establish or maintain a qualified replacement plan, or to increase benefits, as provided under section 4980(d) of the Internal Revenue Code of 1986, a fiduciary shall discharge the fiduciary's duties under this title and title IV in accordance with the following requirements:

"(A) In the case of a fiduciary of the terminated plan, any requirement—

"(i) under section 4980(d)(2)(B) of such Code with respect to the transfer of assets from the terminated plan to a qualified replacement plan, and

"(ii) under section 4980(d)(2)(B)(ii) or 4980(d)(3) of such Code with respect to any increase in benefits under the terminated plan.

"(B) In the case of a fiduciary of a qualified replacement plan, any requirement—

"(i) under section 4980(d)(2)(A) of such Code with respect to participation in the qualified replacement plan of active participants in the terminated plan,

"(ii) under section 4980(d)(2)(B) of such Code with respect to the receipt of assets from the terminated plan, and

"(iii) under section 4980(d)(2)(C) of such Code with respect to the allocation of assets to participants of the qualified replacement plan.

"(2) For purposes of this subsection—

"(A) any term used in this subsection which is also used in section 4980(d) of the Internal Revenue Code of 1986 shall have the same meaning as when used in such section, and

"(B) any reference in this subsection to the Internal Revenue Code of 1986 shall be a reference to such Code as in effect on January 1, 1991."

(2) CONFORMING AMENDMENTS.—

(A) Section 404(a)(1)(D) of such Act (29 U.S.C. 1104(a)(1)(D)) is amended by striking "or title IV" and inserting "and title IV".

(B) Section 4044(d)(1) of such Act (29 U.S.C. 1344(d)(1)) is amended by inserting "section 404(d) of this Act, and section 4980(d) of the Internal Revenue Code of

1986 (as in effect on January 1, 1991)" after "paragraph (3)".

SEC. 13303. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this subpart shall apply to reversions occurring after September 30, 1990.

(b) EXCEPTION.—The amendments made by this subpart shall not apply to any reversion after September 30, 1990, if—

(1) in the case of plans subject to title IV of the Employee Retirement Income Security Act of 1974, a notice of intent to terminate under such title was provided to participants (or if no participants, to the Pension Benefit Guaranty Corporation) before October 1, 1990, or

(2) in the case of plans subject to title I (and not to title IV) of such Act, a notice of intent to reduce future accruals under section 204(h) of such Act was provided to participants in connection with the termination before October 1, 1990.

PART II—TRANSFERS TO RETIREE HEALTH ACCOUNTS

SEC. 13311. TRANSFER OF EXCESS PENSION ASSETS TO RETIREE HEALTH ACCOUNTS.

(a) IN GENERAL.—Part I of subchapter D of chapter 1 (relating to pension, profit-sharing, and stock bonus plans) is amended by adding at the end thereof the following new subpart:

"Subpart E—Treatment of Transfers to Retiree Health Accounts

"Sec. 420. Transfers of excess pension assets to retiree health accounts.

"SEC. 420. TRANSFERS OF EXCESS PENSION ASSETS TO RETIREE HEALTH ACCOUNTS.

"(a) GENERAL RULE.—If there is a qualified transfer of any excess pension assets of a defined benefit plan (other than a multiemployer plan) to a health benefits account which is part of such plan—

"(1) a trust which is part of such plan shall not be treated as failing to meet the requirements of subsection (a) or (h) of section 401 solely by reason of such transfer (or any other action authorized under this section),

"(2) no amount shall be includible in the gross income of the employer maintaining the plan solely by reason of such transfer,

"(3) such transfer shall not be treated—

"(A) as an employer reversion for purposes of section 4980, or

"(B) as a prohibited transaction for purposes of section 4975, and

"(4) the limitations of subsection (d) shall apply to such employer.

"(b) QUALIFIED TRANSFER.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified transfer' means a transfer—

"(A) of excess pension assets of a defined benefit plan to a health benefits account which is part of such plan in a taxable year beginning after December 31, 1990,

"(B) which does not contravene any other provision of law, and

"(C) with respect to which the plan meets—

"(i) the use requirements of subsection (c)(1),

"(ii) the vesting requirements of subsection (c)(2), and

"(iii) the minimum benefit requirements of subsection (c)(3).

"(2) ONLY 1 TRANSFER PER YEAR.—

"(A) IN GENERAL.—No more than 1 transfer with respect to any plan during a taxable year may be treated as a qualified transfer for purposes of this section.

"(B) EXCEPTION.—A transfer described in paragraph (4) shall not be taken into account for purposes of subparagraph (A).

"(3) LIMITATION ON AMOUNT TRANSFERRED.—The amount of excess pension assets which may be transferred in a qualified transfer shall not exceed the amount which is reasonably estimated to be the amount the employer maintaining the plan will pay (whether directly or through reimbursement) out of such account during the taxable year of the transfer for qualified current retiree health liabilities.

"(4) SPECIAL RULE FOR 1990.—

"(A) IN GENERAL.—Subject to the provisions of subsection (c), a transfer shall be treated as a qualified transfer if such transfer—

"(i) is made after the close of the taxable year preceding the employer's first taxable year beginning after December 31, 1990, and before the earlier of—

"(I) the due date (including extensions) for the filing of the return of tax for such preceding taxable year, or

"(II) the date such return is filed, and

"(ii) does not exceed the expenditures of the employer for qualified current retiree health liabilities for such preceding taxable year.

"(B) REDUCTION IN DEDUCTION.—The amount of the deductions otherwise allowable under this chapter to an employer for the taxable year preceding the employer's first taxable year beginning after December 31, 1990, shall be reduced by the amount of any qualified transfer to which this paragraph applies.

"(C) COORDINATION WITH REDUCTION RULE.—Subsection (e)(1)(B) shall not apply to a transfer described in subparagraph (A).

"(5) EXPIRATION.—No transfer in any taxable year beginning after December 31, 1995, shall be treated as a qualified transfer.

"(c) REQUIREMENTS OF PLANS TRANSFERRING ASSETS.—

"(1) USE OF TRANSFERRED ASSETS.—

"(A) IN GENERAL.—Any assets transferred to a health benefits account in a qualified transfer (and any income allocable thereto) shall be used only to pay qualified current retiree health liabilities (other than liabilities of key employees not taken into account under subsection (e)(1)(D)) for the taxable year of the transfer (whether directly or through reimbursement).

"(B) AMOUNTS NOT USED TO PAY FOR HEALTH BENEFITS.—

"(i) IN GENERAL.—Any assets transferred to a health benefits account in a qualified transfer (and any income allocable thereto) which are not used as provided in subparagraph (A) shall be transferred out of the account to the transferor plan.

"(ii) TAX TREATMENT OF AMOUNTS.—Any amount transferred out of an account under clause (i)—

"(I) shall not be includible in the gross income of the employer for such taxable year, but

"(II) shall be treated as an employer reversion for purposes of section 4980.

"(C) ORDERING RULE.—For purposes of this section, any amount paid out of a health benefits account shall be treated as paid first out of the assets and income described in subparagraph (A).

"(2) REQUIREMENTS RELATING TO PENSION BENEFITS ACCRUING BEFORE TRANSFER.—

"(A) IN GENERAL.—The requirements of this paragraph are met if the plan provides that the accrued pension benefits of any participant or beneficiary under the plan become nonforfeitable in the same manner which would be required if the plan had terminated immediately before the qualified transfer (or in the case of a participant who separated during the 1-year period ending on the date of the transfer, immediately before such separation).

"(B) SPECIAL RULE FOR 1990.—In the case of a qualified transfer described in subsection (b)(4), the requirements of this paragraph are met with respect to any participant who separated from service during the taxable year to which such transfer relates by recomputing such participant's benefits as if subparagraph (A) had applied immediately before such separation.

"(3) MINIMUM BENEFIT REQUIREMENT.—

"(A) IN GENERAL.—The requirements of this paragraph are met if each health plan or arrangement under which applicable health benefits are provided provides that the applicable employer cost for each taxable year during the benefit maintenance period shall not be less than the higher of the applicable employer costs for each of the 2 taxable years immediately preceding the taxable year of the qualified transfer.

"(B) APPLICABLE EMPLOYER COST.—For purposes of this paragraph, the term 'applicable employer cost' means, with respect to any taxable year, the amount determined by dividing—

"(i) the qualified current retiree health liabilities of the employer for such taxable year determined—

"(I) without regard to any reduction under subsection (e)(1)(B), and

"(II) in the case of a taxable year in which there was no qualified transfer, in the same manner as if there had been such a transfer, by

"(ii) the number of individuals to whom coverage for applicable health benefits was provided during such taxable year.

"(C) ELECTION TO COMPUTE COST SEPARATELY.—An employer may elect to have this paragraph applied separately with respect to individuals eligible for benefits under title XVIII of the Social Security Act at any time during the taxable year and with respect to individuals not so eligible.

"(D) BENEFIT MAINTENANCE PERIOD.—For purposes of this paragraph, the term 'benefit maintenance period' means the 5 taxable year period beginning with the taxable year in which the qualified transfer occurs. If a taxable year is in 2 or more overlapping benefit maintenance periods, this paragraph shall be applied by taking into account the highest applicable employer cost required to be provided under subparagraph (A) for such taxable year.

"(d) LIMITATIONS ON EMPLOYER.—For purposes of this title—

"(1) DEDUCTION LIMITATIONS.—No deduction shall be allowed—

"(A) for the transfer of any amount to a health benefits account in a qualified transfer (or any retransfer to the plan under subsection (c)(1)(B)),

"(B) for qualified current retiree health liabilities paid out of the assets (and income) described in subsection (c)(1), or

"(C) for any amounts to which subparagraph (B) does not apply and which are paid for qualified current retiree health liabilities for the taxable year to the extent such amounts are not greater than the excess (if any) of—

"(i) the amount determined under subparagraph (A) (and income allocable thereto), over

"(ii) the amount determined under subparagraph (B).

"(2) NO CONTRIBUTIONS ALLOWED.—An employer may not contribute after December 31, 1990, any amount to a health benefits account or welfare benefit fund (as defined in section 419(e)(1)) with respect to qualified current retiree health liabilities for which transferred assets are required to be used under subsection (c)(1).

"(e) DEFINITION AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED CURRENT RETIREE HEALTH LIABILITIES.—For purposes of this section—

"(A) IN GENERAL.—The term 'qualified current retiree health liabilities' means, with respect to any taxable year, the aggregate amounts (including administrative expenses) which would have been allowable as a deduction to the employer for such taxable year with respect to applicable health benefits provided during such taxable year if—

"(i) such benefits were provided directly by the employer, and

"(ii) the employer used the cash receipts and disbursements method of accounting.

For purposes of the preceding sentence, the rule of section 419(c)(3)(B) shall apply.

"(B) REDUCTIONS FOR AMOUNTS PREVIOUSLY SET ASIDE.—The amount determined under subparagraph (A) shall be reduced by any amount previously contributed to a health benefits account or welfare benefit fund (as defined in section 419(e)(1)) to pay for the qualified current retiree health liabilities.

"(C) APPLICABLE HEALTH BENEFITS.—The term 'applicable health benefits' means health benefits which are provided to—

"(i) former employees who, immediately before the qualified transfer, are entitled to receive benefits through the account by reason of their participation under the plan, and

"(ii) their spouses and dependents.

"(D) KEY EMPLOYEES EXCLUDED.—If an employee is a key employee (within the meaning of section 416(1)(1)) with respect to any plan year ending in a taxable year, such employee shall not be taken into account in computing qualified current retiree health liabilities for such taxable year.

"(2) EXCESS PENSION ASSETS.—The term 'excess pension assets' means the excess (if any) of—

"(A) the amount determined under section 412(c)(7)(A)(ii), over

"(B) the greater of—

"(i) the amount determined under section 412(c)(7)(A)(i), or

"(ii) 125 percent of current liability (as defined in section 412(c)(7)(B)).

The determination under this paragraph shall be made as of the most recent valuation date of the plan preceding the qualified transfer.

"(3) HEALTH BENEFITS ACCOUNT.—The term 'health benefits account' means an account established and maintained under section 401(h).

"(4) COORDINATION WITH SECTION 412.—In the case of a qualified transfer to a health benefits account—

"(A) any assets transferred in a plan year after the valuation date for such year shall, for purposes of section 412(c)(7), be treated as assets in the plan as of the valuation date for the following year, and

"(B) the plan shall be treated as having a net experience loss under section 412(b)(2)(B)(iv) for the plan year in which such transfer occurs in an amount equal to the amount of such transfer, except that such section shall be applied to such amount by substituting '10 plan years' for '5 plan years'."

(b) CONFORMING AMENDMENT.—Section 401(h) is amended by inserting ", and subject to the provisions of section 420" after "Secretary".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers in taxable years beginning after December 31, 1990.

SEC. 13312. APPLICATION OF ERISA TO TRANSFERS OF EXCESS PENSION ASSETS TO RETIREE HEALTH ACCOUNTS.

(a) EXCLUSIVE BENEFIT REQUIREMENT.—Section 403(c)(1) of the Employee Retirement

Income Security Act of 1974 (29 U.S.C. 1103(c)(1)) is amended by inserting ", or under section 420 of the Internal Revenue Code of 1986 (as in effect on January 1, 1991)" after "insured plans".

(b) FIDUCIARY DUTIES.—Section 404(a)(1) of such Act (29 U.S.C. 1104(a)(1)) is amended by inserting "and subject to section 420 of the Internal Revenue Code of 1986 (as in effect on January 1, 1991)," after "4044,".

(c) EXEMPTIONS FROM PROHIBITED TRANSACTIONS.—Section 408(b) of such Act (29 U.S.C. 1108(b)) is amended by adding at the end thereof the following new paragraph:

"(13) Any transfer in a taxable year beginning before January 1, 1996, of excess pension assets from a defined benefit plan to a retiree health account in a qualified transfer permitted under section 420 of the Internal Revenue Code of 1986 (as in effect on January 1, 1991)."

(d) FUNDING LIMITATIONS.—Section 302 of such Act (29 U.S.C. 1082) is amended by redesignating subsection (g) as subsection (h) and by adding at the end thereof the following new subsection:

"(g) QUALIFIED TRANSFERS TO HEALTH BENEFIT ACCOUNTS.—For purposes of this section, in the case of a qualified transfer (as defined in section 420 of the Internal Revenue Code of 1986)—

"(1) any assets transferred in a plan year after the valuation date for such year shall, for purposes of subsection (c)(7), be treated as assets in the plan as of the valuation date for the following year, and

"(2) the plan shall be treated as having a net experience loss under subsection (b)(2)(B)(iv) for the plan year in which such transfer occurs in an amount equal to the amount of such transfer, except that such subsection shall be applied to such amount by substituting '10 plan years' for '5 plan years'."

(e) NOTICE REQUIREMENTS.—

(1) IN GENERAL.—Section 101 of such Act (29 U.S.C. 1021) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) NOTICE OF TRANSFER OF EXCESS PENSION ASSETS TO HEALTH BENEFITS ACCOUNTS.—

"(1) NOTICE TO PARTICIPANTS.—Not later than 60 days before the date of a qualified transfer by an employee pension benefit plan of excess pension assets to a health benefits account, the administrator of the plan shall notify (in such manner as the Secretary may prescribe) each participant and beneficiary under the plan of such transfer. Such notice shall include information with respect to the amount of excess pension assets, the portion to be transferred, the amount of health benefits liabilities to be funded with the assets transferred, and the amount of pension benefits of the participant which will be vested immediately after the transfer.

"(2) NOTICE TO SECRETARIES, ADMINISTRATOR, AND EMPLOYEE ORGANIZATIONS.—

"(A) IN GENERAL.—Not later than 60 days before the date of any qualified transfer by an employee pension benefit plan of excess pension assets to a health benefits account, the employer maintaining the plan from which the transfer is made shall provide the Secretary, the Secretary of the Treasury, the administrator, and each employee organization representing participants in the plan a written notice of such transfer. A copy of any such notice shall be available for inspection in the principal office of the administrator.

"(B) INFORMATION RELATING TO TRANSFER.—Such notice shall identify the plan from which the transfer is made, the amount of

the transfer, a detailed accounting of assets projected to be held by the plan immediately before and immediately after the transfer, and the current liabilities under the plan at the time of the transfer.

(C) AUTHORITY FOR ADDITIONAL REPORTING REQUIREMENTS.—The Secretary may prescribe such additional reporting requirements as may be necessary to carry out the purposes of this section.

(3) DEFINITIONS.—For purposes of paragraph (1), any term used in such paragraph which is also used in section 420 of the Internal Revenue Code of 1986 shall have the same meaning as when used in such section.

(3) PENALTIES.—
(A) Section 502(c)(1) of such Act (29 U.S.C. 1132(c)(1)) is amended by inserting "or section 101(e)(1)" after "section 606".

(B) Section 502(c)(3) of such Act (29 U.S.C. 1132(c)(3)) is amended—

(i) by inserting "or who fails to meet the requirements of section 101(e)(2) with respect to any person" after "beneficiary" the first place it appears, and

(ii) by inserting "or to such person" after "beneficiary" the second place it appears.

(f) **EFFECTIVE DATE.**—The amendments made by this section shall apply to qualified transfers under section 420 of the Internal Revenue Code of 1986 made after the date of the enactment of this Act.

Subtitle D—Employment Tax Provisions

SEC. 1401. DEPOSITS OF PAYROLL TAXES.

(a) **IN GENERAL.**—Subsection (g) of section 6302 is amended to read as follows:

(g) DEPOSITS OF SOCIAL SECURITY TAXES AND WITHHELD INCOME TAXES.—If, under regulations prescribed by the Secretary, a person is required to make deposits of taxes imposed by chapters 21 and 24 on the basis of eighth-month periods, such person shall make deposits of such taxes on the 1st banking day after any day on which such person has \$100,000 or more of such taxes for deposit.

(b) **TECHNICAL AMENDMENT.**—Paragraph (2) of section 7632(b) of the Revenue Reconciliation Act of 1989 is hereby repealed.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts required to be deposited after December 31, 1990.

SEC. 1402. IRS COMPLIANCE INITIATIVE.

There is authorized to be appropriated to carry out activities of the Internal Revenue Service to increase taxpayer compliance with the Internal Revenue Code of 1986—

- (1) \$191,000,000 for fiscal year 1991,
- (2) \$172,000,000 for fiscal year 1992,
- (3) \$183,000,000 for fiscal year 1993,
- (4) \$187,000,000 for fiscal year 1994, and
- (5) \$188,000,000 for fiscal year 1995.

—At the end of the bill, insert the following:

TITLE XIV—FIVE YEAR BUDGET ENFORCEMENT

Subtitle A—5 Year Budget Agreement

SEC. 14-101. BUDGET AGREEMENT AMOUNTS.

(a) The budget agreement category amounts are as follows:

Fiscal year	1991	1992	1993	1994	1995
National defense discretionary:					
Budget authority	789.1	791.5	790.9	796.8	797.8
Outlays	296.4	294.3	291.4	295.7	293.7
International discretionary:					
Budget authority	20.2	20.8	21.7	19.9	20.2
Outlays	18.5	19.4	19.8	17.3	17.9
Domestic discretionary:					
Budget authority	167.8	175.2	180.9	180.9	181.8
Outlays	189.0	197.7	205.2	210.5	214.4
Total discretionary:					
Budget authority	477.3	487.8	493.5	497.6	499.8
Outlays	593.9	611.4	616.4	623.5	625.1

(b) The committee on Appropriations in the House and Senate shall report new allocations pursuant to section 302 of the Congressional Budget Act of 1974 which are consistent with the budget agreement amounts in subsection (a). No appropriations bills, or any measure providing for appropriations for fiscal year 1991 shall be enrolled unless they comply with the allocations pursuant to this subsection.

(c) The economic assumptions that underlie the matters set forth in this section are:

Calendar year	1991	1992	1993	1994	1995
Nominal GNP:					
Level (in billions of dollars)	5,281	6,199	6,570	7,141	7,607
Percent change, 4th/5th	6.0	7.3	7.5	6.8	6.4
Real GNP, percent change, 4th/4th:	1.8	2.8	4.1	3.7	3.5
GNP deflator, percent change, 4th/4th:					
4th	4.6	3.4	3.2	3.0	2.9
Unemployment rate (percent):	6.1	6.4	5.6	5.3	5.1
Interest rates:					
91-day Treasury bills (percent)	7.2	5.7	4.9	4.4	4.2
10-year Treasury notes (percent)	8.3	7.1	6.1	5.8	5.3
Domestic oil prices (dollars per barrel):	24.15	21.70	21.79	22.41	23.02

(d) Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding the following new subsections at the end thereof:

"(11) (A) For fiscal years 1991, 1992, 1993, 1994 and 1995, the term "budget agreement categories" means the categories of national defense discretionary, international discretionary, domestic discretionary:

(1) The term "national defense discretionary" means budgetary resources not required or provided by law other than appropriations Acts for national defense functions (050), as set forth in the Budget of the United States Government for Fiscal Year 1991, excluding budget authority and outlays resulting from gifts received into the Defense Cooperation Account and supplemental funding for Operation Desert Shield.

(2) The term "international discretionary" means budgetary resources not required or provided by law other than appropriations Acts for the international affairs function (150), as set forth in the Budget of the United States Government for Fiscal Year 1991, excluding the periodic assessment to the International Monetary Fund and the budgetary effect of forgiving of Egyptian debt incurred under the Arms Export Control Act.

(3) The term "domestic discretionary" means budgetary resources not required or provided by law other than appropriations Acts for domestic programs, which are discretionary programs not included in the national defense discretionary or international discretionary categories, as defined in paragraphs (1) and (2).

(B) The term "budget agreement category amount" means the exact amount set forth in section 101(a) of the Budget Process Act of 1990 for a budget agreement category.

"(12) The term "nondiscretionary spending" means any spending, excluding amounts included under budget agreement amounts as defined in paragraph (11) and amounts explicitly excluded by such paragraph, and including the following:

(A) The term "entitlement/mandatory spending category" means an amount, other than those identified in (B), (C), or (D) of this subsection, that is provided or required by law, including spending authority as defined in 401(c)(2) of this Act, and appropriated entitlements.

(B) The term "net interest" means the net interest function (900), as set forth in the Budget of the United States Government for Fiscal Year 1991.

(C) The term "RTC authority" means any new budget authority or spending authority provided under to the Financial Institutions Reform, Recovery and Enforcement Act of 1989, including funding for:

(1) RTC Revolving Fund (22-4055, 51-1100, 51-1400);

(2) FSLIC Resolution Fund (51-4065; 20-0176);

(3) Bank Insurance Fund (51-4064); and

(4) Savings Association Insurance Fund (51-4068).

(D) The term "undistributed offsetting receipts" means the employer share, employee retirement (on- and off-budget); rents and royalties on the Outer Continental Shelf; sale of major assets; and other offsetting receipts not distributed to specific functions.

(d) For the purposes of enforcing this budget agreement, no programs, projects, or activities shall be moved from one category to any other category. New activities shall be classified in accordance with the procedures specified in section 1104 of title 31 of the United States Code.

SEC. 14-102. AMENDMENTS TO TITLE III OF THE CONGRESSIONAL BUDGET ACT.

(a) Section 301(a) of the Congressional Budget Act of 1974 is amended—

(1) in the matter before paragraph (1) by striking "two" and inserting "four"; and

(2) at the end of paragraph (4), by deleting "; and", and by adding the following: "For fiscal years 1991 through 1993, the term "major functional category" shall mean the categories set forth and defined in section 3(11) and (12) of this Act; and".

(b) Section 301(b)(3) is amended by striking "for such fiscal year" and inserting "for any fiscal year covered by the resolution".

(c) Section 301(e) is amended—
(1) in the first sentence by striking "for each fiscal year"; and

(2) in paragraph (6) by striking "such fiscal year" and inserting "the first fiscal year covered by the resolution".

(d) Section 301(f) (1) and (2) are amended by striking "for the fiscal year beginning after the date on which such Economic Report is received by the Congress" both places it appears.

(e) Section 301(i) is amended—
(1) by deleting the title and inserting, "NEITHER THE MAXIMUM DEFICIT AMOUNT NOR THE BUDGET AGREEMENT CATEGORY AMOUNTS MAY BE VIOLATED.—"; and

(2) in paragraph (1)(A) by—
(A) striking "for a fiscal year";

(B) striking "for such fiscal year" the first place it appears and inserting "for the first fiscal year";

(C) inserting after "section 3(7)" the first place it appears, "or if any amount set forth in such resolution or conference report exceeds the budget agreement category amount for such category set forth in section 101(a) of the Budget Process Reform Act of 1990"; and

(D) inserting before the period, ", or would result in amounts that exceed any budget agreement category amount set forth in section 101(a) of the Budget Process Reform Act of 1990".

(3) in paragraph (2) by—
(A) striking subparagraphs (B) and (C); and

(B) by striking "(A)".

(f) Section 302(a) is amended—
(1) in paragraph (1) and (2) by inserting "for each fiscal year caused by such resolution" after "estimated allocation" each place it appears;

(2) in paragraph (1) by—
(A) inserting "budget agreement category amounts" in the first sentence before the words, ", and total credit authority", and in-

serting "such budget agreement category amounts" before the words, "or such credit authority"; and

(B) inserting "budget agreement category amounts" in the second sentence before the words, ", and credit authority", and inserting before the period, "or such budget agreement category amounts".

(3) in paragraph (2) by inserting "budget agreement category amounts," before the words, "and new credit authority", and inserting before the period, "or such budget agreement category amounts".

(g) Section 302 (b)(1) is amended by—

(1) inserting "budget agreement category amounts," before the words, ", and new credit authority"; and

(2) inserting "for the fiscal year" after the words, "to it".

(h) Section 302(c) is amended by—

(1) inserting after "for a fiscal year" each place it appears "or fiscal years";

(2) inserting after "for such fiscal year" each place it appears "(or fiscal years)"; and

(3) deleting "or" at the end of paragraph (2), renumbering "(3)" to "(4)", and inserting the following after the existing paragraph (2): "(3) budget agreement category amounts for a fiscal year; or".

(i) Section 302(f) is amended—

(1) in paragraph (1) by—

(A) striking "for a fiscal year";

(B) striking "such fiscal year" each place it appears in the matter preceding subparagraph (A) and inserting "a fiscal year covered by the resolution"; and

(C) inserting before the period: "or would cause an excess of the appropriate allocation made pursuant to subsection (b) for such fiscal year of any budget agreement category amount"; and

(2) in paragraph (2) by—

(A) striking "for a fiscal year";

(B) striking "such fiscal year" and inserting "the appropriate fiscal year"; and

(C) adding before the period, "or exceeding the appropriate allocation of such outlays or budget authority in a budget agreement category amount reported under subsection (b) in connection with such resolution".

(j) Section 303(a) is amended in the matter following paragraph (5) by striking "budget for such fiscal year" and inserting "budget for which such fiscal year is the first fiscal year covered".

(k) Section 304(b) is amended by deleting the title and inserting "NEITHER MAXIMUM DEFICIT AMOUNT NOR THE BUDGET AGREEMENT CATEGORY AMOUNT MAY BE VIOLATED.—".

(l) Section 305 (a)(3) and (b)(3) are amended by striking "for a fiscal year" each place it appears.

(m) Section 308(a) is amended—

(1) in paragraph (1)—

(A) in the matter preceding subparagraph (A), by inserting "(or fiscal years)" after "fiscal year";

(B) in subparagraph (A) by inserting "(or fiscal years)" after "fiscal year"; and

(C) in subparagraph (C), by—

(i) deleting "and each of the four ensuing fiscal years"; and

(ii) inserting "(or fiscal years)" after "such fiscal year".

(2) in paragraph (2), by inserting "(or fiscal years)" after "fiscal year".

(n) Section 308(b)(1) is amended by—

(1) by striking "for a fiscal year" in the first sentence and inserting "for each fiscal year covered by a resolution on the budget"; and

(2) by striking "such fiscal year" in the second sentence and inserting "the first fiscal year covered by the appropriate resolution".

(o) Section 310(a) is amended—

(1) by inserting "(for at least five fiscal years)" after "shall" in the matter preceding paragraph (1);

(2) in paragraph (1) by striking "such fiscal year" each place it appears and inserting "such fiscal years"; and

(3) by adding at the end of subsection (a) the following: "To the extent that a resolution on the budget specifies and directs matters described in paragraph (1) or (2), the resolution shall specify and direct deficit reduction in years after the first year covered by the resolution".

(p) Section 311(a) is amended by—

(1) striking "for a fiscal year";

(2) striking "such fiscal year" the first place it appears and inserting "a fiscal year covered by the resolution";

(3) inserting "for such fiscal year" after "outlays";

(4) striking "budget for such fiscal year" and inserting "budget covering such fiscal year";

(5) inserting after "exceeded": ", or would cause budget agreement category amounts to be more than such amount set forth in such resolution";

(6) inserting "for such fiscal year" after "revenues" the first place it appears;

(7) inserting "for such fiscal year" after "set forth" the second place it appears; and

(8) inserting after the phrase, "would otherwise result in", the following: "total amounts of budget authority or outlays for such fiscal year that are not equal to the budget agreement category amounts set forth in section 101(a) of the Budget Process Reform Act of 1990 or in"; and

(9) striking "deficit for such fiscal year" and inserting "deficit for each fiscal year covered by the resolution".

(q) Section 311(b) is amended by inserting "(or fiscal years)" after "such fiscal year" both places it appears.

(r) Conforming amendments.—

(1) section 401(b)(2) of the Act is amended by inserting "(or fiscal years)" after "for such fiscal year" the second place it appears.

(2) section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking "each year".

Subtitle B—Treatment of Social Security and the Balanced Budget Act

SEC. 14-201. FINDINGS AND DECLARATION.

(a) FINDINGS.—The Congress finds that—

(1) Social Security is the bedrock of America's retirement system;

(2) Social Security today provides security to nearly 40 million Americans, with benefits going to older Americans, as well as to those who are disabled and to families of the elderly and disabled;

(3) Social Security has enabled older Americans to escape the specter of poverty and to live their lives in a manner that is productive and beneficial to society;

(4) the Social Security system must be protected, not only for those currently receiving benefits, but for Americans now in and entering the labor force;

(5) the large cohort of today's workers known as the "baby boom" generation will be retiring starting in the second decade of the next century;

(6) these workers are now accumulating Social Security retirement credits and will be entitled to benefits upon retirement;

(7) the Congress in amending the Social Security Act in 1983, following the recommendations of the National Commission on Social Security Reform, provided for the accumulation of balances in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, in anticipation of the payments due in the next century;

(8) the balances in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund should be protected and used solely for the purpose of assuring future benefits; and

(9) the Balanced Budget and Emergency Deficit Control Act of 1985 (the Gramm-Rudman-Hollings law) has provided fiscal discipline and has resulted in a reduction in the Federal deficit since its enactment.

(b) DECLARATION.—The Congress declares that removing Social Security from Federal deficit calculations, protecting Social Security's reserves for the future of the Social Security's system, and balancing the Federal deficit exclusive of the Social Security trust funds will lead to a reduction of Federal debt and an increase in national savings, thereby providing long-term economic growth, the key to assuring that Social Security benefits will continue to be paid over the long-term.

SEC. 14-202. SOCIAL SECURITY'S BUDGETARY TREATMENT.

The Congress and the President hereby reaffirm that—

(1) the receipts, except receipts of interest earned on investments in U.S. securities, and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are off-budget; and

(2) the receipts, except receipts of interest earned on investments in U.S. securities, and disbursements of the Federal Old Age Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall not be included in the calculation of the Federal deficit for fiscal year 1991 and thereafter under the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 14-203. ESTABLISHMENT OF MAXIMUM DEFICIT TARGETS.

(a) EXCLUSION OF RECEIPTS AND DISBURSEMENTS OF SOCIAL SECURITY TRUST FUNDS WHEN CALCULATING MAXIMUM DEFICIT AMOUNTS.—

(1) DEFINITION OF DEFICIT.—

(A) The second sentence of paragraph (6) of section 3 of the Congressional Budget and Impoundment Control Act of 1974 is repealed.

(B) Section 275(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking out "and the second sentence of section 3(6) of such Act (as added by section 201(a)(1) of this joint resolution)".

(2) SOCIAL SECURITY ACT.—Subsection (a) of section 710 of the Social Security Act is amended by striking "shall not be included in the totals of the budget" and inserting "shall not be included in the budget deficit or in the totals of the budget".

(3) EXTENSION OF TREATMENT OF SOCIAL SECURITY TRUST FUNDS.—

(A) Subsection (a) of section 261 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(i) by striking the caption for such subsection and inserting "FISCAL YEARS 1986 AND THEREAFTER"; and

(ii) in paragraph (2) by striking ", and ending before October 1, 1992".

(B) Subsection (b) of section 261 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "as amended by section 346(b) of the Social Security Amendments of 1983 (to be effective with respect to fiscal years beginning after September 30, 1992)" and inserting "as amended by subsection (a) of this section (to be effective with respect to fiscal years beginning after September 30, 1990)".

(C) Section 346 of the Social Security Amendments of 1983 (Public Law 98-21) is amended by striking subsection (b).

(D) Paragraph (2) of subsection (a) of section 346 of the Social Security Amendments of 1983 is amended by striking "and ending on or before September 30, 1992".

(4) EFFECTIVE DATES.—The amendments made and repeals effected this subsection shall apply with respect to fiscal years beginning after September 30, 1990.

(b) MAXIMUM DEFICIT.—Paragraph (7) of Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended—

(1) by deleting "The" and substituting: "Subject to adjustments made pursuant to section 309 of the Budget Process Reform Act of 1990, the";

(2) in subparagraph (F), by striking "\$64,000,000,000" and inserting in lieu thereof "\$207,300,000,000";

(3) in subparagraph (G), by striking "\$28,000,000,000" and inserting in lieu thereof "\$201,800,000,000";

(4) in subparagraph (H) by striking "zero" and inserting in lieu thereof "\$171,000,000,000;" and

(5) by adding:

"(I) with respect to the fiscal year beginning October 1, 1993, \$112,100,000,000;

"(J) with respect to the fiscal year beginning October 1, 1994, \$63,300,000,000."

(c) CONFORMING CHANGES.—

(1) DEFINITION OF MARGIN.—

(A) Section 257(10) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows: "Subject to section 302 of the Budget Process Reform Act of 1990, the term margin means \$15,000,000,000 with respect to each of the fiscal years 1992 through 1995."

(B) Section 251(a) is amended in paragraph (1)(B) and paragraph (2)(A) by deleting everything after \$10,000,000,000 (zero in the case of fiscal year 1993) and inserting "the margin for such fiscal year as specified in paragraph (10) of section 257".

(2) DETERMINATION OF REDUCTIONS.—(A) Section 251(a)(3)(A)(i)(iii) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "or 1993" and inserting "1993, 1994, or 1995";

(B) Section 252(a)(6)(B) is amended by deleting "1993" in the title and inserting "1995"; and

(C) Section 252(a)(7) is amended by deleting "1993" in the title and inserting "1995".

(3) EXTENSION OF BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT.—

(A) The Balanced Budget and Emergency Deficit Control Act of 1985, is amended, is continued and extended through fiscal year 1995.

(B) Section 275(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "1993" and inserting "1995".

SEC. 14-304. PROTECTING SOCIAL SECURITY.

(a) SOCIAL SECURITY SOUNDNESS POINT OF ORDER.—

(1) IN GENERAL.—Title IV of the Congressional Budget Act of 1974 is amended by—

(A) redesignating section 407 as section 408; and

(B) inserting after section 408 the following: "POINT OF ORDER AGAINST SPENDING THE SOCIAL SECURITY RESERVES FOR PURPOSES OTHER THAN NOW REQUIRED BY THE LAW"

"SEC. 407. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—Notwithstanding any other provision of law, it shall not be in order to consider any bill, resolution, amendment, or conference report if—

"(1) the enactment of such bill or resolution;

"(2) the adoption and enactment of such amendment; or

"(3) the enactment of such bill or resolution in the form recommended in such conference report, would cause a reduction in the present value actuarial balance of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, measured over the ensuing 8-year period (in the case of the Senate) or 8-year or 75-year period (in the case of the House of Representatives) as a result of changes to title II of the Social Security Act, or changes to sections 86, 1401(a), 3101(a), 3111(a), 3201(a), 3211(a), or 3221(a) of the Internal Revenue Code of 1986, or chapter 1 of such Code (to the extent attributable to changes in section 86 of such Code). In the Senate, the Committee on Finance shall issue a report indicating the effect on 75-year actuarial balances at the time such bill, resolution, amendment, or conference report is reported.

"(b) PRESENT VALUE ACTUARIAL BALANCE DEFINED.—For purposes of this section, the term 'present value actuarial balance' with respect to a period of years means the difference between—

"(1) the sum of the actuarial present value of expected future income to the Trust Funds during the period and the assets of the Trust Funds at the beginning of the period, expressed as a percentage of the present value of expected future taxable payroll over the same period; and

"(2) the actuarial present value of expected disbursements from the Trust Funds, expressed as a percentage of the present value of expected future taxable payroll over the same period. Interest or earnings income from instruments other than interest-bearing securities issued by the Federal Government shall not be included in the determination of the present value of expected future income.

"(c) DETERMINATION OF PRESENT VALUE ACTUARIAL BALANCE.—For the purposes of this section, the determination of changes in the present value actuarial balance shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, in consultation with the Congressional Budget Office and the Chief Actuary of the Social Security Administration."

(2) TABLE OF CONTENTS.—The table of contents of the Congressional Budget and Impoundment Control Act of 1974 is amended in title IV by—

(A) redesignating section 407 as section 408; and

(B) inserting after the item for section 406 the following:

"Section 407. Point of order against spending the social security reserves for purposes other than now required by the law."

(b) WAIVER OF POINT OF ORDER.—Section 904 of the Congressional Budget Act of 1974 is amended by—

(1) redesignating subsection (d) as subsection (e); and

(2) inserting after subsection (c) the following new subsection:

"(d)(1) Section 407 of this Act may be waived or suspended in the Senate only by the affirmative vote of 60 Senators, duly chosen and sworn."

"(2) Section 407 of this Act may be waived or suspended in the House of Representatives only by the affirmative vote of 361 House Members, duly chosen and sworn."

(c) APPEALS OF RULINGS.—Subsection (c) of section 271 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "or 311(a)" and inserting in lieu thereof "311(a), or 407".

(d) CBO ASSISTANCE TO CONGRESSIONAL COMMITTEES.—Section 302(a) of the Congressional Budget Act of 1974 is amended by redesignating paragraph (3) as paragraph

(4) and inserting after "revenue conditions," the following: "(3) projections of changes in the present value actuarial balance of the Social Security trust funds as described in section 407 of this Act."

(E) EFFECTIVE DATE.—Subsections (a), (b), and (c) of this section are effective for fiscal years following fiscal year 1990.

SEC. 14-305. DEFICIT REDUCTION REQUIREMENTS TO PROTECT THE CASDI RESERVES.

(a) BUDGET BASELINE.—Section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by—

(1) striking "and" after the semicolon in subparagraph (J);

(2) striking the period at the end of subparagraph (K) and inserting "; and"; and

(3) adding at the end thereof the following:

"(L) adding to the baseline (notwithstanding section 710(a) of the Social Security Act or section 2(6) of the Congressional Budget Act of 1974) the aggregate amount by which the Social Security annual reserve has been estimated (at the time of enactment of legislation that affects the Social Security annual reserve) to have been reduced for such fiscal year as a result of enactment of legislation enacted on or after October 16, 1992;

"(M) assuming, for purposes of this paragraph, paragraph (3)(A)(i), and the Congressional Budget Act of 1974, and notwithstanding section 710(a) of the Social Security Act, that receipts of interest by the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall be included in the totals of the budget."

(b) DEFINITION.—Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end thereof the following:

"(15) The term 'Social Security annual reserve' means the combined expected receipts of the Federal Old-Age Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund less the combined expected disbursements of the Federal Old-Age Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for any given fiscal year."

(c) EFFECTIVE DATE.—This section shall apply with respect to fiscal years beginning October 1, 1990 and thereafter.

SEC. 14-306. MODIFICATION OF THE PERSONAL EARNINGS AND BENEFITS STATEMENT.

Section 1142(a)(2) of the Social Security Act, as added by section 10308 of the Omnibus Budget Reconciliation Act of 1989, is amended—

(a) by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (F), respectively;

(b) by inserting after subparagraph (B) the following new subparagraph (C):

"(C)(i) an estimate of the percentage of contributions described in subparagraph (B) needed for the payment of current old-age, survivors, and disability insurance benefits (determined by attributing interest and other income of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund to such current benefits), and

"(ii) an estimate of the percentage of such contributions that will be placed into reserve in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund;"

(c) by adding at the end of subparagraph (B) before the semicolon the following: "separately identifying the portion of contributions that are expected to be used to pay the benefits of current old-age, survi-

vors, and disability insurance beneficiaries, and the portion being placed in reserve (under the percentages determined in subparagraph (C)); and

(d) by inserting after subparagraph (D), as redesignated, the following new subparagraph:

"(E) a description of the old-age, survivors, and disability insurance reserve, including—

"(i) the reserve's current and near term expected accumulation;

"(ii) the reserve's importance to long-run actuarial soundness and future retirement benefits; and

"(iii) a summary of the effect recent legislation has had upon the anticipated building of the reserve and long-run actuarial soundness;"

Subtitle C—STRENGTHENING THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT

SEC. 14-301 DEFICIT TARGETS NOT AFFECTED BY SPECIFIED ACTIVITIES.

(a) **AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974**—After the second sentence of paragraph (6) of section 3 of the Congressional Budget and Impoundment Control Act of 1974, add the following:

"Section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall apply to calculations of budget authority, budget outlays, and budget totals and the deficit."

(b) **AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985**—Section 251(a)(6) of the Balanced Budget and Emergency Deficit Act of 1985 is amended by adding after subsection (M) (as added by this Act) the following:

"(N) assuming, for purposes of this paragraph and paragraph 3(A)(1), and notwithstanding section 406(b) of the Congressional Budget Act of 1974, the transactions, under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, in the following accounts, shall not alter the deficit or produce any change in the budget baseline:

(1) RTC Revolving Fund (22-4055, 51-1100, 51-1400);

(2) FSLIC Resolution Fund (51-4065; 20-0176);

(3) Bank Insurance Fund (51-4064); and

(4) Savings Association Insurance Fund (51-4066).

"(O) assuming, for purposes of this paragraph and paragraph 3(A)(1), and notwithstanding section 406(b) of the Congressional Budget Act of 1974, the transactions for the following purposes shall not alter the deficit or produce any change in the budget baseline:

(1) supplemental funding for Operation Desert Shield; and

(2) forgiveness of Egyptian debt incurred under the Arms Export Control Act.

(3) amounts of appropriations requested by the President for emergencies declared by the President.

(c) The amendments made by subsections (a) and (b) shall apply with respect to fiscal years beginning after September 30, 1990.

SEC. 14-302 ADJUSTMENTS TO THE MAXIMUM DEFICIT AMOUNT AND BUDGET AGREEMENT CATEGORY AMOUNTS.

(a) **MARCH 1991 UPDATE TO REFLECT ACTUAL PERFORMANCE OF THE ECONOMY**—

(1) The President shall report to the Congress on or before March 31, 1991 on the actual performance of the economy during calendar year 1990. The report shall indicate the extent to which projected outlays, revenues, and the resulting deficit for fiscal years 1991 through 1995 differ from the amounts that would have resulted if the

economic assumptions specified in section 101(b) of this Act had been realized. The difference between the maximum deficit amount for each fiscal year, 1991 through 1995, specified in section 3(7) of the Congressional Budget and Impoundment Control Act of 1974, and the deficit amount calculated using the revised projections for each fiscal year, based on actual economic performance during calendar year 1990, will be identified as the economic deficit adjustment for such fiscal year.

(2) The maximum deficit amount for each fiscal year, 1991 through 1995, specified in section 3(7) of the Congressional Budget and Impoundment Control Act of 1974, shall be automatically adjusted by the corresponding economic deficit adjustment identified pursuant to paragraph (1). The adjusted maximum deficit amounts shall be included in the report required in paragraph (1).

(3) The budget agreement category amounts set forth in section 101(a) of this Act shall be automatically adjusted to be mathematically consistent with the economic deficit adjustment identified pursuant to paragraph (1). The amount of the adjustment and the adjusted category amounts for each category shall be included in the report required in paragraph (1).

(4) The assumptions used in the report required by this subsection also shall be used in the report issued in July 1991 pursuant to section 1106 of title 31, United States Code.

(b) **TECHNICAL ASSUMPTIONS FOR FISCAL YEAR 1992**—The technical assumptions to be used for calculating the budget baseline for fiscal year 1992 pursuant to section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be the assumptions used in the July 1991 report referred to in paragraph (a)(4).

(c) CHANGES IN ECONOMIC AND TECHNICAL ASSUMPTIONS FOR FISCAL YEARS 1994 AND 1995

(1) In January 1993, a committee consisting of the members identified in paragraph (2) shall meet to review, consider, and make recommendations to the Congress and the President concerning economic and technical assumptions to be used in reports issued pursuant to sections 251 of the Balanced Budget and Emergency Deficit Control Act of 1985, for fiscal years 1994 and 1995. If the committee unanimously agrees upon changes in economic and technical assumptions for fiscal years 1994 and 1995 and such changes are enacted into law, then the maximum deficit amount set forth in section 3(7) of the Congressional Budget and Impoundment Control Act of 1974, and budget agreement category amounts set forth in section 101(a) of the Budget Process Reform Act of 1990 shall be adjusted accordingly.

(2) The membership of the committee referred to in paragraph (1) shall consist of: the Speaker of the House; the House and Senate Majority and Minority Leaders; the Chairman and Ranking Minority Member from the House and Senate Committees on the Budget, Appropriations, Ways and Means, and Finance; the Director of the Office of Management and Budget; the Secretary of the Treasury; and a member of the President's staff, as designated by the President.

(d) **EXCLUSION OF OFFSETTING COLLECTIONS RESULTING FROM THIS ACT**—For purposes of calculating whether any bill, resolution, or amendment exceeds budget agreement category amounts, offsetting collections resulting from this Act shall not offset budget authority and outlays in such category in any year covered by this agreement. To the extent offsetting collections resulting from this Act are used to fund what would otherwise be funded by discretionary appropria-

tions, such offsetting collections would be recorded as discretionary budget authority and outlays for the budget agreement category.

(e) ADJUSTMENTS FOR CONVERSION TO CREDIT REFORM BUDGETING.

(1) The President shall specify, in his budget submitted pursuant to 31 USC 1106(a) for fiscal year 1992, adjustments to the maximum deficit amount as set forth in Section 3 of the Congressional Budget and Impoundment Control Act of 1974 and estimates of the adjustments necessary to the budget agreement categories set forth in section 101 of this Act to implement credit reform budgeting as provided in section 401 of this Act. These adjustments shall be identified as the credit reform budgeting adjustments. Such budget shall also specify the subsidy rates assumed in calculating the required adjustments.

(2) The maximum deficit amount and the budget agreement category amounts for fiscal years 1992, 1993, 1994, and 1995 shall be adjusted to reflect the credit reform budgeting adjustments reported under paragraph (1). The amount of the adjustments and the adjusted amounts also shall be included in the report required in paragraph (1) of section (b) of this Act.

(3) The President's budget for fiscal year 1993 shall specify subsidy rates revised to reflect additional data on loan performance, and shall indicate the extent to which the maximum deficit amount and budget agreement category amounts would be modified based on the revised subsidy rates. The revision to the estimates required to reflect revised subsidy rates will be identified as the subsidy rate adjustment.

(4) The maximum deficit amount and the budget agreement category amounts for fiscal years 1993, 1994, and 1995 shall be revised to reflect the subsidy rate adjustment reported under paragraph (3).

SEC. 14-303. CHANGE IN MEDICARE MAXIMUM PERCENTAGE REDUCTION.

The Balanced Budget and Deficit Reduction Act of 1985, as amended, is further amended by substituting "4" for "2" in section 252(a)(4)(B)(ii) and in 256(d)(1)(B).

SEC. 14-304 TECHNICAL AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985 AND OTHER CONFORMING CHANGES.

(a) Section 251 of The Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows—

(1) Section 251(a)(2)(B)(ii) is repealed, and (iii) is renumbered (ii).

(2) Section 251(a)(2)(B)(ii) is repealed.

(3) Section 25(a)(2)(B) (iii) and (iv) are repealed.

(4) Section 251(a)(6)(B) is amended by deleting "do expire" and inserting in lieu thereof, "are extended at the lesser of current levels or current rates (unless such provisions of law specifically indicate that they should not be assumed to be extended for purposes of this Act)".

(5) Section 251(a)(6)(C)(i) is amended by deleting the parenthetical and inserting, "(funding for such pay adjustments are assumed to be provided for in such Act unless indicated to the contrary in such Act)".

(6) Section 251(a)(6)(C)(ii) is amended by deleting "(without absorption)" and inserting before "II" the following, "including adjustments to remove absorption explicitly indicated in such previous fiscal year appropriations."

(7) Section 251(a)(6)(C)(ii)(iii) is amended by deleting "increased to cover the increased" and inserting, "adjusted to cover the changed".

(8) Section 251(b) is amended by deleting "Federal Register" both times it occurs and inserting, "Government Printing Office".

(9) Section 251(d)(3)(C) is amended by deleting the phrase "October 10, 1987, in the case of fiscal year 1988," and substituting "25" for "15".

(b) Section 251 is further amended, and 252 is amended, to require program, project, and activity level of detail only in the final accompanying message and only to the extent full-year appropriations have been enacted and a sequester is required, as follows—

(1) Section 251(c)(1)(A) is amended by adding to the end thereof "and".

(2) Section 251(c)(1)(B) is amended by deleting ", and" and inserting in lieu thereof "."

(3) Section 251(c)(1)(C) is repealed.

(4) Section 251(c)(2) is amended by deleting the final sentence, which begins "In addition."

(5) Section 252(a)(5) is amended by deleting "initial order" and inserting in lieu thereof, "final order indicating a sequester is required".

(6) Section 252(a)(5) is further amended by deleting "paragraph (2)" and inserting in lieu thereof, "section Section 252(a)(2)".

(7) Section 252(a)(5)(A) is amended by inserting after "account" the first time it occurs, "for which annual appropriations or full-year continuing appropriations have been enacted".

(8) Section 252(a)(5) is renumbered to Section 252(b)(4).

(9) Section 252(b)(4) is repealed.

(10) Section 252(c)(1) is amended by deleting "(a)(5)" and inserting in lieu thereof, "(b)(4)".

(c) Title III of the Congressional Budget Act of 1974 is amended by adding the following new section:

"PROHIBITION OF COUNTING AS SAVINGS THE TRANSFER OF GOVERNMENT ACTIONS FROM ONE YEAR TO ANOTHER.

SEC. 312. Any law or regulation promulgated as final that has the effect of transferring an outlay, receipt, or revenue of the United States from one fiscal year to an adjacent fiscal year shall not be treated as reducing the deficit or producing net deficit reduction in any fiscal year for purposes of this Act."

(d) Section 306 of the Congressional Budget Act of 1974 is amended by adding, after "House" the first place it appears, the following: ", including matters that amend or have the effect of amending the Budget Process Reform Act of 1990, this Act, or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended."

Subtitle D—Enforcement Procedures

SEC. 14-401. ENFORCEMENT OF BUDGET AGREEMENT—AUTOMATIC OFFSETS TO ELIMINATE EXCESS AMOUNTS.

(a) Except as provided in subsections (d), (e), and (f)—

(1) **BUDGET AGREEMENT CAPS**—Whenever enactment of any Act or joint resolution results in the provision of budgetary resources for a budget agreement category, as defined in section 3(11)(A) or (B) of the Congressional Budget and Impoundment Control Act of 1974, that is in excess of the budget authority or outlays for such budget agreement category as set forth in section 101(a) of the Budget Process Reform Act of 1990, the President shall issue an order that automatically eliminates the excess amount that would occur in any fiscal year determined for such budget agreement category within that budget agreement category in that fiscal year.

(2) **ENTITLEMENT/MANDATORY SPENDING**—Whenever enactment of any Act or joint

resolution providing entitlement/mandatory spending, as defined in section 3(12)(A) of the Congressional Budget and Impoundment Control Act of 1974, results in increases in the deficit in any year which are not offset fully by entitlement/mandatory spending reductions, revenue increases, or a combination of both in such Act or resolution for each such fiscal year, the President shall issue an order that automatically eliminates the increased spending for each year within the entitlement/mandatory spending category.

(b) TIMING OF AUTOMATIC OFFSETS.—

(1) For Acts and joint resolutions enacted during the period beginning on October 1 and ending on June 30 of that fiscal year, the order of the President shall be issued not later than 15 calendar days after enactment of such Act or resolution.

(2) For Acts and joint resolutions enacted during the period beginning July 1 and ending September 30 of that fiscal year, the order of the President shall be issued on October 1 of that calendar year.

(c) The required reductions shall be made on a uniform percentage basis so as to reduce all budgetary resources within the category that would be subject to sequester under the Balanced Budget and Emergency Deficit Control Act of 1985 to the extent necessary to eliminate the excess amount within such budget agreement category.

(d)(1) For fiscal years 1991, 1992, and 1993, any appropriations bill or conference report on such bill shall not be subject to section 302(f) or section 311(a) of the Congressional Budget Act of 1974 if such bill or report exceeds any budget agreement category amounts, or budget resolution consistent with the budget agreement category amounts, solely by reason of, and only to the extent that, such bill or conference report contains amounts identified under and in compliance with paragraph (2), where the outlay amounts resulting from such budget authority are identified as and are within the amounts set forth in subsection (e), taking into account other acts, bills, or conference reports which have identified amounts as within paragraph (2).

(2) aggregate budget authority for the budget agreement categories, as defined in section 3(11)(A) of the Congressional Budget and Impoundment Control Act of 1974, for fiscal years 1991, 1992, and 1993 (together) may exceed the three budget agreement category amounts set forth in section 101(a) of the Budget Process Act of 1990 for such budget agreement categories by not more than 0.4 percent for all three such budget agreement categories, provided that no such excess may at any time include an excess for any one budget agreement category of more than 0.2 percent of the amount of the aggregate of the three budget agreement category amounts.

(3) The outlay amounts set forth in subsection (e)(1) for a fiscal year shall be reduced by the amount of any outlays identified in a bill or conference report to which paragraph (1) has been applied.

(e)(1) For fiscal years 1992 and 1993, automatic reductions otherwise required by subsections (a) and (b) shall not be implemented solely due to outlays exceeding the amount of outlays set forth in section 101(a) of the Budget Process Reform Act of 1990, resulting from changes between the outlays estimated for enacted budget authority and the spendout rate assumed in the relationship between budget authority and outlays set forth in section 101, for any of the budget agreement categories for such fiscal year, unless the outlays for any budget agreement category exceed the amounts specified by such section by \$2,500,000,000 for the national defense dis-

cretionary category, \$1,500,000,000, for the international discretionary category, or \$2,500,000,000 for the domestic discretionary category.

(2) For fiscal years 1994 and 1995 automatic reductions otherwise required by subsections (a) and (b) shall not be implemented solely due to outlays exceeding the amount of outlays set forth for in section 101(a), resulting from changes between the outlays estimated for enacted budget authority and the spendout rate assumed in the relationship between budget authority and outlays set forth in section 101, for the budget agreement categories for such fiscal year unless such outlays exceed the amount specified by such section by \$8,500,000,000.

(3) The margin set forth in section 257(10) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, shall be reduced to the extent that the outlay excess is offset under paragraphs (1) and (2) above.

(f) **EXCEPTION FOR PRESIDENTIALLY-DECLARED EMERGENCIES**—This section shall not apply to appropriations requested by the President for emergencies declared by the President.

(g) This section applies notwithstanding the Impoundment Control Act of 1974.

SEC. 14-402. BUDGET SUBMISSION BY THE PRESIDENT.

Section 1105(a) of title 31, United States Code, is amended by striking "the first Monday after January 3" and inserting in lieu thereof "February 1".

SEC. 14-403. REVIEW OF REPORTS AND ORDERS.

Subsections (e), (g), and (h) of section 274 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall apply to the reports and orders of the President under this Act in the same manner and to the same extent as they apply to the reports and orders referred to in such subsections.

Subtitle E—Credit Reform

SEC. 14-501. COST OF LOANS AND LOAN GUARANTEES.

(a) As used in this subtitle—

(1) The term "direct loan" means a disbursement of funds by the Federal Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. It includes purchase of or participation in a loan made by another lender. It excludes acquisition of a federally guaranteed loan in satisfaction of default claims, and the price support loans of the Commodity Credit Corporation.

(2) The term "loan guarantee" means any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender in the event the borrower defaults. It excludes the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

(3) The term "cost", "cost of loans", or "cost of loan guarantees" means the cost to the Government of any direct loan or loan guarantee, including the cost of, and receipts from insurance purchased by the Government, except indirect costs such as administrative costs or any effect on revenues, and shall be calculated as follows:

(A) **DIRECT LOANS**—For a direct loan to the public made by the Government, the difference between the face value of the loan and the net present value, of the repayments of principal and payments of interest and other payments to the Government by the borrower over the life of the loan, after adjusting for estimated defaults, prepayments, fees, penalties, and any other recoveries.

(B) **LOAN GUARANTEES.**—For a loan made by a non-Federal lender that is guaranteed as to principal or interest, in whole or in part, by the Government, the net present value, of (i) estimated payments by the Government to cover defaults or delinquencies, (ii) any interest payments made by the Government, and (iii) receipts (including origination and other fees, penalties, and other recoveries by the Government).

(C) **ACTIONS THAT ALTER COSTS.**—Any Government action that alters estimated loan or loan guarantee costs (except modifications within the terms of a loan contract that had already been included in calculating the cost), including reestimates of costs after direct and guaranteed loans have been made, shall be accounted as adjusting the cost to the Government of such loans or loan guarantees. In calculating the costs of altering loans, the calculation shall include the current estimated present value of the loan.

(D) **DISCOUNT RATE.**—The estimated average interest rate on new issues of marketable Treasury securities of similar maturity to the loans being made shall be used as the discount to present value.

SEC. 14-562. BUDGETARY ACCOUNTING.

(a) **BUDGET AUTHORITY.**—In the case of direct and guaranteed loans, budget authority, as defined in subsection 3(2) of the Congressional Budget and Impoundment Control Act of 1974, shall mean the cost, including alterations of cost, as defined in section 402 of this Act, of such direct or guaranteed loans.

(b) **OUTLAYS.**—Outlays resulting from new budget authority referred to in subsection (a) shall be recorded in the fiscal year in which a loan is disbursed or its cost altered.

(c) RESIDUAL CASH FLOW.—

(1) **IN GENERAL.**—All flows of cash deriving from new budget authority described in subsection (a), other than the outlays recorded pursuant to subsection (b), shall be a means of financing.

(2) **IMPLEMENTATION.**—This is authorized to establish such nonbudgetary accounts (which shall have the authority to borrow from or lend to the Treasury under terms and conditions to be prescribed by the Secretary of the Treasury provided that such lending shall be uninvested funds) as may be appropriate to implement the accounting required by the previous provisions of this section.

SEC. 14-563. CONGRESSIONAL CONTROL OF LOAN COSTS.

(a) **APPROPRIATIONS REQUIRED.**—Notwithstanding any other provision of law, new direct loan obligations may be incurred, new loan guarantee commitments may be made, and alterations to the cost of direct loans or loan guarantees may be made after September 30, 1991, only to the extent that appropriations of budget authority to cover their costs are made in appropriations Acts enacted after January 1, 1991. Exception shall be made for any new direct loan obligations or any new loan guarantee commitments made after September 30, 1991, by deposit insurance agencies and the agencies created by Financial Institutions Reform, Recovery and Enforcement Act of 1989 to dispose of insolvent savings institutions. However, the cost of any such direct loans and loan guarantees shall be estimated, reported in the Budget, and reestimated annually in accord with the other provisions of this subtitle.

(b) **EXEMPTION FOR MANDATORY PROGRAMS.**—Subsection (a) shall not apply to any loan or loan guarantee program that constitutes an entitlement/mandatory spending requirement.

SEC. 14-564. EXECUTIVE BRANCH COST ESTIMATES.

(a) **IN GENERAL.**—For the executive branch, all estimates required by this subtitle shall be made by the Director of the Office of Management and Budget after consultation with the agencies that administer loan or loan guarantee programs (or by the agencies, if such authority is delegated by the Director), and shall be based upon guidelines, regulations, or criteria (consistent with the definitions in this subtitle) established after consultation with the Director of the Congressional Budget Office.

(b) **IMPROVING COST ESTIMATES.**—The Office of Management and Budget and the Congressional Budget Office shall work together to develop accurate data on the historical performance of loan and loan guarantee programs. They shall annually review loan portfolios and guaranteed loans outstanding to improve estimates of loan costs.

(c) **IMPROVING QUALITY OF DATA AVAILABLE.**—The Secretary of the Treasury, the Office of Management and Budget, and the Congressional Budget Office shall work together to improve the quality of financial information available for improving the cost estimates in support of the implementation of credit reform.

(d) **ACCESS TO DATA.**—The Office of Management and Budget, the Treasury, and the Congressional Budget Office shall have access to all agency data that may facilitate the development or improvement of loan and loan guarantee cost estimates and improved financial information on loan or loan guarantee programs.

SECTION. 14-605. BUDGET PRESENTATION OF COSTS.

(a) **ADMINISTRATIVE EXPENSES.**—All funding for an agency's administration of a loan or loan guarantee program shall be included in the same budget account as the program's loan or loan guarantee cost.

(b) **LOAN AND LOAN GUARANTEE COSTS BEFORE FISCAL YEAR 1992.**—The Office of Management and Budget shall, to the extent possible, make summary estimates of loan and loan guarantee costs incurred in years before fiscal year 1992 and shall make such information available to supplement historical data for such years.

SEC. 14-566. EFFECTIVE DATES.

(a) **PRESIDENT'S BUDGET.**—This subtitle shall apply to budget estimates for fiscal year 1992 and thereafter presented in the budget submitted by the President under section 1105 (a) of title 31, United States Code.

(b) **CONGRESSIONAL BUDGET.**—This subtitle shall apply to budget estimates contained in concurrent resolutions on the budget reported after the date of enactment of this title for fiscal years 1992 and thereafter.

SEC. 14-567. STUDY OF FEDERAL INSURANCE ACCOUNTING.

(a) The Director of the Office of Management and Budget and the Director of the Congressional Budget Office shall each study whether the accounting for Federal insurance programs, including deposit insurance programs, should be on a cash basis, on the same basis as loan guarantees, or on some other basis. Each Director shall report findings and recommendations to the President and the Congress by September 30, 1991.

(b) **ACCESS TO DATA.**—The Office of Management and Budget and the Congressional Budget Office shall have access to all agency data that may facilitate these studies.

Subtitle F—THE GOVERNMENT-SPONSORED ENTERPRISE REPORTS ACT

SEC. 14-601. SHORT TITLE.

This subtitle may be cited as the "Government-sponsored Enterprises Reports Act of 1990".

SEC. 14-602. REPEAL OF PROVISION REQUIRING STUDIES OF RELATIONSHIP BETWEEN PUBLIC DEBT AND ACTIVITIES OF GOVERNMENT-SPONSORED ENTERPRISES.

Section 1404 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (12 U.S.C. 1811, note) is hereby repealed.

SEC. 14-603. IN GENERAL.

In order to better manage the bonded indebtedness of the United States, the Secretary shall conduct annual studies, that shall include an objective assessment of the financial safety and soundness of the activities of all Government-sponsored enterprises, and an assessment of the adequacy of the existing regulatory structure for Government-sponsored enterprises and the risk of financial exposure to the Federal Government posed by the Government-sponsored enterprise. There are authorized to be apportioned such sums as may be necessary to carry out this section.

SEC. 14-604. ACCESS TO INFORMATION.

(a) **INFORMATION FROM GSE'S.**—Each Government-sponsored enterprise shall provide full and prompt access to the Secretary to its books and records, and shall promptly provide any other information requested by the Secretary.

(b) **INFORMATION FROM SUPERVISORY AGENCIES.**—In conducting the studies under this section, the Secretary may request information from, or the assistance of, any Federal department or agency authorized by law to supervise the activities of any Government-sponsored enterprise.

(c) CONFIDENTIALITY OF INFORMATION.—

(1) **IN GENERAL.**—The Secretary shall determine and maintain the confidentiality of any book, record, or information made available under this section in a manner generally consistent with the level of confidentiality established for the material by the Government-sponsored enterprise involved.

(2) **EXEMPTION FROM PUBLIC DISCLOSURE REQUIREMENTS.**—The Department of the Treasury shall be exempt from section 552 of title 5, United States Code, with respect to any book, record, or information made available under this section and determined by the Secretary to be confidential. This exemption shall continue to apply to any such book, record, or information provided to a nationally recognized rating organization or another Federal agency pursuant to subsection (d).

(3) **PENALTY FOR UNAUTHORIZED DISCLOSURE.**—Any officer or employee of the Department of the Treasury shall be subject to the penalties set forth in section 1906 of title 18, United States Code, if:

(A) by virtue of this employment of official position, he has possession of or access to any book, record, or information made available under this section and determined by the Secretary to be confidential under paragraph (1); and

(B) he discloses the material in any manner other than;

(i) to an officer or employee of the Department of Treasury; or

(ii) pursuant to the exception set forth in such section 1906.

(C) Notwithstanding the provisions of any other provision of law, the Secretary is authorized to provide to any nationally recognized statistical rating organization for the purpose of obtaining a credit rating of any

Government-sponsored enterprise, or to any other Federal agency in order to facilitate the preparation of any study or report by the Secretary pursuant to this section, any information made available under this subsection, including any information made available under this subsection, including any information determined by the Secretary to be confidential. Whenever information determined by the Secretary to be confidential is so provided, the nationally recognized statistical rating organization or Federal agency, and its respective officers and employees, shall be subject to the penalties set forth in section 190c of title 18, United States Code for unauthorized disclosure of the information provided.

SEC. 14-603. CBO REPORT.

The Congressional Budget Office shall prepare a report that will include the following: (1) the perspective of the Congressional Budget Office on the types of risks that each Government-sponsored enterprise assumes, ways in which the Congress can improve its understanding of such risks, and the risks to the budget posed by Government-sponsored enterprises; (2) an evaluation of the adequacy of the current Government-sponsored enterprise supervision and regulation with respect to risk management; and (3) proposed alternative models of oversight, with particular emphasis on the costs and benefits of each alternative on the Federal Government and to the Government-sponsored enterprise beneficiaries.

SEC. 14-604. REPORTS TO CONGRESS.

The following reports shall be submitted to Congress: (1) by April 30, 1991, the Secretary shall submit a report setting forth the results of any annual study conducted under this Act and shall submit on behalf of the Administration a legislative proposal with respect to Government-sponsored enterprise safety and soundness; (2) by April 30, 1992, and April 30 of each year thereafter, the Secretary shall submit a report setting forth the results of any annual study conducted under this Act; and (3) by April 30, 1991, the Congressional Budget Office shall submit the report required under this Act."

SEC. 14-605. LEGISLATION.

The Speaker of the House and Majority Leader of the Senate shall refer the reports required by paragraphs 1 and 3 of section 6 above to the appropriate Congressional committees and each such committee shall consider the reports, including the Administration's legislative proposal, and shall report no later than September 15, 1991, to the full House and Senate, respectively, legislation to ensure the financial soundness of the Government-sponsored enterprises and to minimize the possibility that any Government-sponsored enterprise might require future Federal assistance.

SEC. 14-606. DEFINITIONS.

For purposes of this section:

(a) **GOVERNMENT-SPONSORED ENTERPRISE.**—The term "Government-sponsored enterprise" means:

(1) the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank System, the Farm Credit Banks, the Banks for Cooperatives, the Federal Agricultural Mortgage Corporation, the Student Loan Marketing Association, the College Construction Loan Insurance Association, and any of their affiliated or member institutions; and

(2) any other government-sponsored enterprise, as designated by the Secretary.

(b) **SECRETARY.**—The term "Secretary" means the Secretary of the Treasury or his delegate.

TITLE (XV)—ADDITIONAL BUDGET PROCESS REFORM

Subtitle—Statement of Congressional Purpose

SEC. 15-101. IMPROVEMENT IN DECISION-MAKING PROCESS.

Because the Federal budget process is the principal vehicle by which many of the most fundamental policy choices in Government are made, the purpose of this Act is to facilitate rational, informed, and timely decisions by the Congress in the course of that process.

SEC. 15-102. REFORM OF FISCAL MANAGEMENT.

It is the sense of the Congress that a properly functioning Federal budget process should focus the attention of policymakers and the public on the aggregate impact of Federal spending on the economy, and on the tradeoffs that must be made among priorities in order to control overall levels of spending. To this end, the Act is intended to establish a budget process that, in each fiscal period—

(1) requires the adoption of a budget before, not after, any spending begins;

(2) produces decisions on that budget early in the budgeting cycle;

(3) encourages cooperation between Congress and the President in adopting the budget;

(4) ties each subsequent spending decision to an overall, binding budget total;

(5) requires regular, periodic decisions on appropriate spending levels for all Federal programs, not just those arbitrarily deemed "controllable"; and

(6) produces a bias in favor of fiscal responsibility that can be overcome only if the Congress expressly determines to do so.

SEC. 151. SAFEGUARDS AGAINST DELAY AND INACTION.

The Congress further finds that a properly functioning budget process should contain safeguards against delay and inaction, so that temporary shut-downs of the Federal Government may be avoided when the President and the Congress fail to complete work on the budget prior to the beginning of a fiscal period. Accordingly, this Act is intended to provide an enforcement mechanism that gives meaning and importance to the timely adoption of a budget, and a sustaining mechanism that ensures a continuation of the Government should the political process produce deadlock or a failure to act in a timely fashion.

SUBTITLE B—BINDING BUDGET LAW

SEC. 15-201. JOINT RESOLUTION ESTABLISHING BINDING BUDGET LAW.

To encourage early consultation and cooperation between the Congress and the President on decisions concerning overall spending levels for all Federal programs, the Congress shall enact a binding budget law, in the form of a joint resolution, by April 15 of the calendar year before that in which the fiscal period commences. The technical amendments contained in title I and section 15-001 of this Act are intended to assist in the establishment of this requirement. The budget law itself shall fit on a single page, which sets forth specific budget ceilings in the following 19 major functional categories, which altogether comprise the entire Federal budget.

Function 050: National Defense
Function 150: International Affairs
Function 250: General Science, Space and Technology
Function 270: Energy
Function 300: Natural Resources and Environment
Function 350: Agriculture
Function 400: Transportation
Function 450: Community and Regional Development

Function 500: Education, Training, Employment and Social Services
Function 550: Health
Function 570: Medicare
Function 600: Income Security
Function 650: Social Security
Function 700: Veterans Benefits and Services

Function 750: Administration of Justice
Function 800: General Government
Function 900: Net Interest
Function 920: Allowances
Function 950: Undistributed Offsetting Receipts.

By thus requiring that the budget process begin with highly generalized macroeconomic decisions about spending in 19 overall categories, this section is intended to facilitate agreement within Congress itself, and between Congress and the President, on how much the Federal Government should spend in the ensuing fiscal period.

SEC. 15-202. BUDGET REQUIRED BEFORE SPENDING BILLS MAY BE CONSIDERED.

Unless and until a joint resolution on the budget is enacted with respect to any major functional category for a fiscal period, it shall not be in order in either the House of Representatives or the Senate, or any committee or subcommittee thereof, to consider any spending bill affecting spending in that category, except as provided in Title III of this Act. The purpose of this provision is to ensure that until the budget is signed into law, no authorization or appropriations bill shall be considered in the Congress.

SEC. 15-203. "BASELINE" BUDGETING PROHIBITED: UNADJUSTED YEAR-TO-YEAR COMPARISONS REQUIRED IN BUDGET LAW.

Section 301(e) of the Congressional Budget Act of 1974 is amended by—

(1) inserting after the second sentence the following: "The starting point for any deliberations in the Committee on the Budget of each House on the joint resolution on the budget for the next fiscal period shall be the estimated level of outlays for the current period in each function and subfunction. Any increases or decreases in the Congressional budget for the next fiscal period shall be from such estimated levels.";

(2) striking paragraphs (2) and (3) and inserting the following:

"(2) a comparison of level for the current fiscal period with proposed spending for the subsequent fiscal periods along with the proposed increase or decrease of spending in percentage terms for each function and subfunction;

"(3) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the joint resolution, including information on outlays for the current fiscal period and the decisions reached to set funding for the subsequent fiscal years;"

(3) inserting "and" after the semicolon in paragraph (7);

(4) striking paragraph (8); and

(5) redesignating paragraph (9) as paragraph (8).

The technical amendments contained elsewhere in this Act are intended to apply the same prohibition against "baseline" budgeting to the budgets prepared by the President and the Congressional Budget Office reports to the Budget Committees.

Subtitle C—Enforcement Mechanisms

SEC. 15-301. TWO-THIRDS REQUIREMENT FOR ALL SPENDING BILLS IN ABSENCE OF BUDGET LAW.

Unless and until a joint resolution on the budget is enacted with respect to any major functional category for a fiscal period, it

shall not be in order in either the House of Representatives or the Senate or any committee or subcommittee thereof, to consider any spending bill affecting spending in that category unless it is approved by the affirmative vote of two-thirds of the Members voting, a quorum being present.

SEC. 15-302. TWO-THIRDS REQUIREMENT FOR OVER-BUDGET SPENDING BILLS.

(a) **DETERMINATION OF BUDGET EFFECT OF ALL PROPOSED SPENDING BILLS.**—The Congressional Budget Office shall provide to either House of Congress (or the appropriate committee, subcommittee, or conference thereof) as soon as practicable after the introduction of any spending bill, its estimate of the costs in each major functional category attributable to that bill during the fiscal period in which it is to become effective and in each of the next 4 fiscal years, together with the basis for such estimate. The Congressional Budget Office report shall not be required, however, if the Congressional Budget Office certifies that a spending bill will likely result in applicable costs of less than \$10,000,000. For purposes of estimating the costs attributable to any spending bill that includes new credit authority, the report shall deem the market value of any loan (if it were sold by the Federal Government) or the assumption cost of any guarantee (if it were assumed at market rates) to be the costs attributable to such loan or guarantee in the fiscal period in which it is made.

(b) **CBO REPORT REQUIRED BEFORE CONSIDERATION OF SPENDING BILLS.**—It shall not be in order in either the House of Representatives or the Senate, or in any committee thereof, to consider any spending bill, unless and until the report referred to in subsection (a) has been made available to that House of Congress or the appropriate committee or subcommittee thereof.

(c) **TWO-THIRDS REQUIREMENT FOR ALL OVER-BUDGET SPENDING BILLS.**—It shall not be in order in either the House of Representatives or the Senate, or in any committee, subcommittee, or conference to consider any spending bill for a fiscal period that the report referred to in subsection (a) indicates would in such fiscal period exceed a budget ceiling, unless such bill is approved by the affirmative vote of two-thirds of the Members voting, a quorum being present.

(d) **DETERMINATION OF SPENDING IN A CATEGORY.**—A spending bill shall be deemed to break a budget ceiling if—

(1) its cost in any major functional category as estimated in the report referred to in subsection (a); and

(2) all other budget authority, budget outlays, and entitlement authority, if any, in that major functional category for the relevant fiscal period contained in any previously enacted legislation for the fiscal period; and

(3) to the extent that new budget authority or entitlement authority for the relevant fiscal period has not been granted (or modified from the level of the previous fiscal period) in any other enacted legislation for any program within such major functional category, the amounts of budget authority and entitlement authority for such major functional category (or part thereof) for the previous fiscal period;

exceed the budget ceiling for such major functional category.

SEC. 15-302. TWO-THIRDS REQUIREMENT FOR WAIVER OF THIS ACT.

No waiver of any provision of this Act, including the calendar deadlines for completion of Congressional action and the provisions concerning over-budget spending, shall be effective unless approved by the affirmative vote of two-thirds of the Members of

the House of Representatives or the Senate, as the case may be, a quorum being present. No committee of either the House of Representatives or the Senate shall have jurisdiction to report a rule governing procedures for consideration of spending bills covered by this Act, if such rule would violate the provisions of this section. Nothing in this provision shall be deemed to require a supermajority vote to amend this Act.

Subtitle D—Limited Enhanced Rescission Authority

SEC. 15-401. RESCISSION AUTHORITY LIMITED TO SPENDING ABOVE LIMITS OF CONGRESSIONAL BUDGET LAW.

The Impoundment Control Act of 1974 (2 U.S.C. 681 et seq.) is amended by redesignating sections 1013 through 1017 as sections 1014 through 1018, respectively, and inserting after section 1012 the following new section:

"RESCISSION OF SPENDING ABOVE LIMITS OF CONGRESSIONAL BUDGET LAW

"Sec. 1013. (a) TRANSMITTAL OF SPECIAL MESSAGE.—The President may transmit to both Houses of Congress for consideration in accordance with this section one or more special messages to rescind (in whole or in part) items of budget authority or entitlement authority sufficient to ensure that the levels of budget authority, entitlement authority, and outlays in a functional category do not exceed the levels stated in the budget law for the applicable fiscal period (or, in the absence of a budget law, do not exceed such levels in the previous fiscal period).

"(b) LIMITATIONS.—For purposes of this section—

"(1) continuing appropriations made pursuant to section 1311 of title 31, United States Code, shall be treated as continuing appropriations for an entire fiscal period; and

"(2) the levels of budget authority, entitlement authority, and outlays shall be determined on the basis of the reports made by the Congressional Budget Office pursuant to section 202 of the Budget Process Reform Act of 1990.

"(c) CONTENTS OF SPECIAL MESSAGE.—Each special message transmitted under subsection (a) shall specify, with respect to each item of budget authority to be rescinded, the matters referred to in paragraphs (1) through (5) of section 1012(a).

"(d) REQUIREMENT NOT TO MAKE AVAILABLE FOR OBLIGATION.—Any item of budget authority to be rescinded as set forth in such special message shall not be made available for obligation unless, within the prescribed 45-day period, Congress completes action on a rescission bill disapproving the rescission of the amount to be rescinded. Funds made available for obligation under this procedure may not be included in a special message again.

"(e) PROCEDURES.—

"(1)(A) Before the close of the third day beginning after the day on which a special message to rescind an item of budget authority is transmitted to the House of Representatives and the Senate under subsection (a), a bill may be introduced (by request) by the majority leader or minority leader of the House of the Congress in which the appropriation Act providing the budget authority originated to disapprove the rescission set forth in the special message. If such House is not in session on the day on which a special message is transmitted, the bill may be introduced in such House, as provided in the preceding sentence, on the first day thereafter on which such House is in session.

"(B) A bill introduced in the House of Representatives or the Senate pursuant to subparagraph (A) shall be referred to the

Committee on Appropriations of such House. The committee shall report the bill without substantive revision (and with or without recommendation) not later than 15 calendar days of continuous session of the Congress after the date on which the bill is introduced. A committee failing to report a bill within the 15-day period referred to in the preceding sentence shall be automatically discharged from consideration of the bill and the bill shall be placed on the appropriate calendar.

"(C) A vote on final passage of a bill introduced in a House of the Congress pursuant to subparagraph (A) shall be taken on or before the close of the 25th calendar day of continuous session of the Congress after the date of the introduction of the bill in such House. If the bill is agreed to, the Clerk of the House of Representatives (in the case of a bill agreed to in the House of Representatives) or the Secretary of the Senate (in the case of a bill agreed to in the Senate) shall cause the bill to be engrossed, certified, and transmitted to the other House of the Congress on the same calendar day on which the bill is agreed to.

"(2)(A) A bill transmitted to the House of Representatives or the Senate pursuant to paragraph (1)(C) shall be referred to the Committee on Appropriations of such House. The committee shall report the bill without substantive revision (and with or without recommendation) not later than 10 calendar days of continuous session of the Congress after the bill is transmitted to such House. A committee failing to report the bill within the 10-day period referred to in the preceding sentence shall be automatically discharged from consideration of the bill and the bill shall be placed upon the appropriate calendar.

"(B) A vote on the final passage of a bill transmitted to a House of the Congress pursuant to paragraph (1)(C) shall be taken on or before the close of the 10th calendar day of continuous session of the Congress after the date on which the bill is transmitted to such House. If the bill is agreed to in such House, the Clerk of the House of Representatives (in the case of a bill agreed to in the House of Representatives) or the Secretary of the Senate (in the case of a bill agreed to in the Senate) shall cause the engrossed bill to be returned to the House in which the bill originated, together with a statement of the action taken by the House acting under this paragraph.

"(3)(A) A motion in the House of Representatives to proceed to the consideration of a bill under this section shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

"(B) Debate in the House of Representatives on a bill under this section shall be limited to not more than 2 hours, which shall be divided equally between those favoring and those opposing the bill. A motion further to limit debate shall not be debatable and shall require an affirmative vote of two-thirds of the Members voting, a quorum being present. It shall not be in order to move to recommit a bill under this section or to move to reconsider the vote by which the bill is agreed to or disagreed to.

"(C) All appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to a bill under this section shall be decided without debate.

"(D) Except to the extent specifically provided in the preceding provisions of this subsection, consideration of a bill under this section shall be governed by the Rules of

the House of Representatives applicable to other bills in similar circumstances.

"(4)(A) A motion in the Senate to proceed to the consideration of a bill under this section shall be privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

"(B) Debate in the Senate on a bill under this section, and all debatable motions and appeals in connection therewith, shall be limited to not more than 3 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

"(C) Debate in the Senate on any debatable motion or appeal in connection with a bill under this section shall be limited to not more than 1 hour, to be equally divided between, and controlled by, the mover and the manager of the bill except that in the event the manager of the bill is in favor of such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from time under their control on the passage of a bill, allot additional time to any Senator during the consideration of any debatable motion or appeal.

"(D) A motion in the Senate to further limit debate on a bill under this section is not debatable. A motion to recommit a bill under this section is not in order.

"(E) AMENDMENTS PROHIBITED.—No amendment to a bill considered under this section shall be in order in either the House of Representatives or the Senate. No motion to suspend the application of this subsection shall be in order in either House, nor shall it be in order in either House for the presiding officer to entertain a request to suspend the application of this subsection by unanimous consent."

SEC. 15-502. APPLICATION.

The amendments made by section 15-401 section shall apply to items of budget authority (as defined in subsection (g)(1) of section 1013, as added by section 103(b) of this Act) provided by appropriation acts (as defined in subsection (g)(3) of such section) that become law after the date of enactment of this Act.

Subtitle 5—"Blank Check" Appropriations Prohibited

SEC. 15-501. INTENT OF CONGRESS.

It is the intent of Congress, by this provision, to put an end to open-ended, "blank-check" appropriations, which typically authorize the spending of "such sums as may be necessary." By requiring explicit decisions concerning the desired level of spending for each federal program (except social security and interest on the debt), it is intended that currently uncontrolled programs will be brought within the discipline of an overall budget.

SEC. 15-502. FIXED-DOLLAR APPROPRIATIONS REQUIRED.

For every account except social security and interest on the debt, every appropriation for a fiscal period for any program, project, or activity shall be for a specific, fixed dollar amount. Any appropriations of "such sums as may be necessary" (except with respect to the automatic continuing resolution provided for by section 15-701 of this Act) are hereby prohibited.

SEC. 15-503. AGENCY-ADJUSTED BENEFITS.

The head of each Executive agency that administers any entitlement program is authorized to adjust benefit levels and eligibility requirements, or both, with respect to the program such that aggregate outlays for a fiscal period do not exceed the fixed-dollar

appropriation provided pursuant to this title each fiscal period. Such adjustment shall be made by rule or, pending adoption of appropriate rules, informal guideline. The purpose of any such rule or guideline shall be to ensure that the fixed-dollar appropriations for the program authorized by Congress are not exceeded.

Subtitle F—"Pay As You Go" Requirement for New Spending

SEC. 15-501. SPENDING OFFSETS REQUIRED.

It shall not be in order in either the House of Representatives or the Senate to consider any supplemental appropriation measure, or any other bill, resolution, or amendment which authorizes, requires, or provides new entitlements/mandatory spending as defined in section 3 (12)(A) of the Congressional Budget and Impoundment Control Act of 1974, or which authorizes spending for a fiscal period that the report referred to in section 15-302(a) of this Act indicates would in such fiscal period exceed a budget ceiling, any such increased spending called for therein is offset fully in each such fiscal period in such measure, bill, resolution or amendment by an equal amount of reductions in existing spending.

SEC. 15-502. TWO-THIRDS VOTE REQUIRE TO WAIVE POINT OF ORDER.

The point of order established by this subtitle may be waived or suspended in the Senate or in the House of Representatives, and an appeal the ruling of the Chair on a point of order raised under this section may be sustained, only by the affirmative vote of two-thirds of the Members voting, a quorum being present.

Subtitle G—Sustaining Mechanism

SEC. 15-701. AUTOMATIC CONTINUING RESOLUTION.

Chapter 13 of title 31, United States Code, is amended by inserting after section 1310 the following new section:

"§1311. Continuing appropriations

"(a) If for an account an appropriation for a fiscal period does not become law before the beginning of such fiscal period, there are hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, and out of applicable corporate or other revenues, receipts, and funds, such sums as may be necessary to continue any program, project, or activity provide for in the most recent appropriation Act at a rate of operations not in excess of the rate of operations provided for such program, project, or activity in such Act. In no case shall the total dollar amount of appropriations for any program, project or activity pursuant to this section exceed the appropriation for such program, project, or activity in the most recent appropriation Act, determined on a fiscal-period basis.

"(b) Amounts appropriated pursuant to subsection (a) for a program, project, or activity shall be available during a fiscal period until the earlier of—

"(1) the day on which the appropriation bill for such fiscal period which would include the program, project, or activity takes effect; or

"(2) the last day of such fiscal period.

SEC. 15-702. CONTINGENCY REGULATIONS.

Chapter 13 of title 31, United States Code, is amended by inserting after section 1311 the following new section:

"§1312. Contingency regulations

"(a) Notwithstanding any other provision of law and except as provided by subsection (b), the head of each Executive agency that administers any entitlement program shall, by rule, (or informal guideline, pending adoption of appropriate rules), provide for the adjustments of benefit levels or eligibil-

ity requirements, or both, with respect to the program such that aggregate outlays for a fiscal period do not exceed the fixed-dollar appropriation provided pursuant to section 314 (requiring fixed-dollar appropriations) or section 401 (providing for an Automatic Continuing Resolution) of this Act for such fiscal period.

"(b) In the case of social safety net programs, the rules shall provide each State the option of receiving an aggregate amount for the fiscal period for such programs equal to the amount it received for the preceding fiscal period for such programs (in which case such State could, in its discretion, allocate the benefits among such programs to best meet the needs of recipients in its State) or the amounts it received for each such program for such preceding fiscal period.

"(c) as used in this section—

"(1) the term 'Executive agency' has the meaning given such term in section 105 of title 5, United States Code;

"(2) the term 'entitlement program' means any spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974; and

"(3) the term 'social safety net programs' means the following programs: family support payments, adoption assistance, child support enforcement, food stamps, foster care, medical, child nutrition programs, social services block grant, and supplemental security income (SSI)."

SEC. 15-703. UNAUTHORIZED APPROPRIATIONS PROHIBITED.

Section 401(b) is amended to read as follows:

"(b) CONTROLS ON LEGISLATION PROVIDING FUNDING.—(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report that provides budget authority or spending authority described in subsection (c)(2)(C) except a bill or resolution reported by the Committee on appropriations of that House or a conference report made by a committee or conference all of whose conferees are members of the Committee on Appropriations.

"(2) Paragraph (1) shall not apply to benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act."

Subtitle H—Protection of Social Security

SEC. 15-501. BENEFITS PROTECTED AGAINST DEFICIT REDUCTION.

Nothing in this Act shall be construed to require or permit reductions in Social Security benefits otherwise payable pursuant to applicable law or regulations.

SEC. 15-502. CONFORMING AMENDMENT.

Chapter 13 of title 31, United States Code, is amended by inserting after section 1313 the following new section:

"§1314. Protection of social security from budget deficit reduction measures

"No reductions in benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act shall be made as a consequence of the Budget Process Reform Act [of 1990]."

Subtitle I—Budget Process Calendar

SEC. 15-501. REVISION OF TIMETABLE.

Section 300 (3 U.S.C. §31) is amended to read as follows:

"TIMETABLE

"Sec. 300. The timetable with respect to the Congressional budget process for any Congress (beginning with the One Hundred Second Congress) is as follows:

<p>"On or before: Fifteenth day after the session begins.</p> <p>February 15.....</p> <p>February 25.....</p> <p>March 31.....</p> <p>April 15.....</p> <p>President signs joint resolution, or Congress overrides veto.</p> <p>June 10.....</p> <p>September 30.....</p> <p>October 1.....</p>	<p>Action to be completed: President submits budget recommendations.</p> <p>Congressional Budget Office submits report to Budget Committees.</p> <p>Committees submit views and estimates to Budget Committees.</p> <p>Budget Committees report joint resolution on the budget.</p> <p>Congress completes action on joint resolution on the budget and transmits it to the President for signature or veto.</p> <p>Authorization and appropriations bills may be considered in the Congress.</p> <p>Appropriations Committees report last of annual appropriation bills.</p> <p>Congress completes action on reconciliation legislation and annual appropriation bills.</p> <p>Fiscal period begins. Congress completes all necessary action on budget, authorizations and appropriations, or automatic continuing resolution takes effect."</p>
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Subtitle J—Conforming Amendments

SEC. 15-1001 CONFORMING AND TECHNICAL AMENDMENTS CHANGING "CONCURRENT" TO "JOINT" RESOLUTIONS.

- (a) Sections 300, 301, 302, 303, 304, 305, 308, 310, and 311 (2 U.S.C. 631 et seq.) are amended by striking "concurrent resolution" each place it appears and by inserting in its place "joint resolution".
- (b) Section 301(d)(2) is amended by striking subparagraphs (B) and (C) and by striking "(A)".
- (c) The table of contents set forth in section 1(b) is amended by striking "Concurrent" in the items relating to sections 301, 303, and 304 and inserting "Joint".
- (d) Clauses 4(a)(2), 4(b)(2), 4(g), and 4(h) of rule X, clause 8 of rule XXIII, and rule XLIX of the Rules of the House of Representatives are amended by striking "concurrent" and by inserting in its place "joint".
- (e) Section 254(b)(2)(A) and section 257(3) of the Deficit Control Act of 1985 (2 U.S.C. 904(b)(2)(A) and 907(3)) are amended by striking "concurrent" and by inserting in its place "joint".

SEC. 15-1002 FURTHER CONFORMING AND TECHNICAL AMENDMENTS.

- (a) Section 302(f) (2 U.S.C. 633(f)) is amended—
 - (1) in paragraph (1) by striking "(1) IN THE HOUSE OF REPRESENTATIVES.—", by striking "new budget authority for such fiscal year, new entitlement authority effective during such fiscal year, or" and by striking "new discretionary budget authority, new entitlement authority, or"; and
 - (2) by striking paragraph (2).
- (b) Section 303 is amended—
 - (1) in its heading by striking "NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY," and the comma before "OR CHANGES";
 - (2) in subsection (a) by striking paragraphs (1) and (4) and by redesignating paragraphs (2), (3), and (5) as paragraphs (1), (2), and (3), respectively; and
 - (3) in subsection (b) by striking paragraph (1), by striking "(2)", by striking the dash after "resolution", and by striking the last sentence.

(c) The table of contents set forth in section 9(b) is amended by striking "new budget authority, new spending authority," and the comma before "or changes" in the item relating to section 303.

(d) Section 311 is amended—

- (1) in its heading by striking "NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND";
- (2) in subsection (a) by striking "providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or"; by striking "the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget to be exceeded, or";
- (3) by repealing subsection (b); and
- (4) by redesignating subsection (c) as subsection (b), and by striking "new budget authority, budget outlays, new entitlement authority, and" in subsection

(c) (as redesignated).

(e) The table of contents set forth in section 1(b) is amended by striking "new budget authority, new spending authority, and" in the term relating to section 311.

(f) The last sentence of clause 4(b) of rule XI of the Rules of the House of Representatives is amended by inserting before the period at the end of the following: "; nor shall it report any rule or order which would waive the point of order set forth in title III of the Budget Process Reform Act of 1990".

(g) The first sentence of section 202(f)(1) of the Congressional Budget Act of 1974 is amended to read as follows: "On or before February 15 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate a report, for the fiscal year commencing on October 1 of that year, with respect to fiscal policy, including (A) estimated budget outlays in all functions and subfunctions for appropriated accounts for the current fiscal year and estimated budget outlays under current law for all entitlement programs for the next fiscal year, (B) alternative levels of total revenues, total new budget authority, and total outlays (including related surpluses and deficits), and (C) the levels of tax expenditures under existing law, taking into account projected economic factors and any changes in such levels based on proposals in the budget submitted by the President for such fiscal year."

(h) The table of contents set forth in section 9(b) is amended by striking "new budget authority, new spending authority, and" in the item relating to section 303.

(i) Section 1011(5) (2 U.S.C. 682(5)) is amended—

- (1) by striking "1012, and" and inserting "1012, the 20-day periods referred to in paragraphs (1)(b) and (2)(A) of section 1013(c), the 45-day period referred to in section 1013(b), and";
- (2) by striking "1012 during" and inserting "1012 or 1013 during";
- (3) by striking "of 45" and inserting "of the applicable number of"; and
- (4) by striking "45-day period referred to in paragraph (3) of this section and in section 1012" and inserting "period or periods of time applicable under such section".

(b) Section 1011 is further amended—

- (1) in paragraph (4) by striking "1013" and inserting "1014"; and
- (2) in paragraph (5)—
 - (A) by striking "1016" and inserting "1017"; and
 - (B) by striking "1017(b)(1)" and inserting "1018(b)(1)".

(c) Section 1015 (as redesignated) is amended—

- (1) by striking "1012 or 1013" each place it appears and inserting "1012, 1013, or 1014";
- (2) in subsection (b)(1) by striking "1012" and inserting "1012 or 1013";
- (3) in subsection (b)(2) by striking "1013" and inserting "1014"; and
- (4) in subsection (e)(1)—
 - (A) by striking "and" at the end of subparagraph (A),
 - (B) by redesignating subparagraph (B) as subparagraph (C),
 - (C) by striking "1013" in subparagraph (C) (as redesignated), and
 - (D) by inserting after subparagraph (A) the following new subparagraph:
 - "(B) he has transmitted a special message under section 1013 with respect to a proposed rescission; and".

(d) Section 1016 (as redesignated) is amended by striking "1012 or 1013" each place it appears and inserting "1012, 1013, or 1014".

(e) Section 1012(b) is amended by inserting before the last sentence the following new sentence: "The preceding sentence shall not apply to any item of budget authority proposed by the President to be rescinded under this section that the President has also proposed to rescind under section 1013 and with respect to which the 45-day period referred to in subsection (e) of such section has not expired."

(f) The table of sections set forth in section 1(b) is amended—

- (1) by redesignating the items relating to sections 1013 through 1017 as items relating to sections through 1018, respectively; and
- (2) by inserting after the item relating to section 1012 the following new item:
 - "Sec. 1013. Rescission of spending outside of congressional budget."

(2) in subsection (b)(1) by striking "1012" and inserting "1012 or 1013";

(3) in subsection (b)(2) by striking "1013" and inserting "1014"; and

(4) in subsection (e)(1)—

- (A) by striking "and" at the end of subparagraph (A),
- (B) by redesignating subparagraph (B) as subparagraph (C),
- (C) by striking "1013" in subparagraph (C) (as redesignated), and
- (D) by inserting after subparagraph (A) the following new subparagraph:

"(B) he has transmitted a special message under section 1013 with respect to a proposed rescission; and".

(d) Section 1016 (as redesignated) is amended by striking "1012 or 1013" each place it appears and inserting "1012, 1013, or 1014".

(e) Section 1012(b) is amended by inserting before the last sentence the following new sentence: "The preceding sentence shall not apply to any item of budget authority proposed by the President to be rescinded under this section that the President has also proposed to rescind under section 1013 and with respect to which the 45-day period referred to in subsection (e) of such section has not expired."

(f) The table of sections set forth in section 1(b) is amended—

- (1) by redesignating the items relating to sections 1013 through 1017 as items relating to sections through 1018, respectively; and
- (2) by inserting after the item relating to section 1012 the following new item:
 - "Sec. 1013. Rescission of spending outside of congressional budget."

(g) The table of contents set forth in section 9(b) is amended by striking "new budget authority, new spending authority, and" in the item relating to section 303.

(h) The table of contents set forth in section 1(b) is amended by striking "new budget authority, new spending authority, and" in the term relating to section 311.

(i) Section 1011(5) (2 U.S.C. 682(5)) is amended—

- (1) by striking "1012, and" and inserting "1012, the 20-day periods referred to in paragraphs (1)(b) and (2)(A) of section 1013(c), the 45-day period referred to in section 1013(b), and";
- (2) by striking "1012 during" and inserting "1012 or 1013 during";
- (3) by striking "of 45" and inserting "of the applicable number of"; and
- (4) by striking "45-day period referred to in paragraph (3) of this section and in section 1012" and inserting "period or periods of time applicable under such section".

(b) Section 1011 is further amended—

- (1) in paragraph (4) by striking "1013" and inserting "1014"; and
- (2) in paragraph (5)—
 - (A) by striking "1016" and inserting "1017"; and
 - (B) by striking "1017(b)(1)" and inserting "1018(b)(1)".

(c) Section 1015 (as redesignated) is amended—

- (1) by striking "1012 or 1013" each place it appears and inserting "1012, 1013, or 1014";
- (2) in subsection (b)(1) by striking "1012" and inserting "1012 or 1013";
- (3) in subsection (b)(2) by striking "1013" and inserting "1014"; and
- (4) in subsection (e)(1)—
 - (A) by striking "and" at the end of subparagraph (A),
 - (B) by redesignating subparagraph (B) as subparagraph (C),
 - (C) by striking "1013" in subparagraph (C) (as redesignated), and
 - (D) by inserting after subparagraph (A) the following new subparagraph:
 - "(B) he has transmitted a special message under section 1013 with respect to a proposed rescission; and".

(d) Section 1016 (as redesignated) is amended by striking "1012 or 1013" each place it appears and inserting "1012, 1013, or 1014".

(e) Section 1012(b) is amended by inserting before the last sentence the following new sentence: "The preceding sentence shall not apply to any item of budget authority proposed by the President to be rescinded under this section that the President has also proposed to rescind under section 1013 and with respect to which the 45-day period referred to in subsection (e) of such section has not expired."

(f) The table of sections set forth in section 1(b) is amended—

- (1) by redesignating the items relating to sections 1013 through 1017 as items relating to sections through 1018, respectively; and
- (2) by inserting after the item relating to section 1012 the following new item:
 - "Sec. 1013. Rescission of spending outside of congressional budget."

SEC. 15-1004 CONFORMING AMENDMENT TO TITLE 31, UNITED STATES CODE.

(a) The analysis of chapter 13 of title 31, United States Code, is amended by inserting after the item relating to section 1310 the following new items:

"Section 1311. Continuing appropriation.

"Section 1312. Contingency regulations.

"Section 1313. Appropriations must be biennial.

"Section 1314. Protection of social security from budget deficit reduction measures."

(b) Paragraph (5) of section 1105(a) of title 31, United States Code, is amended to read as follows:

"(5) except as provided in subsection (b) of this section—

"(A) estimated expenditures and proposed appropriations for each function and subfunction in the current fiscal year;

"(B) estimated expenditures and proposed appropriations the President decides are necessary to support the Government for each function and subfunction in the fiscal year for which the budget is submitted; and

"(C) a comparison of levels of estimated expenditures and proposed appropriations for each function and subfunction in the current fiscal year and the fiscal year for which the budget is submitted, along with the proposed increase or decrease of spending in percentage terms for each function and subfunction";

SEC. 15-1005 CONFORMING AMENDMENT TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.

Section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901(a)(6)) is amended by adding at the end of the following "For purposes of subparagraph (B), continuing appropriations made pursuant to section 1311 of title 31, United States Code, shall be treated as continuing appropriations for an entire fiscal period."

(a) Section 1011(5) (2 U.S.C. 682(5)) is amended—

- (1) by striking "1012, and" and inserting "1012, the 20-day periods referred to in paragraphs (1)(b) and (2)(A) of section 1013(c), the 45-day period referred to in section 1013(b), and";
- (2) by striking "1012 during" and inserting "1012 or 1013 during";
- (3) by striking "of 45" and inserting "of the applicable number of"; and
- (4) by striking "45-day period referred to in paragraph (3) of this section and in section 1012" and inserting "period or periods of time applicable under such section".

(b) Section 1011 is further amended—

- (1) in paragraph (4) by striking "1013" and inserting "1014"; and
- (2) in paragraph (5)—
 - (A) by striking "1016" and inserting "1017"; and
 - (B) by striking "1017(b)(1)" and inserting "1018(b)(1)".

(c) Section 1015 (as redesignated) is amended—

- (1) by striking "1012 or 1013" each place it appears and inserting "1012, 1013, or 1014";
- (2) in subsection (b)(1) by striking "1012" and inserting "1012 or 1013";
- (3) in subsection (b)(2) by striking "1013" and inserting "1014"; and
- (4) in subsection (e)(1)—
 - (A) by striking "and" at the end of subparagraph (A),
 - (B) by redesignating subparagraph (B) as subparagraph (C),
 - (C) by striking "1013" in subparagraph (C) (as redesignated), and
 - (D) by inserting after subparagraph (A) the following new subparagraph:
 - "(B) he has transmitted a special message under section 1013 with respect to a proposed rescission; and".

(d) Section 1016 (as redesignated) is amended by striking "1012 or 1013" each place it appears and inserting "1012, 1013, or 1014".

(e) Section 1012(b) is amended by inserting before the last sentence the following new sentence: "The preceding sentence shall not apply to any item of budget authority proposed by the President to be rescinded under this section that the President has also proposed to rescind under section 1013 and with respect to which the 45-day period referred to in subsection (e) of such section has not expired."

(f) The table of sections set forth in section 1(b) is amended—

- (1) by redesignating the items relating to sections 1013 through 1017 as items relating to sections through 1018, respectively; and
- (2) by inserting after the item relating to section 1012 the following new item:
 - "Sec. 1013. Rescission of spending outside of congressional budget."

(g) The table of contents set forth in section 9(b) is amended by striking "new budget authority, new spending authority, and" in the item relating to section 303.

(h) The table of contents set forth in section 1(b) is amended by striking "new budget authority, new spending authority, and" in the term relating to section 311.

(i) Section 1011(5) (2 U.S.C. 682(5)) is amended—

- (1) by striking "1012, and" and inserting "1012, the 20-day periods referred to in paragraphs (1)(b) and (2)(A) of section 1013(c), the 45-day period referred to in section 1013(b), and";
- (2) by striking "1012 during" and inserting "1012 or 1013 during";
- (3) by striking "of 45" and inserting "of the applicable number of"; and
- (4) by striking "45-day period referred to in paragraph (3) of this section and in section 1012" and inserting "period or periods of time applicable under such section".

Subtitle K—Definition and Rules of Interpretation

SEC. 15-1101. DEFINITIONS.

(a) DEFINITION OF BUDGET LAW.—Section 3(4) (2 U.S.C. 622(4), containing general definitions under the Budget Act) is amended to read as follows:

“(4) The term ‘budget law’ or ‘joint resolution on the budget’ means—

“(A) a joint resolution setting forth the simplified budget for the United States Government for a fiscal period as provided in section 301; and

“(B) any other joint resolution revising the budget for the United States Government for a fiscal period as described in section 304.”

(b) OTHER DEFINITIONS.—Section 3 (2 U.S.C. 622) is further amended by adding at the end the following new paragraphs:

“(11) The term ‘major functional category’ refers to the groupings of budget authority, budget outlays, and credit authority (including continuing appropriations pursuant to section 1311 of title 31, United States Code) into any one of the following:

“Function 050: National Defense

“Function 150: International Affairs

“Function 250: General Science, Space and Technology

“Function 270: Energy

“Function 300: Natural Resources and Environment

“Function 350: Agriculture

“Function 400: Transportation

“Function 450: Community and Regional Development

“Function 500: Education, Training, Employment and Social Services

“Function 550: Health

“Function 570: Medicare

“Function 600: Income Security

“Function 650: Social Security

“Function 700: Veterans Benefits and Services

“Function 750: Administration of Justice

“Function 800: General Government

“Function 900: Net Interest

“Function 920: Allowances

“Function 950: Undistributed Offsetting Receipts.”

“(12) The term ‘budget ceiling’ means the dollar amount set forth in a budget law for a major functional category.

“(13) The term ‘spending bill’ means any bill or resolution, or amendment thereto or conference report thereon, which provides budget authority, spending authority, credit authority, or outlays.

“(14) the term ‘fiscal period’ means the twelve-month fiscal year beginning October 1 currently in use, or any other fiscal period (such as a biennial period) that may subsequently be adopted for the management of the budget of the United States.”

SEC. 15-1102. AMENDMENTS TO CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.

Except as otherwise expressly provided, whenever any provision of this Act is expressed as an amendment to a section or other provision, the reference shall be deemed to be made to a section or other provision of the Congressional Budget and Impoundment Control Act of 1974.

SEC. 15-1103. USE OF TERMS.

Whenever any term is used in this Act which is defined in section 3 of the Congressional Budget and Impoundment Control Act of 1974, the term shall have the meaning given to such term in that Act.

Sub title L—Effective Date

SEC. 15-1201. GENERAL PROVISION.

Except as provided in section 15-1202 this Act and the amendments made by it shall become effective January 1, 1991, and shall apply to fiscal periods beginning after September 30, 1991.

SEC. 15-1202. FISCAL YEAR 1991.

Notwithstanding subsection (a), the provisions of—

(1) the Congressional Budget and Impoundment Control Act of 1974,

(2) title 31, United States Code, and

(3) the Balanced Budget and Emergency Deficit Control Act of 1985, (as such provisions were in effect on the day before the effective date of this Act) shall apply to the fiscal year beginning on October 1, 1990.

H. RES. 509
[Report No. 101-882]

Providing for the consideration of the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for the fiscal year 1991.

IN THE HOUSE OF REPRESENTATIVES

October 16 (legislative day, October 15), 1990

Mr. Derrick, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

Providing for the consideration of the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for the fiscal year 1991.

=====

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for the fiscal year 1991, and the first reading of the bill shall be dispensed with. All points of order against the bill and against its consideration are hereby waived, except that the chairman of the Committee on Ways and Means, or his designee, is authorized to raise points of order under clause 5(b), rule XXI. After general debate, which shall be confined to the bill and the amendments made in order by this resolution and which shall not exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Budget, the bill shall be considered as having been read for amendment under the five-minute rule. The amendments printed in part one of the report of the Committee on Rules accompanying this resolution shall be considered as having been adopted in the House and in the Committee of the Whole. No other amendment to the bill shall be in order in the House or in the Committee of the Whole except those printed in part two of the report of the Committee on Rules or as specified herein. It shall be in order to consider en bloc the amendments printed in the report of the Committee on Rules, if offered by Representative Rostenkowski, or his designee, and said amendments en bloc shall be considered as having been read. Said amendments en bloc shall be debatable for the period specified in the report, equally divided and controlled by the proponent and a Member opposed thereto. Said amendments en bloc shall not be subject to amendment, or be subject to a demand for a division of the question in the House or in the Committee of the Whole. All points of order are hereby waived against the amendments printed

in the report. It shall be in order to consider en bloc amendments offered by Representative Panetta of California, or his designee, and said amendments en bloc shall not be subject to amendment, or to a demand for a division of the question in the House or in the Committee of the Whole. Said amendments en bloc shall be considered as having been read, shall be debatable for not to exceed thirty minutes, equally divided and controlled by the proponent and a Member opposed thereto. All points of order against the amendments en bloc are hereby waived. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit, which may not include instructions.

PROVIDING FOR THE CONSIDERATION OF H.R. 5835

OCTOBER 16 (legislative day, OCTOBER 15), 1990.—Referred to the House Calendar
and ordered to be printed

Mr. DERRICK, from the Committee on Rules,
submitted the following

REPORT

[To accompany H. Res. 509]

The Committee on Rules, having had under consideration House Resolution 509, by nonrecord vote, report the same to the House with the recommendation that the resolution do pass.

The following are the amendments made in order under House Resolution 509.

PART 1

At the end of the bill insert the following:

TITLE XIV—BUDGET PROCESS REFORM

SEC. 14001. TABLE OF CONTENTS.

TITLE XIV—BUDGET PROCESS REFORM

Sec. 14001. Short title; table of contents.

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

PART I—AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

Sec. 14101. Sequestration.

PART II—RELATED AMENDMENTS

Sec. 14111. Temporary Amendments to the Congressional Budget Act of 1974.

Sec. 14112. Conforming amendments.

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

Sec. 14201. Credit Accounting.

Subtitle C—Social Security

- Sec. 14301. Off-budget Status of OASDI Trust Funds.
 Sec. 14302. Protection of OASDI Trust Funds.
 Sec. 14303. Report to the Congress by the Board of Trustees of the OASDI Trust Funds Regarding the Actuarial Balance of the Trust Funds.
 Sec. 14304. Effective Date.

Subtitle D—Treatment of Fiscal Year 1991 Sequestration

- Sec. 14401. Restoration of Funds Sequestered.

Subtitle E—Government-sponsored Enterprises

- Sec. 14501. Financial Safety and Soundness of Government-Sponsored Enterprises.

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

**PART I—AMENDMENTS TO THE BALANCED BUDGET AND
 EMERGENCY DEFICIT CONTROL ACT OF 1985**

SEC. 14101. SEQUESTRATION.

Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901 et seq.) is amended to read as follows:

“SEC. 250. TABLE OF CONTENTS; DEFINITIONS.

“(a) TABLE OF CONTENTS.—

- “Sec. 250. Table of contents; definitions.
 “Sec. 251. Enforcing discretionary spending limits.
 “Sec. 252. Enforcing pay-as-you-go.
 “Sec. 253. Enforcing deficit targets.
 “Sec. 254. Reports and orders.
 “Sec. 255. Exempt programs and activities.
 “Sec. 256. Special rules.
 “Sec. 257. The baseline.
 “Sec. 258. Suspension in the event of war or low growth.
 “Sec. 259. Modification of presidential order.

“(b) DEFINITIONS.—

“As used in this part:

“(1) The terms ‘budget authority’, ‘outlays’, and ‘deficit’ have the meanings given to such terms in section 3 of the Congressional Budget and Impoundment Control Act of 1974 (but including the treatment specified in section 257(b)(3) of the Health Insurance Trust Fund) and the terms ‘maximum deficit amount’ and ‘discretionary spending limit’ shall mean the amounts specified in section 601 of that Act as adjusted under section 251 and 253 of this Act.

“(2) The terms ‘sequester’ and ‘sequestration’ refer to or mean the cancellation of budgetary resources provided by discretionary appropriations or direct spending law.

“(3) The term ‘breach’ means, for any fiscal year, the amount (if any) by which new budget authority or outlays for that year (within a category of discretionary appropriations) is above the category’s discretionary spending limit for new budget authority or outlays for that year, as the case may be.

“(4) The term ‘category’ means:

“(A) For fiscal years 1991, 1992, and 1993, any of the following subsets of discretionary appropriations: defense,

international, or domestic. Discretionary appropriations in the defense category shall be those so designated in the joint statement of managers accompanying the conference report on the Omnibus Budget Reconciliation Act of 1990. Discretionary appropriations in the international category shall be those so designated in the joint statement of managers accompanying the conference report on the Omnibus Budget Reconciliation Act of 1990. All other discretionary appropriations shall be in the domestic category. New accounts or activities shall be categorized in accordance with the procedures set forth in section 1104 of title 31, United States Code.

Contributions to the United States to offset the cost of operation desert shield are not counted within any category.

“(B) For fiscal years 1994 and 1995, all discretionary appropriations.

“(5) The term ‘baseline’ means the projection (described in section 257) of current-year levels of new budget authority, outlays, receipts, and the surplus or deficit into the budget year and the outyears.

“(6) The term ‘budgetary resources’ means—

“(A) with respect to budget year 1991, new budget authority; unobligated balances; new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; direct spending authority; and obligation limitations; or

“(B) with respect to budget year 1992, 1993, 1994, or 1995, new budget authority; unobligated balances; direct spending authority; and obligation limitations.

“(7) The term ‘discretionary appropriations’ means budgetary resources (except to fund direct-spending programs) provided in appropriation Acts.

“(8) The term ‘direct spending’ means—

“(A) budget authority provided by law other than appropriation Acts;

“(B) budget authority for mandatory appropriations; and

“(C) the food stamp program.

“(9) The term ‘current’ means, with respect to OMB estimates included with a budget submission under section 1105(a) of title 31, United States Code, the estimates consistent with the economic and technical assumptions underlying that budget and with respect to estimates made after submission of the fiscal year 1992 budget that are not included with a budget submission, estimates consistent with the economic and technical assumptions underlying the most recently submitted President’s budget.

“(10) The term ‘real economic growth’, with respect to any fiscal year, means the growth in the gross national product during such fiscal year, adjusted for inflation, consistent with Department of Commerce definitions.

“(11) The sale of an asset means the sale to the public of—

“(A) any financial asset sold in fiscal year 1991,

“(B) any financial asset other than a loan asset sold after fiscal year 1991, or

“(C) any physical asset other than one produced on a current basis, except any asset acquired by the Government under an insurance program or as a result of a default under a loan or loan-guarantee program.

“(12) The term ‘prepayment of a loan’ means payments to the United States made in advance of the slowest payment schedule allowed or set by law or contract when the financial asset is first acquired.

“(13) The term ‘account’ means an item for which appropriations are made in any appropriation Act and, for items not provided for in appropriation Acts, such term means an item for which there is a designated budget account identification code number in the President’s budget.

“(14) The term ‘budget year’ means, with respect to a session of Congress, the fiscal year of the Government that starts on October 1 of the calendar year in which that session begins.

“(15) The term ‘current year’ means, with respect to a budget year, the fiscal year that immediately precedes that budget year.

“(16) The term ‘outyear’ means, with respect to a budget year, any of the fiscal years that follow the budget year through fiscal year 1995.

“(17) The term ‘OMB’ means the Director of the Office of Management and Budget.

“(18) The term ‘CBO’ means the Director of the Congressional Budget Office.

“SEC. 251. ENFORCING DISCRETIONARY SPENDING LIMITS.

“(a) FISCAL YEARS 1991-1995 ENFORCEMENT.—

“(1) SEQUESTRATION.—Within 15 calendar days after Congress adjourns to end a session, there shall be a sequestration to eliminate a budget-year breach, if any, within any category.

“(2) ELIMINATING A BREACH.—Each non-exempt account within a category shall be reduced by a dollar amount calculated by multiplying the enacted level of sequestrable budgetary resources in that account at that time by the uniform percentage necessary to eliminate a breach within that category; except that the health programs set forth in section 256(e) shall not be reduced by more than 2 percent and the uniform percent applicable to all other programs under this paragraph shall be increased (if necessary) to a level sufficient to eliminate that breach. If, within a category, the discretionary spending limits for both new budget authority and outlays are breached, the uniform percentage shall be calculated by—

“(A) first, calculating the uniform percentage necessary to eliminate the breach in new budget authority, and

“(B) second, if any breach in outlays remains, increasing the uniform percentage to a level sufficient to eliminate that breach.

“(3) MILITARY PERSONNEL.—If the President uses the authority to exempt any military personnel from sequestration under section 255(h), each account within subfunctional category 051 other than those military personnel accounts for which the authority provided under section 255(h), has been exercised shall

be further reduced by a dollar amount calculated by multiplying the enacted level of non-exempt budgetary resources in that account at that time by the uniform percentage necessary to offset the total dollar amount by which outlays are not reduced in military personnel accounts by reason of the use of such authority.

"(4) **PART-YEAR APPROPRIATIONS.**—If, on the date specified in paragraph (1), there is in effect an Act making or continuing appropriations for part of a fiscal year for any non-exempt budget account, then—

"(A) the enacted amount in that account shall be deemed to be the annualized amount otherwise available by law; and

"(B) the dollar sequestration calculated for that account under paragraphs (2) and (3) shall be subtracted from—

"(i) the annualized amount otherwise available by law in that account under that or a subsequent part-year appropriation; and

"(ii) when a full-year appropriation for that account is enacted, from the amount otherwise provided by the full-year appropriation.

"(5) **LOOK-BACK.**—If, after the date specified in paragraph (1), an appropriation for the fiscal year in progress is enacted that causes a breach within a category for that year (after taking into account any sequestration of amounts within that category), the discretionary spending limits for that category for the next fiscal year shall be reduced by the amount or amounts of that breach.

"(6) **OMB ESTIMATES.**—Within 5 calendar days after the enactment of any discretionary appropriations, OMB shall publish in the Federal Register an estimate of the amount of discretionary new budget authority and outlays for the current year (if any) and the budget year provided by that legislation. OMB shall use those published estimates for the purposes of this subsection.

"(b) **ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS.**—(1) When the President submits the budget under section 1105(a) of title 31, United States Code, for budget year 1992, 1993, 1994, or 1995 (except as otherwise indicated), OMB shall calculate (in the order set forth below), and the budget shall include, adjustments to discretionary spending limits (and those limits as cumulatively adjusted) for the budget year and each outyear through 1995 to reflect the following:

"(A) **CHANGES IN CONCEPTS AND DEFINITIONS.**—The adjustments produced by the amendments made by subtitles A and B of title XIV of the Omnibus Budget Reconciliation Act of 1990 or by any other changes in concepts and definitions shall be the baseline levels of new budget authority and outlays using current concepts and definitions minus those levels using the concepts and definitions in effect before such changes.

"(B) **CHANGES IN INFLATION.**—(i) For a budget submitted for budget year 1992 or 1993, the adjustments produced by changes in inflation shall be the levels of discretionary new budget authority and outlays in the baseline (calculated using current

estimates) subtracted from those levels in that baseline recalculated with the baseline inflators multiplied by the inflation adjustment factor computed under clause (ii).

“(ii) For a budget year the inflation adjustment factor shall be the ratio between the level of cumulative inflation measured for the fiscal year most recently completed and the applicable estimated level for that year set forth below:

“For 1990, 130.3.

“For 1991, 137.1.

“For 1992, 142.7.

“For 1993, 147.4.

Cumulative inflation shall be measured by the index of the fiscal year average of the estimated gross national product implicit price deflator, with the calendar year 1989 index equal to 100.0.

“(C) CREDIT REESTIMATES.—For a budget submitted for budget year 1993 or 1994, the adjustments produced by reestimates to costs of Federal credit programs shall be, for any such program, a current estimate of new budget authority and outlays associated with a baseline projection of the prior year’s gross loan level for that program minus the baseline projection of the prior year’s new budget authority and associated outlays for that program.

“(2) When OMB submits a sequestration report under section 254(e) for fiscal year 1991, 1992, 1993, 1994, or 1995 (except as otherwise indicated), OMB shall calculate (in the order set forth below), and the sequestration report and subsequent budgets submitted by the President under section 1105(a) of title 31, United States Code, shall include, adjustments to discretionary spending limits (and those limits as adjusted) for the fiscal year and each succeeding year through 1995, as follows:

“(A) IRS FUNDING.—To the extent that appropriations requested by the President are enacted that provide additional new budget authority or result in additional outlays (as compared to the summer 1990 CBO baseline) for the Internal Revenue Service compliance initiative in any fiscal year, the adjustments for that year shall be those amounts, but shall not exceed the amounts set forth below:

“For fiscal year 1991, \$191,000,000 in new budget authority and \$183,000,000 in outlays.

“For fiscal year 1992, \$172,000,000 in new budget authority and \$169,000,000 in outlays.

“For fiscal year 1993, \$183,000,000 in new budget authority and \$179,000,000 in outlays.

“For fiscal year 1994, \$187,000,000 in new budget authority and \$183,000,000 in outlays.

“For fiscal year 1995, \$188,000,000 in new budget authority and \$184,000,000 in outlays.

“(B) DEBT FORGIVENESS.—If in calendar year 1990 or 1991 an appropriation is enacted that provides debt relief proposed by the President and approved by the Congress, the adjustments shall be the estimated costs of that forgiveness, but shall not exceed the amounts set forth below:

"For fiscal year 1991, \$157,000,000 in new budget authority and \$207,000,000 in outlays.

"For fiscal year 1992, \$177,000,000 in new budget authority and \$294,000,000 in outlays.

"For fiscal year 1993, \$205,000,000 in new budget authority and \$361,000,000 in outlays.

"For fiscal year 1994, \$246,000,000 in new budget authority and \$446,000,000 in outlays.

"For fiscal year 1995, \$300,000,000 in new budget authority and \$522,000,000 in outlays.

"(C) IMF FUNDING.—If, for fiscal year 1992, 1993, 1994, or 1995, an appropriation is enacted that provides amounts for a quota increase to the International Monetary Fund, the adjustment shall be the amount provided.

"(D) EMERGENCY APPROPRIATIONS.—If, for fiscal year 1991, 1992, 1993, 1994, or 1995, appropriations are enacted that the President determines are for emergency purposes, the adjustment shall be the total of such appropriations determined to be for emergency purposes and the outlays flowing in all years from such appropriations.

"(E) SPECIAL ALLOWANCE FOR NEW BUDGET AUTHORITY.—If, for fiscal year 1991, 1992, or 1993, the amount of discretionary new budget authority provided in appropriation Acts exceeds the discretionary spending limit on new budget authority for any category for a fiscal year, the adjustment is the amount of the excess, but not to exceed 0.2 percent of the sum of the adjusted discretionary spending limits on new budget authority for all categories for that year. However, the sum of special allowance adjustments in all categories for that year shall not exceed 0.4 percent of the sum of the limits on new budget authority for all categories for that year. Adjustments that would exist but for the preceding sentence shall be reduced by the uniform percentage necessary to comply with that sentence.

"(F) SPECIAL OUTLAY ALLOWANCE.—If in any fiscal year except 1991 outlays for a category exceed the discretionary spending limit for that category but new budget authority does not exceed its limit for that category (after application of the first step of a sequestration described in subsection (a)(2), if necessary), the adjustment is the amount of the excess, but not to exceed \$2,500,000,000 in the defense category, \$1,500,000,000 in the international category, or \$2,500,000,000 in the domestic category (as applicable) in fiscal year 1992 or 1993, and not to exceed \$6,500,000,000 in fiscal year 1994 or 1995.

"(c) APPLICABILITY OF ADJUSTED LIMITS.—Discretionary spending limits as adjusted by this section shall be considered to be the applicable limits for all purposes of this Act.

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

"(a) FISCAL YEARS 1992-1995 ENFORCEMENT.—The purpose of this section is to assure that any legislation (enacted after the date of enactment of this section) affecting direct spending or receipts that increases the deficit in any fiscal year covered by this Act will trigger an offsetting sequestration.

“(b) SEQUESTRATION; LOOK-BACK.—On October 15 of each fiscal year, there shall be a sequestration to offset the amount of any net deficit increase in that fiscal year and the prior fiscal year caused by all direct spending and receipts legislation enacted after the date of enactment of this section (after adjusting for any sequestration of direct spending accounts in a prior year). OMB shall calculate the amount of deficit increase, if any, in those fiscal years by adding—

“(1) all estimates of direct spending and receipts legislation published under subsection (e) applicable to those fiscal years, except that any amounts included in such estimates resulting from full funding of, and continuation of, deposit insurance law in effect on the date of enactment of this section shall not be included in the addition; and

“(2) the estimated amount of savings in direct spending programs applicable to those fiscal years resulting from the prior year’s sequestration under this section or section 253, if any, as published in OMB’s October 15 sequestration report for that year.

“(c) ELIMINATING A DEFICIT INCREASE.—(1) The first \$5,000,000,000 required to be sequestered in a fiscal year under subsection (a) shall be obtained from non-exempt direct spending accounts. Half of any remaining amounts required to be sequestered in that fiscal year, if any, shall be obtained from such accounts and half from non-exempt discretionary appropriation accounts.

“(2) Actions to reduce direct spending accounts shall be taken in the following order:

“(A) FIRST.—All reductions in automatic spending increases specified in section 256(a) shall be made.

“(B) SECOND.—If additional reductions in direct spending accounts are required to be made, the maximum reductions permissible under sections 256(b) (guaranteed student loans) and 256(c) (foster care and adoption assistance) shall be made.

“(C) THIRD.—If additional reductions in direct spending accounts are required to be made, each remaining non-exempt direct spending account shall be reduced by the uniform percentage necessary to make the reductions in direct spending required by paragraph (1); except that the medicare programs specified in section 256(d) shall not be reduced by more than 4 percent and the uniform percentage applicable to all other direct spending programs under this paragraph shall be increased (if necessary) to a level sufficient to achieve the required reduction in direct spending.

“(3) Each non-exempt discretionary appropriation account shall be reduced by the uniform percentage necessary to make the reductions in discretionary appropriations required by paragraph (1); except that the health programs set forth in section 256(e) shall not be reduced by more than 2 percent and the uniform percent applicable to all other programs under this paragraph shall be increased (if necessary) to a level sufficient to eliminate that breach; except that adjustments shall be made if any military personnel are exempt under the procedure set forth in section 251(a)(3).

“(4) For purposes of this subsection, accounts shall be assumed to be at the level in the baseline.

"(d) **PART-YEAR APPROPRIATIONS.**—If, on October 15, there is in effect an Act making or continuing appropriations for part of a fiscal year for any non-exempt budget account, then the dollar sequestration calculated for that account under subsection (c) shall be subtracted from—

"(1) the annualized amount otherwise available by law in that account under that or a subsequent part-year appropriation; and

"(2) when a full-year appropriation for that account is enacted, from the amount otherwise provided by the full-year appropriation; except that the amount to be subtracted from that account shall be reduced (but not below zero) by the savings achieved by that appropriation when the enacted amount is less than the baseline for that account.

"(e) **OMB ESTIMATES.**—Within 15 calendar days after the enactment of any direct spending or receipts legislation enacted after the date of enactment of this section, OMB shall publish in the Federal Register an estimate of the amount of change in outlays or receipts, as the case may be, in each fiscal year through fiscal year 1995 resulting from that legislation. Those estimates shall be made using current economic and technical assumptions.

"SEC. 253. ENFORCING DEFICIT TARGETS.

"(a) **SEQUESTRATION.**—On October 15 of each fiscal year, after any sequestration required by section 252 (pay-as-you-go), there shall be a sequestration to eliminate the excess deficit (if any remains) if it exceeds the margin. The excess deficit is the amount, if any, by which the estimated deficit for the budget year exceeds the maximum deficit amount for that year minus the deposit insurance reestimate for that year, if any, calculated under subsection (h).

"(b) **ESTIMATED DEFICIT; MARGIN.**—

"(1) **ESTIMATED DEFICIT.**—The estimated deficit for the budget year is the baseline deficit for that year on the applicable snapshot date minus any reductions required to be made under section 252, except that for purposes of estimating the deficit, outlays for discretionary appropriations shall be assumed to be at the discretionary spending limits set forth in the most recent President's budget submitted under section 1105(a) of title 31, United States Code, for that year, rather than at baseline levels.

"(2) **MARGIN.**—The 'margin' for fiscal year 1994 or 1995 is \$15,000,000,000 minus any outlay adjustments for that year under section 251(b)(2)(A)(ii).

"(c) **DIVIDING THE SEQUESTRATION.**—To eliminate the excess deficit in a budget year, half of the required outlay reductions shall be obtained from non-exempt defense accounts (accounts designated as function 050 in the President's fiscal year 1991 budget submission) and half from non-exempt, non-defense accounts (all other non-exempt accounts).

"(d) **DEFENSE.**—Each non-exempt defense account shall be reduced by a dollar amount calculated by multiplying the baseline level of sequestrable budgetary resources in that account at that time by the uniform percentage necessary to carry out subsection

(c)(2), except that adjustments shall be made if any military personnel are exempt under the procedure set forth in section 251(a)(3).

“(e) **NON-DEFENSE.**—Actions to reduce non-defense accounts shall be taken in the following order:

“(1) **FIRST.**—All reductions in automatic spending increases under section 256(a) shall be made.

“(2) **SECOND.**—If additional reductions in non-defense accounts are required to be made, the maximum reduction permissible under sections 256(b) (guaranteed student loans) and 256(c) (foster care and adoption assistance) shall be made.

“(3) **THIRD.**—If additional reductions in non-defense accounts are required to be made, each remaining non-exempt, non-defense account shall be reduced by the uniform percentage necessary to make the reductions in non-defense outlays required by subsection (c)(2), except that—

“(A) the medicare program specified in section 256(d) shall not be reduced by more than 2 percent in total including any reduction of less than 2 percent made under section 252 or, if it has been reduced by 2 percent or more under section 252, it may not be further reduced under this section; and

“(B) the health programs set forth in section 256(e) shall not be reduced by more than 2 percent in total (including any reduction made under section 252), and the uniform percent applicable to all other programs under this subsection shall be increased (if necessary) to a level sufficient to achieve the required reduction in non-defense outlays.

“(f) **BASELINE ASSUMPTIONS; PART-YEAR APPROPRIATIONS.**—

“(1) **BUDGET ASSUMPTIONS.**—For purposes of subsections (c), (d), and (e), accounts shall be assumed to be at the level in the baseline.

“(2) **PART-YEAR APPROPRIATIONS.**—If, on October 15, there is in effect an Act making or continuing appropriations for part of a fiscal year for any non-exempt budget account, then the dollar sequestration calculated for that account under subsection (d) or (e), as applicable, shall be subtracted from—

“(A) the annualized amount otherwise available by law in that account under that or a subsequent part-year appropriation; and

“(B) when a full-year appropriation for that account is enacted, from the amount otherwise provided by the full-year appropriation; except that the amount to be sequestered from that account shall be reduced (but not below zero) by the savings achieved by that appropriation when the enacted amount is less than the baseline for that account.

“(g) **ADJUSTMENTS TO MAXIMUM DEFICIT AMOUNTS.**—

“(1) **ADJUSTMENTS.**—

“(A) When the President submits the budget for fiscal year 1992, the maximum deficit amounts for fiscal years 1992, 1993, 1994, and 1995 shall be adjusted to reflect up-to-date reestimates of economic and technical assumptions and any changes in concepts or definitions. When the

President submits the budget for fiscal year 1993, the maximum deficit amounts for fiscal years 1993, 1994, and 1995 shall be further adjusted to reflect up-to-date reestimates of economic and technical assumptions and any changes in concepts or definitions.

“(B) When submitting the budget for fiscal year 1994, the President may choose to adjust the maximum deficit amounts for fiscal years 1994 and 1995 to reflect up-to-date reestimates of economic and technical assumptions and any changes in concepts or definitions. If the President chooses to adjust the maximum deficit amount when submitting the fiscal year 1994 budget, the President may choose to invoke the same adjustment procedure when submitting the budget for fiscal year 1995. In each case, the President must choose between making no adjustment or the full adjustment described in paragraph (2). If the President chooses to make that full adjustment, then those procedures for adjusting discretionary spending limits described in sections 251(b)(1)(B), 251(b)(1)(C), and 251(b)(2)(E), otherwise applicable through fiscal year 1993 or 1994 (as the case may be, shall be deemed to apply for fiscal year 1994 (and 1995 if applicable).

Each adjustment shall be made by increasing or decreasing the maximum deficit amounts set forth in section 601 of the Congressional Budget Act of 1974.

“(2) CALCULATIONS OF ADJUSTMENTS.—The required increase or decrease shall be calculated as follows:

“(A) The baseline deficit or surplus shall be calculated using up-to-date economic and technical assumptions, using current concepts and definitions, and for the levels of discretionary appropriations, using the discretionary spending limits set forth in section 601 of the Congressional Budget Act of 1974 as adjusted under section 251.

“(B) The net deficit increase or decrease caused by all direct spending and receipts legislation enacted after the date of enactment of this section (after adjusting for any sequestration of direct spending accounts) shall be calculated for each fiscal year by adding—

“(i) the estimates of direct spending and receipts legislation published under section 252(e) applicable to each such fiscal year; and

“(ii) the estimated amount of savings in direct spending programs applicable to each such fiscal year resulting from the prior year’s sequestration under this section or section 252 of direct spending, if any, as published in OMB’s final sequestration report for that year.

“(C) The amount calculated under subparagraph (B) shall be subtracted from the amount calculated under subparagraph (A).

“(D) The maximum deficit amount set forth in section 601 of the Congressional Budget Act of 1974 shall be subtracted from the amount calculated under subparagraph (C).

“(E) The amount calculated under subparagraph (D) shall be the amount of the adjustment required by paragraph (1).

“(h) TREATMENT OF DEPOSIT INSURANCE.—

“(1) INITIAL ESTIMATES.—The initial estimates of the net costs of federal deposit insurance (assuming full funding of, and continuation of, existing law) are as follows:

“For fiscal year 1992, \$77,700,000,000.

“For fiscal year 1993, \$18,800,000,000.

“For fiscal year 1994, —\$54,200,000,000.

“For fiscal year 1995, —\$45,300,000,000.

“(2) REESTIMATES.—For any fiscal year, the amount of the reestimate of deposit insurance costs shall be calculated by subtracting the amount set forth in paragraph (1) for that year from the current estimate of deposit insurance costs (but assuming full funding of, and continuation of, deposit insurance law in effect on the date of enactment of this section).

“SEC. 254. REPORTS AND ORDERS.

“(a) TIMETABLE.—The timetable with respect to this part for any budget year is as follows:

“On or before:	Action to be completed:
First Monday in February.....	Lock in OMB estimating assumptions.
August 15.....	Initial snapshot.
August 20.....	Sequester preview report;
Latest possible date before October 15.	Final snapshot.
October 15.....	Pay-as-you-go and deficit sequester reports; Presidential order.
Within 15 days after end of session	Discretionary sequester reports; Presidential order.
30 Days later.....	GAO compliance report.

If any date specified in this section falls on a Sunday or legal holiday, then the requirements for that date shall be considered to fall on the following day.

“(b) PAY-AS-YOU-GO AND DEFICIT SEQUESTRATION PREVIEW REPORTS.—

“(1) REPORTING REQUIREMENT.—On the date specified in subsection (a), OMB and CBO shall each issue a preview report regarding pay-as-you-go and deficit sequestration to the President and the Congress based on laws enacted through the initial snapshot date.

“(2) PAY-AS-YOU-GO SEQUESTRATION PREVIEW.—The reports referred to in paragraph (1) shall set forth, for the current year and the budget year, estimates for each of the following:

“(A) The amount of the net deficit increase or decrease, if any, calculated under subsection 252(b).

“(B) A list identifying each law enacted after the date of enactment of this section included in the calculation of the amount of deficit increase and specifying the budgetary effect of each such law.

“(C) The sequestration percentage or (if the required sequestration percentage is greater than the maximum allowable percentage for medicare) percentages necessary to eliminate a deficit increase under section 252(c).

"(3) DEFICIT SEQUESTRATION PREVIEW.—The reports referred to in paragraph (1) shall set forth for the budget year estimates for each of the following:

"(A) The maximum deficit amount, the estimated deficit calculated under section 253(b), the excess deficit, and the margin.

"(B) The reductions required under section 252, the excess deficit remaining after those reductions have been made, and the reductions required from defense accounts and the reductions required from non-defense accounts.

"(C) The sequestration percentage necessary to achieve the required reduction in defense accounts under section 253(d).

"(D) The reductions required under sections 253(e)(1) and 253(e)(2).

"(E) The sequestration percentage necessary to achieve the required reduction in non-defense accounts under section 253(e)(3).

The reports shall explain the differences (if any) between OMB and CBO estimates for each item set forth in this subsection.

"(c) NOTIFICATION REGARDING MILITARY PERSONNEL.—On or before the initial snapshot date specified in subsection (a), the President shall notify the Congress if he intends to exercise flexibility with respect to military personnel accounts under section 255(h).

"(d) PAY-AS-YOU-GO AND DEFICIT SEQUESTRATION REPORT; PRESIDENTIAL ORDER.—

"(1) PAY-AS-YOU-GO AND DEFICIT SEQUESTRATION REPORT.—On the date specified in subsection (a), OMB and CBO shall each issue a pay-as-you-go and deficit sequestration report, updated to reflect laws enacted through the final snapshot date, containing all of the information required in the pay-as-you-go and deficit sequestration preview report. In addition, these reports shall contain, for the budget year, for each non-exempt account subject to sequestration, estimates of the baseline level of sequestrable budgetary resources and resulting outlays and the amount and percentage of budgetary resources to be sequestered and resulting outlay reductions. The reports shall also contain estimates of the effects on outlays of the sequestration in each outyear through 1995 for direct spending programs. The reports shall explain significant differences (if any) between OMB and CBO estimates for each such account.

"(2) PRESIDENTIAL ORDER.—On the date specified in subsection (a), if in its pay-as-you-go and deficit sequestration report OMB estimates that any sequestration is required, the President shall issue an order fully implementing without change all sequestrations required by OMB calculations set forth in that report. This order shall be effective on issuance.

"(e) DISCRETIONARY SEQUESTRATION REPORT; PRESIDENTIAL ORDER.—

"(1) DISCRETIONARY SEQUESTRATION REPORT.—Within 15 days after Congress adjourns to end a session, OMB and CBO shall each issue a discretionary sequestration report to the President

and the Congress setting forth estimates for each of the following:

“(A) For the current year and each subsequent year through 1995 the applicable discretionary spending limits for each category and an explanation of any adjustments in such limits under section 251.

“(B) For the current year and the budget year the estimated new budget authority and outlays for each category and the breach, if any, in each category.

“(C) For each category for which a sequestration is required, the sequestration percentage necessary to achieve the required reduction.

“(D) For the budget year, for each non-exempt account subject to sequestration, estimates of the enacted level of sequestrable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions, and an explanation of significant differences, if any, between OMB and CBO estimates for each such account.

“(2) **PRESIDENTIAL ORDER.**—On the date specified in subsection (a), if in its discretionary sequestration report OMB estimates that any sequestration is required, the President shall issue an order fully implementing without change all sequestrations required by OMB calculations set forth in that report. This order shall be effective on issuance.

“(f) **GAO COMPLIANCE REPORT.**—On the date specified in subsection (a), the Comptroller General shall submit to the Congress and the President a report on—

“(1) the extent to which each order issued by the President under this section complies with all of the requirements contained in this part, either certifying that the order fully and accurately complies with such requirements or indicating the respects in which it does not; and

“(2) the extent to which each report issued by OMB or CBO under this section complies with all of the requirements contained in this part, either certifying that the report fully and accurately complies with such requirements or indicating the respects in which it does not.

“(g) **Low-GROWTH REPORT.**—At any time, CBO shall notify the Congress if—

“(1) during the period consisting of the quarter during which such notification is given, the quarter preceding such notification, and the 4 quarters following such notification, CBO or OMB had determined that real economic growth is projected or estimated to be less than zero with respect to each of any 2 consecutive quarters within such period; or

“(2) the Department of Commerce advance reports of actual real economic growth (or any subsequent revision thereof) indicate that the rate of real economic growth for each of the most recently reported quarter and the immediately preceding quarter is less than one percent.

“(h) **ECONOMIC AND TECHNICAL ASSUMPTIONS.**—In all reports required by this section, OMB shall use the same economic and tech-

nical assumptions as used in the most recent budget submitted by the President under section 1105(a) of title 31, United States Code.

“(i) **PRINTING OF REPORTS.**—Each report submitted under this section shall be submitted to the Federal Register on the day that it is issued and printed on the following day.

“**SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.**

“(a) **SOCIAL SECURITY BENEFITS AND TIER I RAILROAD RETIREMENT BENEFITS.**—Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act, or in benefits payable under section 3(a), 3(f)(3), 4(a), or (4)f of the Railroad Retirement Act of 1974, shall be exempt from reduction under any order issued under this part.

“(b) **NET INTEREST.**—No reduction of payments for net interest (all of major functional category 900) shall be made under any order issued under this part.

“(c) **VETERANS PROGRAMS.**—The following programs shall be exempt from reduction under any order issued under this part:

National Service Life Insurance Fund (36-8132-0-7-701);

Service-Disabled Veterans Insurance Fund (36-4012-0-3-701);

Veterans Special Life Insurance Fund (36-8455-0-8-701);

Veterans Reopened Insurance Fund (36-4010-3-701);

United States Government Life Insurance Fund (36-8150-0-7-701);

Veterans Insurance and Indemnity (36-0120-0-1-701);

Special Therapeutic and Rehabilitation Activities Fund (36-4048-0-3-703);

Veterans' Canteen Service Revolving Fund (36-401-0-3-705);

Benefits under chapter 21 of title 38, United States Code, relating to specially adapted housing and mortgage-protection life insurance for certain veterans with service-connected disabilities (36-0137-0-1-702);

Benefits under section 907 of title 38, United States Code, relating to burial benefits for veterans who die as a result of service-connected disability (36-0155-0-1-701);

Benefits under chapter 39 of title 38, United States Code, relating to automobiles and adaptive equipment for certain disabled and members of the Armed Forces (36-0137-0-1-702);

Veterans' compensation (36-0153-0-1-701); and

Veterans' pension (36-0154-0-1-701).

“(d) **EARNED INCOME TAX CREDIT.**—Payments to individuals made pursuant to section 32 of the Internal Revenue Code of 1954 shall be exempt from reduction under any order issued under this part.

“(e) **TREATMENT OF PAYMENTS AND ADVANCES MADE WITH RESPECT TO UNEMPLOYMENT COMPENSATION PROGRAMS.**—For purposes of this part—

“(1) any amount paid as regular unemployment compensation by a State from its account in the Unemployment Trust Fund (established by section 904(a) of the Social Security Act),

“(2) any advance made to a State from the Federal unemployment account (established by section 904(g) of such Act) under title XII of such Act and any advance appropriated to

the Federal unemployment account pursuant to section 1203 of such Act, and

“(3) any payment made from the Federal Employees Compensation Account (as established under section 909 of such Act) for the purpose of carrying out chapter 85 of title 5, United States Code, and funds appropriated or transferred to or otherwise deposited in such Account, shall be exempt from reduction under any order issued under this part.

“(f) **LOW-INCOME PROGRAMS.**—The following programs shall be exempt from reduction under any order issued under this part:

Aid to families with dependent children (75-0412-0-1-609);
 Child nutrition (12-3539-0-1-605);
 Commodity supplemental food program (12-3512-0-1-605);
 Food stamp programs (12-3505-0-1-605 and 12-3550-0-1-605);
 Grants to States for Medicaid (75-0512-0-1-551);
 Supplemental Security Income Program (75-0406-0-1-609);
 and

Women, infants, and children program (12-3510-0-1-605).

“(g) **NON-DEFENSE UNOBLIGATED BALANCES.**—Unobligated balances of budget authority carried over from prior fiscal years, except balances in the defense category, shall be exempt from reduction under any order issued under this part.

“(h) **OPTIONAL EXEMPTION OF MILITARY PERSONNEL.**—

“(1) The President may, with respect to any military personnel account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

“(2) The President may not use the authority provided by paragraph (1) unless he notifies the Congress of the manner in which such authority will be exercised on or before the initial snapshot date for the budget year.

(i) **OTHER PROGRAMS AND ACTIVITIES.**—

“(1) The following budget accounts and activities shall be exempt from reduction under any order issued under this part:

Activities resulting from private donations, bequests, or voluntary contributions to the Government;

Administration of Territories, Northern Mariana Islands Government grants (14-0412-0-1-806);

Alaska Power Administration, Operations and maintenance (89-0304-0-1-271);

Appropriations for the District of Columbia (to the extent they are appropriations of locally raised funds);

Bonneville Power Administration fund and borrowing authority established pursuant to section 13 of Public Law 93-454 (1974), as amended (89-4045-0-3-271);

Black lung benefits (20-8144-0-7-601),

Bureau of Indian Affairs, miscellaneous payments to Indians (14-2303-0-1-452);

Bureau of Indian Affairs, miscellaneous trust funds, tribal trust funds (14-9973-0-7-999);

CIA retirement and disability system fund (56-3400-0-1-054);

Civil Service retirement and disability fund (24-8135-0-7-602);
 Claims, defense (97-0102-0-1-051);
 Claims, judgments, and relief acts (20-1895-0-1-806);
 Coinage profit fund (20-5811-0-2-803);
 Compact of Free Association, economic assistance pursuant to Public Law 99-658;
 Compensation of the President (11-0001-0-1-802);
 Comptroller General retirement system (05-0107-0-1-801);
 Comptroller of the Currency;
 Customers service permanent appropriations (20-9922-0-2-852);
 Director of the Office of Thrift Supervision;
 Dual benefits payments account (60-0111-0-1-601);
 Eastern Indian and land claims settlement fund (14-2202-0-1-806);
 Exchange stabilization fund (20-4444-0-3-155);
 Farm Credit System Financial Assistance Corporation, interest payments;
 Federal Deposit Insurance Corporation;
 Federal Deposit Insurance Corporation, Bank Insurance Fund;
 Federal Deposit Insurance Corporation, FSLIC Resolution Fund;
 Federal Deposit Insurance Corporation, Savings Association Insurance Fund;
 Federal Housing Finance Board;
 Federal payment to the railroad retirement account (60-0113-0-1-601);
 Foreign military sales trust fund (11-8242-0-7-155);
 Foreign service retirement and disability fund (19-8186-0-7-602);
 Health professions graduate student loan insurance fund (Health Education Assistance Loan Program) (75-4305-0-3-553);
 Higher education facilities loans and insurance (91-0240-0-1-502);
 International Revenue collections for Puerto Rico (20-5737-0-2-852);
 Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect;
 Judicial survivors' annuities fund (10-8110-0-7-602);
 Longshoremens' and harborworkers' compensation benefits (16-9971-0-7-601);
 Medical facilities guarantee and loan fund, Federal interest subsidies for medical facilities (75-4430-0-3-551);
 Military retirement fund (97-8097-0-7-602);
 National Credit Union Administration;
 National Credit Union Administration, central liquidity facility;

National Credit Union Administration, credit union share insurance fund;

National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306);

Panama Canal Commission, operation expenses and Panama Canal Commission, capital outlay (95-5190-0-2-403);

Payment of Vietnam and USS Pueblo prisoner-of-war claims (15-0104-0-1-153);

Payment to civil retirement and disability fund (24-0200-0-1-805);

Payments to copyright owners (03-5175-0-2-376);

Payments to health care trust funds (75-0580-0-1-572);

Payments to military retirement fund (97-0040-0-1-054);

Payments to social security trust funds (75-0404-0-1-571);

Payments to the foreign service retirement and disability fund (11-1036-0-1-153 and 19-0540-0-1-153);

Payments to the United States territories; fiscal assistance;

Payments to trust funds from excise taxes or other receipts properly creditable to such trust funds;

Payments to widows and heirs of deceased Members of Congress (00-215-0-1-801);

Pensions for former Presidents (47-0105-0-1-802);

Postal service fund (18-4020-0-3-372);

Railroad retirement tier II (60-8011-0-7-601);

Resolution Funding Corporation;

Resolution Trust Corporation;

Retired pay, Coast guard (69-0241-0-1-403);

Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551);

Salaries of Article III judges;

Special benefit, Federal Employee's Compensation Act (16-1521-0-1-600);

Special benefits for disabled coal miners (75-0409-0-1-601);

Soldiers and Airmen's Home, payment of claims (84-8930-0-7-705);

Southeastern Power Administration, Operations and maintenance (89-0302-0-1-271);

Southeastern Power Administration, Operations and maintenance (89-0303-0-1-271);

Tax Court judges survivors annuity fund (23-8115-0-7-602);

Tennessee Valley Authority fund, except nonpower programs and activities (64-4110-0-3-999);

Thrift Savings Fund (26-8141-0-7-602);

WMATA, interest payments (46-0300-0-1-401);

Western Area Power Administration, Construction, rehabilitation, operations, and maintenance (89-5068-0-2-271); and

Western Area Power Administration, Colorado River basins power marketing fund (89-4452-0-3-271).

Western Area Power Administration, Colorado River basins power marketing fund (89-4452-0-3-271);

“(2) Prior legal obligations of the Government in the following budget accounts and activities shall be exempt from any order issued under this part:

Agency for International Development, Housing, and other credit guarantee programs (72-4340-0-3-151);

Agricultural credit insurance fund (12-4140-0-3-351);

Biomass energy development (20-0114-0-1-271);

Check forgery insurance fund (20-4109-0-3-803);

Community development grant loan guarantees (86-0162-0-1-451);

Credit union share insurance fund (25-4468-0-3-371);

Economic development revolving fund (13-4406-0-3-452);

Employees life insurance fund (24-8424-0-8-602);

Energy security reserve (Synthetic Fuels Corporation) (20-0112-0-1-271);

Export-Import Bank of the United States, Limitation of program activity (83-4027-0-3-155);

Federal Aviation Administration, Aviation insurance revolving fund (69-4120-0-3-402);

Federal Crop Insurance Corporation fund (12-4085-0-3-351);

Federal Emergency Management Agency, National flood insurance fund (58-4236-0-3-453);

Federal Emergency Management Agency, National insurance development fund (58-4235-0-3-451);

Federal Housing Administration fund (86-4070-0-3-371);

Federal ship financing fund (69-4301-0-3-403);

Federal ship financing fund, fishing vessels (13-4417-0-3-376);

Geothermal resources development fund (89-0206-0-1-271);

Government National Mortgage Association, Guarantees of mortgage-backed securities (86-4238-0-3-371);

Health education loans (75-4307-0-3-553);

Homeowners assistance fund, Defense (97-4090-0-3-051);

Indian loan guarantee and insurance fund (14-4410-0-3-452);

International Trade Administration, Operations and administration (13-1250-0-1-376);

Low-rent public housing, Loans and other expenses (86-4098-0-3-604);

Maritime Administration, War-risk insurance revolving fund (69-4302-0-3-403);

Overseas Private Investment Corporation (71-4030-0-3-151);

Pension Benefit Guaranty Corporation fund (16-4204-0-3-601);

Rail service assistance (69-0122-0-1-401);

Railroad rehabilitation and improvement financing fund (69-4411-0-3-401);

Rural development insurance fund (12-4155-0-3-452);

Rural electric and telephone revolving fund (12-4230-8-3-271);

Rural housing insurance fund (12-4141-0-3-371);

Small Business Administration Business loan and investment fund (73-4154-0-3-376);

Small Business Administration Lease guarantees revolving fund (73-4157-0-3-376);

Small Business Administration, Pollution control equipment contract guarantee revolving fund (73-4147-0-3-376);

Small Business Administration, Surety bond guarantees revolving fund (73-4156-0-3-376);

Veterans Administration, Loan guaranty revolving fund (36-4025-0-3-704);

Veterans Administration, Servicemen's group life insurance fund (36-4009-0-3-701).

“(j) IDENTIFICATION OF PROGRAMS.—For purposes of subsections (f) and (h), programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States Government, 1986—Appendix.

“(k) TREATMENT OF FEDERAL ADMINISTRATIVE EXPENSES.—

“(1) Notwithstanding any other provision of this title, administrative expenses incurred by the departments and agencies, including independent agencies, of the Federal Government in connection with any program, project, activity, or account shall be subject to reduction pursuant to an order issued under section 255, without regard to any exemption, exception, limitation, or special rule which is otherwise applicable with respect to such program, project, activity, or account under this part.

“(2) Notwithstanding any other provision of law, administrative expenses of any program, project, activity, or account which is self-supporting and does not receive appropriations shall be subject to reduction under a sequester order, unless specifically exempted in this joint resolution.

“(3) Payments made by the Federal Government to reimburse or match administrative costs incurred by a State or political subdivision under or in connection with any program, project, activity, or account shall not be considered administrative expenses of the Federal Government for purposes of this section, and shall be subject to reduction or sequestration under this part to the extent (and only to the extent) that other payments made by the Federal Government under or in connection with that program, project, activity, or account are subject to such reduction or sequestration; except that Federal payments made to a State as reimbursement of administrative costs incurred by such State under or in connection with the unemployment compensation programs specified in subsection (h)(1) shall be subject to reduction or sequestration under this part notwithstanding the exemption otherwise granted to such programs under that subsection.

“(4) The previous provisions of this subsection shall not apply with respect to the following:

“(A) Comptroller of the Currency.

“(B) Federal Deposit Insurance Corporation.

“(C) Office of Thrift Supervision.

- “(D) National Credit Union Administration.
- “(E) National Credit Union Administration, central liquidity facility.
- “(F) Federal Retirement Thrift Investment Board.
- “(G) Resolution Funding Corporation.
- “(H) Resolution Trust Corporation.

“SEC. 256. SPECIAL RULES.

“(a) AUTOMATIC SPENDING INCREASES.—Automatic spending increases are increases in outlays due to changes in indexes in the following programs:

- “(1) National Wool Act;
- “(2) Special milk program; and
- “(3) Vocational rehabilitation.

In those programs all amounts other than the automatic spending increases shall be exempt from reduction under any order issued under this part.

“(b) EFFECT OF ORDERS ON THE GUARANTEED STUDENT LOAN PROGRAM.—(1) Any reductions which are required to be achieved from the student loan programs operated pursuant to part B of title IV of the Higher Education Act of 1965, as a consequence of an order issued pursuant to section 254, shall be achieved only from loans described in paragraphs (2) and (3) by the application of the measures described in such paragraphs.

“(2) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year and ending at the close of such fiscal year, the rate used in computing the special allowance payment pursuant to section 438(b)(2)(A)(iii) of such Act for each of the first four special allowance payments for such loan shall be adjusted by reducing such rate by the lesser of—

- “(A) 0.40 percent, or
- “(B) the percentage by which the rate specified in such section exceeds 3 percent.

“(3) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year and ending at the close of such fiscal year, the origination fee which is authorized to be collected pursuant to section 438(c)(2) of such Act shall be increased by 0.50 percent.

“(c) TREATMENT OF FOSTER CARE AND ADOPTION ASSISTANCE PROGRAMS.—Any order issued by the President under section 254 shall make the reduction which is otherwise required under the foster care and adoption assistance programs (established by part E of title IV of the Social Security Act) only with respect to payments and expenditures made by States in which increases in foster care maintenance payment rates or adoption assistance payment rates (or both) are to take effect during the fiscal year involved, and only to the extent that the required reduction can be accomplished by applying a uniform percentage reduction to the Federal matching payments that each such State would otherwise receive under section 474 of that Act (for such fiscal year) for that portion of the State's payments which is attributable to the increases taking effect during that year. No State may, after the date of the enactment of this Act, make any change in the timetable for making

payments under a State plan approved under part E of title IV of the Social Security Act which has the effect of changing the fiscal year in which expenditures under such part are made.

“(d) SPECIAL RULES FOR MEDICARE PROGRAM.—

“(1) MAXIMUM PERCENTAGE REDUCTION IN INDIVIDUAL PAYMENT AMOUNTS.—To achieve the total percentage reduction in those programs required by sections 252 and 253, OMB shall determine, and the applicable Presidential order under section 254 shall implement, the percentage reduction that shall apply to payments under the health insurance programs under title XVIII of the Social Security Act for services furnished in the fiscal year after the order is issued, such that the reduction made in payments under that order shall achieve the required total percentage reduction in those payments for that fiscal year as determined on a 12-month basis.

“(2) TIMING OF APPLICATION OF REDUCTIONS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), if a reduction is made in payment amounts pursuant to a sequestration order, the reduction shall be applied to payment for services furnished during the effective period of the order. For purposes of the previous sentence, in the case of inpatient services furnished for an individual, the services shall be considered to be furnished on the date of the individual’s discharge from the inpatient facility.

“(B) PAYMENT ON THE BASIS OF COST REPORTING PERIODS.—In the case in which payment for services of a provider of services is made under title XVIII of the Social Security Act on a basis relating to the reasonable cost incurred for the services during a cost reporting period of the provider, if a reduction is made under paragraph (1) in payment amounts pursuant to a sequestration order, the reduction shall be applied to payment for costs for such services incurred at any time during each cost reporting period of the provider any part of which occurs during the effective period of the order, but only (for each such cost reporting period) in the same proportion as the fraction of the cost reporting period that occurs during the effective period of the order.

“(3) NO INCREASE IN BENEFICIARY CHARGES IN ASSIGNMENT-RELATED CASES.—If a reduction in payment amounts is made under paragraph (1) for services for which payment under part B of title XVIII of the Social Security Act is made on the basis of an assignment described in section 1842(b)(3)(B)(ii), in accordance with section 1842(b)(6)(B), or under the procedure described in section 1870(f)(1), of such Act, the person furnishing the services shall be considered to have accepted payment of the reasonable charge for the services, less any reduction in payment amount made pursuant to a sequestration order, as payment in full.

“(4) NO EFFECT ON COMPUTATION ON AAPCC.—In computing the adjusted average per capita cost for purposes of section 1876(a)(4) of the Social Security Act, the Secretary of Health and Human Services shall not take into account any reduc-

tions in payment amounts which have been or may be effected under this part.

“(e) CERTAIN HEALTH PROGRAMS.—The maximum permissible reduction in new budget authority for the following programs for any fiscal year pursuant to a sequestration under sections 251, 252, or 253 is 2 percent:

“(1) Community health centers (75-0350-0-1-550).

“(2) Migrant health centers (75-0350-0-1-550).

“(3) Indian health facilities (75-0391-0-1-551).

“(4) Indian health services (75-0390-0-1-551).

“(5) Veterans’ medical care (36-0160-0-1-703).

“(f) TREATMENT OF CHILD SUPPORT ENFORCEMENT PROGRAM.—Notwithstanding any change in the display of budget accounts, any order issued by the President under section 254 shall accomplish the full amount of any required reduction in expenditures under sections 455 and 458 of the Social Security Act by reducing the Federal matching rate for State administrative costs under such program, as specified (for the fiscal year involved) in section 455(a) of such Act, to the extent necessary to reduce such expenditures by that amount.

“(g) EXTENDED UNEMPLOYMENT COMPENSATION.—(1) A State may reduce each weekly benefit payment made under the Federal-State Extended Unemployment Compensation Act of 1970 for any week of unemployment occurring during any period with respect to which payments are reduced under an order issued under section 254 by a percentage not to exceed the percentage by which the Federal payment to the State under section 204 of such Act is to be reduced for such week as a result of such order.

“(2) A reduction by a State in accordance with paragraph (1) shall not be considered as a failure to fulfill the requirements of section 3304(a)(11) of the Internal Revenue Code of 1954.

“(h) COMMODITY CREDIT CORPORATION.—

“(1) IN GENERAL.—Except as modified by existing law enacted after 1985, this subsection shall govern any sequestration of the Commodity Credit Corporation.

“(2) POWERS AND AUTHORITIES OF THE COMMODITY CREDIT CORPORATION.—This title shall not restrict the Commodity Credit Corporation in the discharge of its authority and responsibility as a corporation to buy and sell commodities in world trade, to use the proceeds as a revolving fund to meet other obligations and otherwise operate as a corporation, the purpose for which it was created.

“(3) REDUCTION IN PAYMENTS MADE UNDER CONTRACTS.—(A) Payments and loan eligibility under any contract entered into with a person by the Commodity Credit Corporation prior to the time an order has been issued under section 254 shall not be reduced by an order subsequently issued. Subject to subparagraph (B), after an order is issued under such section for a fiscal year, any cash payments made by the Commodity Credit Corporation—

“(i) under the terms of any one-year contract entered into in such fiscal year and after the issuance of the order; and

“(ii) out of an entitlement account,

to any person (including any producer, lender, or guarantee entity) shall be subject to reduction under the order.

“(B) Each contract entered into with producers or producer cooperatives with respect to a particular crop of a commodity and subject to reduction under subparagraph (A) shall be reduced in accordance with the same terms and conditions. If some, but not all, contracts applicable to a crop of a commodity have been entered into prior to the issuance of an order under section 254, the order shall provide that the necessary reduction in payments under contracts applicable to the commodity be uniformly applied to all contracts for the next succeeding crop of the commodity, under the authority provided in paragraph (4).

“(3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this law, if an order under section 254 is issued with respect to a fiscal year, any reduction under the order applicable to contracts described in paragraph (2) may provide for reductions in outlays for the account involved to occur in the fiscal year following the fiscal year to which the order is issued. No other account, or other program, project, or activity, shall bear an increased reduction for the fiscal year to which the order applies as a result of the operation of the preceding sentence.

“(5) UNIFORM PERCENTAGE RATE OF REDUCTION AND OTHER LIMITATIONS.—All reductions described in paragraph (3) which are required to be made in connection with an order issued under section 254 with respect to a fiscal year—

“(A) shall be made so as to ensure that outlays for each program, project, activity, or account involved are reduced by a percentage rate that is uniform for all such programs, projects, activities, and accounts, and may not be made so as to achieve a percentage rate of reduction in any such item exceeding the rate specified in the order; and

“(B) with respect to commodity price support and income protection programs, shall be made in such manner and under such procedures as will attempt to endure that—

“(i) uncertainty as to the scope of benefits under any such program is minimized;

“(ii) any instability in market prices for agricultural commodities resulting from the reduction is minimized; and

“(iii) normal production and marketing relationships among agricultural commodities (including both contract and non-contract commodities) are not distorted.

In meeting the criterion set out in clause (iii) of subparagraph (B) of the preceding sentence, the President shall take into consideration that reductions under an order may apply to programs for two or more agricultural commodities that use the same type of production or marketing resources or that are alternative commodities among which a producer could choose in making annual production decisions.

“(6) CERTAIN AUTHORITY NOT TO BE LIMITED.—Nothing in this joint resolution shall limit or reduce, in any way, any appro-

priation that provides the Commodity Credit Corporation with funds to cover the Corporation's net realized losses.

“(i) EFFECTS OF SEQUESTRATION.—The effects of sequestration shall be as follows:

“(A) Budgetary resources sequestered from any account other than a trust fund account shall permanently revert to the Treasury.

“(B) Except as otherwise provided, the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the most recently enacted appropriation Act covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President's budget).

“(C) Administrative regulations or similar actions implementing a sequestration shall be made within 90 days of the sequestration order. To the extent that formula allocations differ at different levels of budgetary resources within an account, program, project, or activity, the sequestration shall be interpreted as producing a lower total appropriation, with the remaining amount of the appropriation being obligated in a manner consistent with program allocation formulas in substantive law.

“(D) Except as otherwise provided, obligations in sequestered accounts shall be reduced only in the fiscal year in which a sequester occurs.

“(E) If an automatic spending increase is sequestered, the increase (in the applicable index) that was disregarded as a result of that sequestration shall not be taken into account in any fiscal year.

“(F) Except as otherwise provided, sequestration in accounts for which program obligations are indefinite shall be taken in a manner to ensure, to the greatest extent possible, that program obligations in the fiscal year of a sequestration are reduced, from the level that would actually have occurred, by the applicable sequestration percentage.

“SEC. 257. THE BASELINE.

“(a) IN GENERAL.—For any budget year, the baseline refers to a projection of current-year levels of new budget authority, outlays, revenues, and the surplus or deficit into the budget year and the outyears based on laws enacted through the applicable date.

“(b) REVENUES, FEES, AND DIRECT SPENDING.—For the budget year and each outyear, the baseline shall be calculated using the following assumptions:

“(1) IN GENERAL.—Revenue laws, laws providing for fees and laws providing or creating direct spending are assumed to operate in the manner specified in those laws for each such year and funding for spending requirements is assumed to be adequate to make all payments required by those laws.

“(2) EXCEPTIONS.—(A) No program with estimated current-year outlays greater than \$50 million shall be assumed to expire in the budget year or outyears.

“(B) Agricultural price support programs administered through the Commodity Credit Corporation are assumed to be extended under the terms, support prices, loan rates, and other rates of payment in effect the day before the expiration of the Food Security Act of 1985 or the Food and Agricultural Resources Act of 1990, as applicable.

“(C) The increase for veterans’ compensation for a fiscal year is assumed to be the same as that required by law for veterans’ pensions unless otherwise provided by law enacted in that session.

“(D) Excise taxes dedicated to a trust fund, if expiring, are assumed to be extended at current rates.

“(3) HEALTH INSURANCE TRUST FUND.—Notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act.

“(c) DISCRETIONARY APPROPRIATIONS.—For the budget year and each outyear, the baseline shall be calculated using the following assumptions regarding all amounts other than those covered by subsection (b):

“(1) INFLATION OF CURRENT-YEAR APPROPRIATIONS.—Budgetary resources other than unobligated balances shall be at the level provided for the budget year in full-year appropriation Acts. If for any account a full-year appropriation has not yet been enacted, budgetary resources other than unobligated balances shall be at the level available in the current year, adjusted sequentially and cumulatively for expiring housing contracts as specified in paragraph (2), for social insurance administrative expenses as specified in paragraph (3), for pay annualization as specified in paragraph (4), for inflation as specified in paragraph (5), and to account for changes required by law in the level of agency payments for personnel benefits other than pay.

“(2) EXPIRING HOUSING CONTRACTS.—New budget authority to renew expiring multiyear subsidized housing contracts shall be adjusted to reflect the difference in the number of such contracts that are scheduled to expire in that fiscal year and the number expiring in the current year, with the per-contract renewal cost equal to the average current-year cost of renewal contracts.

“(3) SOCIAL INSURANCE ADMINISTRATIVE EXPENSES.—Budgetary resources for the administrative expenses of social insurance trust funds shall be adjusted by the percentage change in the beneficiary population from the current year to that fiscal year.

“(4) PAY ANNUALIZATION.—If current-year pay adjustments for Federal employees occur on a date other than October 1 of the current year, current-year new budget authority for such employees shall be adjusted by the percentage necessary to reflect the 12-month cost of those adjustments.

“(5) INFLATORS.—The inflator used in paragraph (1) to adjust budgetary resources relating to personnel shall be the percent by which the average of the Bureau of Labor Statistics Employment Cost Index (excluding sales) for that fiscal year dif-

fers from such index for the current year. The inflator used in paragraph (1) to adjust all other budgetary resources shall be the percent by which the average of the estimated gross national product fixed-weight price deflator for that fiscal year differs from the average of such estimated deflator for the current year.

“(6) CURRENT-YEAR APPROPRIATIONS.—If, for any account, a continuing appropriation is in effect for less than the entire current year, then the current-year amount shall be assumed to equal the amount that would be available if that continuing appropriation covered the entire fiscal year. If law permits the transfer of budget authority among budget accounts in the current year, the current-year level for an account shall reflect transfers accomplished by the submission of, or assumed for the current year in, the President’s original budget for the budget year.

“(d) ASSET SALES AND LOAN PREPAYMENTS.—The proceeds of asset sales and loan prepayments shall be treated as means of financing the deficit.

“(e) UP-TO-DATE CONCEPTS.—In deriving the baseline for any budget year or outyear, current-year amounts shall be calculated using the concepts and definitions that are required for that budget year.

“SEC. 258. SUSPENSION IN THE EVENT OF WAR OR LOW GROWTH.

“(a) PROCEDURES IN THE EVENT OF A LOW GROWTH REPORT.—

“(1) TRIGGER.—Whenever CBO issues a low-growth report under section 254(g), the Majority Leader of each House shall introduce a joint resolution (in the form set forth in paragraph (2)) declaring that the conditions specified in section 254(g) are met and suspending the relevant provisions of this title, title VI of the Congressional Budget Act of 1974, and section 1103 of title 31, United States Code.

“(2) FORM OF JOINT RESOLUTION.—

“(A) The matter after the resolving clause in any joint resolution introduced pursuant to paragraph (1) shall be as follows: ‘That the Congress declares that the conditions specified in section 254(g) of the Balanced Budget and Emergency Deficit Control Act of 1985 are met, and the implementation of the Congressional Budget and Impoundment Control Act of 1974, chapter 11 of title 31, United States Code, and part C of the Balanced Budget and Emergency Deficit Control Act of 1985 are modified as described in section 258(b) of the Balanced Budget and Emergency Deficit Control Act of 1985.’

“(B) The title of the joint resolution shall be ‘Joint resolution suspending certain provisions of law pursuant to section 258(a)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985.’; and the joint resolution shall not contain any preamble.

“(3) COMMITTEE ACTION.—Each joint resolution introduced pursuant to paragraph (1) shall be referred to the appropriate committees of the House involved; and such Committee shall report the joint resolution to its House without amendment on

or before the fifth day on which such House is in session after the date on which the joint resolution is introduced. If the Committee fails to report the joint resolution within the five-day period referred to in the preceding sentence, it shall be automatically discharged from further consideration of the joint resolution, and the joint resolution shall be placed on the appropriate calendar.

“(4) CONSIDERATION OF JOINT RESOLUTION.—

“(A) A vote on final passage of a joint resolution reported to the Senate or discharged pursuant to paragraph (3) shall be taken on or before the close of the fifth calendar day of session after the date on which the joint resolution is reported or after the Committee has been discharged from further consideration of the joint resolution. If prior to the passage by one House of a joint resolution of that House, that House receives the same joint resolution from the other House, then—

“(i) the procedure in that House shall be the same as if no such joint resolution had been received from the other House, but

“(ii) the vote on final passage shall be on the joint resolution of the other House.

When the joint resolution is agreed to, the Clerk of the House of Representatives (in the case of a House joint resolution agreed to in the House of Representatives) or the Secretary of the Senate (in the case of a Senate joint resolution agreed to in the Senate) shall cause the joint resolution to be engrossed, certified, and transmitted to the other House of the Congress as soon as practicable.

“(B)(i) A motion in the Senate to proceed to the consideration of a joint resolution under this paragraph shall be privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

“(ii) Debate in the Senate on a joint resolution under this paragraph, and all debatable motions and appeals in connection therewith, shall be limited to not more than five hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

“(iii) Debate in the Senate on any debatable motion or appeal in connection with a joint resolution under this paragraph shall be limited to not more than one hour, to be equally divided between, and controlled by, the mover and the manager of the joint resolution, except that in the event the manager of the joint resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee.

“(iv) A motion in the Senate to further limit debate on a joint resolution under this paragraph is not debatable. A motion to table or to recommit a joint resolution under this paragraph is not in order.

“(C) No amendment to a joint resolution considered under this paragraph shall be in order in the Senate.

“(b) **SUSPENSION OF SEQUESTRATION PROCEDURES.**—Upon the enactment of a declaration of war or a joint resolution described in subsection (a)—

“(1) the subsequent issuance of any sequestration report or any sequestration order is precluded;

“(2) titles III and VI of the Congressional Budget Act of 1974 are suspended; and

“(3) section 1103 of title 31, United States Code, is suspended.

“(c) **RESTORATION OF SEQUESTRATION PROCEDURES.**—

“(1) In the event of a suspension of sequestration procedures due to a declaration of war, then, effective with the first fiscal year that begins in the session after the state of war is concluded by Senate ratification of the necessary treaties, the provisions of subsection (b) triggered by that declaration of war are no longer effective.

“(2) In the event of a suspension of sequestration procedures due to the enactment of a joint resolution described in subsection (a), then, effective with regard to the first fiscal year beginning at least 9 months after the enactment of that resolution, the provisions of subsection (b) triggered by that resolution are no longer effective.

“**SEC. 259. MODIFICATION OF PRESIDENTIAL ORDER.**

“(a) **INTRODUCTION OF JOINT RESOLUTION.**—At any time after the Director of OMB issues a report under section 254(d)(1) or (e)(1) for a fiscal year, but before the close of the tenth calendar day of session in that session of Congress beginning after the date of issuance of such report, the majority leader of either House of Congress may introduce a joint resolution which contains provisions directing the President to modify the most recent order issued under section 254(d)(2) or (e)(2) for such fiscal year. After the introduction of the first such joint resolution in either House of Congress in any calendar year, then no other joint resolution introduced in such House in such calendar year shall be subject to the procedures set forth in this section.

“(b) **PROCEDURES FOR CONSIDERATION OF JOINT RESOLUTIONS.**—

“(1) **REFERRAL TO COMMITTEE.**—A joint resolution introduced in the Senate under subsection (a) shall be referred to a committee of the Senate and shall be placed on the appropriate calendar pending disposition of such joint resolution in accordance with this subsection.

“(2) **CONSIDERATION IN THE SENATE.**—On or after the third calendar day (excluding Saturdays, Sundays, and legal holidays) beginning after a joint resolution is introduced under subsection (a), notwithstanding any rule or precedent of the Senate, including Rule 22 of the Standing Rules of the Senate, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the Senate to move to proceed to the consideration of the joint resolution, and all points of order against the joint resolution (and against consideration of the joint resolution) are waived, except for points of order under titles III, IV, or VI of the Congressional Budget

Act of 1974. The motion is not in order after the eighth calendar day (excluding Saturdays, Sundays, and legal holidays) beginning after a joint resolution (to which the motion applies) is introduced. The motion is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the joint resolution is agreed to, the Senate shall immediately proceed to consideration of the joint resolution without intervening motion, order, or other business, and the joint resolution shall remain the unfinished business of the Senate until disposed of.

"(3) DEBATE IN THE SENATE.—

"(A) In the Senate, debate on a joint resolution introduced under subsection (a), amendments thereto, and all debatable motions and appeals in connection therewith shall be limited to not more than 10 hours, which shall be divided equally between the majority leader and the minority leader (or their designees).

"(B) A motion to postpone, or a motion to proceed to the consideration of other business is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order, and a motion to recommit the joint resolution is not in order.

"(C)(i) No amendment that is not germane or relevant to the provisions of the joint resolution or to the order issued under section 254 (d)(2) or (e)(2) shall be in order in the Senate. In the Senate, an amendment, any amendment to an amendment, or any debatable motion or appeal is debatable for not to exceed 30 minutes to be equally divided between the majority leader and the minority leader (or their designees).

"(ii) In the Senate, an amendment that is otherwise in order shall be in order notwithstanding the fact that it amends the joint resolution in more than one place or amends language previously amended. It shall not be in order in the Senate to vote on the question of agreeing to such a joint resolution or any amendment thereto unless the figures then contained in such joint resolution or amendment are mathematically consistent.

"(4) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on a joint resolution introduced under subsection (a), a single quorum call at the conclusion of the debate if requested in accordance with the rules of the Senate, and the disposition of any amendments under paragraph (3), the vote on final passage of the joint resolution shall occur.

"(5) APPEALS.—Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a joint resolution described in subsection (a) shall be decided without debate.

"(6) CONFERENCE REPORTS.—In the Senate, points of order under titles III, IV, and VI of the Congressional Budget Act of

1974 are applicable to a conference report on the joint resolution or any amendments in disagreement thereto.

“(7) **RESOLUTION FROM OTHER HOUSE.**—If, before the passage by the Senate of a joint resolution of the Senate introduced under subsection (a), the Senate receives from the House of Representatives a joint resolution introduced under subsection (a), then the following procedures shall apply:

“(A) The joint resolution of the House of Representatives shall not be referred to a committee.

“(B) With respect to a joint resolution introduced under subsection (a) in the Senate—

“(i) the procedure in the Senate shall be the same as if no joint resolution had been received from the House; but

“(ii)(I) the vote on final passage shall be on the joint resolution of the House if it is identical to the joint resolution then pending for passage in the Senate; or

“(II) if the joint resolution from the House is not identical to the joint resolution then pending for passage in the Senate and the Senate then passes it, the Senate shall be considered to have passed the joint resolution as amended by the text of the Senate joint resolution.

“(C) Upon disposition of the joint resolution received from the House, it shall no longer be in order to consider the resolution originated in the Senate.

“(8) **SENATE ACTION ON HOUSE RESOLUTION.**—If the Senate receives from the House of Representatives a joint resolution introduced under subsection (a) after the Senate has disposed of a Senate originated resolution which is identical to the House passed joint resolution, the action of the Senate with regard to the disposition of the Senate originated joint resolution shall be deemed to be the action of the Senate with regard to the House originated joint resolution. If it is not identical to the House passed joint resolution, then the Senate shall be considered to have passed the joint resolution of the House as amended by the text of the Senate joint resolution.”

PART II—RELATED AMENDMENTS

SEC. 14111. TEMPORARY AMENDMENTS TO THE CONGRESSIONAL BUDGET ACT OF 1974.

Title VI of the Congressional Budget Act of 1974 is amended to read as follows:

“TITLE VI—BUDGET AGREEMENT ENFORCEMENT PROVISIONS

“SEC. 601. DEFINITIONS.

“As used in this title and for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985:

“(1) **MAXIMUM DEFICIT AMOUNT.**—The term ‘maximum deficit amount’ means—

“(A) with respect to fiscal year 1991, \$302,300,000,000;

“(B) with respect to fiscal year 1992, \$276,800,000,000;

“(C) with respect to fiscal year 1993, \$189,700,000,000;

“(D) with respect to fiscal year 1994, \$58,100,000,000;

“(E) with respect to fiscal year 1995, \$18,700,000,000.

“(2) DISCRETIONARY SPENDING LIMIT.—The term ‘discretionary spending limit’ means—

“(A) with respect to fiscal year 1991—

“(i) for the defense category: \$288,918,000,000 in new budget authority and \$297,659,000,000 in outlays;

“(ii) for the international category: \$20,100,000,000 in new budget authority and \$18,600,000,000 in outlays; and

“(iii) for the domestic category: \$182,700,000,000 in new budget authority and \$198,100,000,000 in outlays;

“(B) with respect to fiscal year 1992—

“(i) for the defense category: \$291,643,000,000 in new budget authority and \$295,744,000,000 in outlays;

“(ii) for the international category: \$20,500,000,000 in new budget authority and \$19,100,000,000 in outlays; and

“(iii) for the domestic category: \$191,300,000,000 in new budget authority and \$210,100,000,000 in outlays;

“(C) with respect to fiscal year 1993—

“(i) for the defense category: \$291,785,000,000 in new budget authority and \$292,686,000,000 in outlays;

“(ii) for the international category: \$21,400,000,000 in new budget authority and \$19,600,000,000 in outlays; and

“(iii) for the domestic category: \$198,300,000,000 in new budget authority and \$221,700,000,000 in outlays;

“(D) with respect to fiscal year 1994, for the discretionary category: \$510,800,000,000 in new budget authority and \$534,800,000,000 in outlays; and

“(E) with respect to fiscal year 1995, for the discretionary category: \$517,700,000,000 in new budget authority and \$540,800,000,000 in outlays.

“SEC. 602. 5-YEAR BUDGET RESOLUTIONS.

“In the case of any concurrent resolution on the budget for fiscal year 1992, 1993, 1994, or 1995, that resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of the calendar year in which it is reported and for each of the 4 succeeding fiscal years.

“SEC. 603. COMMITTEE ALLOCATIONS AND ENFORCEMENT.

“(a) COMMITTEE SPENDING ALLOCATIONS.—

“(1) HOUSE OF REPRESENTATIVES.—

“(A) ALLOCATION AMONG COMMITTEES.—The joint explanatory statement accompanying a conference report on a budget resolution shall include allocations, consistent with the resolution recommended in the conference report, of the appropriate levels (for each fiscal year covered by that resolution and a total for all such years) of—

“(i) total new budget authority,

“(ii) total entitlement authority, and

“(iii) total outlays;

among each committee of the House of Representatives that has jurisdiction over legislation providing or creating such amounts.

“(B) NO DOUBLE COUNTING.—Any item allocated to one committee of the House of Representatives may not be allocated to another such committee.

“(C) FURTHER DIVISION OF AMOUNTS.—The amounts allocated to each committee for each fiscal year, other than the Committee on Appropriations, shall be further divided between amounts provided or required by law on the date of filing of that conference report and amounts not so provided or required. The amounts allocated to the Committee on Appropriations for each fiscal year shall be further divided between discretionary and mandatory amounts or programs, as appropriate.

“(2) SENATE ALLOCATION AMONG COMMITTEES.—The joint explanatory statement accompanying a conference report on a budget resolution shall include an allocation, consistent with the resolution recommended in the conference report, of the appropriate levels of—

“(A) total new budget authority, and

“(B) total outlays;

among each committee of the Senate that has jurisdiction over legislation providing or creating such amounts.

“(3) AMOUNTS NOT ALLOCATED.—If a committee receives no allocation of new budget authority, entitlement authority, or outlays, that committee shall be deemed to have received an allocation equal to zero for new budget authority, entitlement authority, or outlays.

“(b) SUBALLOCATIONS BY THE APPROPRIATIONS COMMITTEES.—

“(1) INITIAL SUBALLOCATIONS.—As soon as practicable after a budget resolution is agreed to, the Committee on Appropriations of each House (after consulting with the Committee on Appropriations of the other House) shall suballocate each amount allocated to it for the budget year under subsection (a)(1)(C) among its subcommittees.

“(2) FILING.—Each Committee on Appropriations shall promptly report to its House suballocations made or revised under this subsection.

“(c) APPLICATION OF SECTION 302(F) TO THIS SECTION.—In fiscal years through 1995, reference in section 302(f) to the appropriate allocation made pursuant to section 302(b) for a fiscal year shall, for purposes of this section, be deemed to be a reference to any allocation made under subsection (a) or any suballocation made under subsection (b), as applicable, for the budget year or for the total of all fiscal years made by the joint explanatory statement accompanying the applicable concurrent resolution on the budget.

“(d) APPLICATION OF SUBSECTIONS (A) AND (B) TO FISCAL YEARS 1992 TO 1995.—In the case of concurrent resolutions on the budget for fiscal years 1992 through 1995, allocations shall be made under subsection (a) instead of section 302(a) and shall be made under subsection (b) instead of section 302(b). For those fiscal years, all references in section 302 (c), (d), (e), and (f) to section 302(a) shall be deemed to be in subsection (a) (including revisions made under sec-

tion 604) and all such references to section 302(b) shall be deemed to be to subsection (b) (including revisions made under section 604).”.

“(e) **PAY-AS-YOU-GO EXCEPTION.**—Section 302(f)(1) shall not apply to any bill, resolution, or conference report if—

“(A) the enactment of such bill or resolution as reported;

“(B) the adoption and enactment of such amendment; or

“(C) the enactment of such bill or resolution in the form recommended in such conference report, would not increase the deficit set forth in the most recently agreed to concurrent resolution on the budget for any fiscal year covered by that concurrent resolution.”.

“SEC. 604. CONSIDERATION OF LEGISLATION BEFORE ADOPTION OF BUDGET RESOLUTION FOR THAT FISCAL YEAR.

“(a) **ADJUSTING SECTION 603 ALLOCATION OF DISCRETIONARY SPENDING.**—If a concurrent resolution on the budget is not adopted by April 15, the chairman of the Committee on the Budget of the House of Representatives and the chairman of the Committee on the Budget of the Senate shall submit to their respective Houses, as soon as practicable, a revised section 603(a) allocation to the Committee on Appropriations of that House consistent with the discretionary spending limits contained in the most recent budget submitted by the President under section 1105(a) of title 31, United States Code.

“(b) As soon as practicable after a revised section 603(a) allocation is submitted, the Committee on Appropriations of each House shall make revised suballocations and promptly report those revised suballocations to its House.

“SEC. 605. RECONCILIATION DIRECTIVES REGARDING PAY-AS-YOU-GO REQUIREMENTS.

“(a) **INSTRUCTIONS TO EFFECTUATE PAY-AS-YOU-GO.**—If legislation providing for a net reduction in revenues in any fiscal year (that, within the same measure, is not fully offset in that fiscal year by reductions in direct spending) is enacted, the Committee on the Budget of the House of Representatives or the Senate may report, within 15 legislative days during a Congress, a pay-as-you-go reconciliation directive in the form of a concurrent resolution—

“(1) specifying the total amount by which revenues sufficient to eliminate the net deficit increase resulting from that legislation in each fiscal year are to be changed; and

“(2) directing that the committees having jurisdiction determine and recommend changes in the revenue law, bills, and resolutions to accomplish a change of such total amount.

“(b) **CONSIDERATION OF PAY-AS-YOU-GO RECONCILIATION DIRECTIVE.**—In the Senate, section 305(b) shall apply to the reconciliation directive described in subsection (a) in the same manner as if it were a concurrent resolution on the budget.

“(c) **CONSIDERATION OF PAY-AS-YOU-GO RECONCILIATION LEGISLATION.**—In the House of Representatives and in the Senate, subsections (b) through (e) and (g) of section 310 shall apply in the same manner as if the reconciliation directive described in subsection (a) were a concurrent resolution on the budget.

"SEC. 606. APPLICATION OF SECTION 311.

"In the application of section 311(a) to any bill, resolution, amendment, or conference report, reference in section 311 to the appropriate level of total budget authority or total budget outlays or appropriate level of total revenues set forth in the most recently agreed to concurrent resolution on the budget for a fiscal year shall be deemed to be a reference to the appropriate level for that fiscal year and to the total of the appropriate level for that year and the 4 succeeding years.

"SEC. 607. BUDGET RESOLUTIONS MUST CONFORM TO BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.

"It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under section 301 that is inconsistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 that apply to that fiscal year."

"SEC. 608. EFFECTIVE DATES.

"This title shall take effect upon its date of enactment and shall apply to fiscal years 1991 and 1995."

SEC. 14112. CONFORMING AMENDMENTS.

(a) **CONFORMING AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.—**

(1) **TABLE OF CONTENTS.—**Section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to reflect the new section numbers and headings created by this title.

(2) **SECTION 3.—**Section 3 of such Act is amended—

(A) by striking paragraphs (6) through (10) and by inserting the following:

"(6) the term 'deficit' means, with respect to a fiscal year, the amount by which outlays exceeds receipts during the year.

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

(3) **SECTION 202.—**Section 202(a)(1) and the second sentence of 202(f)(1) of such act are amended by striking "budget authority" and inserting "new budget authority".

(4) **SECTION 300.—**Section 300 of such Act is amended by striking "First Monday after January 3" and by inserting "First Monday in February".

(5) **SECTION 304.—**Section 304 of such Act is amended by striking subsection (b) and by striking "(c)" and inserting "(b)".

(6) **SECTION 301 (i).—**Section 301(i) of such Act is repealed.

(7) **SECTION 311 (a).—**Section 311(a) of such Act is amended by striking "or, in the Senate" and all that follows thereafter through "paragraph (2) of such subsection".

(8) **SECTION 904.—**Section 904 of such Act is amended by striking "and" after "III", by inserting, ", V, and VI (except section 601)" after "IV", and by striking "606,".

(b) **CONFORMING AMENDMENT TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—**Subsection (b) of sec-

tion 275 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

“(b) EXPIRATION.—Part C of this title, section 271(b) of this Act, and sections 1105(f) and 1106(c) of title 31, United States Code, shall expire September 30, 1995.”.

(c) CONFORMING AMENDMENTS TO SECTION 1105 OF TITLE 31, UNITED STATES CODE.—

(1) SECTION 1105 (a).—Section 1105(a) of title 31, United States Code, is amended by striking “first Monday after January 3” and by inserting “first Monday in February”

(2) SECTION 1105 (f).—Section 1105(f) of title 31, United States Code, is amended to read as follows:

“(f) The budget transmitted pursuant to subsection (a) for a fiscal year shall be prepared in a manner consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 that apply to that fiscal year.”.

(d) CONFORMING AMENDMENTS TO THE RULES OF THE HOUSE OF REPRESENTATIVES.—

(1) CROSS-REFERENCE.—Clause 1(e)(2) of rule X of the Rules of the House of Representatives is amended by striking “(a)(4)”.

(2) CROSS-REFERENCE.—Clause 1(e)(2) of rule X of the House of Representatives is amended by striking “Act, and any resolution pursuant to section 254(b) of the Balanced Budget and Emergency Deficit Control Act of 1985” and inserting “Act”.

(3) ALLOCATIONS.—Clause 4(h) of rule X of the House of Representatives is amended by inserting “or section 603 (in the case of fiscal years 1991 through 1995)” after “section 302”.

(4) MULTIYEAR REVENUE ESTIMATES.—Clause 7(a)(1) of rule XIII of the House of Representatives is amended by striking “, except that, in the case of measures affecting the revenues, such reports shall require only an estimate of the gain or loss in revenues for a one-year period”.

(e) CONFORMING AMENDMENT TO THE STANDING RULES OF THE SENATE.—Paragraph 1(e)(1) of rule XXV of the Standing Rules of the Senate is amended by striking “(a)(4)”.

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

SEC. 14201. CREDIT ACCOUNTING.

Title V of the Congressional Budget Act of 1974 is amended to read as follows:

“TITLE V—CREDIT ACCOUNTING

“SEC. 501. COST OF LOANS.

“As used in this title, the term ‘cost’ or ‘cost of loans’ means the cost to the Government of any loan (that is, any direct loan or loan guarantee), including the cost of, and receipts from, insurance purchased by the Government, except indirect costs such as administrative costs or any effect on receipts, and shall be calculated as follows:

“(1) **DIRECT LOANS.**—For a direct loan to the public made by the Government, the difference between the face value of the loan and the net present value of—

“(A) the repayments of principal; and

“(B) payments of interest and other payments; to the Government by the borrower over the life of the loan, after adjusting for estimated defaults, prepayments, fees, penalties, and any other recoveries.

“(2) **LOAN GUARANTEES.**—For a loan made by a non-Federal borrower that is guaranteed as to principal or interest, in whole or in part, by the Government, the net present value of (A) estimated payments by the Government to cover defaults, interest subsidies, or other costs, and (B) receipts (such as origination and other fees, penalties, and other recoveries) by the Government.

“(3) **ACTIONS THAT ALTER COSTS.**—Any Government action that alters estimated loan costs (except modifications within the terms of a loan contract) shall be accounted as increasing or decreasing, as the case may be, the cost to the Government of such loans.

“(4) **DISCOUNT RATE.**—The estimated average interest rate on new issues of Treasury securities of similar maturity to the loans being estimated shall be used as the discount to present value.

“**SEC. 502. BUDGETARY ACCOUNTING.**

“(a) **NEW BUDGET AUTHORITY.**—The authority to incur new direct loan obligations, make new loan guarantee commitments, or directly or indirectly alter the costs of outstanding loans is new budget authority in an amount equal to the cost (as defined in section 501), in the fiscal year in which definite authority becomes available or in which indefinite authority is used.

“(b) **OUTLAYS.**—Outlays resulting from, and equal in amount to, the amount of new budget authority referred to in subsection (a) that is obligated shall be recorded in the fiscal year in which a loan is disbursed or its cost altered.

“(c) **RESIDUAL CASH FLOW.**—

“(1) **IN GENERAL.**—All flows of cash resulting from Federal loan contracts other than the outlays recorded pursuant to subsection (b) shall be a means of financing the deficit.

“(2) **REESTIMATES.**—Whenever the estimate of the cost of loan obligations or commitments already made for a given program cohort differs from the estimate used when the loans were made, that reestimate shall immediately be reflected in the budget as a change in program costs and as a change in net interest.

“(3) **IMPLEMENTATION.**—In order to effectuate the accounting required by the previous provisions of this section, (A) the President is authorized to establish such nonbudgetary accounts as may be appropriate, and (B) the Secretary of the Treasury shall borrow from, receive from, lend to, or pay to such accounts such amounts as may be appropriate.

"SEC. 503. CONGRESSIONAL CONTROL OF LOAN COSTS.

"(a) APPROPRIATION REQUIRED.—Notwithstanding any other provision of law, new direct loan obligations made after September 30, 1991, only to the extent that appropriations of new budget authority to cover their costs are made, or authority is otherwise provided, in appropriation Acts enacted after January 1, 1991.

"(b) EXEMPTION FOR MANDATORY PROGRAM.—Subsection (a) shall not apply to any loan program that constitutes a spending requirement, and all existing programs funded through the Commodity Credit Corporation.

"SEC. 504. EXECUTIVE BRANCH COST ESTIMATES.

"(a) IN GENERAL.—For the executive branch, all estimates required by this title shall be made by the Director of the Office of Management and Budget after consultation with the agencies that administer loan programs (or, if such authority is delegated, by those agencies), and shall be based upon written guidelines, regulations, or criteria (consistent with the definitions in this title) established by the Director after consultation with Secretary of the Treasury and the Director or the Congressional Budget Office.

"(b) IMPROVING COST ESTIMATES.—The Office of Management and Budget and the Congressional Budget Office shall work together to develop accurate data on the historical performance of loan programs. They shall annually review loan portfolios to improve estimates of loan costs.

"(c) ACCESS TO DATA.—The Office of Management and Budget, the Treasury, and the Congressional Budget Office shall have access to all agency data that may facilitate the development or improvement of loan cost estimates.

"SEC. 505. BUDGET PRESENTATION OF COSTS.

"(a) ADMINISTRATIVE EXPENSES.—All funding for an agency's administration of a loan program shall be displayed as distinct and separately identified subaccounts within the same budget account as the program's loan cost, but appropriation Acts may transfer funding for those administrative costs to other accounts.

"(b) LOAN COSTS BEFORE FISCAL YEAR 1992.—The Office of Management and Budget shall, to the extent possible, make summary estimates of loan costs incurred in years before fiscal year 1992 and shall make such information available to supplement or adjust (as appropriate) historical data for such years.

"SEC. 506. EFFECTIVE DATES.

"(a) PRESIDENT'S BUDGET.—This title shall apply to budget estimates for loans to be obligated in fiscal year 1992 and thereafter presented in the budgets submitted by the President under section 1105(a) of title 31, United States Code, after the enactment of this title.

"(b) CONGRESSIONAL BUDGET.—This title shall apply to budget estimates for loans to be obligated in fiscal year 1992 and thereafter contained in concurrent resolutions on the budget for fiscal years 1992 and thereafter.

"(c) LOANS OBLIGATED BEFORE FISCAL YEAR 1992.—Net costs of loans obligated before fiscal year 1992 shall be shown in the budget on a cash basis. This subsection shall be deemed to provide author-

ity to make any payments required to be made on such loan contracts.

"SEC. 507. STUDY OF FEDERAL INSURANCE ACCOUNTING.

"The Director of the Office of Management and Budget and the Director of the Congressional Budget Office shall each study whether the accounting for Federal deposit insurance programs should be on a cash basis, on the same basis as loan guarantees, or on some other basis. Each Director shall report findings and recommendations to the President and the Congress by August 31, 1991."

Subtitle C—Social Security

SEC. 14301. OFF-BUDGET STATUS OF OASDI TRUST FUNDS.

Notwithstanding any other provision of law, the receipts (excluding interest on obligations described in section 201(d) of the Social Security Act) and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of—

- (1) the budget of the United States Government as submitted by the President,
- (2) the congressional budget, or
- (3) the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 14302. PROTECTION OF OASDI TRUST FUNDS.

(a) **IN GENERAL.**—(1) It shall not be in order in the House of Representatives or the Senate to consider any bill or resolution, or any amendment thereto or conference report thereon, if—

(A) upon enactment—

(i) such legislation under consideration would provide for a net increase in OASDI benefits of at least 0.02 percent of the present value of future taxable payroll for the 75-year period utilized in the most recent annual report of the Board of Trustees provided pursuant to section 201(c)(2) of the Social Security Act, or

(ii) the net increase in OASDI benefits (for the 5-year period consisting of the fiscal year in which such legislation under consideration would be effective and the next 4 fiscal years) provided by such legislation under consideration, together with the 5-year net increases in OASDI benefits resulting from previous legislation enacted during that fiscal year or any of the previous 4 fiscal years (as estimated at the time of enactment), exceeds \$250,000,000, and such legislation under consideration does not provide at least a net increase, for the same period referred to in clause (i) or (ii), in OASDI taxes of the amount by which the net increase in such benefits exceeds the amount specified in such clause; or

(B) upon enactment—

(i) such legislation under consideration would provide for a net decrease in OASDI taxes of at least 0.02 percent of

the present value of future taxable payroll for the 75-year period utilized in the most recent annual report of the Board of Trustees provided pursuant to section 201(c)(2) of the Social Security Act, or

(ii) the net decrease in OASDI taxes (for the 5-year period consisting of the fiscal year in which such legislation under consideration would be effective and the next 4 fiscal years) provided by such legislation under consideration, together with the 5-year net decrease in OASDI taxes resulting from previous legislation enacted during that fiscal year or any of the previous 4 fiscal years (as estimated at the time of enactment), exceeds \$250,000,000, and such legislation under consideration does not provide at least a net decrease, for the same period referred to in clause (i) or (ii), in OASDI benefits of the amount by which the net decrease in such taxes exceeds the amount specified in such clause.

(2) In applying subparagraph (B) of paragraph (1), any provision of any bill or resolution, or any amendment thereto, or conference report thereon, the effect of which is to provide for a net decrease for any period in taxes described in paragraph (3)(B)(i) shall be disregarded if such bill, resolution, amendment, or conference report also includes a provision the effect of which is to provide for a net increase of at least an equivalent amount of such period in medicare taxes.

(3) For purposes of this subsection:

(A) The term "OASDI benefits" means the benefits under the old-age, survivors, and disability insurance programs under title II of the Social Security Act.

(B) The term "OASDI taxes" means—

(i) the taxes imposed under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1986, and

(ii) the taxes imposed under chapter 1 of such Code (to the extent attributable to section 86 of such Code).

(C) The term "medicare taxes" means the taxes imposed under sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1986.

(D) The term "previous legislation" shall not include legislation enacted before fiscal year 1991.

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

(b) EXERCISE OF RULEMAKING POWER OF THE HOUSE OF REPRESENTATIVES AND THE SENATE.—Subsection (a) is enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as a part of the rules of each House, respectively or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

SEC. 14303. REPORT TO THE CONGRESS BY THE BOARD OF TRUSTEES OF THE OASDI TRUST FUNDS REGARDING THE ACTUARIAL BALANCE OF THE TRUST FUNDS.

Section 201(c) of the Social Security Act (42 U.S.C. 401(c)) is amended by inserting after the first sentence following clause (5) the following new sentence: "Such statement shall include a finding by the Board of Trustees as to whether the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, individually and collectively, are in close actuarial balance (as defined by the Board of Trustees)."

SEC. 14304. EFFECTIVE DATE.

Sections 14301 and 14302, and any amendments made by such sections, shall apply with respect to fiscal years beginning on or after October 1, 1991. Section 14303 shall be effective for annual reports of the Board of Trustees issued in or after calendar year 1991.

Subtitle D—Treatment of Fiscal Year 1991 Sequestration

SEC. 14401. RESTORATION OF FUNDS SEQUESTERED.

(a) **ORDER RESCINDED.**—Upon the enactment of this Act, the orders issued by the President on August 27, 1990, and October 15, 1990, pursuant to section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 are hereby rescinded.

(b) **AMOUNTS RESTORED.**—Any action taken to implement the orders referred to in subsection (a) shall be reversed, and any sequestrable resource that has been reduced or sequestered by such orders is hereby restored, revived, or released and shall be available to the same extent and for the same purpose as if the orders had not been issued.

Subtitle E—Government-sponsored Enterprises

SEC. 14501. FINANCIAL SAFETY AND SOUNDNESS OF GOVERNMENT-SPONSORED ENTERPRISES.

(a) **DEFINITION.**—For purposes of this section, the terms "Government-sponsored enterprise" and "GSEs" mean the Farm Credit System (including the Farm Credit Banks, Banks for Cooperatives, Federal Agricultural Mortgage Corporation, and Farm Credit Insurance Corporation), the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Student Loan Marketing Association.

(b) **TREASURY DEPARTMENT STUDY AND PROPOSED LEGISLATION.**—

(1) The Department of the Treasury shall prepare and submit to Congress no later than April 30, 1991, a study of GSEs and recommended legislation.

(2) The study shall include an objective assessment of the financial soundness of GSEs, the adequacy of the existing regu-

latory structure for GSEs, and the financial exposure of the Federal Government posed by GSEs.

(c) CONGRESSIONAL BUDGET OFFICE STUDY.—

(1) The Congressional Budget Office shall prepare and submit to Congress no later than April 30, 1991, a study of GSEs.

(2) The study shall include an analysis of the financial risks each GSE assumes, how Congress may improve its understanding of those risks, the supervision and regulation of GSEs' risk management, and the financial exposure of the Federal Government posed by GSEs. The study shall also include an analysis of alternative models for oversight of GSEs and of the costs and benefits of each alternative model to the Government and to the markets and beneficiaries served by GSEs.

(d) ACCESS TO RELEVANT INFORMATION.—

(1) For the studies required by this section, each GSE shall provide full and prompt access to the Secretary of the Treasury and the Director of the Congressional Budget Office to its books and records and other information requested by the Secretary of the Treasury or the Director of the Congressional Budget Office.

(2) In preparing the studies required by this section, the Secretary of the Treasury and the Director of the Congressional Budget Office may request information from, or the assistance of, any Federal department or agency authorized by law to supervise the activities of a GSE.

(e) CONFIDENTIALITY OF RELEVANT INFORMATION.—

(1) The Secretary of the Treasury and the Director of the Congressional Budget Office shall determine and maintain the confidentiality of any book, record, or information made available by a GSE under this section in a manner consistent with the level of confidentiality established for the material by the GSE involved.

(2) The Department of the Treasury and the Congressional Budget Office shall be exempt from section 552 of title 5, United States Code, for any book, record, or information made available under subsection (d) and determined by the Secretary of the Treasury or the Director of the Congressional Budget Office, as appropriate, to be confidential under this subsection.

(3) Any officer or employee of the Department of the Treasury or the Congressional Budget Office shall be subject to the penalties set forth in section 1906 of title 18, United States Code, if—

(A) by virtue of his or her employment or official position, he or she has possession of or access to any book, record, or information made available under and determined to be confidential under this section; and

(B) he or she discloses the material in any manner other than—

(i) to an officer or employee of the Department of the Treasury or the Congressional Budget Office; or

(ii) pursuant to the exception set forth in such section 1906.

(f) **REQUIREMENT TO REPORT LEGISLATION.**—The committees of jurisdiction in the House and Senate shall prepare and report to the House and Senate, respectively, no later than September 15, 1991, legislation to ensure the financial soundness of GSEs and to minimize the possibility that a GSE might require future assistance from the Government.

PART 2

THE AMENDMENT TO BE OFFERED BY REPRESENTATIVE ROSTENKOWSKI OF ILLINOIS, OR HIS DESIGNEE, DEBATABLE FOR NOT TO EXCEED 1 HOUR

Amend Subtitle D of title XII to read as follows:

Subtitle D—Provisions Relating to Medicare Part B Premium and Deductible

SEC. 12301. PART B PREMIUM.

Section 1839(e)(1) of the Social Security Act (42 U.S.C. 1395r(e)(1)) is amended—

(1) by inserting “(A)” after “(e)(1)”, and

(2) by adding at the end of the following new subparagraph:

“(B) Notwithstanding the provisions of subsection (a), the monthly premium for each individual enrolled under this part for each month in—

“(i) 1991 shall be \$29.90,

“(ii) 1992 shall be \$31.70,

“(iii) 1993 shall be \$36.50,

“(iv) 1994 shall be \$41.20, and

“(v) 1995 shall be \$46.20.”

SEC. 12302. PART B DEDUCTIBLE.

Section 1833(b) of the Social Security Act (42 U.S.C. 13951) is amended by inserting after “\$75” the following: “for calendar years before 1991 and \$100 for 1991 and subsequent years”.

Strike title XIII and insert the following:

TITLE XIII—COMMITTEE ON WAYS AND MEANS: REVENUE PROVISIONS

SEC. 13001. SHORT TITLE; ETC.

(a) **SHORT TITLE.**—This title may be cited as the “Revenue Reconciliation Act of 1990”.

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) **SECTION 15 NOT TO APPLY.**—Except as otherwise expressly provided in this title, no amendment made by this title shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) **TABLE OF CONTENTS.**—

TITLE XIII—COMMITTEE ON WAYS AND MEANS: REVENUE PROVISIONS

Sec. 13001. Short Title; etc.

Subtitle A—Individual Income Tax Provisions; Luxury Excise Tax

PART I—PROVISIONS AFFECTING HIGH-INCOME INDIVIDUALS

- Sec. 13101. Elimination of provision reducing marginal tax rate for high-income taxpayers.
- Sec. 13102. Increase in rate of individual alternative minimum tax.
- Sec. 13103. Surtax on individuals with incomes over \$1,000,000.
- Sec. 13104. Taxes on luxury items.
- Sec. 13105. Increase in dollar limitation on amount of wages subject to hospital insurance tax.

PART II—DELAY OF INDEXING OF INCOME TAX BRACKETS AND PERSONAL EXEMPTIONS

- Sec. 13111. Delay of indexing of income tax brackets and personal exemptions.

PART III—PROVISIONS RELATED TO EARNED INCOME TAX CREDIT

- Sec. 13121. Increase in earned income tax credit.
- Sec. 13122. Simplification of credit.

PART IV—CAPITAL GAINS PROVISIONS

Subpart A—Reduction in Capital Gains Tax for Individuals

- Sec. 13131. Reduction in capital gains tax for individuals

Subpart B—Depreciation Recapture

- Sec. 13135. Recapture under section 1250 of total amount of depreciation.

Subtitle B—Excise Taxes

PART I—TAXES RELATED TO HEALTH AND THE ENVIRONMENT

- Sec. 13201. Increase in excise taxes on distilled spirits, wine, and beer.
- Sec. 13202. Increase in excise taxes on tobacco products.
- Sec. 13203. Additional chemicals subject to tax on ozone-depleting chemicals.

PART II—USER RELATED TAXES

- Sec. 13211. Increase and extension of aviation-related taxes and trust fund; repeal of reduction in rates.
- Sec. 13212. Amendments to gas guzzler tax.
- Sec. 13213. Increase in harbor maintenance tax.
- Sec. 13214. Extension of Leaking Underground Storage Tank Trust Fund Taxes.
- Sec. 13215. Floor stocks tax treatment of articles in foreign trade zones.

Subtitle C—Other Revenue Increases

PART I—INSURANCE PROVISIONS

Subpart A—Provisions Related to Policy Acquisition Costs

- Sec. 13301. Capitalization of policy acquisition expenses.
- Sec. 13302. Treatment of nonlife reserves of life insurance companies.
- Sec. 13303. Treatment of life insurance reserves of insurance companies which are not life insurance companies.

Subpart B—Treatment of Salvage Recoverable

- Sec. 13305. Treatment of salvage recoverable.

Subpart C—Waiver of Estimated Tax Penalties

- Sec. 13307. Waiver of estimated tax penalties.

PART II—COMPLIANCE PROVISIONS

- Sec. 13311. Suspension of statute of limitations during proceedings to enforce certain summonses.
- Sec. 13312. Accuracy-related penalty to apply to section 482 adjustments.
- Sec. 13313. Treatment of persons providing services.

- Sec. 13314. Application of amendments made by section 7403 of Revenue Reconciliation Act of 1989 to taxable years beginning on or before July 10, 1989.
 Sec. 13315. Other reporting requirements.
 Sec. 13316. Study of section 482.

PART III—EMPLOYER REVERSIONS

Subpart A—Treatment of Reversions of Qualified Plan Assets to Employers

- Sec. 13321. Increase in reversion tax.
 Sec. 13322. Additional tax if no replacement plan.
 Sec. 13323. Effective date.

Subpart B—Transfers to Retiree Health Accounts

- Sec. 13325. Transfer of excess pension assets to retiree health accounts.
 Sec. 13326. Application of ERISA to transfers of excess pension assets to retiree health accounts.

PART IV—CORPORATE PROVISIONS

- Sec. 13331. Recognition of gain by distributing corporation in certain section 355 transactions.
 Sec. 13332. Modifications to regulations issued under section 305(c).
 Sec. 13333. Modifications to section 1060.
 Sec. 13334. Modifications to corporation equity reduction limitations on net operating loss carrybacks.
 Sec. 13335. Issuance of debt or stock in satisfaction of indebtedness.

PART V—EMPLOYMENT TAX PROVISIONS

- Sec. 13341. Coverage of certain State and local employees under Social Security.
 Sec. 13342. Extension of surtax on unemployment tax.
 Sec. 13343. Deposits of payroll taxes.

PART VI—MISCELLANEOUS PROVISIONS

- Sec. 13351. Special rules where grantor of trust is a foreign person.
 Sec. 13352. Return requirement where cash received in trade or business.

Subtitle A—Individual Income Tax Provisions; Luxury Excise Tax

PART I—PROVISIONS AFFECTING HIGH-INCOME INDIVIDUALS

**SEC. 13105. INCREASE IN DOLLAR LIMITATION ON AMOUNT OF WAGES
SUBJECT TO HOSPITAL INSURANCE TAX.**

(a) HOSPITAL INSURANCE TAX.—

(1) IN GENERAL.—Paragraph (1) of section 3121(a) is amended—

(A) by striking “contribution and benefit base (as determined under section 230 of the Social Security Act)” each place it appears and inserting “applicable contribution base (as determined under subsection (x))”, and

(B) by striking "such contribution and benefit base" and inserting "such applicable contribution base".

(2) APPLICABLE CONTRIBUTION BASE.—Section 3121 is amended by adding at the end thereof the following new subsection:

"(x) APPLICABLE CONTRIBUTION BASE.—For purposes of this chapter—

"(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—For purposes of the taxes imposed by sections 3101(a) and 3111(a), the applicable contribution base for any calendar year is the contribution and benefit base determined under section 230 of the Social Security Act for such calendar year.

"(2) HOSPITAL INSURANCE.—For purposes of the taxes imposed by section 3101(b) and 3111(b), the applicable contribution base is—

"(A) \$100,000 for calendar year 1991, and

"(B) for any calendar year after 1991, \$100,000 adjusted in the same manner as is used in adjusting the contribution and benefit base under section 230 of the Social Security Act."

(b) SELF-EMPLOYMENT TAX.—

(1) IN GENERAL.—Subsection (b) of section 1402 is amended by striking "the contribution and benefit base (as determined under section 230 of the Social Security Act)" and inserting "the applicable contribution base (as determined under subsection (k))".

(2) APPLICABLE CONTRIBUTION BASE.—Section 1402 is amended by adding at the end thereof the following new subsection:

"(k) APPLICABLE CONTRIBUTION BASE.—For purposes of this chapter—

"(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—For purposes of the tax imposed by section 1401(a), the applicable contribution and benefit base determined under section 230 of the Social Security Act for such calendar year.

"(2) HOSPITAL INSURANCE.—For purposes of the tax imposed by section 1401(b), the applicable contribution base for any calendar year is the applicable contribution base determined under section 3121(x)(2) for such calendar year."

(c) RAILROAD RETIREMENT TAX.—Clause (i) of section 3231(e)(2)(B) is amended to read as follows:

"(i) TIER 1 TAXES.—

"(I) IN GENERAL.—Except as provided in subclause (II) of this clause and in clause (ii), the term 'applicable base' means for any calendar year the contribution and benefit base determined under section 230 of the Social Security Act for such calendar year.

"(II) HOSPITAL INSURANCE TAXES.—For purposes of applying so much of the rate applicable under section 3201(a) or 3221(a) (as the case may be) as does not exceed the rate of tax in effect under section 3101(b), and for purposes of applying so much of the rate of tax applicable under section 3211(a)(1) as does not exceed the rate of tax in effect under section 1401(b), the term 'applicable

base' means for any calendar year the applicable contribution base determined under section 3121(x)(2) for such calendar year."

(d) TECHNICAL AMENDMENTS.—

(1) Paragraph (3) of section 6413(c) is amended to read as follows:

"(3) SEPARATE APPLICATION FOR HOSPITAL INSURANCE TAXES.—

In applying this subsection with respect to—

"(A) the tax imposed by section 3101(b) (or any amount equivalent to such tax), and

"(B) so much of the tax imposed by section 3201 as is determined at a rate not greater than the rate in effect under section 3101(b);

the applicable contribution base determined under section 3121(x)(2) for any calendar year shall be substituted for 'contribution and benefit base (as determined under section 230 of the Social Security Act)' each place it appears."

(2) Sections 3122 and 3125 are each managed by striking "contribution and benefit base limitation" each place it appears and inserting "applicable contribution base limitation".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to 1991 and later calendar years.

PART V—EMPLOYMENT TAX PROVISIONS

**SEC. 13341. COVERAGE OF CERTAIN STATE AND LOCAL EMPLOYEES
UNDER SOCIAL SECURITY.**

(a) **EMPLOYMENT UNDER OASDI.**—Paragraph (7) of section 210(a) of the Social Security Act (42 U.S.C. 410(a)(7)) is amended—

- (1) by striking “or” at the end of subparagraph (D);
- (2) by striking the semicolon at the end of subparagraph (E) and inserting “, or”; and
- (3) by adding at the end of the following new subparagraph:
“(F) service in the employ of a State (other than the District of Columbia, Guam, or American Samoa), of any political subdivision thereof, or of any instrumentality of any

one or more of the foregoing which is wholly owned thereby, by an individual who is not a member of a retirement system (as defined in section 218(b)(4)) of such State, political subdivision, or instrumentality, except that the provisions of this subparagraph shall not be applicable to service performed—

“(i) by an individual who is employed to relieve such individual from unemployment;

“(ii) in a hospital, home, or other institution by a patient or inmate thereof;

“(iii) by any individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency;

“(iv) by an election official or election worker if the remuneration paid in a calendar year for such service is less than \$100; or

“(v) by an employee in a position compensated solely on a fee basis which is treated pursuant to section 211(c)(2)(E) as a trade or business for purposes of inclusion of such fees in net earnings from self-employment.

(b) EMPLOYMENT UNDER FICA.—Paragraph (7) of section 3121(b) of the Internal Revenue Code of 1986 is amended—

(1) by striking “or” at the end of subparagraph (D);

(2) by striking the semicolon at the end of subparagraph (E) and inserting “, or”; and

(3) by adding at the end of the following new subparagraph:

“(F) service in the employ of a State (other than the District of Columbia, Guam, or American Samoa), of any political subdivision thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, by an individual who is not a member of a retirement system (as defined in section 218(b)(4) of the Social Security Act) of such State, political subdivision, or instrumentality, except that the provisions of this subparagraph shall not be applicable to service performed—

“(i) by an individual who is employed to relieve such individual from unemployment;

“(ii) in a hospital, home, or other institution by a patient or inmate thereof;

“(iii) by any individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency;

“(iv) by an election official or election worker if the remuneration paid in a calendar year for such service is less than \$100; or

“(v) by an employee in a position compensated solely on a fee basis which is treated pursuant to section 1402(c)(2)(E) as a trade or business for purposes of inclusion of such fees in net earnings from self-employment.

(c) MANDATORY EXCLUSION OF CERTAIN EMPLOYEES FROM STATE AGREEMENTS.—Section 218(c)(6) of the Social Security Act (42 U.S.C. 418(c)(6)) is amended—

- (1) by striking "and" at the end of subparagraph (D);
- (2) by striking the period at the end of subparagraph (E) and inserting in lieu thereof ", and"; and
- (3) by adding at the end the following new subparagraph:
 "(F) service described in section 210(a)(7)(F) which is included as 'employment' under section 210(a)."

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to service performed after December 31, 1990.

SEC. 13342. EXTENSION OF SURTAX ON UNEMPLOYMENT TAX.

(a) **GENERAL RULE.**—Subsection (a) of section 3301 (relating to rate of unemployment tax) is amended by striking paragraphs (1) and (2) and inserting the following:

- "(1) 6.2 percent in the case of calendar years before 1996, or
- "(2) 6.0 percent in the case of calendar year 1996 and each calendar thereafter,".

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to calendar years after 1990.

SEC. 13343. DEPOSITS OF PAYROLL TAXES.

(a) **IN GENERAL.**—Subsection (g) of section 6302 is amended to read as follows:

"(g) **DEPOSITS OF SOCIAL SECURITY TAXES AND WITHHELD INCOME TAXES.**—If, under regulations prescribed by the Secretary, a person is required to make deposits of taxes imposed by chapters 21 and 24 on the basis of eighth-month periods, such person shall make deposits of such taxes on the 1st banking day after any day on which such person has \$100,000 or more of such taxes for deposit."

(b) **TECHNICAL AMENDMENT.**—Paragraph (2) of section 7632(b) of the Revenue Reconciliation Act of 1989 is hereby repealed.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts required to be deposited after December 31, 1990.

PROVIDING FOR CONSIDERATION OF H.R. 5835, OMNIBUS BUDGET RECONCILIATION ACT OF 1990

Mr. DERRICK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 509 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. Res. 509

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for the fiscal year 1991, and the first reading of the bill shall be dispensed with. All points of order against the bill and against its consideration are hereby waived, except that the chairman of the Committee on Ways and Means, or his designee, is authorized to raise points of order under clause 5(b), rule XXI. After general debate, which shall be confined to the bill and the amendments made in order by this resolution and which shall not exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Budget, the bill shall be considered as having been read for amendment under the five-minute rule. The amendments printed in part one of the report of the Committee on Rules accompanying this resolution shall be considered as having been adopted in the House and in the Committee of the Whole. No other amendment to the bill shall be in order in the House or in the Committee of the Whole except those printed in part two of the report of the Committee on Rules or as specified herein. It shall be in order to consider en bloc the amendments printed in the report of the Committee on Rules, if offered by Representative Rostenkowski, or his designee, and said amendments en bloc shall be considered as having been read. Said amendments en bloc shall be debatable for the period specified in the report, equally divided and controlled by the proponent and a Member opposed thereto. Said amend-

ments en bloc shall not be subject to amendment, or be subject to a demand for a division of the question in the House or in the Committee of the Whole. All points of order are hereby waived against the amendments printed in the report. It shall be in order to consider en bloc amendments offered by Representative Panetta of California, or his designee, and said amendments en bloc shall not be subject to amendment, or to a demand for a division of the question in the House or in the Committee of the Whole. Said amendments en bloc shall be considered as having been read, shall be debatable for not to exceed thirty minutes, equally divided and controlled by the proponent and a Member opposed thereto. All points of order against the amendments en bloc are hereby waived. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit, which may not include instructions.

PARLIAMENTARY INQUIRY

Mr. MICHEL. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore (Mr. MURTHA). The gentleman will state it.

Mr. MICHEL. Mr. Speaker, because the House has been in somewhat disarray and going through some commotion, did I understand the Clerk to have just read House Resolution 509?

The SPEAKER pro tempore. The gentleman is correct.

POINT OF ORDER

Mr. MICHEL. If so, Mr. Speaker, then I make a point of order.

The SPEAKER pro tempore. The gentleman will state his point of order.

Mr. MICHEL. Mr. Speaker, I make a point of order against House Resolution 509 on grounds that it violates clause 4(b) of House rule XI, and ask to be heard on my point of order.

Mr. Speaker, clause 4(b) of House rule XI provides that, and I quote:

The Committee on Rules shall not report any rule or order of business which . . . would prevent the motion to recommit from being made as provided in clause 4 of rule XVI.

And clause 4 of rule XVI provides, and again I quote:

After the previous question shall have been ordered on the passage of a bill or joint resolution one motion to recommit shall be in order, and the Speaker shall give preference in recognition for such purpose to a Member who is opposed to the bill or joint resolution.

Mr. Speaker, those two clauses were adopted as amendments to House Rules on March 15, 1909, when the then minority party Democrats joined with a group of insurgent Republicans to guarantee greater minority rights. Prior to this rules revision, the motion to recommit was controlled by the majority party. This change was instituted for the specific purpose of giving the minority a final vote on its alternative legislative proposal through a motion to recommit with instructions. House Resolution 509, on the other hand, provides that the motion to re-

commit, and I quote, "may not contain instructions." It therefore is in direct violation of this rule which was purposely designed to guarantee the minority a vote on its alternative by way of instructions.

Mr. Speaker, in support of this argument I quote first from the author of clause 4(b) of rule XI on the day he offered the amendment—Representative John Fitzgerald, a Democrat from New York. In his words:

Under our present practice, if a Member desires to move to recommit with instructions, the Speaker instead of recognizing the Member desiring to submit a specific proposition by instructions, recognizes the gentleman in charge of the bill and he moves to recommit, and upon that motion demands the previous question. When the previous question is ordered, the motion to recommit is voted down. Under our practice, the motion to recommit might better be eliminated from the rules altogether.

The subsequent rulings of Speakers confirm that the whole purpose of the new rule was to permit the minority a chance to offer a final amendment in a motion to recommit with instructions.

Speaker Champ Clark ruled on May 14, 1912, and I quote:

It is not necessary to go into the history of how this particular rule came to be adopted but that it was intended that the right to make the motion to recommit should be preserved inviolate.

That is from a precedent found in volume 8 of Cannon's Precedents in section 2757. From that same volume in section 2757 is found a precedent from October 7, 1919. Former Speaker Crisp is quoted as follows:

The object of the motion to recommit is clearly to give the minority of the House . . . a chance affirmatively to go on record as to what they think this legislation should be, and if a motion to recommit does not permit that, then the motion is futile.

And Speaker Gillett, in deciding the point of order on that occasion, said, and I quote:

. . . The fact is that a motion to recommit is intended to give the minority one chance to fully express their views so long as they are germane. . . . The whole purpose of this motion to recommit is to have a record vote on the program of the minority. That is the main purpose of the motion to recommit.

Speaker Bankhead, in a 1939 ruling found in volume 7 of Deschler's Precedents, chapter 23, section 26.1 said of this rule, and I quote:

The purpose of the motion to recommit . . . is to give Members opposed to the bill an opportunity to have an expression of opinion by the House upon their proposition.

Mr. Speaker, the whole key to this point of order and the underlying rule at issue is what is meant in clause 4(b) of rule XI when it says the Rules Committee "shall not report any rule or order of business which . . . would prevent the motion to recommit from being made as provided in clause 4 of rule XVI." It is not sufficient for the Rules Committee to simply permit a straight motion to recommit and pro-

hibit instructions, since it may not prevent a motion "as provided" by clause 4 of rule XVI. And the legislative history of that rule and the early rulings make clear that what was being provided was an opportunity for the minority to offer a motion to recommit of its choosing, with or without instructions.

Indeed Deschler's Precedents, in volume 7, chapter 23, section 25 makes this abundantly clear, and I quote:

There are in the rules of the House four motions to refer the ordinary motion provided for in the first sentence of clause 4, Rule XVI when a question is "under debate;" the motion to recommit with or without instructions after the previous question has been ordered on a bill or joint resolution to final passage provided in the second sentence of clause 4, Rule XVI . . .

Mr. Speaker, that second sentence of clause 4 of rule XVI is the 1909 rule that is at issue in this point of order. And while it does not specifically mention instructions, it is clear from the legislative history behind the rule as well as this recent interpretation from Deschler's that the right of the minority to offer instructions in a motion to recommit is not only implied by the rule, but is the whole reason for the adoption of the rule in the first place.

It therefore should be obvious that if the Rules Committee is prohibited from denying the minority the right to offer a motion to recommit "as provided" by that second sentence in that 1909 rule, it may not bring in a rule such as this which denies instructions. To do so is to render rule, which protects our minority right, null and void. It is not only a violation of the spirit of the rule but of the literal content of the rule.

I therefore urge the Chair to sustain this point of order for the sake of upholding the tradition, the spirit and the letter of the rule in question.

□ 1220

Mr. SOLOMON. Mr. Speaker, will the gentleman yield on his point of order?

Mr. MICHEL. I would be happy to yield to the gentleman from New York.

The SPEAKER pro tempore (Mr. MURTHA). The gentleman may not yield on this point of order.

Does anyone wish to be heard against the point of order?

Mr. DERRICK. Mr. Speaker, I respectfully suggest that the point of order as made by the minority leader is not correct, is not valid. Simply, as the minority leader has pointed out, there is a motion to recommit, but the motion does not have instructions. There is ample precedent in the House over a long period of time that says that a motion to recommit is in order, it is necessary that it also include the instructions.

Mr. SOLOMON. Mr. Speaker, I ask to be heard on the point of order.

The SPEAKER pro tempore. The gentleman from New York [Mr. SOLOMON] is recognized.

Mr. SOLOMON. Mr. Speaker and my colleagues, I would point out that at midnight last night, when the Rules Committee was reconvened to meet on this outrageous rule, I brought up the very point that the Republican leader is making, that this was a violation of 81 years of precedent of this House and it was countered at that time with the argument, "Well, you know, in years past we have given you Republicans a substitute to give you a bite of the apple." But I want to point out that in this rule, Mr. Speaker, and everybody here should pay attention, this rule does not even allow a Republican substitute. We made that request by letter of the Republican leader, which is in the record of the Rules Committee proceedings last night.

Never before has a Republican leader been denied his right and at the same time been denied a right of recommitment with instructions. That, Mr. Speaker, is outrageous. You should not stand for it. You have the power to prevent these things from happening and let the American people be heard from all sides of this aisle. And I hope that you sustain his point of order.

Mr. MICHEL. Mr. Speaker, may I further be heard very briefly on the point of order?

The SPEAKER pro tempore. The gentleman from Illinois [Mr. MICHEL] is recognized.

Mr. MICHEL. In response to the distinguished gentleman from South Carolina who makes the point that it is not unique to have straight motions to recommit around here, I would admit to that. But what I am arguing here is the fact that having been denied any kind of an amendment to express our minority point of view in the normal proceeding of things, certainly then we ought to be granted, as I have outlined before, that motion to recommit with instructions, to really be meaningful. Otherwise, there is no vehicle, no opportunity for members of any minority for that matter, to express their feelings, their views on a given piece of legislation.

The SPEAKER pro tempore. Does anyone else wish to be heard on the point of order?

The Chair recognizes the gentleman from North Carolina [Mr. HEFNER].

Mr. HEFNER. May I be heard, Mr. Speaker?

I do not know if it exactly applies to a point of order, but I think it fits in with a statement the gentleman from New York made.

Now, the President of the United States stood in the well of this House—stood here and addressed a joint session of the Congress and stipulated that we wanted \$500 billion of budget reductions in the next 5 years. People have labored long hours, weeks and months, to try to get to a \$50 billion reduction package the first year

and \$500 million over 5 years. And it is my understanding—

Mr. WALKER. Regular order, Mr. Speaker.

The SPEAKER pro tempore. The gentleman must confine himself to the point of order.

Mr. HEFNER. I am getting to the point of order, Mr. Speaker, if I may be allowed.

Mr. SOLOMON. Regular order, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state his point of order.

Mr. DERRICK. Mr. Speaker, we extended the courtesy to the gentleman from New York. He was not addressing the point of order. And I suggest that we ought to extend the same courtesy here.

The SPEAKER pro tempore. Regular order has been demanded.

The gentleman from North Carolina [Mr. HEFNER] must adhere to the regular order and will address the point of order.

Mr. HEFNER. The point that I make is that the minority has not been denied in this rule process. If my information is correct, and someone can correct me if I am wrong, the minority was offered the opportunity to offer a substitute just as they have the past 10 years in this body. The minority opted not to offer a substitute that got to the \$500 billion over 5 years. It did not meet the criteria that every other group has been asked to meet before they offered—

Mr. WALKER. Regular order, Mr. Speaker.

Mr. HEFNER. I think I have made my point. Mr. Speaker, I yield the time.

□ 1230

Mr. DERRICK. Mr. Speaker, I reiterate my original statement on the point of order.

The SPEAKER pro tempore (Mr. MURTHA). Does anyone else wish to be heard on the point of order? If not, the Chair will refer to a ruling by Speaker Rainey, January 11, 1934 cited on page 471 of the Manual and in Deschler's volume 6, chapter 21, section 26.11, and in volume 7, chapter 23, section 25:

The Chair will state that the Committee on Rules may, without violating this clause, recommend a special order which limits, but does not totally prohibit, a motion to recommit pending passage of a bill or joint resolution, such as precluding the motion from containing instructions relative to certain amendments.

In the only precedent directly relating to the question at issue, Speaker Rainey on January 11, 1934, ruled and was sustained on appeal. The Committee on Rules is not precluded under clause 4b, rule XI, from specifically limiting motions to recommit bills or joint resolutions pending the question of final passage to specific type of instructions.

Speaker Rainey stated on that occasion:

The Chair, therefore, holds the motion to recommit, as provided in clause 4, rule XVI, has been reserved to the minority and that, insofar as such a rule is concerned, the special rule.—

And the Chair emphasizes to the House,

does not deprive the minority of the right to make a simple motion to recommit.

This is Speaker Rainey speaking:

The Chair thinks, however, that a motion to recommit with instructions to incorporate a provision, which would be in violation of the special rule, and would not be in order.

Thus, the Committee on Rules has the authority to recommend special rules to the House which may limit, but not totally prohibit, the type of motion to recommit which may be offered, not merely with respect to the general rules of the House, but with respect to germane amendments which might otherwise be in order. Clause of Rule XVI does not guarantee that a motion to recommit a bill may always include instructions.

The Chair, therefore, overrules the point of order.

Mr. WALKER. Mr. Speaker, I respectfully appeal from the ruling of the Chair.

The SPEAKER pro tempore. The question is, Shall the decision of the Chair stand as the judgment of the House?

MOTION OFFERED BY MR. DERRICK

Mr. DERRICK. Mr. Speaker, I move to lay the appeal of the ruling of the Chair on the table.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from South Carolina [Mr. DERRICK] to lay the appeal of the ruling of the Chair on the table.

The question was taken and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 251, nays 171, not voting 11, as follows:

[Roll No. 4701]

YEAS—251

Ackerman	Bosco	Collins
Alexander	Boucher	Condit
Anderson	Boxer	Conyers
Andrews	Brooks	Cooper
Annunzio	Browder	Costello
Anthony	Brown (CA)	Coyne
Applegate	Bruce	Crockett
Aspin	Bryant	Darden
Atkins	Bustamante	de la Garza
AuCoin	Byron	DeFazio
Barnard	Campbell (CO)	Dellums
Bates	Cardin	Derrick
Bellenson	Carper	Dicks
Berman	Carr	Dingell
Bevill	Chapman	Dixon
Bibray	Clarke	Donnelly
Boggs	Clay	Dorgan (ND)
Bonior	Clement	Downey
Borsari	Coleman (TX)	Durbin

Dwyer	Lantos	Ray
Dymally	Laughlin	Richardson
Dyson	Leath (TX)	Roe
Early	Lehman (CA)	Rose
Eckart	Lehman (FL)	Rostenkowski
Edwards (CA)	Levin (MI)	Roybal
English	Levine (CA)	Russo
Erdreich	Lewis (GA)	Sabo
Espy	Lipinski	Sangmeister
Evans	Lloyd	Sarpallus
Fascell	Long	Sawyer
Fazio	Lowey (NY)	Scheuer
Feighan	Luken, Thomas	Schroeder
Flake	Manton	Schumer
Flippo	Markey	Serrano
Foglietta	Martinez	Sharp
Ford (MI)	Matsui	Sikorski
Ford (TN)	Mavroules	Siskisky
Frank	Mazzoli	Skaggs
Frost	McCloskey	Skellon
Gaydos	McCurdy	Slattery
Gedensson	McDermott	Slaughter (NY)
Gephardt	McHugh	Smith (FL)
Geren	McMillen (MD)	Smith (IA)
Gibbons	McNulty	Solara
Glickman	Mfume	Spratt
Gonzales	Miller (CA)	Staggers
Gordon	Mineta	Stallings
Gray	Mink	Stark
Guarini	Moakley	Stenholm
Hall (OH)	Mollohan	Stokes
Hall (TX)	Montgomery	Studds
Hamilton	Moody	Swift
Harris	Mrazek	Synar
Hatcher	Murphy	Tallon
Hawkins	Murtha	Tanner
Hayes (IL)	Nagle	Tauzin
Hayes (LA)	Natcher	Taylor
Hefner	Neal (MA)	Thomas (GA)
Hertel	Neal (NC)	Torres
Hoagland	Nelson	Torricelli
Hochbrueckner	Nowak	Towns
Hoyer	Oakar	Trafficant
Hubbard	Oberstar	Traxler
Huckaby	Obey	Udall
Hughes	Olin	Unsoeld
Hutto	Ortiz	Valentine
Jacobs	Owens (NY)	Vento
Jenkins	Owens (UT)	Visclosky
Johnson (SD)	Pallone	Volkmer
Johnston	Panetta	Walgren
Jones (GA)	Parker	Washington
Jones (NC)	Patterson	Watkins
Jontz	Payne (NJ)	Waxman
Kanjorski	Payne (VA)	Wells
Kaptur	Pease	Wheat
Kastenmeter	Pelosi	Whitten
Kennedy	Penny	Williams
Kennelly	Perkins	Wilson
Kildee	Pickett	Wise
Kloczka	Pickle	Wolpe
Kolter	Poshard	Wyden
Kostmayer	Price	Yates
LaPalce	Rahall	Yatron
Lancaster	Rangel	

McEwen	Ritter	Smith, Robert
McGrath	Roberts	(NH)
McMillan (NC)	Robinson	Smith, Robert
Meyers	Rogers	(OR)
Michel	Rohrabacher	Snowe
Miller (OH)	Ros-Lehtinen	Solomon
Miller (WA)	Roth	Spence
Mollinari	Roukema	Stangeland
Moorhead	Salki	Stearns
Morella	Saxton	Stump
Morrison (WA)	Schaefer	Sundquist
Myers	Schiff	Tauke
Nielson	Schneider	Thomas (WY)
Oxley	Schulze	Upton
Packard	Sensenbrenner	Vander Jagt
Parris	Shaw	Vucanovich
Pashayan	Shays	Walker
Paxon	Shumway	Walsh
Petri	Shuster	Weber
Porter	Skeen	Weldon
Pursell	Slaughter (VA)	Whittaker
Quillen	Smith (NE)	Wolf
Ravenel	Smith (NJ)	Wyllie
Regula	Smith (TX)	Young (AK)
Rhodes	Smith (VT)	Young (FL)
Rinaldo	Smith, Denny	(OR)

Whole except the amendments en bloc printed in part 2 of the report or specified in the rule. In addition, the rule makes in order consideration of the amendments in part 2 en bloc, not subject to a demand for a division of the question in the House or in the Committee of the Whole. The 1 hour of debate time is to be equally divided and controlled by the proponent and a Member opposed. The rule also waives all points of order against the amendment in the report.

Finally, Mr. Speaker, the rule makes in order amendments to be offered by Representative PANETTA en bloc. The amendments en bloc, debatable for 30 minutes, are not subject to a demand for a division of the question in the House or in the Committee of the Whole. The rule also provides for one motion to recommit which may not include instructions.

Mr. Speaker, as my colleagues are well aware, the Omnibus Budget Reconciliation Act of 1990 is the legislation implementing the deficit reduction plan agreed to at the budget summit as reflected in House Concurrent Resolution 310, the concurrent resolution on the budget for fiscal years 1991 through 1995. This bill contains submissions from 12 House committees achieving deficit reduction totaling \$40 billion in fiscal 1991 and \$500 billion over 5 years.

Mr. Speaker, equally vital to this deficit reduction effort are the improvements to the congressional budget process incorporated into the bill by the rule as title XIV.

Title XIV represents the culmination of countless hours of work by the members and staffs of key committees of jurisdiction, the administration, and others in interpreting the enforcement provisions of the summit agreement and drafting a comprehensible, workable package to implement that agreement. As chairman of the Subcommittee on the Legislative Process of the Committee on Rules, which shares jurisdiction over the budget process with the Committee on Government Operations, I can assure the House these reforms constitute major improvements which will impose strict budgetary discipline during the 5 years covered by the bi-partisan summit agreement.

These improvements would be accomplished in two principal ways. First, title XIV improves and tightens the Balanced Budget and Emergency Deficit Control Act of 1985, commonly known as Gramm-Rudman-Hollings, by creating three kinds of sequestrations. One sequestration enforces caps on discretionary spending; another enforces limits on entitlements and revenue floors, and another provides for an across-the-board deficit sequestration similar to the current Gramm-Rudman.

Second, the provisions make temporary revisions to the Congressional Budget Act. These revisions include re-

NOT VOTING—11

Brennan	Morrison (CT)	Savage
Engel	Ridge	Schuette
Lukens, Donald	Rowland (GA)	Thomas (CA)
Marlenee	Rowland (GA)	

□ 1253

Mr. STANGELAND changed his vote from "yea" to "nay."

Mr. FORD of Michigan changed his vote from "nay" to "yea."

So the motion to lay the appeal from the ruling of the Chair on the table was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER pro tempore [Mr. MURTHA]. The gentleman from South Carolina [Mr. DERRICK] is recognized for 1 hour.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the gentleman from Tennessee [Mr. QUILLEN], and pending that, I yield myself such time as I may consume.

(Mr. DERRICK asked and was given permission to revise and extend his remarks.)

Mr. DERRICK. Mr. Speaker, House Resolution 509 is a modified closed rule providing for 3 hours of general debate, with the time to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Budget. All points of order against the bill and against its consideration are waived except that the Ways and Means Committee chairman or his designee may raise points of order under clause 5(b) of rule XXI. Clause 5(b) of rule XXI provides that no bill or joint resolution carrying a tax or tariff measure shall be reported by any committee not having jurisdiction to report tax and tariff measures.

The rule provides that the amendment printed in part 1 of the House Report 101-882 to accompany the rule will be considered as having been adopted in the House and in the Committee of the Whole. The rule makes in order no other amendments in the House or in the Committee of the

NAYS—171

Archer	Davis	Henry
Armey	DeLay	Hergert
Baker	DeWine	Hill
Balenger	Dickinson	Holloway
Bartlett	Dornan (CA)	Hopkins
Barton	Douglas	Horton
Bateman	Dreier	Houghton
Bennett	Duncan	Hunter
Bentley	Edwards (OK)	Hyde
Bereuter	Emerson	Inhofe
Billrakis	Fawell	Ireland
Billey	Fields	James
Boehliert	Fish	Johnson (CT)
Broomfield	Frenzel	Kasich
Brown (CO)	Callegly	Kolbe
Buechner	Gallo	Kyl
Bunning	Gekas	Lagomarsino
Burton	Gillmor	Leach (IA)
Callahan	Gilman	Lent
Campbell (CA)	Gingrich	Lewis (CA)
Chandler	Goodling	Lewis (FL)
Clinger	Goss	Lightfoot
Coble	Gradison	Livingston
Coleman (MO)	Grandy	Lowery (CA)
Combest	Grant	Machtley
Conte	Green	Madigan
Coughlin	Gunderson	Martin (IL)
Courter	Hammerschmidt	Martin (NY)
Cox	Hancock	McCandless
Craig	Hansen	McCormack
Crane	Hastert	McCree
Dannemeyer	Hefley	McDade

quiring 5-year budget resolutions, 5-year spending allocations, and by enhancing the section 302 and 311 points of order to apply them to measures which would breach the budget-year totals and the totals for all 5 years covered by a budget resolution. In addition, if any bill loses revenue and is not fully offset by entitlement cuts in the same bill, the budget committees may report a special reconciliation concurrent resolution directing the committees to raise revenues by an amount equal to the deficit increase.

Finally, the title provides important reforms in the area of credit accounting, beginning in fiscal year 1992, which will help us budget for our contingent liabilities. The package also removes the Social Security trust funds from the budget and the deficit calculations under Gramm-Rudman, and creates a point of order prohibiting consideration of a measure which increases Social Security benefits without increasing payroll taxes, or which cuts benefits without also cutting taxes.

Mr. Speaker, I urge all Members to support these needed reforms by supporting the rule and the bill.

□ 1300

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

(Mr. QUILLEN asked and was given permission to revise and extend his remarks.)

Mr. QUILLEN. Mr. Speaker, the able gentleman from South Carolina has explained the provisions of the rule and it would be redundant for me to repeat those.

Mr. Speaker, I want the Members of this House to listen to what I have to say. This is not a fair rule. The Democrats are trying to muzzle the Republicans by disallowing them the opportunity to offer a substitute.

I think it is time that we spoke out to present a budget alternative that makes sense.

Reduction in spending without new taxes, that is the philosophy embodied in the Republican substitute. The gentleman from Ohio [Mr. KASICH] and the gentleman from Michigan [Mr. PURSELL] labored hard and long with their task force to produce this substitute, but the Committee on Rules has denied the opportunity to debate it on the floor of the House.

I think there should be a vote up or down on the Republican substitute.

I have been here 28 years, and very, very seldom, indeed, have I seen anything like this before. The Nation is at the crossroads. We are facing crisis and chaos unless something is done.

There is assurance, if the Democrat proposal is passed, that it will clear the Senate, or that it will be signed by the President of the United States. If he vetoes it, then there is no assurance that the veto will be overridden; quite the contrary, I think it will be sustained.

So here we are, just a few days before October 19 when this Government of ours will come to a screeching halt. The Federal employees will be out of work again, our parks will be closed, the Interior Department facilities downtown will be closed, and visitors will be denied the right to use facilities that they should have.

So what do we do here today? The Democrats being a proposal including higher taxes to the floor that is absolutely unacceptable to the Republican Party. I think that the Democrats made a serious mistake when they refused my amendment in the Committee on Rules very early this morning about 12:30 a.m. to provide that the Republican substitute be made in order.

I urge the Members of this body to vote down the previous question, to defeat the rule, so that the Committee on Rules can act again and bring a rule to the floor allowing the Republican substitute.

Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. SOLOMON].

Mr. SOLOMON. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, my colleagues, I am submitting for the Record the Republican leader's letter to the gentleman from Massachusetts [Mr. MCOKLEY] asking that his substitute be made in order. That request was arrogantly denied.

Mr. Speaker, the excuse was given at the Rules Committee that a Republican substitute was not made in order because our package, our tax-free package, only added up to \$410 billion in deficit reductions and spending cuts, but that is a poor excuse.

Mr. Speaker, I offered some motions to make two amendments in order. Each amendment would have been added on top of the Republican package. One amendment would have imposed a 10-percent surtax on personal income exceeding \$300,000. Those people could afford to pay.

The other amendment would have imposed a 1-percent tax on the volume of business conducted in our country by foreign-owned corporations and subsidiaries of foreign-owned corporations. You know what, that amendment was defeated by all nine Democrats voting no.

Both of those amendments were shot down. Mr. Speaker, those two amendments en bloc with the Republican substitute, if made in order, would have cut spending by \$400 billion, which the American people want. It would have raised nobody's taxes except those making an income over \$300,000 and those foreign corporations that presently pay no taxes at all.

Is that what you want? You denied it. I offered those same amendments to the Rostenkowski proposal, and all nine Democrats voted no upstairs last night at midnight. No press was there.

In other words, the Democratic leadership in this House refused to let you Democrats vote to impose a 10-percent surtax on incomes over \$300,000. Your Democrat leadership refused to let you Democrats vote to impose a 1-percent tax on tax-free foreign corporations.

Vote no on this rule, Mr. Speaker, and you may get that chance.

The letter referred to follows:

HOUSE OF REPRESENTATIVES,
Washington, DC, October 15, 1990.

HON. JOHN JOSEPH MOAKLEY,
Chairman, Committee on Rules, Washington, DC.

DEAR MR. CHAIRMAN: I respectfully request that you make in order an amendment to the 1990 Reconciliation bill to be offered by either Rep. Pursell or Rep. Kasich.

The amendment reduces the deficit by approximately \$400 billion over five years. It includes a multi-year freeze on domestic discretionary spending enforced by spending caps. An additional \$6 billion is cut below the freeze for international affairs over the five years. Entitlement savings and fee increases are equal to the amounts submitted by the various Committees. The amendment contains minimal revenue increases primarily in the form of current law extensions.

It is in my view a tragedy, for this institution and for the country, that we were not able to agree on a compromise solution to our budget problems. Both parties share responsibility for this failure, which has shaken the faith of the people of the House.

But since such compromise is not possible in the current frenzied atmosphere, the American people should at least be given the opportunity to see the true nature of the opposing political philosophies of our parties.

It has been wisely said that taxes are what we pay for civilized society. But excessive taxes are what society pays for irresponsible government spending—and they are too high a price. No matter what differences we have on specific tactical issues, House Republicans believe that the problem with the federal budget is not that the American people are taxes too little, but that their elected leaders have been spending too much.

In the war against the deficit, the first strike, swift and hard, must be made against spending. This is where House Republicans stand and this is the message our amendment contains. It is a message that the American people deserve to hear, loud and clear, on the floor of the House tomorrow.

Sincerely,

ROBERT H. MICHEL,
Republican Leader.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 3 minutes to the gentleman from California [Mr. PANETTA], the distinguished chairman of the Committee on the Budget.

(Mr. PANETTA asked and was given permission to revise and extend his remarks.)

Mr. PANETTA. Mr. Speaker, I rise in support of the rule and in support of the previous question.

Obviously the main issue here is the issue of whether or not an alternative amendment ought to be provided here, and the reasons it should not be provided are basically three.

No. 1, we have been struggling for the last 6 months to try to reach targets of \$40 billion the first year, \$500 billion over 5 years. That was agreed to by the President. It was agreed to by the leadership on the minority side. It was agreed to in the summit. It was agreed to in a budget resolution that we passed last week reaching \$500 billion in deficit reduction over 5 years.

We have just had in reconciliation 12 House committees and chairmen bleeding, bleeding to meet with their directive on reconciliation.

What does the Republican proposal do? It would cut the reconciliation number over 5 years in half, in half. Instead of \$250 billion over 5 years, which is part of this reconciliation bill that we debate, all they would come up with is \$125 billion.

So suddenly those who argue and have argued the strongest for deficit reduction, when it is time to put up, they come up with a mouse.

The fact is we have been working to try to reach the targets established by the President. As a matter of fact, the President himself, the President has stated in the summit agreement it is his intention that no bill suspending sequester beyond October 19 shall be signed until the following has occurred, a reconciliation conference report on a bill fully reflecting the budget summit agreement, fully reflecting the budget summit agreement.

The Republican plan is a recipe for disaster, because the President himself, under his own commitment, would have to reject this and continue sequester.

Second, it is fundamentally unfair, fundamentally unfair. What they have done is they have accepted the cuts in reconciliation that go after the elderly and after farmers and after veterans and after Government employees.

□ 1310

Then on top of that, they now add a freeze across-the-board. A freeze. A hard freeze, that goes after what? The most vulnerable in our society. The elderly, students, Head Start, WIC, nutrition, so they do a double hit on the people in the middle, and the lower income brackets. For what? to protect the most wealthy in this country because they are the ones that are not even touched by this substitute.

In the other body, the minority is working with the Democrats to come up with a credible deficit plan. Someday my hope is that the minority here will work with this side to help govern this Nation, not bring it down.

Mr. QUILLEN. Mr. Speaker, I yield 4 minutes to the gentlewoman from Illinois [Mrs. MARTIN].

Mrs. MARTIN of Illinois. Mr. Speaker, I appreciate that the Constitution gives Congress the authority to declare war. But I did not think, until I saw this rule, that the authority extended to declaring war on the minority party in the House.

This rule shuts the minority party out of the process not because of some arbitrary standard for amendments laid down by the Budget Committee chairman at the 11th hour last night. That was all pretense and we know it. The real reason we were shut out of the process is because we had a substitute in the Kasich-Pursell approach that made real savings and came darn close to the summit targets without raising taxes. I repeat: with no new taxes.

The Democrats could not stand the thought of permitting a vote on a no tax alternative—one that clearly draws the line between the parties. Well, let it be noted that you have issued your declaration of war with this rule and you have fired the first shot.

If you want to bring down the Government with your game of chicken, let there be no mistake that the responsibility rests fully on your shoulders.

Do not lecture us about the fairness of your reconciliation package while at the same time trying to stick the minority with this outrageously unfair rule. You have destroyed the credibility of your package by the incredibility of your tactics.

And what kind of standard has the Budget Committee been held to in this process? This rule waives all points of order against the bill—all points of order. That means that every House rule and every provision of the Budget Act and Gramm-Rudman-Hollings could be violated with impunity by this bill—safe from points of order. And given the rushed consideration of this bill without proper printing and scrutiny, for all we know they are violated. One thing is for sure: This violates the 3-day layover for committee reports. Members will not have the benefit of even a day to review the report.

So let us not talk about holding the minority party to one standard when the reconciliation bill itself, by the very terms of this rule, is in violation of every standard we have ever conceived.

Mr. Speaker, I think the way in which this measure has been rushed to the floor without proper printing or opportunity for scrutiny or analysis further bespeaks the confidence the majority party has in its package. This process has the fingerprints of Winkum, Blinkum and Nod all over it. This reconciliation bill was reported from committee on a wink; it was rushed to the floor in a blink; and it will be passed by the Democrats on the nod. And while that is all fine and dandy in nursery rhyme land, it is not going to cut it in the real world of deficit reduction land. You are back to your old tricks over there of promises, promises, smoke and mirrors. And it is all being played out in the dead of night. You know darn well this package will not withstand the light of day. You are not just dancing in the dark with this rule—you are dirty dancing.

And how do you justify this rush job? "We have to expedite it," you say; "We're under the gun." Well I would suggest you check just which end of the barrel you are on before you proceed with this dangerously suicidal rule and bill.

And what about the so-called budget enforcement provisions of this bill. Well, if you like Gramm-Rudman-Hollings, you will love Panetta-Moakley-Conyers. They give us not just one sequester but three—an appropriations sequester, an entitlement sequester and a deficit sequester. And then it turns around and exempts half the Government. This new process is so complex it makes Rube Goldberg look like a tinker toy.

And yes, we have even got more budget points of order. Is that not enough to make you quiver? What we need Mr. Speaker, is fewer points of order—we routinely waive them anyway. What we need instead is more points of light, of common sense, and of real deficit reduction. This package fails on all counts. Vote down the rule so we can have a fair rule and a good bill.

Mr. DERRICK. Mr. Speaker, I yield 2 minutes and 15 seconds to the gentleman from New York [Mr. SCHUMER].

(Mr. SCHUMER asked and was given permission to revise and extend his remarks.)

Mr. SCHUMER. Mr. Speaker, the Nation is in crisis, and the Speaker must get the phone and call our President. Here is what the Speaker must say to him. The Speaker must say, "Mr. President, phone home while you are out campaigning. Your troops are in disarray. They are trying to pass a budget that you said you must veto. Mr. President, phone home. Your House Republicans want to pass a budget that would force you, by your own words, to close the Government down."

Yes, it is true. The President, when he addressed the Congress, and that includes all Members and House Republicans, he stated on September 11,

The Congress should, this month, enact a 5-year program to reduce the projected debt and deficits by 500 billion—that is by half a trillion dollars.

He said it twice, in case Members had not gotten it down. Then he asked Members to do one thing. He said:

I ask both Houses of Congress to allow a straight up or down vote on a complete \$500 billion deficit reduction package.

The President's own words. And we are giving Members that up or down vote.

Now, it is not just the President who called for this. The gentleman from Illinois [Mr. MICHEL] on September 26, "It must be \$500 billion." The gentleman from Georgia [Mr. GINGRICH], in budget negotiations, "It must be \$500 billion." The gentleman from Texas [Mr. ARCHER], let me quote him, "\$500 billion, 5-year deficit reduction pro-

gram that is real," and "without smoke and mirrors—is an absolute essential, a minimum essential for the future of this country."

Well, what did our House Republicans do? They submitted a budget that did not come close to that. In fact, it contained smoke and mirrors. Four percent growth, each year for the next 5 years, in an economy plunging to recession. I say, "No way."

Finally, what are the House Republicans unable to meet their own President's target after all this pious language about its importance? Let Members face it, House Republicans, they were unable to meet the President's targets because they are unwilling to tax their rich friends.

Mr. QUILLEN. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan [Mr. PURSELL].

Mr. PURSELL. Mr. Speaker, over the years as an athlete and coach, I had always thought that when we go into a game, that we had the same number of players as our opponent, and we played by the same rules. Not in the House of Representatives.

We have waived the budget rules in the 101st Congress 62 times. We violated the rules that we voted for in the Budget Act. Now, we end up with four tiers of government: The authorization tier, the appropriation tier, the budget tier, and now the summit tier.

We were brought down because of the process here, not by personalities of the President or Republican or the Democratic Party. The process is what caused this disaster in this country. All I am suggesting here is that we develop a game plan and present it to the public. In the Committee on Rules last night, all we asked was to let our game plan be presented so the public can see it; not just the Committee on Rules. Let the American public see it. Let the Members vote on it.

The Democrats have a plan that calls for \$148 billion in new taxes for the next 5 years. I would rather see that money stay in the private sector than bringing it to Washington. However, that is not for me to decide.

If a person is a coach, they put that game plan on the table, and they put the opponent's game plan on the table, and they run with it. Let Members give the American public a chance to look at two game plans for this Nation. We are starting today a World Series, and yes, we may lose the first game, but the final game, from the Founding Fathers' point of view, will be the elections, to elect people that can govern, that can offer a better vision of America.

□ 1320

So I say, let this fight start. Let us fight it out, but let us play by the same rules. That is all I am asking for. The Democrats have stacked the deck. The pure arrogance of one political party that has dominated the House of Representatives for 34 years is astounding.

I think the American public should be outraged, and if we cannot offer an alternative, then I think that is very unsportsmanlike. No good athlete would do that.

As I am suggesting today, we have a good alternative. Give us a chance to vote on it and let the American public decide.

Mr. KASICH. Mr. Speaker, will the gentleman yield?

Mr. PURSELL. I yield to my colleague, the gentleman from Ohio.

Mr. KASICH. Mr. Speaker, let me just make a point. Let us not be confused about this debate today.

I want to comment to the chairman of the Budget Committee, this debate is about whether we should be able to offer an alternative that does not have \$150 billion in taxes, a large degree of which are levied on the American people. If you want to talk about hurting senior citizens, and Rostenkowski won, you hurt the senior citizens. You are the ones who wanted to cut the premiums and the deductible more. We are the ones who came up with a better package.

The SPEAKER pro tempore (Mr. MURTHA). The time of the gentlemen from Michigan has expired.

Mr. QUILLEN. Mr. Speaker, I yield 1 additional minute to the gentleman.

Mr. KASICH. Mr. Speaker, will the gentleman yield further?

Mr. PURSELL. I yield to the gentleman from Ohio.

Mr. KASICH. You are the ones who cut the premiums on senior citizens, and we came with a package that did not, and you fixed yours. You are the ones who levied the gasoline tax on the average American. We went without a gasoline tax, and then you fixed yours.

I mean, this is a game of tit and tat. It is like ping pong. We set the policy and you respond.

The bottom line here today is, we want to offer a plan that cuts \$400 billion without taxes and you want to raise taxes to the tune of \$150 billion on the American people, without any spending controls.

Your entitlement cuts, our entitlement cuts are the same. What you refuse to do is to control spending. What you want to do is have more spending and \$150 billion in additional taxes on the American people. They are fed up and we are, too, and you have denied us a chance to offer our proposal, and it is not democratic. It is a tyranny of the majority, and I resent the fact that you say we are making these cuts that we do not make. We have been the salvation for the people who you are trying to cut.

The SPEAKER pro tempore. The time of the gentleman from Michigan has again expired.

Mr. QUILLEN. Mr. Speaker, I yield another 15 seconds to the gentleman.

Mr. PURSELL. It is interesting that today the Democrats are backing George Bush, but they did not back his budget back in January when he

offered it. Now all of a sudden it is a new day. He introduced the budget here and the Democrats lined up to denounce it.

Mr. PANETTA. Mr. Speaker, if the gentleman will yield, the Republicans never even offered the President's budget.

Mr. PURSELL. The President offered a budget. The Democrats did not. We have an alternative. What are you afraid of, to give us a chance to offer an alternative?

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 3 minutes to the gentleman from New York [Mr. DOWNEY].

Mr. DOWNEY. Mr. Speaker, the Chamber is awash in the crocodile tears from the Republicans whining and crying that their too late budget will not be offered here on the floor.

Remember, the President wanted \$500 billion in deficit reduction and you want to rewrite the rules.

Why, if the Republican budget entered the Indy 500, it would go 400 miles and they would want the checkered flag.

If the Republican budget was returning an opening kickoff, it would go 80 yards and you would want a touchdown.

Under the Republican rules, if you hit a triple it could be counted as a home run.

The way you want to do things in today's World Series under the Republicans, you win three games and the series is yours.

Face it, guys, you cannot cut it and you cannot cut it enough.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. COX].

Mr. COX. Mr. Speaker, last night around midnight I appeared before the Rules Committee, and posited that we might consider part of the Republican package that was offered, the part of the Republican package which contains reform of the budget process.

Specifically, we asked that it should be in order to consider an amendment printed in the report of the Committee on Rules accompanying this resolution, that we amend the budget process that currently governs this House.

Right now the Congress is in violation of the law. The Congress has violated the law annually since the 1974 Budget Act was put in place.

We need a requirement that there be a budget first, before appropriations and before authorizations are considered in this Congress. We need an end to the waiver of the Budget Act; 62 times in the current Congress the Rules Committee has waived the Budget Act.

We need to enforce the deadlines in the law. The budget for this year, for fiscal year 1991, was due on April 15. April 15 is the same day that everyone's tax return is due. Everyone in America seems to manage to meet that

deadline, but in the Congress we broke the law.

Reconciliation was to be completed by June 30. We are at that process now, well into fiscal year 1991.

The resolution being offered by the majority contains no real reform of the budget process. The Republicans offered real reform.

We are being told by this rule that we cannot amend the faulty offering of the Democratic Party, that we cannot participate in this debate, that we may represent half the American people, but as far as the majority party is concerned it is going to be business as usual. We are going to continue breaking the law.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentleman from California [Mr. MILLER].

(Mr. MILLER of California asked and was given permission to revise and extend his remarks.)

Mr. MILLER of California. Mr. Speaker, we have listened to the Republicans all year tell us about how they were prepared to make the tough choices to reduce the deficit. Now when the hour of truth has approached, they have failed to come forward. They have failed to come forward with a plan to reduce the deficit that meets the measure that their President has asked and that the Democrats have met, and that is \$50 billion in reductions this year and \$500 billion over the next 5 years.

This is the party whose policy has led us to a decade of deficits. Over the last 8 years they have doubled the national debt. They have increased us now to a point where we are the largest debtor nation in the world and our own national deficit starts to suffocate us as a nation, and yet when they were asked to come forward to meet the standards, to meet the test, they failed. Now they cry that it is unfair that they cannot change the rules. They want to change the rules so they will not have to cut the program.

They told us that they could eradicate the deficit. They told this Nation that they could go down to a balanced budget if only they were allowed to make the cuts. On their first attempt, they failed and they failed miserably. We ought to understand that. We ought to understand that under their proposal the deficit continues to increase over the next 5 years. We do not get to where this Nation wants to go in terms of deficit reduction under the proposal they sought.

Why not? Because they did not have the courage to pick and choose and make the difficult decisions that were necessary. The only thing they equate with courage is pain. They started out these deficit negotiations by putting on the table a \$90 billion cut in Medicare. They thought it was courage to punish old people, to take away their health care, to deny them access to health care, to deny them access to hospitals. They finished up that

budget summit by trying to take away social security from crippled children. They believe that is courage. That is a failure.

□ 1330

Mr. QUILLEN. Mr. Speaker, I yield 3 minutes to the gentleman from Oklahoma [Mr. EDWARDS].

(Mr. EDWARDS of Oklahoma asked and was given permission to revise and extend his remarks.)

Mr. EDWARDS of Oklahoma. Mr. Speaker, I will not respond to the previous comments, which were nonsense.

Mr. Speaker, what is going on in a Congress when a Member and Members who represent 87 million Americans are gagged in the most important debate of the year? House Republicans have offered a plan to cut the deficit by more than \$400 billion without raising taxes, by freezing spending, by not raising taxes, and we are denied the right to debate or vote on that proposal.

Why? Does it make it too difficult for you to try to convince the American people that you are being forced to raise taxes, forced to raise cigarette taxes, forced to raise beer and wine taxes, forced to raise taxes on all Americans by not letting them hear about another plan that cuts over \$400 billion without raising any taxes at all?

You are not being forced to raise taxes. It just so happens that the Democrats, who control this House, prefer to raise taxes rather than cut the bureaucracy or Federal programs or foreign aid, programs that are draining Americans dry. That is why a Republican alternative that cuts the deficit without raising taxes is embarrassing to Democrats and that is why you will not let it be debated.

It shatters the illusion that your hands are tied and that you have no choice but to make the American people sacrifice more because you will not agree to cut spending. The Republican plan stands for \$400 billion of lasting deficit reduction.

You know, the history of tax increases in the 1980's, thanks to this Congress, proves that higher taxes do not lead to lower deficits but to more spending by Congress.

The Republican budget recognizes what the American people know only too well, the deficit is not a result of low taxes but of high spending. This whole process is a sham.

There is no legitimate reason why the Republican plan is being prohibited. Let us let the American people see where their representatives stand on taxes and deficits; let us defeat this rule and bring up a rule that allows us to vote on a plan that reduces the deficit instead of raising taxes.

Give the American people a choice between a \$500 billion reduction with \$160 billion in taxes, and a \$410 billion reduction without new taxes, and we all know which one they would choose,

and so do you and that is why you will not let this plan come to the floor.

Mr. DERRICK. Mr. Speaker, for the purpose of debate only, I yield 1½ minutes to the gentleman from Ohio [Mr. TRAFICANT].

Mr. TRAFICANT. Does the gentleman have 1 additional minute?

Mr. QUILLEN. I will be glad to yield 1 additional minute to the gentleman from Ohio [Mr. TRAFICANT].

The SPEAKER pro tempore. The gentleman from Ohio [Mr. TRAFICANT] is recognized for 2½ minutes.

Mr. TRAFICANT. Mr. Speaker, I oppose the rule for the following reasons: Republicans should have been allowed to bring an alternative. As a Democrat, I am saying that. No. 2, the process today is so important that the rule should be fully open, not closed.

America is a Government that includes, not excludes.

No. 1, Congress should literally roll up its sleeves, stay overnight if necessary, battle it out here and come out with a budget that is good for the American people.

No. 4, in my opinion, this budget is like putting a Band-Aid on an open wound of a fellow who just had open heart surgery. We are going to be back here again next year, we are not going to slow any of this red ink. Let us cut that rhetoric. And when the Senate is through with this bill—your spouse will desert you? They have a computer spitting out taxes by the minute.

But more importantly, I cannot and I will not support any new taxes. No. 2, I will not support any plan that increases premiums on Medicare. Our economy should be left alone.

No. 3, I will not support any plan that fails to take 1 red cent from foreign aid but picks on mom and dad.

No. 4, I will not support any plan that continues to defend Japan and Germany and the world while we're going bankrupt.

And I say today about all these so-called taxes on the rich, for every \$1 in new taxes on the rich, the rich will pass \$2 down to every poor person in America; every poor person in America will eat those taxes, the rich will pass them down. You can bet on it!

I had two amendments, and they were damned good. They would have put the bankers on the foreign subsidiaries, close loopholes, raise \$1 billion, save American jobs, by repealing Section 903, and changing subpart F on foreign base income, without raising taxes.

But, no, no one wants to listen. But I will tell you something, the American people are not only listening, they are watching today, and they don't like what they see! I am a Democrat and I voted for that procedural vote to uphold our party.

I am saying to you today on the House floor: If this White House Chief Executive has any anatomy left, old swivel-hips will veto any tax measure. He promised it to the American

people. He should keep his promise. If he vetoes this tax bill, this Democrat is going to vote to sustain that veto of a Republican President.

I will not vote for any new tax increases.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. GEKAS].

(Mr. GEKAS asked and was given permission to revise and extend his remarks.)

Mr. GEKAS. Mr. Speaker, Member of the House, in a few short days we again face the dramatic shutdown of Government. This will be the third time in the last month that we are facing that possibility. Yet, when I went before the Rules Committee in the company of others and proposed a budget process amendment that would end that Government shutdown for all time, a commonsense amendment, the Rules Committee flattened me down and shut the door.

My amendment would simply say that when we reach the end of the fiscal year on September 30, that automatically the next day that the Congress has not passed the budget, that automatically last year's budget goes into effect for such period of time as the Congress requires to pass a new budget. That would end forever the shutdown of Government, would allow Federal employees to know that they can go to their offices without the fear of being sent home without pay, with their offices shut down. And the American public will know that their Government is in session no matter what idiotic things that the Congress does in its failure to adopt a proper budget.

You are talking about amending the budget process. Why don't we start with one that will end the shutdown of Government? Can you think of a better way to say we are going to reform the budget process, we are going to prevent the Government from ending business arbitrarily?

And if you are after the President of the United States, as every speaker on this floor seems to indicate, you will adopt this amendment and forever end what you say is his tool for forcing action, namely causing a shutdown of Government.

Take it away from him. Make it automatic that the budget will be re-enacted automatically the next day, on October 1, until we reach an agreement.

I am really disappointed in the Rules Committee for giving short shrift to this amendment.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1½ minutes to the gentleman from Washington [Mrs. UNSOELD].

(Mrs. UNSOELD asked and was given permission to revise and extend her remarks.)

Mrs. UNSOELD. Mr. Speaker, I am excited about what we are going to do today in this House. I am excited about the Democratic budget proposal.

It is a good deal for working America, and for our Nation's elderly. The Democratic Proposal is going to make the rich pay their fair share and provides long-term investment in working America's future—in small business, in timber, and in homeownership.

Over the past decade the rich have gotten richer and working America has paid for it. Under the Republican agenda of the past decade, 9 out of 10 Americans pay more taxes. At the same time, the wealthiest Americans are paying \$82,000 less in income taxes. Well, it is time to tell the richest 1 percent in this country that their party is over.

The American people have sent a clear message to the Bush administration and to Republicans—working families are not going to take it in the gut while, once again, the rich get away with sticking it to middle-class America.

Under the cry of "real reform" the Republicans want to continue to protect the wealthy.

The Democrats are not going to put up with this blatant favoritism for the rich. Our tax policy should no longer be a bail-out for the rich.

I am excited, this House of Representatives is going to stand up for working America today.

Mr. QUILLEN. Mr. Speaker, I yield 3 minutes to the gentleman from Minnesota [Mr. FRENZEL].

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Speaker, there is intense disappointment on this side of the aisle that the Democrats are afraid to let us offer a substitute. We thought they were serious when they expected us to be competitive. Now we find that cowardice prevents them from allowing us to be competitive.

I recall early in the year when the distinguished gentleman from South Carolina, who is managing this rule, chided me for not offering the President's budget. I had, of course, offered it in the committee, and the chairman of the Rules Committee voted against it, as did every Democrat on that committee.

□ 1340

But now, of course, when we want to offer something, when we have a proposition, he is not so generous. He is not chiding me now. I am chiding him. Thanks for the gracious opportunity for us to be able to present a Republican alternative.

The reason that we cannot present it, Mr. Speaker, is that it does not make the \$500 billion mark that the summit agreed on. So that everybody in the world knows this, it must be said that neither does the Democrat alternative. If we take the CBO scoring on the IRS collections, and if we take the \$1 billion point of order that the chairman of the Committee on Ways and Means is going to make this afternoon, and if we reduce the \$500

million of the Committee on Agriculture, we find the Democrat substitute and the committee bills both scoring below \$500 billion.

Yet Republicans score under \$500 billion, and they are not allowed to present their alternative.

We also find that the Rostenkowski substitute does not meet the dictates of the budget resolution. It overdoes taxes and underdoes entitlements. But it gets a free ride, too. The answer is that the only second-class citizens around here are Republicans. Republicans are always suppressed.

Mr. Speaker, our friends on the Democrat side say that we have controlled tax policy over the last 20 years. We, the oppressed minority, the second class citizens, the despised Congressional underclass, have somehow created an unfair tax environment. When Democrats will not even let us make amendments on the floor of the House, how is the public going to believe that we have made any policy at all.

Mr. Speaker, the public does not believe that. It thinks that the Democrat majority are incompetent to manage fiscal policy. And yet Democrats will not give anybody else a chance even to introduce an amendment today.

Mr. Speaker, in addition the enforcement agreement of the summit has been seriously eroded in this particular package. As a matter of fact, we did not even see the enforcement section until last night. It may be worse than we suspect.

The extraneous provisions amendment, which has been made in order, has not appeared yet. By my own count I can find 116 extraneous provisions that our friends on the Committee on Rules, so far, have allowed to stay in this bill. They have let the special interests go into a feeding frenzy, and they will not let the taxpayers be heard on the Republican side.

All I have to say, Mr. Speaker, is that this is a shameful day in the history of the House, and I am embarrassed to be a witness in this process today.

Mr. DERRICK. Mr. Speaker, I yield 2 minutes to the gentleman from North Carolina [Mr. HEFNER].

Mr. HEFNER. Mr. Speaker, this is a very interesting debate, and, if we go back through the past 10 years, there have been two Republican budgets offered. One of them got one vote; our former colleague, Jack Kemp, voted for it. The other got some 30 votes. And on May 6, we considered a budget here, and our good friend, the gentleman from Minnesota [Mr. FRENZEL] who just spoke, who is embarrassed to be here, refused to offer the President's budget. The day that the budgets were being offered, he refused to offer it. We asked unanimous consent that it was in order by the Committee on Rules to offer this budget when we adopted our Democratic budget.

Mr. Speaker, on September 11, the President stood in this House and said, "We've got to have \$500 billion budget reduction in 5 years," and let me go back some 10 years ago. All of a sudden they are the protectors of the weak, and the old, and the sick and the Medicare. Had we accepted the cuts that had been proposed from the Commission in the last 10 years, we would have had \$55 billion cuts in Medicare. And one of the first proposals that was sent to this House from David Stockman was to cut the \$122 minimum Social Security to the oldest and sickest people in our society.

Mr. Speaker, I am ashamed of some of the shenanigans that took place in this House in the past 10 years. How dare they say that they do not get a fair shake when they get a chance to offer a budget which has been 10 years? They were afforded the responsibility, and they did not take it.

Now, Mr. Speaker, they say, "We want to special order. We want the wimp position. We don't want to get to the big numbers. We want to get to \$400 billion," and, every time anybody else suggests that we move these numbers down, the President says, "I'll veto it, and I'll close the Government down."

I ask, "Will the President support your position?" I did not hear from the White House saying that the President will support a \$400 billion over 5 year reduction plan.

"Shame on you. Shame on you."

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. RITTER].

(Mr. RITTER asked and was given permission to revise and extend his remarks.)

Mr. RITTER. Mr. Speaker, I do not know where democracy is today on the floor of this House when we, the Republican side, cannot offer our budget package. We are told that it is because our numbers do not get up to \$500 billion. Well, their numbers do not get up to \$500 billion either.

However, Mr. Speaker, let us just take one part of their numbers. They have in there \$50 billion raised by increasing the upper rate to 33 percent. That flies in the face of all of the data that the IRS has for the top 1 percent, 5 percent, 10 percent, 20 percent of taxpayers in the 1980's.

Yes, when rates were reduced, the take went up. Yes, we doubled our tax take during the 1980's, and those high brackets paid, not only substantially more taxes, but substantially higher share of the total.

I say, "You're going to get less \$50 billion, not more \$50 billion, and you'll have a \$400 billion package as well."

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentlewoman from Colorado [Mrs. SCHROEDER].

(Mrs. SCHROEDER asked and was given permission to revise and extend her remarks.)

Mrs. SCHROEDER. Mr. Speaker, I will tell my colleagues where democracy is. It is right here on this House floor, and I am very proud of the Committee on Rules. They have stood firm. They have said, "If you guys over there want in the game, you're going to play by the rules."

Mr. Speaker, do my colleagues know anyone else that will let people into a game if they do not pledge to play by the rules?

But let me mention the next part. Get this:

The rules were written by their President. So, we have got a Democratic Committee on Rules enforcing the Republican President's rules, and they are yelling, "Unfair". We are saying the same group scored both proposals, and guess what? Theirs did not make it.

Not only that, thank goodness for the CONGRESSIONAL RECORD, because I say to anybody here, "I hope you look it up." We made a proposal to allow that side to bring forward the President's budget. They never did. Many Members on this side asked for unanimous consent to bring the President's budget to the floor so this side could debate it because they realized no one on that side was going to, and guess what? It was objected to.

Mr. Speaker, I do not think we can continue on saying that the rules are unfair when it is their side that wrote them and when the President has said this Government is suffering from a cancer, and it is called debt. We are trying today to do something about that cancer.

Mr. Speaker, I am sorry that we have not seen the same concern over there, and I would hope that many of the rich people would phone the White House and say, "Look, we're willing to pay our fair share."

I have the White House number right here in case they do not have it. It is 202-456-1414.

Mr. Speaker, a lot of the rich people, I know, are embarrassed that people are saying they cannot possibly do anything about this budget because the rich would have to pay more, and it would be awful.

Look. Trickle down did not work, and this is going to work, and we must move on this debt today, and I thank the Committee on Rules for making the rules stick.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Texas [Mr. ARCHER].

(Mr. ARCHER asked and was given permission to revise and extend his remarks.)

Mr. ARCHER. Mr. Speaker, the gentlewoman from Colorado [Mrs. SCHROEDER] has just spoken in great support of the President of the United States, and I am pleased to see the outpouring on the Democrat side in support of our President. What she and the other have not alluded to is the fact that the President also said that he would never accept the Demo-

crat package that is before the House today.

□ 1350

Will they support the President on that position, when the President says that by increasing rates at the top, you necessarily must pull up rates on the lower and middle income class people? I wonder whether or not their support of the President will extend to that part of his comments.

I would also say to the chairman of the Committee on the Budget that I made a very strong effort to work out an agreement with the chairman of our committee. The Senators, yes, have worked out a bipartisan package, but my chairman refused to negotiate with me on any compromise.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentleman from Wisconsin [Mr. MOODY].

(Mr. MOODY asked and was given permission to revise and extend his remarks.)

Mr. MOODY. Mr. Speaker, today must be a rather humiliating day for my friends on the Republican side of the aisle. All credibility in deficit reduction is gone. They confess that their package is \$100 billion short, 20 percent short. But it is really much more than that, because today we are dealing with reconciliation, which has to do with taxes and entitlements—the very structural changes that the Republican side of the aisle says it wants to reform. Most of their savings overall are in the discretionary spending area—in a future black box not in the structural area of entitlements and taxes.

Mr. Speaker, the reason the Republican package is really much more than 20 percent short is because their structural changes are only about half of reconciliation's assignment under the budget bill passed last week. You are only halfway there my friends on the Republican side, not 80 percent there. It is like claiming a touchdown in football after only 50 yards, not 80 yards. It's like claiming a home run on a 150-foot pop up. It's like claiming victory at the Indy after only 250 miles.

You walked away from your President and you walked away from the country. I do not see how you can come to this floor and talk about deficit reduction in the future.

The President was the umpire in this game, your President, the GOP President. He came here and said the rules are this: \$500 billion, and not a penny less. And you brought a package here that is only half that in the entitlement area. Half, not 80 percent.

Mr. Speaker, I am ashamed of my friends on that side. You have let your President and the country down. You have not cut it. Not cut it enough.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee [Mr. SANDQUIST].

(Mr. SUNDQUIST asked and was given permission to revise and extend his remarks.)

Mr. SUNDQUIST. I thank the gentleman for yielding.

Mr. Speaker, I say to Members on this side of the aisle, shame on you. Shame on you. The gentleman from Minnesota [Mr. FRENZEL] said your budget does not match \$500 billion. Ours may not either, but ours is in real cuts.

Mr. Speaker, who defines the rules? The Committee on Rules by a vote of 9 to 4, 9 Democrats and 4 Republicans. Is that fair? You are afraid to let this House vote on a package that would cut spending without raising taxes. You are afraid of that. Shame on you.

Mr. Speaker, let us have the American people tell the gentlewoman from Colorado [Mrs. SCHROEDER] at (202) 225-4431, let them respond to Mrs. SCHROEDER and say, "We want to cut spending and not raise taxes." 225-4431, the gentlewoman from Colorado [Mrs. SCHROEDER].

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentleman from New York [Mr. SCHEUER].

(Mr. SCHEUER asked and was given permission to revise and extend his remarks.)

Mr. SCHEUER. Mr. Speaker, I rise to support this rule. I rise to support the Democratic budget. It is a vast improvement over what we were looking at a week or two ago. It is fair. It increases taxes on the wealthiest among us by 1.7 percent.

Mr. Speaker, I do not think that constitutes telling them the party is over. They are going to continue to do well. They are going to continue to contribute to the American economy, and I hope they will. It is best for all of us if they continue to prosper.

Mr. Speaker, I think we will have fulfilled a great obligation to the American people and to ourselves if we pass this budget. But that is only half the job. A major job of Members of the 102d Congress, starting next January, will be to squeeze out the waste and the foolishness and the silliness that is already in this budget that can be converted part to deficit reduction, further deficit reduction, and part to increasing domestic services that are desperately inadequate to the needs of our country in the last 10 years of this decade and going into the next millennium.

It is absolutely preposterous for us at a time when the Russians are cooperating with us in the Middle East, when the Warsaw Pact has disappeared, when there is no great Russian menace out there, it is preposterous for us to be spending money, billions and billions of dollars on star wars, on the B-2 bombers, on expensive missile systems. It is just silly, and it is dumb, and we should not be that dumb.

Mr. Speaker, there is \$100 billion of waste to be squeezed out of the most incredibly inefficient, chaotic, disorga-

nized health care system in the world. We ought to squeeze it out and apply that \$100 billion of savings to providing long-term care for seniors, catastrophic for seniors, and education for our kids, who are vastly neglected.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Indiana [Mr. BURTON].

Mr. BURTON of Indiana. Mr. Speaker, the Democrats will not allow our plan to come to the floor. The Democrats will not allow a bill to come to the floor that will not raise taxes.

We have a bill that will meet the targets, as we should, without raising taxes. It will reduce spending by \$400 billion over the next 5 years. But they will not let it come to the floor.

Their plan will raise the top tax rate to 33 percent. It will cost Americans more across the board. It is not a tax on the rich.

Let me give you an example. A married couple with two children who make \$34,000 a year will pay \$313.50 more in taxes under their plan. A single person making \$21,000 a year will pay 5 percent more in taxes.

They are going to tax and tax and tax us all to death. The fact of the matter is, we have a plan that will work, that will not raise taxes, and they, under the rule, will not allow the American people even to hear it. I think it is a shame.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentleman from Arkansas [Mr. ALEXANDER].

Mr. ALEXANDER. Mr. Speaker, I do not know that Members can see this, but I have here a cartoon that was recently published in the Arkansas Gazette which shows the windows in the Oval Office open and chickens coming in to roost on the shoulders of the President, Mr. Bush.

On all of these chickens there are names, like S&L crisis, HUD, borrowing, national debt, deficits, energy policy, and so on. On each one of the little chickens there is a caricature of Mr. Reagan's face.

Mr. Speaker, we are here today because the chickens have come home to roost. The chickens of Reaganomics have brought us here today.

Mr. Bush is not the only head of state that has faced a crisis of confidence. Paradoxically, Mikhail Gorbachev faced a similar crisis when he came to power in the Soviet Union a few years ago. He told the Soviet people that his predecessors had lied to them about the glories of communism, that the policies of the past had failed, and that they had brought the Soviet Union to the brink of bankruptcy.

Mr. Bush has a similar opportunity, to tell the American people the truth about our fiscal crisis. I would hope that Mr. Bush would just flip back to a few years ago and pull out his speech on voodoo economics, so he could change the fiscal direction of this country.

Meanwhile, Congress must take an initiative, and the Democrats have an alternative that deals with the failure of the Reagan deficit. We need an economic policy based on truth and a tax policy based on fairness.

Mr. Speaker, I support the rule. I support the alternative that will be presented here today by the Democratic Party.

I am encouraged that more and more of the American people are coming to realize that Reaganomics was built on the quicksand of creative bookkeeping, rosy scenarios and the false promise that we could somehow have more for less.

We are left to pick through the economic wreckage wrought during the self-indulgent decade of the 1980's and the first order of business is dealing with the massive Reagan deficit.

It must be done. We all know it.

The current budget debate is not about whether to take action, but about the issue of fairness.

My litmus test for any plan to pay back the debt incurred during the 1980's is fairness—will all Americans participate or will we shove the burden on the backs of middle class working families, the elderly, farmers and students?

To be fair, the wealthiest among us must participate. We should also not restrict the pay back to our own people. We should insist that our allies do more to share the burden for their own defense and do a better job of collecting foreign debt.

And, we must pay closer attention to the job of managing the Government.

The President and Congress must follow the example of Mikhail Gorbachev. We must be willing to admit that the policies of the past have failed. And, in setting priorities for this new decade we should craft an economic policy based on truth; a tax policy based on fairness; a trade policy based on productivity; an energy policy based on self-reliance, and a national direction based on accepting the reality of a changing world in changing times.

It is vital to remember how we got to this point—so we will not repeat the mistakes of the past.

And, that must lead to a discussion of the history of Reaganomics. These policies were, frankly, irresistible to the American people because the theology of supply-side economics contained the impossible to deliver, but appealing, promise of somehow having it all, but not paying for it—a promise which could only be kept by massive borrowing.

In adopting this program, Congress reflected the strong support which Mr. Reagan and his feel good economic policies had among the people. As one who opposed that program—warning that a day of reckoning was coming—I confess that it was not the politically popular thing to do.

So, Congress must certainly accept the blame for enacting the Reagan program into law.

A decade of Reaganomics saw the national debt grow more than in all other Presidencies combined, but as this happened we did not heed the warnings.

In fact, there is a faction in both the Republican and Democratic Parties which even today ignores the lesson embodied in the failure of supply-side economics.

The gridlock we see in government today is symptomatic of a nation foundering because its policies are not working, and many of its leaders are stubbornly refusing to alter a dangerous course.

Reagan administration policies—deep slashes in revenues and huge increase in defense spending—could only be financed by using the national credit card—and use it we did, until the numbers were worn off.

Today, we face the mountain of debt created by that credit card philosophy. In fact, one of the largest increases in Government spending is interest on the debt that piled up as the result of the flawed economic policies of the past decade.

Congress has decreased services and domestic programs in order to help meet interest payments on the debt, meaning less money to repair and maintain our infrastructure, educate and train our people and promote job growth.

There has been no other choice.

An energy policy was followed in the 1983's which saw us become more and more dependent on both foreign oil and foreign credit to buy that oil. This insane practice must stop. We must rely more on our own natural resources to, first, keep more money at home, and second, to insure that our economy is not held hostage by the likes of Saddam Husseln.

We also followed trade policies which opened this Nation to a flood of job-costing imports.

And, the free market agricultural policies of the 1980's sent both commodities and land prices skidding—leaving farmers unable to service their debt and driving many of them off the land.

Our tax policy was tilted toward the rich, but the money was hoarded. It did not, as supply-side proponents claimed, trickle down. It gushed up.

The atmosphere these policies created made millionaires of Wall Street speculators, but left businessmen on Main Street in pain. The buy-out mania fueled by junk bonds left many corporations so burdened with debt they could not continue to operate and we lost jobs.

Tax policies left us with an overheated real estate market and helped bring the savings and loan industry to its knees.

In Government, the policies resulted in debt and more debt. In failing to adopt a pay-as-you-go policy, our only

choice in sustaining the Reagan policies was on credit. And, now the bill is due. The party's over.

Congress can adopt a fair pay back plan for the Reagan deficits. It should also spend more time on what are viewed as mundane tasks, including sound management of the bureaucracy.

The scandals in the Department of Housing and Urban Development and the savings and loan frauds are intolerable—and must serve as a clear call to restore good management to government.

And, we must tighten foreign debt collection procedures.

Frankly, both the Reagan and Bush administrations have done a lousy job of seeing to it that countries which own the U.S. money pay it back.

My feeling is those debts should be paid. Under an amendment which I sponsored in the House, known as the Alexander-Brooke amendment, foreign aid is cutoff if a country is 12 months in arrears in payment of its debt to this country.

The past two administrations, however, have been able to circumvent this requirement by rescheduling the debt which starts the clocks running again.

We can also see to it that our allies accept more of the burden for their own defense. The United States can't guard the world alone, nor can Uncle Sam be a global Sugar Daddy any longer.

Our first priority must be to craft a deficit pay back plan which will be fair, not falling more heavily on the middle class, working families of the Nation.

I hope we would take the other actions I have outlined to ensure that the decade of the 1990's sees a government on a sounder, fairer footing.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 1 minute to the gentleman from Kansas [Mr. SLATTERY].

Mr. SLATTERY. I thank the gentleman for yielding.

Mr. Speaker, the fact of the matter is today the Republicans have not been shut out, as they would like to make the American people believe. The fact is the President and the bipartisan congressional leadership have set the ground rules, and the ground rules are simple. We are going to achieve \$40 billion in deficit reduction the first year and we are going to achieve \$500 billion in deficit reduction over 5 years. Those were the ground rules, set by the President of the United States and the bipartisan congressional leadership.

□ 1400

The fact is today the other side does not have a plan available to submit to this body for a vote that achieves either of those basic objectives.

If the President of the United States wants to change the rules, and if we are going to talk about a \$400 billion

plan, then the Democrats can go back and come up with a whole lot less painful plan than what we are going to be talking about here today. All I am saying to my friends is let us live by the rules that were set by the summit agreement, \$40 billion the first year, \$500 billion over 5 years, and let us get on to the conference, and hopefully we can agree to a package that will be acceptable to the President. Only by so doing will we avoid shutting the Government down later this week.

PARLIAMENTARY INQUIRY

Mr. ARMEY. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore (Mr. MURTHA). The gentleman will state his parliamentary inquiry.

Mr. ARMEY. Mr. Speaker, this is a debate on the rule, and I understood and expected this debate to be confined to a discussion of the rule by which we would consider legislation that would follow. I wonder, Mr. Speaker, is it in order for Members to continue to talk about everything but the rule and the basic fairness of the rule, or the points of order that are waived by this rule? I understand that virtually every point of order that we have in our rule book is waived on behalf of this rule.

Mr. DERRICK. Mr. Speaker, a point of order. This is not a parliamentary inquiry.

The SPEAKER pro tempore. The Chair will state that there is much latitude in discussing a rule, because obviously if the House is going to discuss whether a rule should be defeated, the merits of the bill being made in order are relevant. So the Chair recognizes on both sides that there is latitude to discuss issues inside the bill itself.

Mr. ARMEY. May I make a further point for my personal clarification.

The SPEAKER pro tempore. Does the gentleman have a further parliamentary inquiry?

Mr. ARMEY. I have a further parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore. The gentleman will state it.

Mr. ARMEY. Please forgive me, Mr. Speaker, but I have been confused. Does the President of the United States write any of the rules by which we conduct debate here, because I have heard repeatedly references to the rules written by the President?

Mr. DERRICK. Mr. Speaker, I object. The minority is using a point of order for an entirely different purpose.

Mr. ARMEY. Mr. Speaker, I have heard several Members of this debate refer to the rules written by the President.

The SPEAKER pro tempore. The gentleman from South Carolina is right in objecting to this as a parliamentary inquiry.

The Chair recognizes the gentleman from South Carolina.

Mr. DERRICK. Mr. Speaker, I yield 1 minute to the gentleman from Florida [Mr. SMITH].

Mr. SMITH of Florida. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I commend the Rules Committee for having done what it did in insisting that both sides play by exactly the same ground rules. For years the Republicans have wanted to compare apples to oranges, never wanting to meet the target.

And I would say to the gentleman from Minnesota [Mr. FRENZEL], who stood there and wept these crocodile tears about being shut out of the process, let me just say to him and the gentleman from Illinois [Mr. MICHEL], the minority leader, where were you when the House, the Democratic leadership, the Senate Democratic and Republican leadership were meeting just last week on the eventual budget plan that was adopted by this House and Senate? You were nowhere. You both refused to go. You do not get barred; you refuse to participate. Now when you will not participate on the rules, you want to have it your way. You cannot have it your way anymore. The United States cannot stand any more of your way after 10 years.

If rhetoric, Mr. Speaker, was fertilizer, this place would be growing 10-foot mushrooms.

Mr. DERRICK. Mr. Speaker, I yield such time as he may consume to the gentleman from Kansas [Mr. GLICKMAN].

(Mr. GLICKMAN asked and was given permission to revise and extend his remarks.)

Mr. GLICKMAN. Mr. Speaker, I rise to express my serious concern about the rule as it affects the taxation of general aviation aircraft and the opportunity to offer an amendment to that particular provision.

Mr. Speaker, I rise to express my serious concern about this rule on H.R. 5835, the Omnibus Budget Reconciliation Act. While I commend Chairman ROSTENKOWSKI for putting together a fair and responsible package, I am troubled that such a comprehensive package with thousands of provisions can only be supported or opposed in total with no opportunity for amendment. I was not eligible to offer an amendment which would have modified the general aviation "luxury" tax included in the Rostenkowski amendment.

In particular, I am concerned about the imposition of "luxury" taxes on general aviation aircraft. It would be more accurate to refer to this tax, inappropriately called a luxury tax, as a nuisance tax because it will contribute little to total deficit reduction. In the first year of the House package, the amount raised from airplane luxury taxes would be very small, yet the damage done to the aviation industry would be enormous. Further, small airplanes are not a luxury. They are not like expensive jewelry and furs, which are items of pure choice for purchase by the wealthy.

Airplanes are bona fide depreciable business assets purchased by individuals and companies to meet their transportation needs. In this era of airline deregulation when many

communities, particularly small ones, have lost significant levels of scheduled airline service, many businesses and individuals have determined it makes economic sense to purchase a small plane.

Imposing a tax on these aircraft only deters their purchase. In turn, declining sales will contribute to further job cuts in an industry already beset by product liability costs and other unfavorable changes in tax laws. Unemployed American aviation workers, including those working for component suppliers, will have lower taxable incomes and may be forced to secure unemployment benefits, causing two additional drains on our revenue system. This spiral is unnecessary. And it will particularly be a problem for my district which is the headquarters of Beech, Cessana, and Learjet.

The best option is to not impose any luxury tax on airplanes. The future of the general aviation industry may be at stake. If this tax becomes law, the winners will be foreign manufacturers and foreign workers. The losers will be the thousands of American working men and women. Hopefully this obnoxious provision can be modified or repealed in a conference with the other body.

Mr. QUILLEN. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, I would like to remind the Democrats that for the last 36 years they have controlled this House. They control it now. Why blame the Republicans?

The President has sent word that he would veto the Ways and Means Democratic alternative if it is presented in the form that it is now.

Try to muzzle us. Do what you can to shut us up, but you cannot. Our beliefs are the beliefs of the American people, and we will win in the end.

Mr. Speaker, I urge a no vote on the previous question, and I urge that we defeat this rule.

Mr. Speaker, I yield back the balance of my time.

Mr. BUNNING. Mr. Speaker, when you took the dias for the first time after you were elected Speaker of the House last year, you promised the Republicans—and I quote—"A spirit of cooperation and increased consultation."

Where is that spirit of cooperation and consultation now, Mr. Speaker?

The Members of the Republican Party here in the House of Representatives have unified behind an alternate budget proposal; a budget proposal which can meet the target of reducing the deficit by \$500 billion over 5 years, without raising taxes.

And you will not allow the Republican Party to even bring this bill to the floor of the House for consideration.

That is not cooperation. That is not consultation.

That is not fair to the American taxpayer.

Mr. DERRICK. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I sat on the Budget Committee in this body for 10 years. I must say that I have heard nothing this morning that I have not heard before from the minority,

I sat there for 10 years, year in and year out, and heard our party criticized, heard when we had a President, him criticized about balancing the

budget, we need to cut this, we need to cut that. Yet, invariably they would never, or most of the time would never have an alternative. This is just more of the same.

The rules, as has been pointed out here this morning, were that we were going to try. The President said, the leadership in the Senate, both minority and majority, the leadership in the House, both the majority and the minority said that we were going to cut by either cutting programs or raising revenue, we were going to try to balance this budget. All Members know, Democrats and Republicans, that if this country is going to continue to survive, economically, if we are going to continue to be able to provide the standard of living that we have become accustomed to for the citizens of our country, if we are going to continue to remain the leaders of the free world, and to continue to do things like we are doing in Saudi Arabia and stand up for freedom, we are going to have to balance this budget.

The minority has been given that opportunity. Unfortunately, and I regret very much they have simply failed. They are not willing to get out front. They are not willing to exert any pain. They are not willing to say no.

We all know that there are two ways to balance a budget. We can either take in more revenue or spend less. They are not willing to make these decisions.

This is a fair rule. It is a rule that is not only you might say a rule of the Rules Committee, but it is a rule of the administration.

Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

Mr. WALKER. Mr. Speaker, I ask that the question be put on the previous question.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present, and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 241, nays 184, not voting 8, as follows:

[Roll No. 471]

YEAS—241

Ackerman	Bates	Boxer
Alexander	Bellenson	Brooks
Anderson	Berman	Browder
Andrews	Bevil	Brown (CA)
Annumzio	Bibray	Bruce
Anthony	Boggs	Bryant
Aspin	Bonior	Bustamante
Athins	Borsari	Byron
AuCoin	Bosco	Campbell (CO)
Barnard	Boucher	Cardin

Carper Johnson (SD) Perkins
 Carr Johnston Pickett
 Chapman Jones (NC) Pickle
 Clarke Jontz Poshard
 Clay Kanjoraki Price
 Clement Kaptur Rangel
 Coleman (TX) Kastenmeier Ray
 Collins Kennedy Richardson
 Conyers Kennelly Roe
 Cooper Klidde Rose
 Costello Kleczka Rostenkowski
 Coyne Kolter Rowland (GA)
 Crockett Kostmayer Roybal
 Darden LaFalce Russo
 de la Garza Lancaster Sabo
 DeFazio Lantos Sangmeister
 Dellums Laughlin Sarpalius
 Derrick Lehman (FL) Savage
 Dicks Lehman (CA) Sawyer
 Dingell Levin (MI) Scheuer
 Dixon Levine (CA) Schroeder
 Donnelly Lewis (GA) Schumer
 Dorgan (ND) Lipinski Serrano
 Downey Lloyd Sharp
 Durbin Long Sikoraki
 Dwyer Lowey (NY) Sisisky
 Dymally Luken, Thomas Skaggs
 Dyson Manton Skelton
 Early Markey Slattery
 Eckart Martinez Slaughter (NY)
 Edwards (CA) Matsui Smith (FL)
 English Mavroules Smith (IA)
 Erdreich Mazzoli Solars
 Epsy McCloskey Spratt
 Evans McCurdy Staggers
 Fawell McDermott Stallings
 Fazio McHugh Stark
 Feighan McMillen (MD) Stenholm
 Flake McNulty Stokes
 Flippo Mfume Studts
 Foglietta Miller (CA) Swift
 Ford (MI) Mink Synar
 Ford (TN) Moakley Tallon
 Frank Mollohan Tanner
 Frost Montgomery Tauzin
 Gaydos Moody Thomas (GA)
 Gejdenson Mrazek Torres
 Gephardt Gephardt Torricelli
 Geren Murtha Towns
 Gibbons Nagle Traxler
 Glickman Natcher Udall
 Gonzales Neal (MA) Unsoeld
 Gordon Neal (NC) Vento
 Gray Nelson Visclosky
 Guarini Nowak Volkmer
 Hall (OH) Oakar Walgren
 Hamilton Oberstar Washington
 Harris Obey Watkins
 Hatcher Olin Waxman
 Hawkins Ortis Weiss
 Hayes (IL) Owens (NY) Wheat
 Hayes (LA) Owens (UT) Whitten
 Hefner Pallone Williams
 Hertel Panetta Wilson
 Hoagland Parker Wise
 Hochbrueckner Patterson Wolpe
 Hoyer Hoyer Payne (NJ) Wyden
 Huckaby Payne (VA) Yates
 Hughes Pease Yatron
 Hutto Pelosi
 Jenkins Penny

NAYS—184
 Applegate
 Archer
 Arney
 Baker
 Ballenger
 Bartlett
 Barton
 Bateman
 Bennett
 Bentley
 Bereuter
 Bilirakis
 Bliley
 Boehlert
 Broomfield
 Brown (CO)
 Buechner
 Bunning
 Burton
 Callahan
 Campbell (CA)
 Chandler
 Clinger
 Coble
 Coleman (MO)
 Combust

Gillman
 Gingrich
 Gooding
 Goss
 Gradison
 Grandy
 Grant
 Green
 Gunderson
 Hall (TX)
 Hammerschmidt
 Hancock
 Hansen
 Hastert
 Hefley
 Henry
 Herger
 Hiler
 Holloway
 Hopkins
 Horton
 Houghton
 Hubbard
 Hunter
 Hyde
 Inhofe

Ireland
 Jacobs
 James
 Johnson (CT)
 Jones (GA)
 Kasich
 Kolbe
 Kyl
 Lagomarsino
 Leach (LA)
 Lent
 Lewis (CA)
 Lewis (FL)
 Lightfoot
 Livingston
 Lowery (CA)
 Lukens, Donald
 Machtley
 Madigan
 Marlenee
 Martin (IL)
 Martin (NY)
 McCandless
 McCollum
 McCrery
 McDade
 McEwen
 McGrath
 McMillan (NC)
 Meyers
 Michel
 Miller (OH)
 Miller (WA)
 Mollinari
 Moorhead
 Morella
 Morrison (WA)

NOT VOTING—8
 Brennan
 Engel
 Leath (TX)
 Mineta
 Morrison (CT)
 Rowland (CT)
 Schuette
 Thomas (CA)

□ 1427
 The Clerk announced the following pair:
 On this vote:
 Mr. MORRISON of Connecticut for, with Mr. THOMAS of California against.
 Mr. BARTLETT changed his vote "yes" to "nay."
 So the previous question was ordered.
 The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. MURTHA). The question is on the resolution.
 The question was taken and the Speaker pro tempore announced that the noes appeared to have it.
RECORDED VOTE
 Mr. DERRICK. Mr. Speaker, I demand a recorded vote.
 A recorded vote was ordered.
 The vote was taken by electronic device, and there were—ayes 231, noes 195, not voting 7, as follows:

[Roll No. 472]
AYES—231
 Ackerman
 Alexander
 Anderson
 Andrews
 Annunzio
 Anthony
 Aspin
 Atkins
 AuCoin
 Bates
 Bellenson
 Bevil
 Bilbray
 Boggs
 Bonior

Boraki
 Bosco
 Boucher
 Boxer
 Brooks
 Browder
 Brown (CA)
 Bruce
 Bryant
 Bustamante
 Byron
 Campbell (CO)
 Cardin
 Carper
 Chapman
 Clarke
 Clay
 Clement
 Coleman (TX)
 Collins
 Conyers
 Costello
 Coyne
 Crockett
 Darden
 de la Garza
 DeFazio
 Dellums
 Derrick
 Dicks
 Dingell
 Dixon
 Donnelly
 Dorgan (ND)
 Downey
 Durbin
 Dwyer
 Dymally
 Dyson
 Early
 Eckart
 Edwards (CA)
 Erdreich
 Epsy
 Evans
 Fawell
 Fazio
 Feighan
 Flake
 Flippo
 Foglietta
 Ford (MI)
 Ford (TN)
 Frank
 Frost
 Gaydos
 Gejdenson
 Gephardt
 Geren
 Gibbons
 Gonzales
 Gordon
 Gray
 Guarini
 Hall (OH)
 Hamilton
 Harris
 Hatcher
 Hawkins
 Hayes (IL)
 Hayes (LA)
 Hefner
 Hoagland
 Hochbrueckner
 Hoyer
 Huckaby
 Hughes
 Hutto
 Jenkins
 Johnson (SD)
 Johnston
 Jones (NC)
 Jontz
 Kanjoraki
 Kaptur
 Kastenmeier
 Kennedy
 Kennelly
 Klidde
 Kleczka
 Kolter
 Kostmayer
 LaFalce
 Lancaster
 Lantos
 Laughlin
 Lehman (FL)
 Lehman (CA)
 Levin (MI)
 Levine (CA)
 Lewis (GA)
 Lipinski
 Lloyd
 Long
 Lowey (NY)
 Luken, Thomas
 Manton
 Markey
 Martinez
 Matsui
 Mavroules
 Mazzoli
 McCloskey
 McCurdy
 McDermott
 McHugh
 McMillen (MD)
 McNulty
 Mfume
 Miller (CA)
 Mink
 Moakley
 Mollohan
 Montgomery
 Moody
 Mrazek
 Murphy
 Murtha
 Natcher
 Neal (MA)
 Neal (NC)
 Nelson
 Nowak
 Oakar
 Oberstar
 Obey
 Olin
 Ortis
 Owens (NY)
 Owens (UT)
 Pallone
 Panetta
 Parker
 Patterson
 Payne (NJ)
 Payne (VA)
 Pease
 Pelosi
 Penny
 Patterson
 Payne (NJ)
 Payne (VA)
 Pease
 Pelosi
 Penny
 Perkin
 Pickett
 Pickle
 Poshard
 Price
 Rangel
 Ray
 Richardson
 Roe
 Rose
 Rostenkowski
 Rowland (GA)
 Roybal
 Russo
 Sabo
 Sangmeister
 Sarpalius
 Savage
 Sawyer
 Scheuer
 Schroeder
 Schumer
 Serrano
 Sharp
 Sikoraki
 Sisisky
 Skaggs
 Skelton
 Slattery
 Slaughter (NY)
 Smith (FL)
 Smith (IA)
 Solars
 Spratt
 Staggers
 Stallings
 Stark
 Stenholm
 Stokes
 Studts
 Swift
 Synar
 Tallon
 Tanner
 Tauzin
 Thomas (GA)
 Torres
 Torricelli
 Towns
 Traxler
 Udall
 Unsoeld
 Vento
 Visclosky
 Volkmer
 Walgren
 Washington
 Watkins
 Waxman
 Weiss
 Wheat
 Whitten
 Williams
 Wilson
 Wise
 Wolpe
 Wyden
 Yates
 Yatron

NOES—195
 Applegate
 Archer
 Arney
 Baker
 Ballenger
 Barnard
 Bartlett
 Barton
 Bateman
 Bennett
 Bentley
 Bereuter
 Bilirakis
 Bliley
 Boehlert
 Broomfield
 Brown (CO)
 Buechner
 Bunning
 Burton
 Callahan
 Campbell (CA)
 Chandler
 Clinger
 Coble
 Coleman (MO)
 Combust
 Condit
 Conte
 Cooper
 Coughlin
 Courter
 Cox
 Craig
 Crane
 Dannemeyer
 Davis
 DeLay
 DeWine
 Dickinson
 Dorman (CA)
 Douglas
 Dreier
 Duncan
 Edwards (OK)
 Emerson
 Fawell
 Fields
 Fish
 Frenzel
 Gallegly
 Gallo
 Gekas
 Gillmor
 Gillman
 Gingrich
 Glickman
 Gooding
 Goss
 Gradison
 Grandy
 Grant
 Green
 Gunderson
 Hall (TX)
 Hammerschmidt
 Hancock
 Hansen
 Hastert
 Hefley
 Henry
 Herger
 Hiler
 Holloway
 Hopkins
 Horton
 Houghton
 Hubbard
 Hunter
 Hyde
 Inhofe
 Frenzel
 Gallegly
 Gallo
 Gekas
 Gillmor
 Frenzel
 Gallegly
 Gallo
 Gekas
 Gillmor

Holloway	Miller (OH)	Shaw
Hopkins	Miller (WA)	Shays
Horton	Molinar	Shumway
Houghton	Moorhead	Shuster
Hubbard	Morella	Skeen
Hughes	Morrison (WA)	Slaughter (VA)
Hunter	Myers	Smith (NE)
Hyde	Nielson	Smith (NJ)
Inhofe	Oxley	Smith (TX)
Ireland	Packard	Smith (VT)
Jacobs	Parker	Smith, Denny
James	Parris	(OR)
Johnson (CT)	Pashayan	Smith, Robert
Jones (GA)	Paxon	(NH)
Kasich	Petri	Smith, Robert
Koibé	Porter	(OR)
Kyl	Pursell	Snowe
Lagomarsino	Quillen	Solomon
Laughlin	Rahall	Spence
Leach (IA)	Ravenel	Stangeland
Lent	Regula	Stearns
Lewis (CA)	Rhodes	Stump
Lewis (FL)	Ridge	Sundquist
Lightfoot	Rinaldo	Tauke
Livingston	Ritter	Tauzin
Lowery (CA)	Roberts	Taylor
Lukens, Donald	Robinson	Thomas (WY)
Machtley	Rogers	Traficant
Madigan	Rohrabacher	Upton
Marlenee	Ros-Lehtinen	Valentine
Martin (IL)	Roth	Vander Jagt
Martin (NY)	Roukema	Vucanovich
McCandless	Saiki	Walker
McCollum	Sarpalius	Walsh
McCrery	Saxton	Weber
McDade	Schaefer	Weldon
McEwen	Schiff	Whittaker
McGrath	Schneider	Wolf
McMillan (NC)	Schulze	Wylie
Meyers	Sensenbrenner	Young (AK)
Michel	Sharp	Young (FL)

NOT VOTING—7

Berman	Morrison (CT)	Thomas (CA)
Brennan	Rowland (CT)	
Engel	Schuette	

□ 1444

The Clerk announced the following pair:

On this vote:

Mr. Morrison of Connecticut for, with Mr. Thomas of California against.

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 19, 1990
(Conference)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

THE HOUSE AND SENATE VERSIONS OF H.R. 5835
-- THE OMNIBUS RECONCILIATION ACT OF 1990

Both the House and Senate versions of the Omnibus Reconciliation Act produce budgetary savings that are generally consistent with the Bipartisan Budget Summit Agreement. However, as the President stated on October 16th, he would veto the House version of the bill if it were to reach his desk. The House bill removes the indexation of tax rates, which would resurrect an inequity most Americans thought was a thing of the past: bracket creep. In addition, the House bill raises the top tax rate to 33%, adds an income tax surcharge, and contains other hidden mechanisms that increase income taxes on all Americans.

The Senate tax provisions are generally acceptable to the Administration. The President's negotiators will be working directly with the Conferees to express the Administration's position on specific tax provisions.

In addition to the unacceptable tax provisions in the House bill, the President's senior advisors would recommend that the President veto the Reconciliation bill if it contained the GATT trigger provision in the House bill. This provision would cancel savings in the commodity price support programs on July 1, 1992, if legislation to implement a GATT agreement is not enacted by that time. Because the savings are contingent upon the enactment of future legislation, they cannot be scored. The provision will thus reduce the savings produced by the Committee on Agriculture by \$8 billion in FY 1993-1995 -- with the result being that the Committee will have failed to meet its reconciliation instructions. In addition, this provision would create a perverse incentive for the U.S. agriculture community to ensure that a GATT agreement is never consummated.

The Administration has concerns about many other provisions in the House and Senate bills. These concerns are attached. They are organized by Senate Committee so that the Conferees can review those concerns that are of greatest interest to them.

Attachment

H.R. 5835 -- OMNIBUS RECONCILIATION ACT OF 1990

The discussion of reconciliation provisions that follows is organized alphabetically by Senate Committee. Budget process reform provisions are covered under the Budget Committee.

In general, the Administration supports budget legislation that is made permanent, as opposed to legislation that is limited to the five year period covered by the agreement or of other specified duration.

Agriculture Committee

- o The conference agreement should be updated to reflect agreements reached by the Conferees on the 1990 Farm Bill with regard to how to achieve necessary budget savings.

- o Rural Electrification Administration Loans. The Administration supports the reconciliation package reported by the Committee on Agriculture, including the provisions that would shift 25 percent of the direct loans currently provided by the REA to private loans with a Federal guarantee. However, the Administration is concerned about the provision that would provide for a 99 percent guarantee. A 90 percent guarantee would be more consistent with existing Federal practice and the goal of real deficit reduction.

Budget Committee

Budget Process Reform. The provisions on budget process reform in the Senate bill more closely follow the Bipartisan Budget Summit Agreement and provide stronger enforcement procedures to ensure permanent deficit reduction. The Administration urges the Conferees to use the Senate bill as a basis for the conference agreement, with modifications to address the following concerns:

- o The bill would not adjust Defense allocations for Operation Desert Shield, as provided in the Bipartisan Budget Summit Agreement. The adjustment is necessary to ensure that funds are fully available when needed.
- o The Bipartisan Budget Summit Agreement provided that all deposit insurance accounts should be included in the consolidated budget but removed from the GRH baseline to prevent technical or economic changes in those accounts from causing a sequester on discretionary accounts. The House bill includes this provision but the Senate bill does not. The House provision should be adopted.
- o The Senate bill does not establish a point of order (requiring 60 votes to waive) against a budget resolution or appropriations bills that exceed the annual discretionary spending limits, as provided in the Bipartisan Budget Summit Agreement. This point of order is a necessary Congressional enforcement tool to ensure that the spending limits are adhered to.

The Senate bill provides stronger budget process reforms than the House bill in many areas, including the following:

- o The House bill provides for a sequester if mandatory spending legislation increases the deficit, but the sequester is applied to discretionary as well as mandatory accounts if it exceeds \$5 billion. As in the Senate bill, the sequester for deficit increases caused by mandatory spending should apply only to mandatory accounts so the remedy is tailored to the offense, as originally intended in the Bipartisan Budget Summit Agreement.
- o In the House bill, the sequester on discretionary spending that exceeds the spending caps is triggered only once a year rather than when the spending violation occurs. This provision should be modified to provide for a sequester within 15 days after enactment of a bill enacted by July 1, or at the time of the GRH sequester for a bill enacted after July 1. This will ensure that the effect of sequester is felt immediately rather than delayed until as much as one year later.

Government-Sponsored Enterprises (GSE) Reform. The Senate version of the Budget Process Reform Act is very similar to the House with respect to reports on the financial risks posed by GSEs. However, the Administration prefers language that would: (1) make the Treasury study requirement an annual requirement; (2) explicitly authorize Treasury access to confidential information from the individual GSEs; and (3) include a statutory provision for the House and Senate leadership to provide for a vote on GSE financial safety and soundness legislation, if the committees of jurisdiction over these enterprises fail to report legislative recommendations by September 15, 1991. The Administration would amend the House language to authorize Treasury to permit private statistical rating agencies and other Federal agencies to have access to such confidential information subject to the same safeguards applicable to Treasury.

Commerce Committee

- o Coastal Zone Management (CZM) Provisions. The Administration strongly opposes the House provision termed the "Coastal Zone Management Reauthorization Act of 1990." As a free-standing bill, the Secretaries of Interior, Agriculture, Defense, Energy and the Attorney General have indicated that they might recommend a veto. Reasons for opposition are that it would subject Outer Continental Lease sales to review for consistency with State coastal zone management programs. Secondly, it would broadly expand the application of the CZM Act's "consistency" provisions to encompass a wide range of federal activities undertaken beyond the traditionally-defined area of the coastal zone. Finally, it would impose new restrictive standards on Federal agencies in conducting authorized activities.

- o Coast Guard User Fees. Although the Administration strongly supports collection of Coast Guard user fees, it objects to the provision in the Senate bill that would only permit collections from vessels operating "where Coast Guard has a presence." Since there is no accepted legal definition of waters where Coast Guard has a presence, collections could be challenged in court. In addition, the language lacks a specific schedule of fees for direct services. It would be preferable to include a schedule of fees in order to ensure that actual collection levels for 1991 match the levels specified in the Budget Resolution.

- o National Weather Service Fee. The Administration strongly prefers the National Weather Service fee proposal contained in the Senate bill over that contained in the House bill. The Senate's proposal would collect \$5 million per year for a total of \$25 million for FY 1991-1995 by allowing the National Oceanic and Atmospheric Administration to charge the fair market value for purchases of NOAA data and services. The House bill would limit collections from this fee to only \$1 million in 1991 and \$8 million in 1991-1995. Thereby, the House Science, Space and Technology Committee has failed to achieve its specified savings thresholds.

- o U.S. Travel and Tourism Fee. The Administration objects to the removal of the U.S. Travel and Tourism fee from the House bill. This fee was part of the Bipartisan Budget Summit Agreement and the Administration continues to support its implementation. The fee proposal contained within the Senate bill is acceptable to the Administration;

however, several technical changes, which have been transmitted to Congress, would significantly improve the effectiveness and implementation of the Senate proposals.

- o Veterans Benefits for Merchant Marines. The Administration objects to the expansion of eligibility for veterans benefits to certain members of the merchant marine. The Secretary of Defense has already determined the appropriate group of merchant marines to be extended veterans benefits. Any further expansion is unwarranted.

Energy and Natural Resources

- o Uranium Enrichment. The Senate bill contains a \$300 million authorization for a Uranium Mill Tailings Program. This authorization does not produce a change in outlays or revenues and thus is not appropriate for inclusion in a budget reconciliation measure.

Finance Committee -- Taxes

- o Tax Diversion Subsidy for Rail Pensions. This provision would divert \$180 million in retiree income taxes from the Treasury to the rail sector pension fund. Federal subsidies should not be used as a substitute for rail sector contributions to its own private sector pension fund.
- o Extension of Medicare Coverage. The Administration prefers the Senate bill which proposes to cover under Hospital Insurance all State and local government employees hired before April 1986. The House version perpetuates the free ride many State and local employees currently get under Medicare. These non-payers will continue to get Medicare services. Some 85% of these State and local workers get Medicare coverage without paying Medicare taxes.
- o HI Taxes. Both the House and Senate bills increase the HI wage cap (to \$89,000 in the Senate, \$100,000 in the House) above the level agreed to in the summit. The Administration prefers the \$73,000 level agreed to in the summit.
- o OASDI Coverage for State and Local Employees. The Administration prefers the effective date of the House bill for covering under social security State and local employees who have no pensions. In addition, both bills deny the protection of social security to students.
- o Railroad Pension Contributions. The Administration prefers the Senate bill which increases railroad pension contributions. This modest down payment on a \$34 billion unfunded liability in the rail pension fund was part of the Bipartisan Budget Summit Agreement.

Finance Committee -- Spending

- o Qualified Medicare Beneficiaries (QMB). The Administration strongly objects to the provision in the House bill that provides Federal funding of Medicaid payments of premiums of Medicare beneficiaries with incomes up to 125% of poverty. This provision would establish a new 100% Federally-financed Medicaid benefit which would increase Federal costs by \$2 billion over five years. The Medicaid provisions of the Senate bill also far exceed the costs in the Summit Agreement, but are far better than those in the House bill.
- o Moratorium on Emergency Assistance Regulations. These provisions would prohibit HHS from finalizing any regulation which changes the emergency assistance program in 1991. One effect of this provision would be to allow New York City to go back to putting homeless families with children in run-down welfare hotels. The 1991 cost of this provision is estimated at \$35 million.
- o Disregard of Trust Contributions. The effect of this provision would be to create a "tax shelter" for Supplemental Security Income, allowing well-to-do individuals to avoid having their income and assets counted for eligibility for this means-tested program.
- o Medically-Needy Income Levels for Certain Member Families. This provision would expand Medicaid eligibility beyond current interpretation of the statute and regulation. The HCFA Actuary scores this provision as increasing spending by \$700 million over five years.
- o Extension of Provision on Voluntary Contributions and Provider-Specific Taxes. Under this provision, States could levy hospital-specific taxes on Medicaid providers, and use the resulting revenues to satisfy the State match requirements under the Medicaid program. This is a budget gimmick that circumvents the internal State/Federal Medicaid match. The HCFA Actuary scores this provision as increasing spending by \$1.7 billion over five years.

- o Medicaid Prescription Drugs. The Administration supports the objectives of both the House and Senate provisions. The underlying structure of the Senate bill is preferable, but some individual provisions of the House bill are preferable for the following reasons:
 - The House version leaves intact States' ability to use prior authorization for costly new drugs;
 - The House version leaves intact States' ability to set pharmacy reimbursements and mandates increases in these rates; and
 - The Administration strongly supports full access by Medicaid beneficiaries but opposes Federally-imposed open formulary requirements because they limit States' flexibility.
- o Payments for Direct Graduate Medical Education Costs. The Administration prefers the House provision which provides incentives to encourage training in primary care. The provision is consistent with a proposal in the Administration's FY 1991 Budget.
- o Overpriced Procedures, Radiology, and Anesthesia Services. The Administration supports the House provisions, which would move payment for these services closer to the levels that would be paid under the recently-enacted Medicare Fee Schedule. By increasing savings in this area, Medicare beneficiaries will benefit because of lower premium and coinsurance amounts. Moreover, this approach permits a better balance in savings between hospitals and physicians.
- o Assistants at Surgery. The Administration prefers the Senate provision. The House prior-approval process has proven to be inefficient because of the lack of objectively verifiable standards for appropriate use of assistants combined with the high cost of the prior approval relative to the savings resulting from a denial.
- o Payments for Hospital Outpatient Department (OPD) Services. The Administration supports the House provision changing the OPD payment blend to 67% prospectively-determined rate/33% cost-based rate. This is consistent with the goal, shared by Congress, of moving hospital outpatient payments to a fully prospective basis.

- o Durable Medical Equipment. The Administration supports the House provision. A General Accounting Office study supported capping payment for durable medical equipment at the national median of carrier fee schedules. The provision would reduce overpayments and help Medicare beneficiaries by reducing their premium and coinsurance costs.
- o Medicare Select. The Administration supports the Senate provision authorizing Medicare Select plans, which combine Medicare supplemental (Medigap) insurance coverage with the operation of a preferred provider network. This approach would complement the existing HMO/CMP program, would expand options for Medicare beneficiaries, and would help to assure quality and affordability of care. Seniors would benefit because of lower premiums resulting from better management of care. Seniors would also benefit from the better coordination of care and from quality assurance programs that would be required.
- o Certified Registered Nurse Anesthetists. The proposed increase in payments for certified registered nurse anesthetists (CRNAs), as contained in the Senate bill is highly objectionable. CRNAs should be a cost-effective alternative to physician-provided anesthesia. Instead, the provision totally eliminates any savings potential. When fully implemented, Medicare's total cost for anesthesia services provided by a physician-supervised CRNA would be at least 25 percent higher than the total cost for the same service if provided directly by a physician. CRNAs would receive a 45 percent increase in payments, an increase that cannot be justified under any circumstance, particularly at a time when others are being called upon to accept reductions. This increase will result in adjusted annual gross incomes of between \$90,000 and \$100,000 for CRNAs.
- o Hospital-Supported Nursing and Allied Health Programs. The Administration strongly objects to the Senate provision which could cost between \$500 million and \$1.4 billion between 1991 and 1995. The provision will allow hospitals to receive payment for non-provider based programs. The program costs are not currently allowed, and there is no prospectively-determined limit on these costs as there is in the case of graduate medical education programs.
- o Provider Donations and Taxes. The House bill allows states to receive federal matching payments for hospital-specified donations and taxes. The

Administration strongly objects to the House provision which would allow states to increase Medicaid expenditures for pay for existing Medicaid benefits with no net cost to the state. This provision would erode the federal-state nature of Medicaid. The Administration estimates this provision would increase federal costs by \$1.7 billion over five years.

- o Medicaid Coverage of Children. The House and Senate bills phase in mandatory state coverage of children up to age 18 in families with incomes below poverty. The Senate bill phases in optional state coverage up to age 18 in families with incomes below 185% of poverty, and imposes immediate state optional coverage of children up to age 18 in families with incomes below poverty. Consistent with a statement signed by 48 state governors last year asking for a moratorium on Federal Medicaid mandates, the Administration objects to the mandatory expansion of Medicaid coverage included in this provision. The Administration estimates that the Federal cost of this provision would be \$2.1 billion over five years, substantially more than CBO's estimated 5-year cost of \$1.1 billion.
- o Prohibition of Disallowance for Inpatient Psychiatric Hospitals. Both the House and Senate bills prohibit HHS from disallowing Federal payments for certain psychiatric hospitals. The Administration objects to this provision which would limit the Secretary's ability to ensure that state Medicaid programs are consistent with Federal Medicaid requirements.
- o Changes to the Federal Financial Participation (FFP) Cap. The Administration objects to the House provision which would result in increases in Federal costs of \$700 million over five years. The FFP cap as designed so that states would not orient their Medicaid coverage to the elderly at the expense of families with dependent children.
- o Extraneous Provisions. The Administration objects to the Senate provisions for OASDI, Supplemental Security Income, AFDC, CSE, and RRB which are extraneous except for: repatriation; extension of IRS tax intercept to non-AFDC families past tax year 1989; continuation of disability benefits during appeal; elimination of certain retroactive benefits; and advanced tax transfers.
- o Overdue OASDI Overpayments. The Administration prefers the House bill which includes the Summit proposal to collect long outstanding OASDI overpayments through tax

refund offsets.

- o Social Security Administration Management Directives. The Senate bill mandates numerous Social Security Administration procedures that limit responsiveness and fail to accomplish a goal the Administration shares: insuring quality service to beneficiaries. Among the amendments which the Administration opposes are: provisions which would disrupt SSA's telephone service, and could lead to a deterioration of service in district offices; provisions which mandate that SSA send all workers every year a statement of earnings and benefits (SSA is currently studying the usefulness and effect of such a wide-scale mailing); provisions which mandate that a specialist evaluate every child applicant for SSI, even though current SSA policy uses specialists whenever appropriate.

- o Rehabilitation Programs. The Senate includes an unprecedented and potentially costly provision requiring the Federal Government to pay the costs of rehabilitation for participants in State programs. This could open the gates for loading costs on the Federal government. Funds are already available in State VR programs to assist these people.

Governmental Affairs Committee

- o Reforms in Postal Cost of Living Adjustments (COLAs). The Senate bill does not include provisions that would require the Postal Service to bear a larger share of the cost of COLAs provided to Postal retirees. Postal COLA reforms were included in the Bipartisan Budget Summit Agreement and adopted by the House. Continued taxpayer subsidies for these costs are inappropriate. They are legitimate operating expenses of the Postal Service that should be covered by rates charged to Postal customers. The Administration also objects to the House provision that sunsets postal COLA and FEHB reforms after September 30, 1995. These reforms require Postal Service and its customers to bear legitimate employer costs for COLA and health benefits provided to Postal retirees. These costs should not revert back to the Federal government after September 30, 1995, forcing taxpayers once again to subsidize operations of the U.S. Postal Service.

Finally, the Administration supports provisions in the Senate bill, but not included in the House bill, that would require the District of Columbia government to pay a larger share of the cost of health benefits provided to D.C. retirees. Both bills require Postal Service to increase health payments for their retirees. D.C. health benefit costs should be treated the same way.

- o Federal Employees Health Benefits (FEHB). The Administration urges the conferees to adopt the Senate version of the FEHB program because it includes proposals that produce real deficit reduction where the House bill claims credit for administrative changes that are already being achieved by the Office of Personnel Management without any Congressional action. The Senate bill would: apply Medicare payment limits for inpatient hospital services to retired FEHB enrollees age 65 and older who are not covered by Medicare Part A; and, exempt FEHB carriers from State premium taxes. (This provision is also in the House bill.)

- o Civil Service Lump Sum Payments.

The Conferees are urged to adopt the Senate proposal which achieves permanent reform by eliminating the civil service lump sum retirement option. The House bill merely suspends the lump sum for five years.

Both versions allow a one-month "window" through

October of 1990 for all retirement-eligible employees to elect the lump sum. The Senate then eliminates the lump sum for all employees. The House bill would continue to permit employees aged 65 or older with 10 or more years of service to elect the lump sum. Since all these individuals would be eligible to elect the lump sum during the October "window", there is no need to accord them special treatment thereafter.

Judiciary Committee

- o Patent and Trademark Office (PTO) Fee. The Administration supports the Senate provisions that increases user fees for the Patent and Trademark Office. The Senate version provides that the user fees be deposited in a special fund, available to PTO through appropriations. The House versions does not contain this language, and thus does not achieve any savings as agreed to in the budget negotiations.

Labor and Human Resources Committee

- o Civil Penalties for Certain Unfair Labor Practice Violations. The bill assesses a minimum fine of \$1,000 and a maximum fine of \$10,000 per affected individual for employer or union violations of the National Labor Relations Act (NLRA). The fines apply to sections 8(a)(3) and 8(b)(2), which deal with discriminatory discharge, and sections 8(a)(5) and 8(b)(3), which deal with bad faith bargaining. This provision was not discussed by the Bipartisan Budget Summit negotiators and it attempts to enact legislation that has not been the subject of hearings or debate. The National Labor Relations Board currently pursues compensatory damage suits for affected individuals successfully; it does not levy fines. Such fines, especially a floor on the fines, will generate substantial additional litigation and is apt to delay justice. Restitution is not required while cases are contested.

- o OSHA and MSHA Fines. The House bill raises the ceilings on most OSHA and MSHA fines, and establishes floors for most fines. While the Administration has agreed that some increase in OSHA and MSHA fines may be acceptable, it strongly objects to provisions that would include floors on the amount of fines that may be levied. We understand that the provisions making violation of certain OSHA rules a criminal offense have been deleted from both bills.

Veterans Committee

- o Veteran's Home Loan Guaranty Program. The Administration objects to the provision in the House bill that would expand eligibility for the Home Loan Guaranty program to reservists with six years in the reserves, but who have not served 180 days on active duty. This provision unnecessarily expands eligibility to a readjustment benefit to men and women who have not left civilian life. While this provision would increase fees in the short run, it exposes the Federal Government to the costs of foreclosures several years later.



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

OCT 19 1990

Dear Conferee,

I write to provide the views of the Department of Health and Human Services on Budget Reconciliation legislation now being considered by conference committee.

The letter outlines key provisions that we support or oppose. The enclosure provides our views on selected other matters under your consideration.

I should point out at the outset that because the purpose of Budget Reconciliation is deficit reduction, we can not support any new spending provisions other than the levels agreed to in the budget summit.

HEALTH

MEDICARE

Hospital Capital

Both the House and Senate bills have preserved HHS's authority to fold hospital capital payments into the Prospective Payment System (PPS). We thank the Committees and strongly support their position retaining our authority and flexibility in this area. The current system, cost-based for capital and prospective for operating costs, distorts incentives and encourages inflationary capital spending. Under the Senate and House provisions, HHS will be able to produce regulations that will vastly improve capital payment policy over time and protect hospitals that could be unfairly harmed by such a change in payment policy.

Graduate Medical Education

We strongly support the policy direction of the Ways and Means graduate medical education proposal, which is similar to the President's FY 1991 budget proposal. This approach would encourage the training of primary care physicians.

Secondary Payor Extensions and Improvements

We support provisions in both the House and Senate bills that would extend the Medicare secondary payer (MSP) provisions. These provisions would extend our authority to reduce medicare payments by identifying situations when other primary health insurance can be held accountable.

Physician Budget Proposals

We support nearly all of the savings proposals associated with physician and other Part B provider payments. Most represent variations on the President's budget proposals; they are sound policy; and they would help provide for a transition to the Medicare fee schedule on January 1, 1992.

MEDICAID

Qualified Medicare Beneficiaries

While we certainly support the concept of protecting low income beneficiaries from new cost-sharing requirements, we are strongly opposed to the House provision which establishes a new policy for the Medicaid program of 100 percent Federal funding for Qualified Medicare Beneficiaries (QMBs).

We strongly prefer the Senate provision, which uses the standard Federal and State Medicaid matching rates now applied to coverage for current QMBs with incomes below the Federal poverty level. First, the Senate provision would leverage Federal spending to help more near-poor beneficiaries per Federal dollar. And second, the Senate provision avoids making a major policy change in Federal-State responsibility without an opportunity for the public debate it deserves.

INCOME SECURITY

Social Security Independent Agency

We are gratified that neither House nor Senate bill includes the provision to establish the Social Security Administration (SSA) as an Independent agency. The Administration remains strongly opposed to any provision which would separate SSA from the Department of Health and Human Services.

Restoration of Telephone Access to Local Social Security Offices

We strongly oppose the Senate provision requiring the Department to publish in local telephone directories the telephone numbers of Social Security offices that provided teleservice as of September 30, 1989. Reestablishing direct telephone access to local offices would not improve service, but rather reduce levels of service to those who visit local offices because employees would be diverted from face-to-face interviews to answering telephones.

Repatriation

We strongly support the provision in the Senate Reconciliation bill which temporarily repeals the \$1 million spending cap for the repatriation program for two fiscal years, and permits HHS to receive gifts from those wishing to contribute assistance to repatriated Americans through the repatriation program. This program is essential to individuals leaving areas of strife because it provides the necessary temporary assistance upon their arrival in the United States.

Sincerely,



Louis W. Sullivan, M.D.
Secretary

Enclosure

MEDICARE

Hospital Payment Provisions

o PPS Payment Adjustments

In examining PPS payment adjustments such as the indirect teaching adjustment (IME), it is clear that the Medicare Trust Fund is financing costs associated with non-Medicare beneficiaries. While we are extremely concerned about those who lack health insurance, we do not believe it is appropriate to use the Medicare Health Insurance Trust Fund to mitigate the serious uncompensated care problems that face many hospitals. We therefore support the reduction in the IME adjustment approved by the Senate, which resembles a proposal made in the President's Budget.

HHS is preparing a congressionally-mandated report on the urban/rural payment differential and other issues of hospital payment equity. Our report will suggest PPS payment alternatives that more appropriately reflect costs providers face in treating Medicare beneficiaries.

o Hospital Capital

We strongly support the House and Senate provisions preserving HHS's authority to fold hospital capital payments into the Prospective Payment System (PPS). The current system, cost-based for capital and prospective for operating costs, distorts incentives and encourages inflationary capital spending.

Both bills also lessen the across-the-board reduction in capital payments, which will help our efforts to craft an equitable regulation. Both bills would provide us flexibility to treat the moveable portion of capital separately from the fixed portion, should we deem that approach appropriate.

Under the Senate and House provisions, we will be able to produce regulations that will vastly improve capital payment policy over time and protect hospitals that could be unfairly harmed by such a change in payment policy.

o Bundling AND Unbundling of Payment Rates

We support a House provision to include in the hospital DRG payment diagnostic tests performed two and three days before the stay. This is an important policy to prevent unbundling from the hospital DRG payment.

In contrast, we strongly oppose a House provision to repeal the OBRA-1986 provision which allowed an offset to hospital rates where physician assistants are separately billed from the hospital DRG rate. This repeal would encourage hospitals to unbundle payments from the DRG payment by utilizing physician assistants in place of other equally qualified personnel. Encouraging this behavior undermines the hospital DRG system. It also violates the principle established, when the physician assistant direct billing provision was enacted, to make that provision budget neutral.

In the PPS regulation, HHS implemented the statutory offset on a hospital-specific basis. We believe that this approach is preferable because it discourages individual hospitals from unbundling.

- o **Graduate Medical Education**

We strongly support the policy direction of the House graduate medical education proposal, which is similar to the President's FY 1991 budget proposal. This approach would encourage the training of primary care physicians. However, as a technical matter, we would prefer that the policy be based on the Secretary's estimate of resident salaries or a national average, rather than the hospital-specific per resident amounts. We also recommend that the effective date of the legislation be changed to correspond with the fiscal year or cost reporting year.

Part B Provider Payment Provisions

- o **Savings Proposals that help the transition to the fee schedule**

The Administration supports provisions to transition to the fee schedule, including those that would: freeze customary and prevailing updates for non-primary care services; reduce payments for overpriced and unsurveyed procedures, including global fees; reduce payments for radiology, anesthesia and pathology; phase-in payment rates for new physicians; reduce payments for assistants-at-surgery; limit technical components for diagnostic tests; and provide for consistent treatment of interpretation of electrocardiograms as laboratory tests. Most of these provisions are based on proposals included in the President's Budget.

o **Physician Regulatory Relief Provisions**

We share the concern that motivated these provisions and want to help reduce Medicare's paperwork burdens. For example, we support the provision in the Senate bill that would allow "substitute billing" for a physician covering temporarily for another physician.

In addition, while we are committed to our current policy of consulting with interested physician groups throughout the policy development process, we are concerned about the House provision that establishes a formal Physicians Advisory Council. As drafted, the provision could complicate the already complex process of issuing regulations and instructions. We would be happy to work with the Conferees to perfect this provision.

However, due to a potential increase in the volume of claims that could result, we must oppose a House provision that would require the Secretary to release the parameters and criteria of our medical review screens. We prefer the Senate provision which calls for a study in a limited number of carrier sites. This would enable an objective assessment of the workability and potential costs associated with releasing this information.

o **PRO Carrier Coordination**

We oppose the Energy and Commerce provision to require PROs and carriers to develop common claim edits and medical review criteria. Such a provision may only further impede ongoing PRO reform with the Medicare HMO program. Existing statutory authority is sufficient to provide for such coordination of activities. We plan to inform Congress soon about administrative improvements underway planned to better coordinate PRO-carrier activities.

o **Direct Payment to Various Providers**

Several provisions would extend direct billing authority to practitioners or additional settings in an ad-hoc manner. We are concerned that granting direct payment facilitates unbundling of facility payments by encouraging facilities to utilize these personnel in preference to other facility-employed personnel.

If such provisions are retained, we believe that any Medicare payments otherwise made to the specific facility should be offset (similar to the OBRA '86 Physician Assistant offset) by the amount of the direct billing involved in an effort to discourage unbundling.

o **Durable Medical Equipment**

We support proposals in both the House and Senate bills to impose a national payment limit and floor on payment for durable medical equipment (DME). These provisions would minimize the disparity in the current payment amounts for DME across the country and reduce those payments that are excessively high. The three bills include a number of other changes affecting payment for DME that the Administration has proposed in the past and that we continue to support.

Minor improvements, however, would simplify our ability to implement selected provisions within a short time period while leaving the basis of the proposals unchanged. We would be glad to work with the Conferees to refine some of these provisions.

MEDICAID

o **Qualified Medicare Beneficiaries**

While we certainly support the concept of protecting low income beneficiaries from new cost-sharing requirements, we are strongly opposed to the House provision as it establishes a new precedent for the Medicaid program of 1 percent Federal funding for the Medicare premiums of Qualified Medicare Beneficiaries (QMBs).

In addition, QMB provisions enacted in past years covered all Medicare cost-sharing expenses (i.e. premiums, co-insurance, and deductibles). The House provision only covers the premiums.

We strongly prefer the Senate provision, which uses the standard Federal and State Medicaid matching rates now applied to coverage for current QMBs with incomes below the Federal poverty level. First, the Senate provision would leverage Federal spending to help more near-poor beneficiaries per Federal dollar. And second, it avoids making a major policy change in Federal-State responsibility that has not been given the public debate it deserves.

o **Prescription Drugs**

The Administration supports savings through price discounts and rebates for States offering Medicaid prescription drug coverage. We support the objectives of both House and Senate bills, but prefer the underlying structure of the Senate version. We favor some of the provisions in the House bill such as leaving intact States' ability to use prior authorization for new drugs, and to set pharmacy reimbursement. The Administration strongly supports full access for Medicaid beneficiaries, but opposes federally-imposed open formulary requirements since they limit States' flexibility. We strongly oppose the Senate provisions to increase State payments to pharmacists and to require the Secretary to make annual determinations on which drugs, based on their medical utility, would be allowed on State formularies.

We would prefer that States retain even greater flexibility on formularies and prior authorization. In addition, we would prefer no mandate for drug use review, as we are concerned that states will only be effective in their implementation if they want to pursue the approach. States have every ability under current law to implement Drug Utilization Review programs.

We are strongly opposed to the House provision that would index discounts for each and every sole source and once-patented multiple source drug to the CPI using the best price in effect as of September 1, 1990. This is tantamount to direct price control of Medicaid drugs. While some indexing feature is necessary to assure on-going savings, we strongly prefer the Senate version which would index prices across a manufacturer's product line.

o **Medicaid Managed Care**

We oppose the House provisions that would require a minimum enrollment of 5,000 members in a HMO that serves Medicaid recipients. We believe the existing enrollment composition and insolvency provisions are adequate assurance of solvency. The 5,000 member level, may be difficult for many HMOs that contract with Medicaid to achieve, hence a large number of providers would have to drop out of the program, severely disrupting beneficiaries and potentially harming access. Finally, size alone does not give any assurance of quality of care provided by an organization.

We also oppose placing the same requirements on sub-contracting organizations that are placed on the organization that contracts with the State. We believe that it is the contracting organizations responsibility to properly enforce good management and quality of care requirements on its sub-contractors and that it is the contracting organization that must meet all Medicaid requirements.

o **Nurse Aide Training Programs**

We support changes to the current statutory requirements that exclude most nursing home providers from being approved to offer nurse aide training programs.

We support the Senate provisions that would offer a significant improvement to the current law. Given the many difficulties inherent in determining which nursing home providers should or should not be approved to train nurse aides, the Senate package represents a fair balance.

o **Provisions related to Donated Funds and Provider Specific Taxes**

The Administration opposes the House provision on donated funds and provider-specific taxes. The arbitrary 10 percent limit that it sets will raise federal Medicaid costs without increasing services provided to the poor. We estimate that the House provisions would increase federal outlays by \$100 million in FY 91 and \$1.7 billion over 5 years.

If legislation is deemed necessary, we prefer the Senate provision that places a 9-month moratorium on publishing a final regulation. The Department is developing a revised regulation that will set for an improved, equitable policy in this area.

o **Disallowances**

Both Houses propose to limit disallowances of Federal matching funds for cases in which certification requirements for Medicaid patients in inpatient psychiatric facilities have not been met. In the House provision, however, two States -- Arkansas and Missouri -- continue to be subject to these disallowances simply because their disallowances have already been issued, while all other States would have most of their disallowances forgiven. We oppose this approach as it treats states inequitably.

The disallowance process is an integral part of the Department's effort to ensure program integrity. It should proceed on a basis that is fair to all States.

o **Preadmission Screening and Annual Resident Review (PASARR)**

Both House and Senate bills include provisions that would fundamentally alter PASARR requirements. While we agree that some changes would be useful we would like to work with the Committees to ensure that any reforms are equitable and administratively sound.

Other Key Health Provisions

o **Medigap**

Both House and Senate bills include provisions intended to improve the regulation of Medigap policies. The Senate provision better embodies our principles for reform: maintaining federalism, permitting managed care, informing consumers better, and ensuring consumer choice. The House unnecessarily mandates direct Federal regulation of individual policies; the Senate does not. While both chambers moved to limit choice in regard to Medigap benefits, the Senate standardization provisions permit more flexibility than the House.

In addition, we support the Senate provision because it includes our Medicare SELECT proposal; the House does not.

o **Secondary Payor Extensions and Improvements**

We support provisions in both the House and Senate bills that would extend the Medicare secondary payer (MSP) disability provision. These provisions would extend our ability to reduce medicare payments by identifying situations when other primary health insurance can be held accountable.

o **Living Wills**

We generally support the concept of making living wills more widely available, but we oppose using provider conditions of participation to impose requirements unrelated to patient health and safety, as included in both the Senate and House provisions. The best time to make this information available is not when an individual is entering a hospital.

SOCIAL SECURITY AND INCOME SECURITY

o Restoration of Telephone Access to Local Social Security Offices

The Administration opposes the provision requiring the Secretary of Health and Human Services to publish in local telephone directories the telephone numbers of Social Security offices that provided teleservice as of September 30, 1989. Reestablishing direct telephone access to local offices (rather than through the toll-free 800 number) would not improve service. On the contrary, implementing the provisions would require substantial sums for additional staff and equipment and could result in reduced levels of service for people who visit those local offices because the employees would be diverted from face-to-face interviews to answering telephones.

Following a 20-percent reduction in full-time equivalent positions over the past six years, the Agency has relied on advances in technology, especially the widely acclaimed toll-free 800 number, to process more than 1 million calls per week. To encourage callers to place those calls to local offices already burdened with complicated caseloads requiring more time and concentration would not only be unwise, it would be insensitive.

If the Senate provision were enacted into law, the effective date would have to be a minimum of one year after enactment to allow for implementation.

o Repatriation

We strongly support the provision in the Senate Reconciliation bill which temporarily repeals the \$1 million spending cap for the repatriation program for two fiscal years, and permits HHS to receive gifts from those wishing to contribute assistance to repatriated Americans through the repatriation program. This program is essential to individuals leaving areas of strife because it provides the necessary temporary assistance upon their arrival in the United States.

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he PRESIDING OFFICER. With-
objection, it is so ordered.

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**APPOINTMENT OF ADDITIONAL
CONFEREES—H.R. 5835**

Mr. FORD. Mr. President, I ask unanimous consent that Senator BYRD and Senator HATFIELD be named as conferees on the budget reconciliation bill, H.R. 5835, for purposes of budget process reform and appropriations matters.

EXON, Mr. BREAUX, Mr. ROCKEFELLER, Mr. KERRY, Mr. DANFORTH, Mr. PACKWOOD, Mr. STEVENS, Mr. KASTEN, Mr. MCCAIN, and Mr. BURNS;

From the Committee on Energy and Natural Resources: Mr. JOHNSTON, Mr. BUMPERS, Mr. FORD, Mr. McCLURE, and Mr. DOMENICI;

From the Committee on Environment and Public Works: Mr. BURDICK, Mr. MOYNIHAN, Mr. MITCHELL, Mr. BAUCUS, Mr. GRAHAM, Mr. CHAFEE, Mr. SIMPSON, Mr. SYMMS, and Mr. DURENBERGER;

From the Committee on Finance: Mr. BENTSEN, Mr. MOYNIHAN, Mr. BOREN, Mr. MITCHELL, Mr. PRYOR, Mr. ROCKEFELLER, Mr. PACKWOOD, Mr. DOLE, Mr. ROTH, Mr. DANFORTH, and Mr. CHAFEE;

From the Committee on Governmental Affairs: Mr. GLENN, Mr. SASSER, Mr. PRYOR, Mr. ROTH, and Mr. STEVENS;

From the Committee on the Judiciary: Mr. DeCONCINI, Mr. LEAHY, and Mr. HATCH;

From the Committee on Labor and Human Resources: Mr. KENNEDY, Mr. PELL, Mr. METZENBAUM, Mr. DODD, Mr. HATCH, Mr. KASSEBAUM, and Mr. JEFFORDS;

From the Committee on Veterans Affairs: Mr. CRANSTON, Mr. DeCONCINI, Mr. ROCKEFELLER, Mr. MURKOWSKI, and Mr. SIMPSON conferees on the part of the Senate.

Mr. MITCHELL. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MITCHELL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SASSER. Mr. President, I move to reconsider the vote.

Mr. MITCHELL. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SASSER. Mr. President, I ask unanimous consent that the Senate insist upon its amendment and request a conference with the House on the disagreeing votes of the two Houses, and that the Chair be authorized to appoint the conferees on the part of the Senate.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee?

There being no objection, the Presiding Officer (Mr. DASCHLE) appointed from the Committee on Agriculture, Nutrition, and Forestry: Mr. LEAHY, Mr. PRYOR, Mr. BOREN, Mr. KERREY, Mr. LUGAR, Mr. DOLE, and Mr. COCHRAN;

From the Committee on Banking, Housing, and Urban Affairs: Mr. RIEGLE, Mr. CRANSTON, Mr. DODD, Mr. HEINZ, and Mr. D'AMATO;

From the Committee on the Budget: Mr. SASSER, Mr. FOWLER, and Mr. DOMENICI;

From the Committee on Commerce, Science and Transportation: Mr. HOLLINGS, Mr. INOUE, Mr. FORD, Mr.

**AUTHORIZING THE SPEAKER TO
APPOINT CONFEREES AND
PROVIDING FOR MOTION TO
INSTRUCT ON H.R. 5835, OMNI-
BUS BUDGET RECONCILIATION
ACT OF 1990**

Mr. PANETTA. Mr. Speaker, I ask unanimous consent that upon receipt of a message from the Senate transmitting an amendment to H.R. 5835, insisting on the amendment, and requesting a conference thereon, the House shall be considered to have taken H.R. 5835 and the Senate amendment from the Speaker's table, disagreed with the Senate amendment, and agreed to the conference requested by the Senate; that the Speaker shall be authorized to appoint conferees in anticipation thereof and reserve the authority to modify the appointment at later times; and that the motion to instruct conferees otherwise in order at the time of their appointment shall instead be in order only if offered by the minority leader or his designee on the legislative day of Friday, October 19, 1990.

The SPEAKER pro tempore [Mr. TRAXLER]. Is there objection to the request of the gentleman from California?

Mr. FRENZEL. Mr. Speaker, reserving the right to object, I would observe under my reservation that the unanimous consent request is, in the opinion of the minority, necessary to secure expeditious process of the Congress's business.

As many of us know, the President has indicated that he will sign the continuing resolution only if we are making progress on completion of the reconciliation bill. The unanimous consent request of the distinguished Budget Committee chairman will, I hope, be one evidence that we are anxious to begin work as soon as possible.

The reservation of the motion to instruct conferees left to the minority leader for tomorrow was done at the minority's request, and we believe that that protects all of our interests.

Further reserving the right to object, Mr. Speaker, I yield to the distinguished gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. Mr. Speaker, I thank the gentleman for yielding. As the gentleman from Minnesota knows, there has been quite a bit of concern expressed on our side of the aisle in the last couple of hours about the fact that there was not a printed document available of what the House acted upon the other evening, and so we had no idea what it was we were going to go to conference on. I understand that the gentleman from Minnesota has looked into the matter, has found that we will have copies of the available by later on this evening, and that the problems of the Government Printing Office is getting those matters to us do not appear to have been a deliberate action to keep the Members from having the appropriate information.

I wonder if the gentleman would explain the situation as he understands it.

Mr. FRENZEL. Further reserving the right to object, Mr. Speaker, in responding to the gentleman from Pennsylvania I would say that nothing we have done around here in the last couple of weeks is normal, and the pressures on the Printing Office is one of the things that has not been normal.

The Rostenkowski amendment in the reconciliation bill was a huge document, it was complicated, glued together, had to be reviewed very carefully by the GPO. Some telephone calls had to be made to find out on a question of whether the Scotch tape was over the proper word or one that might have followed, and in my judgment the GPO is doing the best it can, that it has been given a properly enrolled bill, that there have been no changes made to the bill between enrollment and the GPO. We will have, we believe, copies of the blue edition of the reconciliation bill in this House by 9 o'clock.

Prior to that time the Ways and Means Committee minority, the budget minority, the gentleman from Pennsylvania, and I all have copies of what I believe to be true copies of the enrolled bills. So I can say to the gentleman that things are not as usual around here, but nobody is trying to put dirt into the game.

Mr. WALKER. Will the gentleman yield further?

Mr. FRENZEL. I do.

Mr. WALKER. It is the gentleman's understanding that the Xerox copy that we have before us is in fact that which is being enrolled and will show up in print later on tonight, is that correct?

Mr. FRENZEL. Further reserving the right to object, that is correct.

Mr. WALKER. I thank the gentleman.

Mr. FRENZEL. Further reserving the right to object, Mr. Speaker, I yield to the gentleman from New York [Mr. SOLOMON].

Mr. SOLOMON. Mr. Speaker, I am not a member of the Ways and Means Committee, and I am not a member of the Budget Committee, but I think we all ought to remember that tonight is probably the last time that BILL FRENZEL will ever carry a trade bill as a member of the Ways and Means Committee on the floor of this House. I do not know about the rest of my colleagues, but I think I speak for all of you when I say BILL, you are one of the greatest guys I have ever met in my life. We are going to sorely miss you on both sides of the aisle, and God bless you.

Mr. FRENZEL. Further reserving the right to object, I am grateful, and I am humble, and my only request is to name no buildings after me.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Ms. OAKAR. Reserving the right to object, Mr. Speaker, I reserve the right to object for a twofold purpose, one, to certainly add my acclamation to the gentleman from Minnesota [Mr. FRENZEL]. He was the minority leader of a committee I chaired, and I had the pleasure of working with him, and he was eminently fair and decent.

But second, I wanted to ask the distinguished Budget Committee chairman a question, if I might.

Under the unanimous consent request are we able to instruct the conferees on the House side in terms of some provisions that are omitted that some of us feel are very important?

Under my reservation, I yield to the gentleman from California.

Mr. PANETTA. Mr. Speaker, under the unanimous-consent request, the motion to instruct, as usual, would be offered by the minority leader or his designee.

Ms. OAKAR. So the gentleman is saying that we are not able to instruct? Is that not in order?

Mr. PANETTA. Pursuant to this unanimous consent request, the motion to instruct, and whatever is contained in the motion to instruct, would be left to the minority leader or his designee. That is the unanimous-consent request.

Ms. OAKAR. As a Member, although I do not have the pleasure of being in the minority, and I am a good Democrat, I would like to ask unanimous consent that there be two instructions given to the House conferees, and that would be to put on the table, if the Senate does not have this on the table, a child care package, and second to have mammography coverage as part of our conference.

Mr. WALKER. Reserving the right to object, Mr. Speaker, do I understand this is a modification?

The SPEAKER pro tempore. The Chair would advise that there is one request pending, and the Chair cannot entertain any other requests until the resolution of the pending unanimous-consent request by the gentleman from California.

Does the gentlewoman from Ohio insist on her reservation?

Ms. OAKAR. No. Mr. Speaker. I am asking if it is in order that I ask unanimous consent that these two items be part of our conference?

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The SPEAKER pro tempore [Mr. TRAXLER]. The Chair would state to the gentlewoman that the gentleman's request for unanimous consent is pending, and in order for her suggestion to be entertained, he would have to modify his unanimous-consent request.

Ms. OAKAR. Mr. Speaker, further reserving the right to object, very often, I remember voting for several instructions to conferees, and I am just trying to find the vehicle by which we might do that.

Mr. PANETTA. Mr. Speaker, will the gentlewoman yield?

Ms. OAKAR. I yield to the gentleman from California.

Mr. PANETTA. Mr. Speaker, the gentlewoman is a member of the majority party here, and, I think, would certainly be able to carry this request to the leadership. I think the leadership would be sensitive obviously. If child care is added on the other side of the bill and there is an agreement with regard to child care provisions, I think that would be something that would, indeed, be included in the conference, and if the gentlewoman is also concerned about mammography and other sections related to Medicare and those are part of the conference, I think the leadership would also be willing to defend those issues in conference, as well.

I think that would be a better approach than a motion to instruct.

Ms. OAKAR. Further reserving the right to object, I am sensitive about

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the leadership. I have enormous respect for the leadership.

However, it is my understanding that those two items are not part of the House's agenda, and if they are not technically part of the agenda, I would like to see that they are carried forward just because I think that this would help and assist the leadership in terms of indicating that this is a House position.

Mr. PANETTA. If the gentlewoman will yield further, I do not think that there is any question but that the two issues the gentlewoman has posed here have been issues that the majority has stood for and would stand for in a conference as well, and it would not require a motion to instruct to get Democrats to stand for that position.

Ms. OAKAR. Further reserving the right to object, if they are not part of our bill going over there in terms of that, then because it has been dropped in the past, I do not know that this would take place.

Mr. Speaker, I am going to withdraw my reservation of objection, but raising it hopefully will be instructive in some sort of way, because I think a lot of Members would not vote for a budget that did not have those two items in it.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER pro tempore. The Chair would indicate that the Speaker will name the conferees upon his return to the Chamber.

mitted to conference: Messrs. DINGELL, WAXMAN, and LENT.

From the Committee on Energy and Commerce (transportation), for consideration of title IV of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. DINGELL, THOMAS A. LUKEN, and LENT.

From the Committee on Energy and Commerce (energy), for consideration of title IV of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. DINGELL, SHARP, and LENT.

From the Committee on Government Operations, for consideration of title XIV of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Mr. CONYERS, one vacancy, and Mr. HORTON.

From the Committee on Interior and Insular Affairs, for consideration of title V of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: vacancies (3 conferees).

From the Committee on the Judiciary, for consideration of title VI of the House bill, and title IX of the Senate amendment, and modifications committed to conference: Messrs. BROOKS, KASTENMEIER, and MOORHEAD.

From the Committee on Merchant Marine and Fisheries, for consideration of title VII of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: vacancies (3 conferees).

From the Committee on Post Office and Civil Service, for consideration of title VIII of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. FORD of Michigan, CLAY, and GILMAN.

From the Committee on Public Works and Transportation (aviation), for consideration of title IX of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. ANDERSON, OBERSTAR, and HAMMERSCHMIDT.

From the Committee on Public Works and Transportation (surface transportation), for consideration of title IX of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. ANDERSON, MINETA, and HAMMERSCHMIDT.

From the Committee on Public Works and Transportation (EPA fees), for consideration of title IX of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. ANDERSON, NOWAK, and HAMMERSCHMIDT.

From the Committee on Rules, for consideration of title XIV of the House bill, and corresponding provi-

APPOINTMENT OF CONFEREES ON H.R. 5835, OMNIBUS RECONCILIATION ACT OF 1990

The SPEAKER (Mr. GEPHARDT). Without objection, the Chair appoints the following conferees on the bill, H.R. 5835, the Omnibus Reconciliation of 1990:

From the Committee on the Budget, for consideration of the House bill, and the Senate amendment, and modifications committed to conference, and as exclusive conferees with respect to any proposal to report in total disagreement: Messrs. PANETTA, GEPHARDT, and FRENZEL.

From the Committee on Agriculture, for consideration of title I of the House bill, and title I of the Senate amendment, and modifications committed to conference: vacancies (3 conferees).

From the Committee on Banking, Finance and Urban Affairs, for consideration of title II of the House bill, and title II of the Senate amendment, and modifications committed to conference: Mr. GONZALEZ, Ms. OAKAR, and Mr. WYLIE.

From the Committee on Education and Labor, for consideration of title III of the House bill, and title X of the Senate amendment, and modifications committed to conference: Messrs. HAWKINS, FORD of Michigan, and GOODLING.

From the Committee on Energy and Commerce (health), for consideration of title IV of the House bill, and corresponding provisions of the Senate amendment, and modifications com-

sions of the Senate amendment, and modifications committed to conference: Messrs. MOAKLEY, DERRICK, and QUILLEN.

From the Committee on Science, Space, Technology, for consideration of title X of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Mr. ROE, Mrs. LLOYD, and WALKER.

From the Committee on Veterans' Affairs, for consideration of title XI of the House bill, and title XI of the Senate amendment, and modifications committed to conference: Messrs. MONTGOMERY, APPELATE, and STUMP.

From the Committee on Ways and Means (revenues and debt ceiling), for consideration of title XIII of the House bill, and title VII of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, GIBBONS, and ARCHER.

From the Committee on Ways and Means (Medicare), for consideration of title XII of the House bill, and title VI of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, STARK, and ARCHER.

From the Committee on Ways and Means (Social Security), for consideration of title XII of the House bill, and title VI of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, JACOBS, and ARCHER.

From the Committee on Ways and Means (child care and human resources), for consideration of title VI of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, DOWNEY, and ARCHER.

There was no objection.

MODIFICATION OF APPOINTMENT OF CONFEREES ON H.R. 5835, OMNIBUS BUDGET RECONCILIATION ACT OF 1990

The **SPEAKER** pro tempore. Pursuant to the previous order of the House of October 18, 1990, and at the request and direction of the Speaker, without objection, the appointment of conferees on H.R. 5835 is modified to read as follows:

From the Committee on the Budget, for consideration of the House bill, and the Senate amendment, and modifications committed to conference, and as exclusive conferees with respect to any proposal to report in total disagreement: Messrs. **PANETTA**, **GERHARDT**, and **FRENZEL**.

As additional conferees from the Committee on the Budget, for consideration of the title XIV of the House bill, and all other provisions of the House bill and the Senate amendment on which conferees from more than one of the other standing committees of the House are appointed, and modifications committed to conference: Messrs. RUSSO, JENKINS, and GRADISON.

From the Committee on Agriculture, for consideration of title I and subtitle B of title V of the House bill, and title I and subtitle A of title IV of the Senate amendment, and modifications committed to conference: Messrs. DE LA GARZA, HUCKABY, and COLEMAN of Missouri.

From the Committee on Banking, Finance and Urban Affairs, for consideration of title II of the House bill, and title II of the Senate amendment, and modifications committed to conference: Mr. GONZALEZ, Ms. OAKAR, and Mr. WYLIE.

From the Committee on Education and Labor, for consideration of title III and sections 12403 and 13323 of the House bill, and subtitle F of title VI, part 4 of subtitle D of title VII, title X, and section 6401 of the Senate amendment, and modifications committed to conference: Messrs. HAWKINS, FORD of Michigan, and GOODLING.

From the Committee on Energy and Commerce (health), for consideration of subtitles A and B of title IV of the House bill, and part 2 of subtitle B and subtitle C of title VI of the Senate amendment, and modifications committed to conference: Messrs. DINGELL, WAXMAN, and LENT.

From the Committee on Energy and Commerce (transportation), for consideration of sections 4511, 4521, and 4522 of the House bill, and sections 3002 and 3003 of the Senate amendment, and modifications committed to conference: Messrs. DINGELL, THOMAS A. LUKEN, and LENT.

From the Committee on Energy and Commerce (energy), for consideration of sections 4501, 4502, 5101, and 10002 of the House bill, and subtitle B of title IV and section 502 of the Senate amendment, and modifications committed to conference: Messrs. DINGELL, SHARP, and LENT.

From the Committee on Government Operations, for consideration of part 1 of subtitle A and subtitles B through E (except section 14302) of title XIV of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. CONYERS, WAXMAN, SYAR, FRANK, HORTON, and NIELSON of Utah.

From the Committee on Interior and Insular Affairs, for consideration of title V and sections 4502 and 10002 of the House bill, and subtitles A and B of title IV and section 502 of the Senate amendment, and modifications committed to conference: Messrs. UDALL, MILLER of California, and YOUNG of Alaska.

From the Committee on the Judiciary, for consideration of title VI of the House bill, and title IX of the Senate amendment, and modifications committed to conference: Messrs. BROOKS, KASTENMEIER, and MOORHEAD.

From the Committee on Merchant Marine and Fisheries (tonnage duties, coast guard fees, and cargo preference), for consideration of sections 7101 and 7102 of the House bill, and section 3001 of the Senate amendment, and modifications committed to conference: Messrs. JONES of North Carolina, TAUZIN, and DAVIS.

From the Committee on Merchant Marine and Fisheries (EPA fees), for consideration of section 7103 of the House bill, and modifications committed to conference: Messrs. JONES of North Carolina, STUBBS, and DAVIS.

From the Committee on Merchant Marine and Fisheries (coastal zone management), for consideration of subtitle B of title VII of the House bill, and modifications committed to conference: Messrs. JONES of North Carolina, HERTEL, and DAVIS.

From the Committee on Post Office and Civil Service, for consideration of title VIII of the House bill, and title VIII of the Senate amendment, and modifications committed to conference: Messrs. FORD of Michigan, CLAY, and GILMAN.

From the Committee on Public Works and Transportation (aviation), for consideration of subtitles B and C of title IX of the House bill, and subtitle B of title III, of the Senate amendment, and modifications committed to conference: Messrs. ANDERSON, OBERSTAR, and HAMMERSCHMIDT.

From the Committee on Public Works and Transportation (transportation trust funds) for consideration of subtitles A of title IX of the House bill, and modifications committed to conference: Messrs. ANDERSON, MINETA, and HAMMERSCHMIDT.

From the Committee on Public Works and Transportation (EPA fees), for consideration of subtitle D of title IX of the House bill, and modifications committed to conference: Messrs. ANDERSON, NOWAK, and HAMMERSCHMIDT.

From the Committee on Rules, for consideration of part 2 of subtitle A of title XIV and section 14302 of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. MOAKLEY, DERRICK, BEILINSON, FROST, QUILLEN, and PASHAYAN.

From the Committee on Science, Space, Technology, for consideration of title X of the House bill, and subtitle B of title IV and sections 3004 and 3024 of the Senate amendment, and modifications committed to conference: Mr. ROE, Mrs. LLOYD, and Mr. WALKER.

From the Committee on Veterans' Affairs, for consideration of title XI (except section 11051) of the House bill, and title XI of the Senate amendment, and modifications committed to

conference: Messrs. MONTGOMERY, AP-
PLEGATE, and STUMP.

From the Committee on Ways and Means (revenues and debt ceiling), for consideration of title XIII, subtitles E and F of title XII, and sections 3102, 3121, 7101, and 11051(a) of the House bill, and title VII (except subtitle C), and subtitles D and E of title VI of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, GIBBONS, and ARCHER.

From the Committee on Ways and Means (medicare), for consideration of subtitles A through D of title XII and subtitle A of title IV of the House bill, and subtitle B of title VI of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, STARK, and ARCHER.

From the Committee on Ways and Means (Social Security), for consideration of part 5 of subtitle A of title VI, of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, JACOBS, and ARCHER.

From the Committee on Ways and Means (child care and human resources), for consideration of parts 1 through 4 of subtitle A and subtitle F of title VI, and subtitle C of title VII of the Senate amendment, and modifications committed to conference: Messrs. ROSTENKOWSKI, DOWNEY, and ARCHER.

As an additional conferee for consideration of subtitle B of title V of the House bill, and subtitle A of title IV of the Senate amendment, and modifications committed to conference: Mr. MRAZEK.

As additional conferees for consideration of title XIV of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. WHITTEN, PICKLE, and PURSELL.

There was no objection.



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Vol. 136

WASHINGTON, SATURDAY, OCTOBER 20, 1990

No. 143

Senate

The Senate was not in session today. Its next meeting will be held on Monday, October 22, 1990, at 10 a.m.

House of Representatives

SATURDAY, OCTOBER 20, 1990

MODIFICATION OF APPOINTMENT OF CONFEREES ON H.R. 5835, OMNIBUS BUDGET RECONCILIATION ACT OF 1990

The SPEAKER. The Chair lays before the following modifications in the appointment of conferees:

This symbol represents the time of day during the House proceedings, e.g., 1407 is 2:07 p.m.
Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

Pursuant to the previous order of the House of October 18, 1990, the appointment of conferees on H.R. 5835 is modified as follows:

Replace the last paragraph of the appointment with the following two paragraphs:

As additional conferees for consideration of part 1 of subtitle A and subtitles B through E (except section 14302) of title XIV of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. WHITTEN, PICKLE, and CONTE.

As additional conferees for consideration of part 2 of subtitle A of title XIV and section 14302 of the House bill, and corresponding provisions of the Senate amendment, and modifications committed to conference: Messrs. WHITTEN, PICKLE, and PURSELL.

The Clerk will notify the Senate of the change in conferees.

MODIFICATION OF APPOINTMENT OF CONFEREES ON H.R. 5835, OMNIBUS BUDGET RECONCILIATION ACT OF 1990

The **SPEAKER pro tempore**. Pursuant to the authority granted on October 18, 1990, the Chair makes the following modification in the appointment of conferees on H.R. 5835:

The first panel (health) from the Committee on Energy and Commerce is also appointed for consideration of subtitles B, C, and D of title XII of the House bill.

H. RES. 527
[Report No. 101-940]

Waiving the requirement of clause 4(b), rule XI, against consideration of certain resolutions reported from the Committee on Rules, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

October 24, 1990

Ms. Slaughter of New York, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

Waiving the requirement of clause 4(b), rule XI, against consideration of certain resolutions reported from the Committee on Rules, and for other purposes.

Resolved, That the requirement of clause 4(b), rule XI for a two-thirds vote to consider a report from the Committee on Rules on the same day it is presented to the House is hereby waived with respect to any resolution reported from that committee on or before the legislative day of October 27, 1990, to provide for the consideration or disposition of: (1) a bill to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for the fiscal year 1991, an amendment thereto, or a conference report thereon; (2) a joint resolution making continuing appropriations for the fiscal year 1991, an amendment thereto, or a conference report thereon; (3) a bill to extend the temporary increase in the public debt limit, an amendment thereto, or conference report thereon; or (4) a conference report and amendments reported from conference in disagreement on any general appropriations bill.

Sec. 2. Notwithstanding the provisions of clause 2 of rule XXVIII, it shall be in order at any time through the legislative day of October 27, 1990, to consider conference reports and amendments reported from conference in disagreement on any general appropriation bill on the same day reported or any day thereafter if copies of the conference report and accompanying statement, together with the text of any amendment reported from conference in disagreement, have been available to Members for at least two hours before the beginning of such consideration. Any said conference report, amendments in disagreement, and motions to dispose of amendments in disagreement printed in the joint statement of the managers shall be considered as having been read when called up for consideration.

101st Congress

HOUSE OF REPRESENTATIVES

Report

2d Session

101-940

WAIVING THE REQUIREMENT OF CLAUSE 4(B) OF RULE XI AGAINST CONSIDERATION OF
CERTAIN RESOLUTIONS REPORTED FROM THE COMMITTEE ON RULES, AND FOR OTHER
PURPOSES.

October 24, 1990.--Referred to the House Calendar and ordered to be printed

Ms. Slaughter of New York, from the Committee on Rules, submitted the
following

R E P O R T

[To accompany H. Res. 527]

The Committee on Rules, having had under consideration H. Res. 527, by nonrecord vote, reports the same to the House with the recommendation that the resolution do pass.

H. Res. 527

Resolved, That the requirement of clause 4(b), rule XI for a two-thirds vote to consider a report from the Committee on Rules on the same day it is presented to the House is hereby waived with respect to any resolution reported from that committee on or before the legislative day of October 27, 1990, to provide for the consideration or disposition of: (1) a bill to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for the fiscal year 1991, an amendment thereto, or a conference report thereon; (2) a joint resolution making continuing appropriations for the fiscal year 1991, an amendment thereto, or a conference report thereon; (3) a bill to extend the temporary increase in the public debt limit, an amendment thereto, or conference report thereon; or (4) a conference report and amendments reported for conference in disagreement on any general appropriations bill.

SEC. 2. Notwithstanding the provisions of clause 2 of rule XXVIII, it shall be in order at any time through the legislative day of October 27, 1990 to consider conference reports and amendments reported from conference in disagreement on any general appropriation bill on the same day reported or any day thereafter if copies of the conference report and accompanying statement, together with the text of any amendment reported from conference in disagreement, have been available to Members for at least two hours before the beginning of such consideration. Any said conference report, amendments in disagreement, and motions to dispose of amendments in disagreement printed in the joint statement of the managers shall be considered as having been read when called up for consideration.

The **SPEAKER** pro tempore. The gentlewoman from New York (Ms. **SLAUGHTER**) is recognized for 1 hour.

Ms. **SLAUGHTER** of New York. Mr. Speaker, I yield the customary 30 minutes for the purposes of debate only to the gentleman from Tennessee (Mr. **QUILLEN**), and pending that, I yield myself such time as I may consume.

(Ms. **SLAUGHTER** of New York asked and was given permission to revise and extend her remarks.)

Ms. **SLAUGHTER** of New York. Mr. Speaker, the 101st Congress is nearing the end of its work. However, before we adjourn in the next few days, we still have numerous important fiscal measures to consider.

To facilitate their consideration, House Resolution 527 waives the two-thirds requirement in clause 4(b) of rule XI against any resolution, reported from the Rules Committee on or before the legislative day of October 27, providing for consideration or disposition of a reconciliation measure, a joint resolution making continuing appropriations, a bill to extend the temporary increase in the public debt limit, or amendments to or conference reports on such measures. The two-thirds requirement is also waived against any such resolution providing for consideration or disposition of a conference report and amendments reported from conference in disagreement on any general appropriations bill.

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**WAIVING REQUIREMENTS OF
HOUSE RULES FOR CONSIDERATION
OF CERTAIN RESOLUTIONS,
CONFERENCE REPORTS,
AMENDMENTS, AND
MOTIONS**

Ms. **SLAUGHTER** of New York. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 527 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Mr. Speaker, this rule merely extends through Saturday the two-thirds waiver under which the House has been operating for the last several days. It permits the House for the next 3 days, by majority vote, to consider a rule on these fiscal matters the same day that it is reported from the Rules Committee.

In addition the rule also makes it in order, through the legislative day of October 27, clause 2 of rule XXVIII notwithstanding, to consider conference reports and amendments reported from conference in disagreement on any general appropriation bill if copies of the conference report, the accompanying statement, and the text of any amendment reported in disagreement, are available for 2 hours before consideration. The requirement that conference reports be printed in the CONGRESSIONAL RECORD and lay over 3 days is waived against appropriation conference reports.

Finally, the rule provides that the conference reports, amendments in disagreement and motions to dispose of amendments in disagreement in the joint statement of managers will be considered as read.

Mr. Speaker, we are all working hard to complete the business of this session. I urge my colleagues to adopt this rule so the House can expeditiously consider by majority vote its remaining fiscal matters.

Mr. QUILLEN. Mr. Speaker, I thank the gentlewoman for yielding and I yield myself such times as I may consume.

Mr. Speaker, the gentlewoman from New York [Ms. SLAUGHTER] has ably explained the provisions of the rule, and I see nothing wrong with the rule. If the Democrats do not work with the Republicans and give us ample notice, then there is a problem. But I have been assured that that would not take place.

As we near the end of the Congress, legislation reported to the House may need to move promptly. In my 28 years here, in the closing days this has always been an appropriate procedure, and I see nothing wrong with it today. It is a limited agreement that applies only, as the gentlewoman from New York [Ms. SLAUGHTER] said, to specified issues.

Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. I thank the gentleman for yielding.

Mr. Speaker, I rise in opposition to this rule. We found out last night on the floor what happens when you waive the two-thirds requirement and bring massive bills to the floor. You find out that there is stuff buried down in them that no one knows what is there and we have no idea what the nature of the legislation is. In many cases it is legislation where a handful of people have sat in a room and made decisions that then we are supposed to ratify without ever seeing.

The defense bill last night, everyone who voted for the defense bill last night voted to ratify the decisions of three people, two from the other body and one from this body, who made the final determinations, and no one was exactly certain what it was they decided to do.

We did it without reading the bill, because no one had a chance to see the bill before it came to the floor.

Now, what we are deciding to do here in this room, just so Members understand, is we are deciding to do the same thing on reconciliation. Reconciliation is going to be a massive package. As I understand it, the deal still has not been made. We have heard a lot of talk about the parameters of that deal, but they still have reduced nothing to writing. So when they finally get to that moment when they have determined how many taxes will be raised, who they will go on, how many special interest groups will get the breaks that they have been ardently seeking out in Gucci Gulch, and when we get to all of those things, then they will reduce it to writing and they will rush it to the floor, and under this rule we will not be able to stop it, nor will we be able to see it.

I have got real concerns about that. I understand, for instance, that some of the language that is buried down in the reconciliation bill right now may be things that some of us would have some trouble with. For example, it has been reported, and no one has seen the papers yet, of course, but it has been reported that one of the decisions made by the people in reconciliation has been to eliminate the lump sum retirement benefit for all Federal employees as a cost-saving measure. But not all Federal employees. One group is specifically exempted, Members of Congress get to keep their lump sum retirement benefit, down in the bill, buried down in the language.

□ 1140

Now are we going to be able to find some of these things to see whether or not they stayed in or whether nor not they were taken out? Maybe not, because under this rule they will bring the whole big package, all several hundred pages of it, to the floor. No one will have read it, no one will know exactly what is in it, and yet we will be asked to approve it sight unseen.

I would suggest that when we are talking about raising gas taxes, raising income taxes, raising taxes on insurance, raising taxes across the board, that it might be a good idea to take a look at what it is in the bill before we approve it.

I would suggest that maybe if what we are going to do is increase the health insurance tax on workers across the board, and raise it to high new limits and so on that will impact middle class families across this country, we ought to be able to see it.

I would suggest that when we are going to reduce the Medicare benefits

in this country by maybe as much as \$40 billion or more, that maybe we ought to take a look at how they are doing that before we vote on it.

But under this rule we may not get that chance. This rule will say that we can bring it to the floor, waive the rules of the House and consider it without very much in the way of observation.

I think that is a shame, and I would ask that we turn down the rule.

Mr. MAZZOLI. Mr. Speaker, will the gentleman yield?

Mr. WALKER. I am happy to yield to the gentleman from Kentucky.

Mr. MAZZOLI. Mr. Speaker, I might disagree with the gentleman on the details of our tax package. I think it is a good package, I think it is generally equitable and progressive and does protect the Medicare recipients.

But I would join with what the gentleman just said a moment ago about this incredible thing I read in the paper yesterday, where somehow Members of Congress who are retiring will be able to get their lump sum payments. But with rare exception, no other Federal employee who does so after this coming November has that opportunity. I would join the gentleman. I am told that as of this morning, that the conferees on that part of the reconciliation bill have not finally made up their minds, and I hope that maybe our dialog and perhaps other Members' statements will have some effect on it.

I think that would be absolutely outrageous. I think that would be an un-called-for perk that I think is indefensible, and I join with the gentleman.

Mr. WALKER. Well, I thank the gentleman, and that is my point. I regard that as outrageous.

My problem is that I am not certain that we will know all of the outrages that are in this bill. We happened to find out about that one, and having found out about it, having exposed it to the light of day, now evidently there are some reconsiderations about keeping it in there.

But if we have a bill on the floor that is hundreds of pages thick, and we are not certain what is in it, we will have no idea what the outrages are. I would venture to guess that for a week or two after this, after the bill is passed, if in fact it passes the House, we will have newspaper stories about all of the special tax benefits that were put into the bill that benefit one side or one company, that we will have a whole host of stories about the individual little items that people got as perks in the bill, that we had no idea about.

I do not think that is a way to legislate, and I thank the gentleman for yielding.

Mr. QUILLEN. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Ms. SLAUGHTER of New York. Mr. Speaker, I have no requests for time. I

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yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore (Mr. McNULTY). The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the yeas appeared to have it.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

Pursuant to clause 5, rule I, further proceedings on this resolution will be postponed until the conclusion of consideration of the next resolution reported from the Committee on Rules.

The point of no quorum is considered withdrawn.

H. RES. 537
[Report No. 101-962]

Waiving certain points of order against consideration of the Conference Report on the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for fiscal year 1991, and against its consideration.

IN THE HOUSE OF REPRESENTATIVES

October 27 (legislative day, October 26), 1990

Mr. Derrick, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

Waiving certain points of order against consideration of the Conference Report on the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for fiscal year 1991, and against its consideration.

=====

Resolved, That upon adoption of this resolution it shall be in order to consider the conference report on the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for fiscal year 1991, and all points of order against the conference report and against its consideration are hereby waived. The conference report shall be considered as having been read when called up for consideration. Debate on the conference report shall continue not to exceed one hour, equally divided and controlled by chairman and ranking minority member of the Committee on the Budget. The previous question shall be considered as ordered on the conference report to find adoption without intervening motion, except one motion to recommit if offered by Representative Michel of Illinois or his designee.

Sec. 2. Following disposition of the conference report, no further disposition of H.R. 5835 shall be in order except pursuant to a subsequent order of the House.

101st Congress

HOUSE OF REPRESENTATIVES

Report

2d Session

101-962

WAIVING CERTAIN POINTS OF ORDER AGAINST CONSIDERATION OF THE CONFERENCE
REPORT ON H.R. 5835 AND AGAINST ITS CONSIDERATION

October 27 (legislative day, October 26), 1990.--Referred to the House
Calendar and ordered to be printed

Mr. Derrick, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 537]

The Committee on Rules, having had under consideration House Resolution 537, by nonrecord vote, report the same to the House with the recommendation that the resolution do pass.

WAIVING CERTAIN POINTS OF ORDER AGAINST CONSIDERATION OF CONFERENCE REPORT ON H.R. 5835, OMNIBUS BUDGET RECONCILIATION ACT OF 1990, AND AGAINST ITS CONSIDERATION

Mr. DERRICK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 537 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 537

Resolved, That upon adoption of this resolution it shall be in order to consider the conference report on the bill (H.R. 5835) to provide for reconciliation pursuant to section 4 of the concurrent resolution on the budget for fiscal year 1991, and all points of order against the conference report and against its consideration are hereby waived. The conference report shall be considered as having been read when called up for consideration.

Debate on the conference report shall continue not to exceed one hour, equally divided and controlled by chairman and ranking minority member of the Committee on the Budget. The previous question shall be considered as ordered on the conference report to final adoption without intervening motion, except one motion to recommit if offered by Representative Michel of Illinois or his designee.

Sec. 2. Following disposition of the conference report, no further disposition of H.R. 5835 shall be in order except pursuant to a subsequent order of the House.

The SPEAKER pro tempore. The gentleman from South Carolina [Mr. DERRICK] is recognized for 1 hour.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to the gentleman from Tennessee [Mr. QUILLEN], pending which I yield myself such time as I may consume.

(Mr. DERRICK asked and was given permission to revise and extend his remarks.)

Mr. DERRICK. Mr. Speaker, I ask unanimous consent that the time specified for debate on the conference report on H.R. 5835 be extended from 1 to 2 hours.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from South Carolina [Mr. DERRICK]?

There was no objection.

Mr. DERRICK. Mr. Speaker, under the rules of the House, conference reports are privileged and are considered in the House under the hour rule with no amendments in order. House Resolution 537 waives all points of order against the conference report on H.R. 5835, the Omnibus Budget Reconcilia-

tion Act of 1990, and against its consideration. The rule provides that when the conference report is called up for consideration, it shall be considered as read. The rule divides the 2 hours of debate equally between the chairman and ranking minority member of the Committee on the Budget, and provides for one motion to recommit if offered by Mr. MICHEL or his designee. Finally, the rule specifies that after disposition of the conference report by the House, that no further motion is in order in the House related to H.R. 5835 except as subsequently ordered by the House.

Mr. Speaker, we are all eager to finish our work for the year, so I will not take much time here. As my colleagues are well aware, the conference report on the Omnibus Budget Reconciliation Act of 1990 is the legislation implementing the deficit reduction plan agreed to at the budget summit as reflected in House Concurrent Resolution 310, the concurrent resolution on the budget for fiscal year 1991. The conference report achieves deficit reduction totaling approximately \$40 billion in fiscal 1991 and \$500 billion over 5 years.

Mr. Speaker, also included in the conference agreement, and equally vital to this deficit reduction effort, are the reforms to the congressional budget process. As a conferee, I am pleased to report that the strong enforcement provisions in the House-passed bill have been further improved in the conference committee. These reforms will impose the strict budgetary discipline we need to enforce the summit agreement and keep us on the deficit reduction path we embark upon today.

Mr. Speaker, I urge all Members to support the rule and the reconciliation conference report.

□ 0140

Mr. QUILLEN. Mr. Speaker, I yield myself as much time as I may use.

Mr. Speaker, here it is 20 minutes till 2 on Saturday morning. We have had long sessions, more Saturday and Sunday sessions than we had since World War II, as I understand it. This is a very critical period in the fiscal history of this Nation of ours.

We are about to enter into an in depth debate on the omnibus budget reconciliation bill. I urge my colleagues to weigh very carefully the issues we are about to confront.

Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. DREIER].

Mr. DREIER of California. Mr. Speaker, I thank my colleague for yielding the time.

Mr. Speaker, I rise in opposition to the rule. I am really hard pressed to understand why, as the gentleman from Tennessee said, we are here at now 19 minutes before 2 o'clock. Like everyone, I am very tired, I am very frustrated with this process.

We have just had a long and drawn out meeting in which we have tried to put these numbers together, and they do not seem to mesh. We do not know if this package is going to be a \$473 billion deficit reduction package, a \$488 billion deficit reduction package, a \$492 billion deficit reduction package, or even maybe a \$410 billion budget deficit reduction package, which we had in the Kasich-Pursell package, but which we were not able to consider. Why? Because it did not reach the \$500 billion level.

So Mr. Speaker, it seems to me that there is no way that we can bring up a rule that provides 1 hour of debate on a measure which is going to have such sweeping changes when it comes to public policy.

I urge a vote against the rule, and I thank my friend for yielding.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 4 minutes to the gentleman from Ohio [Mr. TRAFICANT].

(Mr. TRAFICANT asked and was given permission to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, I am going to support the rule. Members want to vote. And I am going to oppose the bill. I think it is un-American. I think it is another budget in a long line of American budgets that is great for Japan and Germany.

Any budget that increases foreign aid with our deficit is un-American.

Any budget that will allow our Government to forgive a \$7 billion loan to Egypt when we are going belly-up is un-American.

Any budget that will continue to allow billions and billions of dollars to be spent on the protection of Japan and Germany, who are in good fiscal order, is un-American.

Any budget that will allow our taxpayers money to be used to build a new NATO airbase in Italy is un-American.

Ladies and gentlemen, it is over. The Warsaw Pact is dead. We have missiles with no spare parts. We do not need a modification of policies, we need a change.

Let me just tell you how bad it is. It was cited in the newspapers of this country several days ago that Germany is paying Soviet soldiers to leave, and they will not go back home to Russia. They say there is no clothes, no food, no gas, no lights, no housing, and they will not leave.

I am not cracking a joke. I want you to listen to this. One of the Soviet soldiers said that he and his bride were offered a vacant apartment in Chernobyl. Now we all know how the Soviets are just dying to live in Chernobyl.

Think about what I am telling you. It is not funny.

What we are doing in this last minute is we are trying to stop Niagara Falls by hiring a bunch of beavers. Get out your calculators. Get out your calculators and your pencils and just

figure one thing out tonight. We borrowed more money from Social Security last year than this budget will raise next year.

We are going to be back here, whoever is reelected next year, with more debt, more taxes, and beer drinkers did not get us into this.

I do not understand what is going on here. I know that we are probably going to pass this token piece of bad legislation, brought about with a shotgun at the last minute. But I am going to tell you what, I do not like my taxpayers getting a big hit, because mine are at the bottom of the list, and that gasoline tax and all of those other taxes hit mine much harder than they hit yours.

I am against it. I am going to vote for the rule so you can all have your vote. But count me out. I cannot and will not vote for a budget that continues to tax mom and dad and then ships it overseas.

Mr. QUILLEN. Mr. Speaker, to clear up some misunderstanding, the gentleman from South Carolina [Mr. DERRICK] asked unanimous consent that the debate time on the reconciliation bill be extended to 2 hours. I wanted to make that clear.

Mr. Speaker, I yield 2 minutes to the gentleman from Oklahoma [Mr. INHOFE].

Mr. INHOFE. Mr. Speaker, I rise tonight to suggest that you can have it both ways. It is possible to be supporting a man that I think is a truly great President, President Bush, and yet vote against the rule and vote against this budget that is coming up that we are being asked to consider tonight.

The President did not do this. This budget was conceived by the majority, the same liberal majority that has run this country for half a century. We are looking at a budget tonight that maybe somebody else saw. Here it is almost 2 o'clock in the morning. I did not see any of this until midnight. Maybe someone else did, but I did not.

We are asked to look at this and make a major decision without having any time when we could do this at any time tomorrow.

This has been characterized by one of the think tanks, on information available to them, as the single greatest tax increase in American history, and the greatest spending increase in American history.

I do not know who benefits. It certainly is not the veterans. It is not the older people, Medicare recipients or beneficiaries and not the providers either. They say the providers are not going to be hurt, but I do not know about the providers in your district, but I have four hospitals in Tulsa, OK that are just barely holding on and they are losing massive amounts of money on their Medicare treatments.

The assumptions that this is based on, as near as I can determine, is a 4 percent growth, and as near as I can determine it is \$24 oil. Neither one is a realistic assumption.

So what could we do as an alternative? I think there is an alternative tonight. I think we could vote down the rule, vote down the bill, pass a continuing resolution to February. We would be saving approximately a half-billion dollars a day until then. Go to the elections on November 6, and elect some conservatives who are not going to come in here and tax and spend and tax and spend. That is a better chance for America.

□ 0150

Mr. DERRICK. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from New Mexico [Mr. RICHARDSON].

(Mr. RICHARDSON asked and was given permission to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Speaker, I received a letter from a constituent from New Mexico today:

DEAR CONGRESSMAN RICHARDSON: I have voted for you in every election in which you have run. I was going to do so this year, but events in Washington in recent weeks make it clear that the country is suffering from incumbency. No principle has as much importance to the House, Senate, or White House than that of preserving incumbency. The Nation's economy, principles, and young people in the Mideast are to be sacrificed so no incumbent is blamed for problems or the solutions of problems so everyone can maintain their power based upon incumbency. As you might guess from the above, I plan to vote against you in November. If we throw all the rascals out, maybe there is some hope for our future.

Mr. Speaker, there is good reason to vote for this deficit-reduction package, because it is deficit-reduction package and tax fairness. But I have three reasons why I think we should vote for this tax package today: First, because we can get out; second, because we can get out; third because we can get out.

Mr. QUILLEN. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, it certainly would be a principle to stand for for all of us to vote for the package simply so we could go home.

But I am a little bit concerned about the way in which we are considering this in the package that we are considering. It is my understanding that a copy of the package was not even available when this rule was adopted in the Committee on Rules. Is that correct? Has the conference report on this been filed?

The conference report has not been filed. The chairman of the Committee on the Budget shakes his head. It has not been filed.

There was no copy available of this package when the Committee on Rules adopted this rule. I do not see any copies available on the floor. We have been handed a few sheets of paper here and there telling us purportedly what is in the bill, but when

you begin to ask questions about specifics that somehow we are not quite sure.

For example, over in the Republican conference, we were given at least three or four different figures of what the final product may be in terms of the 5-year projected savings. We were told this was going to meet a \$500 billion target. In fact, Republicans were told that they could not have a rule that brought their bill to the floor because it fell below the \$500 billion target. Guess what, so does the package that is about to come to us tonight.

The highest figure we heard for this package in the Republican conference was \$492 billion, and it ranged down to \$473 billion. No one is quite certain exactly what the figure is, but we know it is not \$500 billion, and so this rule is a little bit out of order if you take what the debate was just the other evening when we were told that the Republicans could not bring their package to the floor that fell below the \$500 billion figure.

I also am a little bit concerned about calling this a deficit-reduction package, because if we look at the numbers on the sheet we were given in terms of the nominal dollars over the next 5 years, you take a look at just the first year, the first year is the only year that means anything; 1991, all of us know, is the only year that means anything in this package, because we are going to be back here next year doing all of this all over again.

What happens in 1990 in this budget-deficit-reduction package? The 1991 outlays go up \$109 billion over 1990. Revenues go up \$106 billion over 1990. Every dime of revenue is going to pay for new spending, and so we have not budget-deficit reduction, we simply have taxes going to pay for new spending.

What happens to the deficit? That deficit goes up by \$34 billion in the first year.

Budget deficit, my friends? Sounds like budget-deficit increases to me, certainly in the first year.

Then we are a little bit concerned about what may be down in this package. We know, for instance, that there is a cigarette tax in it of 8 cents a pack. However, we are also told down in it is a \$100 million tax gift to large cigar manufacturers. Hit the consumer with 8 cents; give the companies a big bonanza.

We are also told that there is a wine tax in it, but then we are also told that some wineries are going to get hundreds of millions of dollars worth of benefits down in the package.

We are also told that benefits are going to go to some foreign and domestic insurance companies, to some private foundations, to some titleholding companies, to some tax-exempt bond underwriters, to some rental-tuxedo stores. There is one low-income America will appreciate. Get those rental-

taxedo stores geared up for all the low-income people across the country; crop dusters are also going to get a little bit of a break out of this; aviation-fuel distributors; partnerships; mutual funds; real-estate transactions; estate-tax treatment; general-aviation aircraft; ethanol and corn subsidies; New Bedford fishermen and a couple of other little items that have been thrown down into the package.

I do not know if all of those are in there. We have been told that some of those are in there. I would like to know. It would be handy to have the package on the floor before we vote on it. It might even be handy to have the package on the floor before we vote on the rule for the consideration, because it would be awfully nice to know that at this early hour in the morning we are voting on something that the Members actually have some idea what it is. I do not think that is going to be possible.

At some point here, hopefully before the debate begins, we are going to file the package on the floor. It will come out here, I assume, in a pile of Xeroxed sheets, and any Member that so desires can probably go and root through the Xeroxed papers to find out whether or not some of these things I just mentioned are down in there.

Who knows, you might find one of them. Then again, you might not. But you can bet one thing, some day in the very near future there will be headlines in the paper telling us all about some of the things that were down in this package that we voted on in the dead of night.

I would suggest that that is probably not a position that most of us should want to be in.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. PURSELL].

Mr. PURSELL. Mr. Speaker, ladies and gentlemen, the summit package was voted on in the middle of the night. The Democratic budget plan was voted on in the middle of the night. The gentleman from Ohio [Mr. KASICH] and myself were asked to write a GOP plan which we did in the middle of the day, brought it to the Committee on Rules and, lo and behold, the Committee on Rules denied us the rule to offer our plan to the American public in the middle of the night. Tonight, again, No. 4, four strikeouts in a row, we are voting on this reconciliation package in the middle of the night, and all over the week in which we talk about the great civil rights bill, the minority has been denied the opportunity to present a plan to America to govern with less taxes and less spending.

I think some Members now on the Democratic side regret that decision. Give us a change to vote on our package. We should have had that opportunity. We are now here tonight looking at all of the appropriation bills.

As a member of the Committee on Appropriations, I have calculated it is about \$32 billion of new spending over 1990, so we are asking the President will he or will he not vote those high-spending bills in order to bring down the deficit, in order to save money for the American taxpayer.

But, no, we are going to increase this tax package by \$135 billion to \$140 billion of new money, new taxes.

When the economy is pretty shaky, I cannot for the life of me tell you any economist that say raise taxes in a period where we have a downturn in economic conditions in this country.

So I say, Mr. Speaker, the American public and my State of Michigan who have had several tax revolts, it is a catastrophic error tonight to vote for a package that produces \$150 billion in new taxes and jeopardizes the American economy for the next 5 years.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. KASICH].

Mr. KASICH. Mr. Speaker, I guess all we were trying to ask for here about a week—2 weeks ago from the Committee on Rules was a degree of fairness.

We went to the Committee on Rules with a package that had \$410 billion worth of deficit reduction over 5 years, so there never was any real question about whether it was enforceable, because we did not put any new taxes in, and we were denied the opportunity to bring this to the House floor.

It was not a money package. It was a package that was printed out and costed out by the CBO and the OMB, and it had \$410 billion in cuts.

We were told that we would not have an opportunity to offer that package for the simple reason that we did not reach the \$500 billion in deficit reduction.

Tonight we are going to vote on a package that is also not going to reach the \$500 billion package, but yet this package is made in order.

□ 0200

I understand that it is very difficult when time comes to try to move something, sometimes we cannot get caught by the details. However, this is really a question of fairness. Here we have a group of people who worked together for a long period of time on this side of the aisle, who produced a responsible alternative that did not raise the taxes on the American people. We stood up to the plate, and we made the hard cuts that were demanded of Members. We reached \$410 billion, and they said no. However, tonight, just a short week later, we come to the floor, and now the \$500 billion has been changed.

Baseball season is over, but if this was baseball season, last week we only got 2 outs, and this week they get 4 outs. That just is not fair.

Now, why are we operating here at 2 o'clock in the morning? First of all, the reason we are operating here at 2

o'clock in the morning is because those who support this package are fighting a war of attrition. Basically, they just hope every person will fall asleep or fall over before the time comes to vote, and there will be enough people standing who will vote for their package. I will not fall asleep. I will vote against the package if for no other reason than the fact that we did not have an opportunity to offer our alternative.

However, what the gentleman from Pennsylvania [Mr. WALKER] pointed out a few minutes ago is mind-boggling. In the first year, \$109 billion in additional spending, paid for by \$106 billion in additional revenues, with a deficit of \$34 billion. If the American people knew this, and knew that we were doing it at 2 o'clock in the morning, and if Members think they have been angry until now, wait until they wake up tomorrow morning and read the headlines.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentlewoman from Illinois [Mrs. MARTIN].

Mrs. MARTIN of Illinois. Mr. Speaker, early this morning, most television stations in America signed off by playing the National Anthem. I mentioned this because for some reason the occasion brings to mind the opening words of the Star Spangled Banner:

Oh say can you see by the dawn's early light
What so proudly we hail.

Those words come back to me, Mr. Speaker, because, quite frankly, we are not being allowed to see "by the dawn's early light," what it is that is being so proudly hailed. For some reason, we are being asked to consider and debate and vote on a multimillion dollar tax package in the dead of night.

The previous speaker said, "Wait till the people read tomorrow's headlines." But tomorrow's headlines have already been written, which is the main reason we are debating in the dead of the night.

That does Members not proud, when we have the most important and biggest package of tax increases, perhaps in the history of the Republic, we should have done better. Decent people are on both sides of this issue. That debate could have heard and understood by the American people. It should have been heard and understood by the American people.

However, I do want to thank the leadership for changing their respective mind on both sides of the aisle, as tired as we all are, to have originally planned only 1 hour of debate on this, made a mockery of the entire process. This was changed to 2 hours. For that I am grateful, because I think it speaks well for those who at least understand there should be some better debate.

Mr. Speaker, whether you are for or against this bill, the American people are not benefiting by the road on which we reach our decision. I do not

happen to believe that new taxes are the answer, but I do not think any Member has to believe this is the way to get to our decision.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota [Mr. FRENZEL].

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Speaker, I rise in support of House Resolution 537, providing for the consideration of the conference report for H.R. 5835, the Omnibus Reconciliation Act of 1991. This rule waives all points of order against the conference report. I support this rule simply because the time has come to stop posturing and enact a plan to reduce the Federal budget deficit.

I need not really remind anyone of the long and painful journey we have taken to arrive at the conference report. It all started almost 9 months ago when the President submitted his budget. This body responded with a partisan, parochial plan of its own. We then endured 5 months of summit negotiations culminating in a campout at Andrews Air Force Base. Three weeks ago this body voted against this product of our labors, the conference report on the budget resolution. After some fine tuning, a conference report on the budget resolution was ultimately passed. Last week, the House passed a reconciliation bill to comply with the budget resolution. Today, we finally have the opportunity to see the product of our labors enacted into law.

I, as much as anyone, have some doubts about the reconciliation bill. Most importantly, it fails to make real reductions in nondefense discretionary spending. It relies too heavily on taxes. It does not do enough to rein in growth in entitlement programs other than Medicare and Medicaid. And it fails to reconcile \$3 billion in deficit reduction not allocated to committee.

Yet even with these shortcomings, it is still a package that deserves our support. It provides real deficit reduction in the amounts of about \$42 billion in fiscal year 1991, and about \$49.2 billion over 5 years. Growth in discretionary spending is held down to the rate of inflation. Serious efforts have been made to slow down the explosive growth in Medicare, one of the fastest growing Federal programs. Finally, the enforcement provisions give us a tool to control the explosive growth in entitlement programs.

Let us not forget the challenge before us. We must rein in our deficits because they threaten the vitality of our Nation's economy. Our untamed budget deficits serve only to drive up interest rates, increase our dependence on foreign capital, and push the economy toward recession.

If we are to gain control over these deficits we must take the compromises that the people demand of their elected representatives. I urge my col-

leagues to support both the rule and the reconciliation bill.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. ROHRABACHER].

Mr. ROHRABACHER. Mr. Speaker, the American people are outraged by those who sneak up on them in the dead of night and take money out of their pockets. Newspapers may have missed their deadlines, and the television audience may be asleep, but the American people are waking up. They are not going to have this massive tax increase hoisted off upon them in the name of deficit reduction.

We all know this is a tax increase, and next year the deficit will be much larger than it is today.

I received this letter from one of my constituents:

DEAR CONGRESSMAN ROHRABACHER: NO NEW taxes. New taxes will not decrease the deficit. New taxes equal new spending. Cut unnecessary and foolish spending instead. Joseph Thomas, from Westminster, California.

The American people, they know. We are not fooling anybody.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois [Mr. CRANE].

(Mr. CRANE asked and was given permission to revise and extend his remarks.)

Mr. CRANE. Mr. Speaker, I notice some of the heads nodding here and the yawns, and I know Members are all tired and should be home and in bed where proper citizens should be at this hour, rather than here debating what is perhaps the most important issue that has confronted this Congress this year.

I rise in opposition to the rule, only because I think this whole process is absurd to an extreme. I think the American people recognize that. They will communicate with Members.

The problem is, at this hour, most C-SPAN viewers have already retired, and there is probably as good a time as any to conduct so important a business issue as faces this Congress today.

I can totally understand why any Member of this Chamber would support this. We have talked about this bubble. We are going to sock it to the rich. Right, because when we get out of the bubble, and we finally get to a 28-percent rate, those are the people in the highest income bracket. Now we will take them to 31 percent.

Well, with the payraise that this body voted itself, next year we will be making about \$127,000 a year, right? By putting a 31-percent top rate, marginal rate, we are all going to enjoy a magnificent tax break. We will save ourselves about \$1,000 in taxes that otherwise we would have to pay. Now, of course, we are not rich. We are only in the top 5 percent of income brackets in this Nation. Hardly what one could define as rich, right?

We do, however, pay about 40 percent of all the taxes paid, those people in the top 5 percent, but those people

in that middle income bracket in the top 5 percent of wage earners probably are due this long overdue tax break that is provided which is the 31 percent bracket, for those people that will be earning that modest \$127,000 a year, serving the Nation's interests here, at 2 o'clock in the morning, on this absurdity.

I rise in opposition to the rule. I rise in opposition to the bill.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. THOMAS].

(Mr. THOMAS of California asked and was given permission to revise and extend his remarks.)

Mr. THOMAS of California. Mr. Speaker, I read in the CONGRESSIONAL RECORD of October 16, a comment from our colleague, the gentleman from Wisconsin [Mr. MOODY], in discussing the rule at that time. He said:

The President was the umpire in this game, your President, the GOP President. He came here and said the rules are this: \$500 billion, and not a penny less.

The chairman of the Committee on Budget, the gentleman from California [Mr. PANETTA] said:

Obviously the main issue here is the issue of whether or not an alternative amendment ought to be provided, and the reasons it should not be provided are basically three. No. 1, we have been struggling for the last 6 months to try to reach targets of \$40 billion in the first year; \$500 billion over 5 years.

Mr. Speaker, I ask of the chairman of the Committee on Budget, perhaps the gentleman did not hear his words that were spoken a week ago about the requirement for denying an alternative; did the measure under which this rule make in order achieve \$500 billion over 5 years?

Mr. PANETTA. Mr. Speaker, if the gentleman will yield, the best estimates we have now that we are looking at a package somewhere about \$490 billion, which is the largest deficit reduction package in the history of this country.

Mr. THOMAS of California. Thank you.

Mr. MOODY, once again: We came here and said the rules are this: \$500 billion and not a penny less.

We were denied the opportunity to present an alternative less than \$500 billion. Your original package was not \$500 billion.

□ 0210

This package is not \$500 billion, yet you use the rules and deny others their fair opportunity to offer an alternative.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Iowa [Mr. LIGHTFOOT].

Mr. Speaker, I spent this afternoon and most of this evening working with some economic development people, chamber of commerce folks, people working with the census, county agents, people with State tax rolls.

I went through a little drill that I think will be instructive to anyone who has not decided what they want to do with this particular package.

In my State of Iowa, a typical community is about 5,500. It has about 2,600 households with a median income of \$26,860. With the increases in income tax of about \$107, coupled with the excise taxes of around \$269, multiplied by those homes, my little community, which has \$13,000,000 in retail sales, will lose \$979,056 from the people who live in it.

We also are in a farming area. If you reach out and take in the farmers in the trade area, which I figured at 945 farms, based on one county, those people will lose \$450,349 through increased income taxes, and through the farm bill which we passed this week, losing 6 percent off of a \$67 million gross, an additional \$4,049,372.

So this little rural community out in Iowa is going to lose \$5,479,000.32 in cold hard cash, which is 42 percent of that little community's annual retail sales.

So I would suggest to any of you who have not taken time to go through this package and see what it does to you and your community, to do it.

Mr. Speaker, I urge a no vote on the rule, a no vote on the package, and I have already voted no on the farm bill.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Florida [Mr. JAMES].

Mr. JAMES. Mr. Speaker, I am concerned. We are told we have a deficit reduction package. Yes, a deficit reduction package from \$300 billion, allegedly. It is a \$46 billion reduction, one-sixth of the \$300 billion is cut. It is not much of an effort.

Then there was some argument from the gentleman from Pennsylvania [Mr. WALKER] that that does not even exist, that you are still worse off because there is more spending than revenues. I do not know which is correct, nor will I presume to say which is correct.

But what I am concerned about is the process that we are following under this rule in the 1 hour of debate, based on a presentation of figures and facts that none of us have had time to examine.

What I am concerned about is the so-called hidden bills that will benefit specific corporations that Mr. Darman could not answer for us today. We asked him that question point blank, "Can you promise us there is no special benefit to a corporation that we will later find out about by listening to the news?"

No such representation could be made.

Indeed, we could have the equivalency of a catastrophic health insurance type problem or something almost as embarrassing as Barbados or something of that nature in relationship to the breaks that may occur in that bill, and yet we are doing it at this hour of

the morning. That is absolutely absurd when you are staring eyeball to eyeball at no less than \$250 billion in deficits in this next year.

In 5 years, we will have a \$5 trillion deficit, some say. If we are admitting that it is \$5 trillion now, what indeed will it be in 5 years?

You call it a deficit reduction package? That is almost an obscenity to use that terminology when you have a \$250 billion debt, and to follow this rule with a 1-hour debate is absurd.

Mr. Speaker, I will vote against the rule. I will vote against the bill, and I submit that anyone with one degree or ounce of sanity will do likewise.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from Arizona [Mr. KYL].

Mr. KYL. Mr. Speaker, this is a sad night in the House of Representatives.

When prisoners are held, they are made more compliant by two techniques: deny them sleep and deny them information. If this rule is adopted, we will be denied both when we debate and have to ultimately act upon this bill.

What is lost in allowing this bill to lay over just a few hours that it would take to at least print it so that people could read it to know what is in it? I am afraid we know the answer. We will know what is in it and it is likely to pass.

That is why this rule must be adopted, so we get on with the business of passing a bill before the American people can find out what we are doing.

But as one of my colleagues pointed out, in a couple weeks the editorialists will be pointing out what we did and then many of us will regret that we voted aye on the bill.

For that reason, Mr. Speaker, I suggest a no vote on the bill.

Mr. QUILLEN. Mr. Speaker, I yield 2 minutes to the gentleman from New Mexico [Mr. SCHIFF].

Mr. SCHIFF. Mr. Speaker, for the last number of hours I have been watching and listening to news commentators discuss this new proposed conference report and debate the pros and cons of it, just as it they have actually read it.

Mr. Speaker, I do not think anyone, except perhaps a few chosen, have actually read this agreement. It is not even available here on the House floor tonight for us to look at at this time.

What I would like to tell the American people is what we do have to look at. I received a printout listed at 4:43 p.m. that said the total tax revenues in the conference report would be \$137.2 billion. That was at 4:43.

About almost 3 hours later, at 7:30, there was a new printout that said the total tax increase of the conference report would be \$146.6 billion. That means in about 3 hours, taxes just went up by about \$13 billion, or it means the information in one or both of these reports is not accurate.

The final sheet I have suggests that the actual budget reduction proposed

is \$473 billion, but the distinguished chairman of the Budget Committee says that the actual budget reduction is \$490 billion. If the distinguished chairman is correct, where is the other \$17 billion coming from? We just do not know. That is why the rule should be defeated and we should examine this conference report in the light of day.

Mr. QUILLEN. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, I urge the Members to vote for the rule. After all, 2 hours of general debate might be enlightening to all of us.

Mr. Speaker, I yield 2 minutes to the gentleman from Virginia [Mr. BATEMAN].

Mr. BATEMAN. Mr. Speaker, I thank my colleague, the gentleman from Tennessee [Mr. QUILLEN] for yielding me this time.

Mr. Speaker, it has been indeed a bizarre session, this Second Session of the 101st Congress. All of us need to be disappointed and concerned at our failure to have acted more timely than we have acted, but this bizarre session hopefully is coming to a close. It must come to a close.

This is Saturday, October 27, 27 days into the Federal fiscal year. At midnight of this day, the Government of the United States closes up again, unless we either enact this resolution or another continuing resolution.

□ 0220

The people of the United States are weary of this struggle. They are weary of our indecisiveness. You can pick up this package, you can tell all of the things that are bad about it, but I would suggest, especially to my colleagues on this side of the aisle, that there is no other package left. The American people are looking to us to give them a deficit reduction package, and they will take some flaws if they get the package, and this is that package.

It has been said this is not the full \$500 billion, but do we have a package that we can muster a majority of the votes in this House or the other House to pass that \$500 billion package? Is it any better than this package?

The time has come, the American people will hold those who make it impossible for deficit reduction to be enacted accountable for our failure to do so and bringing the Government once more to a state of crisis and to closure.

Mr. Speaker, I would urge support for this rule, I would urge support for the package.

PARLIAMENTARY INQUIRY

Mr. HENRY. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. (Mr. MAZZOLI). The gentleman will state it.

Mr. HENRY. Mr. Speaker, I pose a question to the Chair, a parliamentary inquiry.

On October 16, when the House voted the reconciliation measure, it

took 5 days to receive a copy of the Journal with the measure itself printed and displayed before the American public.

We do not yet have, at least before us, a copy of this measure. Can the Chair assure the Members and the American public that this measure will be published and spread before the American public at least 3 days prior to the national election?

The SPEAKER pro tempore. The Chair would advise the gentleman from Michigan that the rules will be followed in the printing and publishing of the conference report.

Mr. QUILLEN. Mr. Speaker, I have no further requests for time, and I yield back 15 seconds.

The SPEAKER pro tempore. The gentleman yields back the balance of his time.

Mr. DERRICK. Mr. Speaker, I yield 2 minutes to the distinguished chairman of the Committee on the Budget, the gentleman from California [Mr. PANETTA].

(Mr. PANETTA asked and was given permission to revise and extend his remarks.)

Mr. PANETTA. Mr. Speaker, we are in these last final hours. I, too, recognize that we are tired and exhausted. It has been a long road.

The rule is, obviously, essential to the process of taking up the conference report on reconciliation.

I would urge Members to pass and adopt the rule so that we can proceed to that debate.

I guess what I would hope is that as we enter that debate, maybe for just one moment in this session, that one moment on the debate, we could set aside the political differences and the partisan attacks and all the finger-pointing and all the excuses and maybe just for that moment focus on the interest of the country and debate the fact that we face a very serious problem that has to be confronted, a deficit approaching \$300 billion, a national debt over \$3.2 trillion.

The American people have had enough of fooling around in the sense that we try to kid them that somehow we can confront the deficit and it does not involve pain, it does not involve sacrifice.

The fact is it does.

That is what this package is all about. We have a very large deficit reduction package. It consists of 70 percent spending savings and about 29 percent in revenues.

It is balanced, it is fair. In terms of the package itself, it largely reflects many of the elements in the summit agreement, many of the elements obviously adopted in the budget resolution, in budget reconciliation, and all of the Members have seen those packages and seen what the elements of those are.

We have had 12 committees working to come up with these savings and producing them, with the last 2 having completed their job only yesterday.

The material is here, it will be here to brief all Members on what the elements of this package are.

I ask Members to look at that material, to consider the issues, to debate those issues because in the end what the American people want tonight is not political excuses or political attacks, they want us to govern this Nation.

Let us get on with that.

Mr. DERRICK. Mr. Speaker, I move the previous question on the resolution, as modified.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution, as modified.

The question was taken, and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. DERRICK. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently, a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 275, nays 142, not voting 15, as follows:

(Roll No. 527)

YEAS—275

- | | | |
|---------------|---------------|---------------|
| Ackerman | Derrick | Hoyer |
| Alexander | Dicks | Hubbard |
| Anderson | Dingell | Huckaby |
| Andrews | Dixon | Hughes |
| Annunzio | Donnelly | Hutto |
| Anthony | Dorgan (ND) | Jacobs |
| Applegate | Downey | Jenkins |
| Aspin | Durbin | Johnson (CT) |
| Atkins | Dwyer | Johnson (SD) |
| AuCoin | Dymally | Johnston |
| Barnard | Dyson | Jones (GA) |
| Bateman | Early | Jones (NC) |
| Bates | Eckart | Jontz |
| Bellenson | Edwards (CA) | Kanjorski |
| Bennett | Engel | Kaptur |
| Berman | English | Kastenmeier |
| Bevill | Erdreich | Kennedy |
| Bilbray | Espy | Kennelly |
| Boehrlert | Evans | Kildee |
| Boggs | Fascell | Kiecicka |
| Bonior | Fazio | Kolter |
| Borski | Feighan | Kostmayer |
| Bosco | Fish | LaFalce |
| Boxer | Flippo | Lancaster |
| Brennan | Foglietta | Lantos |
| Brooks | Ford (MI) | Laughlin |
| Browder | Frank | Leath (TX) |
| Brown (CA) | Frenzel | Lehman (CA) |
| Bruce | Frost | Lehman (FL) |
| Bryant | Gaydos | Levin (MI) |
| Byron | Gejdenson | Levine (CA) |
| Campbell (CO) | Gephardt | Lewis (GA) |
| Cardin | Geren | Lipinski |
| Carper | Gibbons | Lloyd |
| Carr | Gilman | Long |
| Chandler | Glickman | Lowe (NY) |
| Chapman | Gonzalez | Luken, Thomas |
| Clarke | Goodling | Madigan |
| Clay | Gordon | Manton |
| Clement | Gray | Markey |
| Clinger | Guarini | Martinez |
| Coleman (TX) | Hall (OH) | Matsui |
| Collins | Hall (TX) | Mavroules |
| Condit | Hamilton | Mazzoli |
| Conte | Hansen | McCloskey |
| Conyers | Harris | McCurdy |
| Cooper | Hatcher | McDermott |
| Costello | Hayes (IL) | McHugh |
| Coyne | Hefner | McMillan (NC) |
| Darden | Hertel | McMillen (MD) |
| Davis | Hoagland | McNulty |
| de la Garza | Hochbrueckner | Mfume |
| DeFazio | Horton | Michel |
| Dellums | Houghton | Mineta |

- | | | |
|---------------|----------------|-------------|
| Mink | Price | Stokes |
| Moakley | Rahall | Studds |
| Mollohan | Rangel | Swift |
| Montgomery | Ray | Synar |
| Moody | Richardson | Tallon |
| Morella | Roe | Tanner |
| Morrison (CT) | Rose | Tauzin |
| Morrison (WA) | Rostenkowski | Taylor |
| Mrazek | Roukema | Thomas (GA) |
| Murphy | Rowland (CT) | Torres |
| Murtha | Rowland (GA) | Torricelli |
| Nagle | Roybal | Towns |
| Natcher | Russo | Trafficant |
| Neal (MA) | Sabo | Traxler |
| Neal (NC) | Sangmeister | Udall |
| Nelson | Sarpallius | Unsoeld |
| Nielson | Savage | Valentine |
| Nowak | Sawyer | Vento |
| Oakar | Scheuer | Visclosky |
| Oberstar | Schroeder | Volkmer |
| Obey | Schumer | Walgren |
| Olin | Serrano | Washington |
| Ortiz | Sharp | Watkins |
| Owens (NY) | Shaw | Waxman |
| Owens (UT) | Sikorski | Weiss |
| Pallone | Siskis | Wheat |
| Panetta | Skaggs | Whitten |
| Parker | Skelton | Williams |
| Pashayan | Slattery | Wilson |
| Patterson | Slaughter (NY) | Wise |
| Payne (NJ) | Smith (FL) | Wolf |
| Payne (VA) | Smith (IA) | Wolpe |
| Pease | Smith (VT) | Wyden |
| Penny | Solarz | Wyllie |
| Perkins | Spratt | Yatron |
| Pickett | Staggers | Young (AK) |
| Pickle | Stallings | Young (FL) |
| Poshard | Stenholm | |

NAYS—142

- | | | |
|---------------|-------------|----------------|
| Archer | Hastert | Rinaldo |
| Arney | Hefley | Ritter |
| Baker | Henry | Roberts |
| Ballenger | Hergert | Robinson |
| Bartlett | Hiler | Rogers |
| Barton | Hollaway | Rohrabacher |
| Bentley | Hopkins | Ros-Lehtinen |
| Bereuter | Hunter | Roth |
| Billrakis | Hyde | Saiki |
| Bliley | Inhofe | Saxton |
| Bloomfield | Ireland | Schaefer |
| Brown (CO) | James | Schiff |
| Buechner | Kasich | Schneider |
| Bunning | Kolbe | Schuetz |
| Burton | Kyl | Schulze |
| Callahan | Lagomarsino | Sensenbrenner |
| Campbell (CA) | Leach (IA) | Shays |
| Coble | Lent | Shumway |
| Coleman (MO) | Lewis (CA) | Shuster |
| Combest | Lewis (FL) | Skeen |
| Coughlin | Lightfoot | Slaughter (VA) |
| Courter | Livingston | Smith (NE) |
| Cox | Lowery (CA) | Smith (NJ) |
| Craig | Machtley | Smith (TX) |
| Crane | Marlenee | Smith, Denny |
| Dannemeyer | Martin (IL) | (OR) |
| DeLay | Martin (NY) | Smith, Robert |
| DeWine | McCandless | (NH) |
| Dickinson | McCollum | Smith, Robert |
| Dorman (CA) | McCrery | (OR) |
| Douglas | McDade | Snowe |
| Dreier | McEwen | Solomon |
| Duncan | Meyers | Spence |
| Edwards (OK) | Miller (OH) | Stangeland |
| Emerson | Miller (WA) | Stearns |
| Fawell | Molinari | Stump |
| Fields | Moorhead | Sundquist |
| Galleghy | Myers | Tauke |
| Gallo | Packard | Thomas (CA) |
| Gekas | Parris | Thomas (WY) |
| Gingrich | Paxon | Upton |
| Goss | Petri | Vucanovich |
| Gradison | Porter | Walker |
| Grandy | Pursell | Walsh |
| Grant | Quillen | Weber |
| Green | Ravenel | Weldon |
| Gunderson | Regula | Whittaker |
| Hammerschmidt | Rhodes | |
| Hancock | Ridge | |

NOT VOTING—15

- | | | |
|------------|-------------|-------------|
| Boucher | Gillmor | Oxley |
| Bustamante | Hawkins | Pelosi |
| Crockett | Hayes (LA) | Stark |
| Flake | McGrath | Vander Jagt |
| Ford (TN) | Miller (CA) | Yates |

October 26, 1990

CONGRESSIONAL RECORD — HOUSE

H 13017

□ 0246

Mrs. SAIKI changed her vote from "yea" to "nay."

So the resolution as modified, was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

LEGISLATIVE **Bulletin**

SOCIAL SECURITY
ADMINISTRATION

Number 101-14

May 2, 1990

SOCIAL SECURITY SUBCOMMITTEE MARKS UP SOCIAL SECURITY PROPOSALS

Today, May 2, 1990 the Committee on Ways and Means' Subcommittee on Social Security approved and ordered reported to the full committee a package of social security proposals. It is unclear when the committee will act on the proposals.

The subcommittee-prepared summary of the proposals is attached.

Attachment

SUMMARY OF SOCIAL SECURITY PROPOSALS

1. Establishment of the Social Security Administration as an independent agency

The Social Security Administration (SSA) would be removed from the Department of Health and Human Services (HHS) and established as an independent agency with responsibility for the Old Age, and Survivors Insurance and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. The new agency would be under the authority of a three-member, bipartisan Social Security Board appointed by the President. The Board would formulate policy for the independent agency and would appoint an Executive Director to direct its day-to-day operations.

2. Improvements in Social Security Administration services and beneficiary protections

Improvements would be made in SSA procedures for recouping overpayments, responding to telephone requests, providing outreach to homeless individuals, and issuing notices to claimants and beneficiaries. In addition, in cases where a claimant who is denied benefits reapplies rather than appealing based on inaccurate or misleading information from SSA, the failure to appeal would not constitute a basis for denial of the second application.

3. Restoration of telephone access to the local offices of the Social Security Administration

SSA would be required to reestablish telephone access to its local offices at the level generally available on October 1, 1989, the date on which it established a national 800 number and cut off most of its local office telephones.

4. Improvements in the representative payee system

The proposal would improve the representative payee system by: 1) requiring the Secretary of Health and Human Services to conduct a more extensive investigation of the representative payee applicant; 2) providing stricter standards in determining the fitness of the representative payee applicant to manage benefit payments on behalf of the beneficiary; and 3) directing the Social Security Administration to compile and maintain a list of those serving as representative payees including the beneficiaries they serve.

5. Streamlining of the attorney fee payment process

The process by which SSA approves any fee charged by an attorney representing a claimant before the agency would be reformed. The current fee petition process would be replaced by

a streamlined procedure under which fees would be paid up to a limit of 25 percent of past-due benefits not to exceed \$4,000 unless the attorney or claimant objects.

6. Payment of benefits to a child adopted by a surviving spouse

A child adopted by the surviving spouse of a deceased worker would be entitled to benefits regardless of whether he or she was receiving support from anyone other than the worker and the worker's spouse, so long as the child had either lived with the worker or received one-half support from the worker in the year preceding the worker's death.

7. Use of the social security number by certain legalized aliens

Certain aliens who applied for, and were granted, amnesty under the provisions of the Immigration Reform and Control Act of 1986 would be exempted from criminal penalties for fraudulent use of a social security card. The exemption would not apply to those individuals who sold social security cards, possessed cards with intent to sell, or who counterfeited or possessed counterfeited cards with the intent to sell.

8. Make permanent the continuation of disability benefits during appeal

The provision in current law permitting disability beneficiaries to elect to have their disability continued during appeal would be made permanent.

9. Improvement of the definition of disability applied to disabled widow(er)s

The stricter definition of disability which is now applied only to widows would be repealed. A disabled widow would be subject to the same definition of disability as is already applied to disabled workers.

10. Waiver of the two-year waiting period for certain divorced spouses

The two-year waiting period for independent entitlement to divorced spouse's benefits would be eliminated for individuals who were entitled to benefits on their former spouse's record prior to the divorce.

11. Payment of benefits to a deemed spouse and a legal spouse

Eligibility requirements for payment of benefits to a "deemed spouse" -- the spouse whose marriage is found to be invalid -- would be changed so that the entitlement of the worker's legal spouse would no longer terminate benefits to a deemed spouse.

12. Increase in the retirement test for workers age 65-69

The retirement test exempt amount for beneficiaries age 65-69 who work would be raised by \$240 in 1991 and \$480 in 1992. This increase would be in addition to the automatic annual increase in the exempt amount, which reflects the annual increase in wages in the economy. The projected thresholds would be raised in 1991 from \$9,960 (under current law) to \$10,200, and in 1992 from \$10,440 (under current law) to \$10,920.

13. Creation of a vocational rehabilitation demonstration project

SSA would be required to carry out a demonstration project at three separate sites testing the advantages and disadvantages of permitting disabled social security beneficiaries to select a qualified vocational rehabilitation provider, either public or private, from which to receive services aimed at enabling them to obtain work and leave the disability rolls.

14. Reduction in wages needed for a year of coverage toward the special minimum benefit

The amount of earnings needed to earn a year of coverage toward the special minimum benefit (designed to assist long-term, low-wage workers) would be reduced from 25 percent of the old-law contribution and benefit base (\$10,125 in 1991), to 15 percent of the base (\$6,075 in 1991).

15. Collection of employee social security tax on group-term life insurance

In cases where an employer continues to provide taxable group-term life insurance to an individual who has left his employment, the former employee would be required to pay the employee portion of the social security tax directly. (To accomplish this, the owed tax would be listed separately on the former employee's W-2, and 1040 filing instructions would be modified to direct filers to add this amount to their tax liability).

16. Charging of earnings of corporate directors

The provision of current law that treats directors' earnings as taxable when the services to which they are attributable are performed would be repealed. Directors' earnings would continue to be treated as received when the services are performed for purposes of the social security retirement test.

17. Recovery of overpayments from former social security beneficiaries through tax refund offset

SSA would be permitted to recover overpayments from former beneficiaries through arrangements with the Internal Revenue Service (IRS) to offset the former beneficiary's tax refund. This authority would remain in effect so long as the existing government-wide offset program remains in effect (currently, until January 10, 1994).

18. Preeffectuation review of favorable decisions by the Social Security Administration

The percentage of favorable decisions made by State disability determination services that must be reviewed by SSA would be reduced from 65 percent of all such decisions to 50 percent of allowances and as many continuances as are required to maintain a high level of accuracy in such decisions. The reviews would be targeted on those cases most likely to contain errors.

19. Repeal of retroactive benefits for certain categories of individuals

Retroactive benefits would no longer be available for two categories of individuals eligible for reduced benefits: (1) those with dependents entitled to unreduced benefits, and (2) those with pre-retirement earnings over the amount allowed under the retirement test who may use the retroactive benefits to charge off their excess earnings.

20. Consolidation of old computation methods

A number of little-used, pre-1968 benefit computation formulas would be eliminated.

21. Suspension of dependent's benefits when a disabled worker is in an extended period of eligibility

The proposal would codify current SSA practice regarding the non-payment of benefits to a disabled worker's dependents when that worker is in an extended period of eligibility due to work and thus is not receiving monthly social security benefits.

22. Technical amendments

The proposals would correct a number of technical errors related to social security.

LEGISLATIVE **Bulletin**

SOCIAL SECURITY
ADMINISTRATION

Number 101-16

July 26, 1990

President Signs Americans With Disability Act

- o Today, July 26, 1990, President Bush signed into law S. 933 (P.L. 101-336), the "Americans with Disabilities Act of 1990."

Action on Debt Ceiling and Budget Process

- o On Wednesday, July 25, the Ways and Means Committee marked up and ordered reported legislation to increase the statutory ceiling on Federal debt from the present \$3.123 trillion to \$3.444 trillion (\$3.509 trillion including debt needed by the Resolution Trust Corporation--relating to the savings and loan bailout). The current estimates are that an increase in the debt ceiling is necessary for the Government to continue to meet its obligations beyond mid-August; the proposed increase is expected to suffice through September 1991.

In addition, the committee agreed to a short-term increase in the debt limit to \$3.195 trillion that would carry the Government until October 15. The short-term extension is designed as a fallback if the longer term extension stalls.

The committee also agreed to seek a rule for House floor consideration of the committee-reported legislation that would allow for consideration as a single floor amendment of two Social Security-related proposals:

- a proposal by Representative Dorgan that would exclude the Social Security trust funds from the calculation of the budget deficits for purposes of the Gramm-Rudman-Hollings (GRH) Balanced Budget Amendment.
- a proposal by Chairman Rostenkowski which would require that future Social Security benefit increases or tax reductions be cost-neutral and require that annual trustees reports include a statement about close actuarial balance.

- o In a related action, on July 25, the Senate Budget Committee completed action on a series of bills amending the congressional budget process. The bills ordered reported include:
 - a bill by Senator Hollings (D., SC) to exclude the OASDI trust funds from the GRH deficit calculations;
 - a bill by Senator Sanford (D., NC) to divide the budget in these component parts--(1) an operating budget which would focus on current operating expenditures; (2) a retirement funds budget (including the Social Security trust funds) which would focus on benefits due in the future under retirement programs; and (3) a debt and interest budget that would focus on retiring the debt built up in the past; and
 - a bill by Senator Simon (D., IL) which would exclude the Federal Hospital Insurance Trust Fund from the GRH deficit calculations.

Action on Nominations of Public Trustees

- o On July 24, the Senate Finance Committee met to consider the nominations of public trustees and unanimously recommended confirmation of two new public members of the Boards of Trustees of the Social Security and Medicare trust funds. The nominees, recommended earlier this year by President Bush, are:
 - Stanford G. Ross, Senior Partner with the law firm of Arnold & Porter in Washington, D.C. and former Commissioner of Social Security; and
 - David M. Walker, Partner and National Director of Compensation and Benefits Practice with Arthur Andersen and Company.

LEGISLATIVE Bulletin

SOCIAL SECURITY
ADMINISTRATION

Number 101-19

October 3, 1990

Budget Summit Agreement

- o President Bush and the bipartisan leadership of both Houses of Congress announced on Sunday, September 30, 1990, a Budget Summit Agreement. The agreement calls for \$500 billion in deficit reduction over 5 years and adjusts the Gramm-Rudman-Hollings (GRH) target schedule over the next 5 years. Provisions of interest to SSA would:
 - Allow collection of Social Security overpayments by withholding the amount due from Federal tax refunds;
 - Extend OASDI coverage to State and local government employees not participating in a public employee retirement system;
 - Modify the deposit schedule for withheld Social Security and income taxes;
 - Exclude trust fund operations from GRH totals (the treatment of interest is unclear);
 - Provide for new House and Senate procedures for consideration of Social Security-related legislation;
 - Increase the Supplemental Medical Insurance premium to meet 30 percent of program costs (instead of 25 percent as under present law), while protecting poor and near-poor beneficiaries;
 - Increase the contribution and benefit base for Hospital Insurance (HI) purposes from an estimated \$54,300 (under Alternative II-B of the 1990 Trustees Report) to \$73,000 in 1991 (with automatic adjustment thereafter);
 - Extend HI coverage to State and local employees not now covered (with a phased-in tax rate schedule); and
 - Increase the earned income tax credit.

The agreement also calls for the passage by Friday, October 5, of a budget resolution containing instruction for carrying out the substance of the agreement. Assuming passage of such a resolution, the authorizing committees would then be expected to prepare the required reconciliation legislation.

Many details of the agreement are unclear or have not been determined. Similarly it is unclear to what extent the authorizing committees may have leeway to incorporate additional proposals so long as the targets embodied in the agreement are met.

Related Legislation

- o On Sunday, September 30, the House and Senate passed a Continuing Resolution, H.J. Res. 655, to provide spending authority through October 5. (The House vote was 382-41; the Senate action occurred by unanimous consent.)
- o Also on Sunday, September 30, 1990, the House and Senate passed (by unanimous consent) H.R. 5755 which extends the present debt limit through Friday, October 5.

LEGISLATIVE Bulletin

SOCIAL SECURITY
ADMINISTRATION

Number 101-20

October 12, 1990

Continuing Resolution

On Tuesday, October 9, President Bush signed into law a continuing resolution (P.L. 101-412) covering the period through October 19 that provides funding for the Federal Government, suspends sequester, and extends the temporary debt limit.

Budget Resolution

On October 8, the Congress passed the conference report on H. Con. Res. 310, the Budget Resolution, providing for savings of \$40.1 billion in FY 1991 and \$500 billion over 5 years. This measure, which is loosely based on the bipartisan Budget Summit Agreement announced on September 30, 1990, provides deficit reduction targets for authorizing committees to meet in developing their portions of the budget reconciliation legislation for this year.

Ways and Means Committee Deficit Reduction Package

On October 10, the Committee on Ways and Means agreed to, and ordered reported to the Committee on Budget, a package of proposals which would raise revenues and reduce program spending in order to meet deficit reduction targets set by H. Con. Res. 310, the budget resolution agreed to by the House and Senate earlier this week. Proposals included in the package which are of interest to SSA would:

- o Allow collection of Social Security overpayments by withholding the amount due from Federal tax refunds;
- o Extend OASDI coverage to State and local government employees not participating in a public employee retirement system;
- o Modify the deposit schedule for withheld Social Security and income taxes;
- o Increase the Supplemental Medical Insurance premium to \$32.40 in 1991, \$36.00 in 1992, \$40.50 in 1993, \$44.00 in 1994 and \$46.50 in 1995;

- o Increase the contribution and benefit base for Hospital Insurance (HI) purposes from an estimated \$54,300 (under Alternative II-B of the 1990 Trustees Report) to \$73,000 in 1991 (with automatic adjustment thereafter);
- o Extend HI coverage to State and local employees not now covered (with a phased-in tax rate schedule); and
- o Increase the earned income tax credit.

The Ways and Means-approved proposals will be part of a reconciliation bill being put together by the Committee on Budget which will likely go to the House floor next week.

Puerto Rico Referendum Legislation

On October 10, the House of Representatives passed H.R. 4765, the "Puerto Rico Self-Determination Act," which provides for a referendum to be held on or after September 16, 1991, for the people of Puerto Rico to select statehood, independence, a "new" commonwealth relationship, or no change in their political status. After the referendum, the bill directs that the Senate Committee on Energy and Natural Resources and the House Committee on Interior and Insular Affairs draft legislation implementing the selected option.

Appropriations Bill

On October 10, the Senate Appropriations Committee approved H.R. 5257, the Labor, Health and Human Services and Education FY 1991 appropriations bill.

LEGISLATIVE Bulletin

SOCIAL SECURITY
ADMINISTRATION

Number 101-21

October 16, 1990

Committee on Finance Agrees to Deficit Reduction Package

On October 12, the Committee on Finance agreed to, and ordered reported to the Committee on Budget, a package of proposals to meet the deficit reduction targets set by H. Con. Res. 310; the budget resolution agreed to by the House and Senate earlier this week.

The attached excerpts from an October 15, 1990, Senate Finance Committee press release describe the health and income security provisions of interest to SSA. In addition, the committee package includes the following tax provisions:

- o Extend OASDI coverage to State and local government employees (except students) not participating in a public employee retirement system;
- o Extend hospital insurance (HI) coverage to State and local employees not now covered; and
- o Increase the contribution and benefit base for HI purposes from an estimated \$54,300 (under Alternative II-B of the 1990 Trustees Report) to \$125,000 in 1991 (with automatic adjustment thereafter).

Senate Passes Appropriations Bill

Also on October 12, the Senate, by a vote of 76-15 passed H.R. 5257, the Labor, Health and Human Services, and Education FY 1991 appropriations bill, as amended. In addition, the Senate appointed conferees to meet with their House counterparts to work out differences between the House and Senate versions of the bill.

Attachment

Excerpts From SFC October 15, 1990
Press Release

SUMMARY OF MAJOR PROVISIONS OF FINANCE COMMITTEE
BUDGET RECONCILIATION STATUTORY LANGUAGE RELATING TO
HEALTH, INCOME SECURITY, AND SOCIAL SECURITY PROGRAMS

Washington, D.C. -- Senator Lloyd Bentsen (D., Texas), Chairman, announced that the Finance Committee has submitted statutory language of the reconciliation bill for fiscal year 1991 to the Senate Budget Committee.

Attached is a summary of the provisions and spending reductions adopted by the Finance Committee on October 12.

HEALTH AND INCOME SECURITY

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18. Secondary Payer Extensions. -- Medicare is secondary payer to employer group health plans for items and services provided to aged and disabled beneficiaries. OBRA of 1989 required IRS, SSA, and HCFA to exchange information to improve identification and collection of Medicare secondary payer cases; this requirement expires September 30, 1991. The secondary payer requirement for the disabled expires January 1, 1992. The committee's bill extends these two provisions through fiscal year 1995.

19. Part B Premium. -- The committee agreed to set Medicare Part B premiums at 25 percent of estimated outlays for 1993 through 1995, with the stipulation that no individual's premium increase could exceed the increase in Social Security cash benefits.

* * * * *

70. Cost Sharing for Qualified Medicare Beneficiaries. -- The committee agreed to require State Medicaid plans, effective January 1, 1991, to pay all Medicare cost sharing charges for Qualified Medicare Beneficiaries who have incomes up to 100 percent of the Federal poverty level. In addition, effective January 1, 1991, States would have the option of paying Medicare cost sharing charges for those persons with incomes up to 125 percent of the Federal poverty level.

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81. Disability Determinations. -- The committee agreed to overturn a HCFA rule that would prohibit States from making independent determinations of disability for Medicaid purposes and instead, codify current practice which permits States to make such determinations using Federal disability standards, pending final SSA determination.

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85. Disregard of Cost-of-Living Adjustments in Certain Medicaid Eligibility Determinations. -- The committee agreed to require State Medicaid plans to disregard, during the first quarter of each calendar year, any increased income that Qualified Medicare Beneficiaries receive as the result of Social Security cost-of-living adjustments that become effective during that period.

* * * * *

A. Social Security

Make Permanent the Continuation of Disability Benefits During Appeal. - The provision would permanently extend an expiring (December 1990) provision of law that allows beneficiaries to have disability benefits continued pending an appeal of an adverse decision. Benefits are subject to repayment if the appeal is denied.

Improvement of the Definition of Disability For Disabled Widows. - Widow(er)s are now able to claim disability benefits at age 50, but must meet stricter definition than workers. This change would make the definition for widow(er)s the same as for workers.

Payment of Benefits to a Child Adopted by a Surviving Spouse. - The present law rules for payment of survivor's benefits to a child adopted after a worker's death would be eased to allow payment if the child either lived with the worker or received one-half support from the worker in the year prior to death.

Improvements in the Representative Payee System. - Rules for selection of representative payees would be tightened to provide beneficiaries with greater protection. In addition, certain non-profit social service agencies would be allowed to charge fees for providing representative payee services.

Streamlining of the Attorney Fee Payment Process. - The process for payment of attorneys' fees in cases where recipients are awarded past-due benefits would be simplified to expedite payment of fees.

Improvements in Social Security Administration Services and Beneficiary Protections. - The provision establishes a demonstration project to improve accountability of SSA's toll-free telephone service, and protects the rights of individuals to reapply for benefits if they have been given incorrect information by SSA.

Restoration of Telephone Access to the Local Offices of the Social Security Administration. - Telephone access to local Security offices would be restored to the level in effect on September 30, 1989, (the date prior to the cut-off of direct telephone access to most local offices).

Improvement in Earnings and Benefit Statements. - Current law requires SSA, beginning in the year 2000, to send all workers covered by Social Security a statement concerning earnings and potential benefits at least every 2 years. This amendment would require that the statements be sent annually, rather than biennially.

Continuation of Benefits on Account of Participation in a Non-State Vocational Rehabilitation Program. - This provision incorporates a recommendation of the 1988 Disability Advisory Council. It allows beneficiaries who medically recover while participating in an approved non-State vocational rehabilitation program the same benefit continuation rights as those who medically recover while participating in a State-sponsored program.

Provide a Rolling 5-Year Trial Work Period for All Disabled Beneficiaries. - Current rules would be liberalized to provide that a disabled beneficiary will exhaust his 9-month trial work period only if he performs substantial gainful activity in any 9 months in a rolling 60-month period (rather than being limited to a single trial work period in any one period of disability).

Limitation on New Entitlement to Special Age-72 Payments. - The provision would preclude the unintended payment of so-called "Prouty benefits" enacted in 1966 to help workers who were too old to qualify for regular benefits. Because of subsequent amendments, it is theoretically possible for some workers to qualify for Prouty benefits after 1990, even though, when enacted, they were not expected to be paid to anyone who reached age 72 after 1971.

Modification of Advance Tax Transfer. - The trust funds would be credited with tax receipts as they are collected throughout the month, rather than in advance (at the first of the month), as under current law. However, the advance tax transfer mechanism (enacted to help meet the Social Security funding emergency that existed prior to the 1983 amendments) would be retained as a contingency to be used if the trust funds drop to such a low level that it is needed in order to pay current benefits. The present crediting rules can present Treasury with a situation in which trust fund assets cannot be invested because the debt limit has been reached.

Repeal of Retroactive Benefits for Certain Categories of Individuals. - "Windfall" retroactive benefits, currently payable to workers aged 62 to 64, and their eligible dependents, would be eliminated.

Consolidation of Old Computation Methods. - Old computation methods which require manual intervention would be eliminated, and newer computation methods which may be fully processed by computer would be substituted. No benefits paid to individuals already on the rolls would be reduced.

Suspension of Dependent's Benefits When a Disabled Worker is in an Extended Period of Eligibility. - The provision would codify current SSA policy. A dependent of a disabled beneficiary could receive benefits for a month only if the disabled worker received benefits for that month.

Cross-Referencing of Railroad Retirement Tier 1 Tax Rate to the Federal Insurance Contributions Act. - The provision would amend the Railroad Retirement Tax Act to provide that the railroad retirement tier 1 tax rate would be determined by cross-reference to FICA.

Budgetary Treatment of Social Security. - The committee will include in its reconciliation submission a recommendation that the income and outgo of the Social Security trust funds, including Social Security tax revenues and other elements of trust fund income such as interest, transfers of receipts from the income taxation of benefits, and other payments to the trust fund, be excluded from any calculations of the surplus or deficit of the general government including the deficit totals used for purposes of applying the sequestration provisions of the Balanced Budget and Emergency Deficit Control Act ("Gramm-Rudman").

* * * * *

B. Supplemental Security Income

Work Incentives. - These amendments to the SSI statute are designed to remove disincentives to employment for disabled SSI recipients. They would:

- o allow disabled recipients to continue to participate in a special work incentive provision ("section 1619") even after they reach age 65;
- o expand the provision under which benefits are not reduced because of earnings that are needed to pay for impairment-related work expenses (the expansion would apply this rule for initial eligibility and would also require States to apply it for purposes of State supplements to SSI);
- o treat certain royalties as earned income. (Unearned income causes a dollar-for-dollar reduction in benefits. Earned income is partly disregarded. This provision would apply the more favorable treatment to royalties which are based on an individual's personal efforts.)

Evaluation of Child's Disability by Pediatricians. - This provision would direct the Secretary to make reasonable efforts to ensure that a qualified pediatrician or other specialist in a field of medicine appropriate to the disability of the child evaluate the child's disability for purposes of determining eligibility for SSI.

Concurrent Applications for SSI and Food Stamps. - The 1986 Drug Abuse Act directed HHS and Agriculture to take a single application for SSI and food stamps from institutionalized individuals who are about to be released. That Act requires a single application form. This amendment would give the Administration the option of using a single form or two separate forms in taking a joint application.

Disregard of Trust Contributions. - A trust established for an SSI recipient to which the recipient does not have legal access would not be counted as a resources, and certain non-cash contributions to the recipient from that trust would not be counted as income. The Social Security Administration would be required to inform the family of a child who receives a retroactive payment as the result of the Supreme Court decision in Sullivan v. Zebley that they may be able to place that payment in a trust for the child.

* * * * *

TAX CREDITS/CHILD CARE

There would be three refundable tax credits for low income working families: an expansion of the earned income tax credit (family size adjustment); a child health insurance credit; and a refundable dependent care credit. An expansion of funding for child care under title IV of the Social Security Act and child care provisions under the jurisdiction of the Labor and Human Resources Committee would also be included.

DEBT LIMIT EXTENSION

The committee's reconciliation submission includes a debt limit extension in accordance with the budget resolution directive to provide for an increase in the debt limit not exceeding \$1,900 billion. This represents sufficient borrowing authority to cover the 5-year period addressed by the budget agreement.

LEGISLATIVE Bulletin

SOCIAL SECURITY
ADMINISTRATION

Number 101-22

October 19, 1990

Senate Passes Budget Reconciliation Bill

Yesterday, October 18, the Senate, by a vote of 54-46, passed H.R. 5835, the "Omnibus Budget Reconciliation Act of 1990," after substituting its own provisions for the text of bill as passed by House on October 16. The bill includes a number of provisions of interest to SSA.

- o The Senate agreed (98-2) to a floor amendment sponsored by Senators Hollings (D., SC) and Heinz (R., PA) that would remove the Social Security trust funds from calculation of budget deficits under the Gramm-Rudman-Hollings Act.
- o The Senate adopted (by voice vote) a package of modifications in the congressional budget process to facilitate enforcement of the budget agreements reflected in the bill as a whole and to provide new House and Senate procedures for consideration of Social Security-related legislation.
- o All of the SSA-related provisions reported by the Committee on Finance (see Legislative Bulletin 101-21) are contained in bill.

House and Senate conferees are expected to begin meeting today to work out differences between the two bills.

House Passes Budget Reconciliation Bill

On October 16, the House of Representatives (227-203) passed H.R. 5835, the Omnibus Budget Reconciliation Act of 1990. The bill contains proposals which would raise revenues and reduce program spending in order to meet deficit reduction targets set by H. Con. Res. 310, the budget resolution (see Legislative Bulletin 101-20). Proposals included in the bill which are of interest to SSA would:

- o Allow collection of Social Security overpayments by withholding the amount due from Federal income tax refunds;
- o Extend OASDI coverage to State and local government employees not participating in a public employee retirement system;
- o Modify the deposit schedule for withheld Social Security and income taxes;

- o Increase the Supplemental Medical Insurance premium to \$29.90 in 1991, \$31.70 in 1992, \$36.50 in 1993, \$41.20 in 1994, and \$46.20 in 1995;
- o Increase the contribution and benefit base for Hospital Insurance (HI) purposes from \$53,400 to \$73,000 in 1991 (with automatic adjustment thereafter);
- o Extend HI coverage to State and local employees not now covered (with a phased-in tax rate schedule); and
- o Increase the earned income tax credit.

**Committee on Ways and Means Marks Up
Miscellaneous and Technical Amendments Bill**

On October 17, the Committee on Ways and Means marked up H.R. 5828, a bill to make miscellaneous and technical amendments to the Social Security Act. The bill may be included in conference on the reconciliation bill, H.R. 5835.

Social Security-Related Provisions

- o Improved Phone Access--Would require the Secretary of Health and Human Services to maintain telephone access to local offices of the Social Security Administration at the same level generally available on October 1, 1989.
- o Res Judicata--Would provide that if a claimant for Social Security benefits did not timely appeal an adverse determination but instead filed a new application for benefits, SSA could not deny the new application on the basis that the claimant did not timely appeal the earlier determination, if the claimant relied upon incorrect, incomplete, or disleading information provided by SSA in deciding not to appeal; also, would provide that SSA clearly and specifically describe in adverse determination notices the effect on possible entitlement of choosing to reapply instead of appealing.
- o Social Security Notices--Would require that Social Security notices:
 - be written in clear and simple language; and

- contain the name, address, and telephone number of a responsible person to contact regarding any notice produced in a field office; or if not produced in a field office, contain the name and address of the field office serving the recipient and the office's telephone number.
- o Representative Payee Process Changes--Would change the representative payee system by: (1) requiring the Secretary of Health and Human Services to conduct a more extensive investigation of the representative payee applicant; (2) provide stricter standards in determining the fitness of the representative payee applicant to manage benefit payments on behalf of the beneficiary; and (3) direct the Social Security Administration to compile and maintain a list of those serving as representative payees including the beneficiaries they serve.
- o Attorney Fee Process--Would streamline the process by which SSA approves fees charged by attorneys representing claimants before the agency. Under the new petition process fees would be paid up to a limit of 25 percent of past-due benefits not to exceed \$4,000 unless the attorney, claimant, or SSA adjudicator objects.
- o Adopted Child--Would permit a child adopted by a surviving spouse (within the present law time limits) to be entitled to benefits based on the deceased worker's earnings, if the child was either living with or receiving one-half support from the worker at the time of the worker's death.
- o Legalized Aliens (Exemption From Prosecution)--Would provide that furnishing false information regarding earnings or misusing a Social Security card, except production and sale of a Social Security card, are not subject to prosecution under section 208 if they were performed by a person who received temporary legal residence in the United States under the Immigration Reform and Control Act of 1986 before the date temporary legal residence was granted and if such conduct occurred prior to 60 days after enactment.
- o Continuation of Benefits--Would make permanent the current provision permitting disability beneficiaries to elect to have their benefits continued during appeal.
- o Disability Definition for Widow(er)s--Would apply the same definition of disability to the adjudication of widow(er)'s and surviving divorced spouse's claims as to disabled worker's claims.

- o Waive 2-Year Waiting Period--Effective for monthly benefits payable for months after December 1990, would eliminate the 2-year waiting period for independent entitlement to divorced spouse's benefits in situations in which the worker was entitled to benefits before the divorce. (The 2-year waiting period would be retained for divorced spouses in cases where the worker was eligible, but not yet entitled to benefits.)
- o Deemed Spouse--Would pay benefits to a deemed spouse regardless of whether the legal spouse is entitled to benefits on the same earnings record. The benefits to the legal spouse would be paid outside the maximum family benefit.
- o Increase in Retirement Earnings Test (RET) for Workers Age 65-69--Would increase the annual exempt amount for beneficiaries aged 65-69 by \$1,800 for 1993 and by \$2,640 for 1994 (in addition to the automatic increases).
- o Elimination of Benefit Recomputations for Earnings After Age 69--Would eliminate recomputations of benefits for beneficiaries with earnings in the year they reach age 70 or later years, except where the additional earnings can be used instead of years of no earnings in its computation.
- o Vocational Rehabilitation (VR) Demonstration Project: Beneficiary Selected VR Provider--Would require the Secretary to conduct demonstration projects, which would run for 3 years in at least three States, to assess the advantages and disadvantages of permitting disability insurance (DI) beneficiaries to select a qualified rehabilitation agency, either public or private, to provide them with rehabilitation services aimed at enabling them to engage in substantial gainful activity and to leave the disability rolls.
- o Reduction in Wages Needed For a Year of Coverage Toward the Special Minimum Benefit--Would reduce the amount of earnings needed to earn a year of coverage toward the special minimum benefit (designed to assist long-term, low-wage workers) from 25 percent of the old-law contribution and benefit base (\$10,125 in 1991), to 15 percent of the base (\$6,075 in 1991).
- o Charging of Earnings of Corporate Directors--Would repeal the provision of current law that treats directors' earnings as taxable when the services to which they are attributable are performed. Directors' earnings would continue to be treated as earned in the year the services are performed for purposes of the Social Security retirement test.

- o Preeffectuation Review--Would modify the present 65-percent review to a 50 percent review of title II allowances and of a sufficient number of other determinations to ensure a high degree of accuracy. To the extent feasible, these reviews would focus on determinations and continuances that are most likely to be incorrect.
- o Retroactive Reduced Benefits--Would repeal the provision which permits a person to elect up to 6 months of retroactive reduced benefits in order to charge off any excess earnings under the retirement earnings test that he or she may have in the year of filing. Would also repeal a similar provision which allows retroactive reduced benefits in certain cases where auxiliary benefits are payable.
- o Old Computations--Would eliminate and consolidate old computation methods. Would compute benefits of all newly entitled beneficiaries, who under present law would have their benefits computed under one of the old, little-used computations, under a newer method.
- o Auxiliary Benefits--Would codify current SSA policy that provides for suspension of benefits to auxiliary beneficiaries when the disabled individual is in an extended period of eligibility.

SSI Provisions

- o Treatment of Victims' Compensation Payments--Would exclude from income and assets for purposes of determining SSI eligibility and benefit payments received from a State-administered victims' assistance fund.
- o Work Incentives--Would make a number of changes in the SSI work incentive provisions, including:
 - eliminate the age-65 limit for Medicaid-only eligibility under the section 1619(b) work incentive provision;
 - limit continuing disability reviews for purposes of the work incentive provisions of section 1619 to no more than one in any 12-month period;
 - exclude impairment-related work expenses from income in determining initial eligibility as well as reeligibility for SSI benefits and in determining State supplementary payments; and

-- treat any royalty earned in connection with the publication of an individual's work and any honorarium received for services rendered as earned, rather than unearned, income for purposes of SSI eligibility and benefit determinations.

- o State Relocation Assistance--Would exclude from income and resources State relocation assistance.
- o Evaluation of Child's Disability by Pediatricians--Would require the Secretary of Health and Human Services to make reasonable efforts to ensure that a qualified pediatrician or other specialist in a field of medicine appropriate to the disability of the child evaluate the child's disability for purposes of determining eligibility for SSI.
- o Reimbursement for Vocational Rehabilitation Services--Would implement a recommendation of the Disability Advisory Council to authorize reimbursement for vocational rehabilitation services provided in months for which individuals were not receiving Federal SSI benefits but were in "special status" under section 1619(b) or suspended benefit status or were receiving federally administered State supplementary payments. The provision would apply to claims for reimbursement pending on or after the date of enactment.
- o Extension of Period for Presumptive Disability and Blindness Payments--Would extend from 3 to 6 months the period for which benefits may be paid on the basis of presumptive disability or blindness pending a final determination. The payments would not be overpayments if the applicants are found not to be disabled or blind.

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Congress Agrees to Budget Reconciliation Bill

Over the weekend, the House, by a vote of 228-200, and the Senate, by a vote of 54-45, agreed to the conference report to accompany H.R. 5835, the Omnibus Budget Reconciliation Act of 1990, thus clearing the bill for the President. The bill contains a number of provisions of interest to SSA or which affect SSA-administered programs.

OASDI Provisions

1. State and Local Coverage--Beginning July 1, 1991, would extend OASDI coverage to State and local government employees (except students employed by the educational institution which they attend) not participating in a public employee retirement system.
2. Continuation of Disability Benefits During Appeal--Would make permanent the temporary provision permitting disability beneficiaries to elect to have their disability benefits and Medicare protection continued through the hearing level of appeal in medical cessation cases.
3. Definition of Disability for Widow(er)s--Would apply to disabled widow(er)s the same definition of disability that applies to disabled workers. Includes provisions for maintaining Medicaid eligibility for Supplemental Security Income (SSI) recipients who may qualify for Social Security benefits and lose SSI eligibility because of this change and for facilitating their qualifying for Medicare.
4. Adopted Child--Would modify dependency requirements to permit a child adopted by a surviving spouse to be entitled to benefits based on the deceased worker's earnings, if the child was either living with or receiving one-half support from the worker at the time of the worker's death.

5. Representative Payees--Would modify the representative payee system (for both Social Security and SSI) by:
- Requiring SSA to do a more extensive investigation of representative payee applicants;
 - Generally limiting to 1 month the deferral or suspension of direct payment of benefits pending selection of a payee;
 - Allowing certain nonprofit social service agencies to charge beneficiaries a fee for providing payee services;
 - Providing stricter standards in determining the fitness of representative payee applicants to manage benefit payments on behalf of beneficiaries;
 - Requiring SSA to repay to the beneficiary or an alternate payee an amount equal to any misused funds resulting from SSA's negligent failure to investigate or monitor a representative payee; and
 - Requiring SSA to compile and maintain a centralized file of certain beneficiary and payee information.
6. Attorney Fee Process--In claims involving past-due benefits, would streamline the process by which SSA approves fees charged by persons representing claimants before the Agency. Where the claimant and attorney submit a written agreement, a fee up to 25 percent of past-due benefits (but not more than \$4,000) would automatically be paid to the attorney.
- Would also limit travel expenses for claimants' representatives to the maximum amount legally allowable for travel originating within the geographic area of the office having jurisdiction over the administrative proceedings.
7. Administrative Res Judicata--Would provide that if a claimant for Social Security or SSI benefits did not timely appeal an adverse determination but instead filed a new application for benefits, SSA could not deny the new application on the basis that the claimant did not timely appeal the earlier determination, if the claimant relied upon incorrect, incomplete, or misleading information provided by SSA in deciding not to appeal. Also would provide that SSA describe in adverse determination notices the effect on possible entitlement of choosing to reapply instead of appealing.

8. TSC Demonstration Projects--Would establish demonstration projects in not less than three telephone service centers requiring that a written receipt be provided to callers to SSA's toll-free telephone number who request information about potential or current eligibility or entitlement to benefits. The projects would begin within 180 days of enactment and last 1 to 3 years.
9. Social Security Notices--Would require that Social Security notices issued on or after July 1, 1991, be written in clear and simple language, and, in the case of notices from field offices, contain the address and telephone number of the local office which serves the individual. If the notice is not produced in a field office, it would have to contain the address of the field office serving the individual and a telephone number through which that office can be reached.
10. Telephone Access--Would restore telephone access to local Social Security offices to the level generally available as of September 30, 1989, and require the Secretary to request the publication of telephone numbers and addresses of local offices which maintain direct telephone access within 180 days after enactment. Require a report by January 1993 on the impact of the provision and a plan to use new technologies to enhance access to SSA, including local offices. Require reports by GAO on the level of telephone access to local offices not later than 120 and 210 days after enactment.
11. Improvement in Earnings and Benefit Statements--Would require that, beginning no later than October 1, 1999, SSA send each year to all workers covered under Social Security a statement concerning earnings and potential benefits (current law requires statements be sent every 2 years beginning in October 1999). Also would provide SSA with access to IRS address information for mailing the statements.
12. Trial Work Period (TWP) During Rolling 5-Year Period for All Disabled Beneficiaries--Would provide that a disabled beneficiary exhausts his 9-month trial work period only if he performs services in 9 months in a rolling 60-month period, i.e., within any period of 60 consecutive months. Also, would repeal the provision which precludes a reentitled disabled worker from being eligible for a TWP.

13. Continuation of Benefits on Account of Participation in a Non-State Vocational Rehabilitation (VR) Program--Would extend to DI and SSI beneficiaries who medically recover while participating in an approved non-State VR program the same benefit continuation rights as those who medically recover while participating in a State VR program.
14. Limitation on New Entitlement to Special Age-72 Payments--Would preclude the payment of so-called "Prouty benefits" to persons reaching age 72 after 1990 who otherwise could have been entitled to these benefits.
15. Modification of Advance Tax Transfer--Would credit the trust funds with tax receipts as they are collected throughout the month, rather than in advance (at the first of the month), as under current law. However, the advance tax transfer mechanism would be retained as a contingency to be used if the trust funds drop to such a low level that it is needed in order to pay current benefits.
16. Retroactive Reduced Benefits--Would repeal the provision which permits a person to elect up to 6 months of retroactive reduced benefits in order to charge off any excess earnings under the retirement earnings test that he or she may have in the year of filing. Would also repeal a similar provision which allows retroactive reduced benefits in cases where unreduced auxiliary benefits are payable.
17. Old Computations--Would eliminate and consolidate old computation methods. Would compute benefits of all newly entitled beneficiaries, who under present law would have their benefits computed under one of the old, little-used computations, under a newer method.
18. Auxiliary Benefits--Would codify current SSA policy that provides for suspension of benefits to auxiliary beneficiaries when the disabled worker's benefits are suspended because he is engaging in substantial gainful activity during the 36-month "extended period of eligibility" that follows the trial work period.
19. Deemed Spouse--Would pay benefits to a deemed spouse (a person who entered into an invalid ceremonial marriage in good faith) regardless of whether the legal spouse is entitled to benefits on the same earnings record. The benefits to the legal spouse would be paid outside the maximum family benefit. Also, would pay benefits to divorced deemed spouses.

20. Vocational Rehabilitation (VR) Demonstration Projects--Would require the Secretary to conduct demonstration projects, which would run for 3 years in at least three States, to assess the advantages and disadvantages of permitting disabled beneficiaries to select a qualified rehabilitation provider, either public or private, to furnish them with rehabilitation services aimed at enabling them to engage in substantial gainful activity and to leave the disability rolls.
21. Legalized Aliens (Exemption From Prosecution)--Would provide that furnishing false information regarding earnings or misusing a Social Security card, except production and sale of a Social Security card, are not subject to prosecution under the Social Security Act if they were performed by a person who later received permanent or temporary legal residence in the United States under the Immigration Reform and Control Act of 1986, if such conduct occurred prior to 60 days after enactment.
22. Reduction in Earnings Needed for a Year of Coverage Toward the Special Minimum Benefit--Would reduce the amount of earnings needed to earn a year of coverage toward the special minimum benefit (designed to assist long-term, low-wage workers) from 25 percent of the old-law contribution and benefit base (\$9,900 in 1991), to 15 percent of that base (\$5,940 in 1991).
23. Treatment of Earnings of Corporate Directors--Would treat directors' earnings as taxable and creditable for Social Security purposes for the year the earnings are received. Directors' earnings would continue to be treated as earned in the year the services are performed for purposes of the Social Security retirement test.
24. Collection of Employee Social Security and Railroad Retirement Taxes on Taxable Group-Term Life Insurance Provided to Former Employees--Would provide that if an employer provides taxable group-term life insurance to an individual who has left his employment, the former employee would be required to pay the employee portion of the FICA tax through the income tax system.
25. Waive 2-Year Waiting Period--Would eliminate the 2-year waiting period for entitlement to divorced spouse's benefits (when the worker is not entitled) in situations in which the worker was entitled to benefits before the divorce.

26. Preeffectuation Review--Would change the present 65-percent review of all favorable disability determinations by State agencies prior to final action to a 50-percent review of allowances and of a sufficient number of other determinations to ensure a high degree of accuracy. Also, would require a written report to pertinent congressional committees not later than April 1, 1992, and annually thereafter, setting forth the number of preeffectuation reviews conducted during the preceding fiscal year and the Secretary's findings relating to the accuracy of the Disability Determinations Services' determinations.
27. Recovery of OASDI Overpayments by Means of Reduction in Tax Refunds--Would permit SSA to recover overpayments from former beneficiaries by means of offsetting income tax refunds under the same authority applicable to other Federal programs.
28. Statement of Actuarial Balance--Would require a finding in the annual OASDI trustees report as to whether the trust funds are in close actuarial balance.

Supplemental Security Income (SSI) Provisions

29. Attainment of Age 65 Not To Serve as Basis for Termination of Eligibility Under Section 1619--Would continue beyond age 65 Medicaid-only eligibility under the section 1619(b) work incentive provision for individuals whose SSI eligibility is based on a determination of disability or blindness.
30. Treatment of Royalties and Honoraria as Earned Income--Would treat any royalty earned in connection with the publication of an individual's work and any honorarium received for services rendered as earned, rather than unearned, income for purposes of SSI eligibility and benefit determinations.
31. Exclusion from Income and Resources of Victims' Compensation Payments--Would exclude from income for SSI purposes payments received from a State-administered fund established to aid victims of crime. Such payments also would be excluded from resources for a 9-month period beginning the month after they are received. In addition, a victim of a crime would not be required to accept victims' compensation payments as a requirement for SSI eligibility.

32. Exclusion from Income of Impairment-Related Work Expenses--Would provide for excluding impairment-related work expense (IRWE) from income determining initial Social Security eligibility, and reeligibility, for SSI benefits and State supplementary payments. (IRWE are now excluded in determining benefit amounts, substantial gainful activity, and continuing eligibility.)
33. Certain State Relocation Assistance Excluded From SSI Income and Resources--Would exclude from income payments received as State or local government relocation assistance. If not expended in the month of receipt, such payments also would be excluded from resources for a 9-month period beginning the month after they are received. The provision would expire 3 years after the effective date.
34. Evaluation of Children's Disabilities by a Pediatrician or Other Qualified Specialist--Would require the Secretary of Health and Human Services to make reasonable efforts to ensure that a qualified pediatrician or other specialist in a field of medicine appropriate to the disability of the child evaluate the child's disability for purposes of determining eligibility for SSI.
35. Reimbursement for Vocational Rehabilitation Services Furnished During Certain Months of Nonpayment of SSI Benefits--Would authorize reimbursement for vocational rehabilitation services provided in months for which individuals were not receiving Federal SSI benefits but were in "special status" under section 1619(b) or suspended benefit status or were receiving federally administered State supplementary payments.
36. Extension of Period for Presumptive Eligibility for Benefits--Would extend from 3 to 6 months the period for which benefits may be paid on the basis of presumptive disability or blindness pending a final determination. The payments would not be overpayments if the applicants are found not to be disabled.
37. Continuing Disability Reviews Not Required More Than Once Annually--Would limit continuing disability reviews for purposes of the work incentive provisions of section 1619 to no more than one in any 12-month period.

38. Concurrent SSI and Food Stamp Applications by Institutionalized Individuals--Would eliminate the current law requirement for a single application in the case of an individual who, prior to release from a public institution, applies for SSI and food stamps. Instead, the Secretaries of HHS and Agriculture would be required to establish procedures under which the individual could apply for food stamps at the same time he applies for SSI.
39. Notification of Certain Individuals Eligible To Receive Retroactive Benefits--Would require the Secretary, when notifying individuals eligible under Zebley (a Supreme Court decision which will require SSA to reopen many previously denied childhood disability determinations and which may result in large retroactive SSI payments), to provide a clearly written notice explaining (1) the fact retroactive SSI payments are excluded from resources under SSI for 6 months only; (2) the potential effects under SSI of receiving large retroactive payments; (3) the possibility of establishing a trust account that would not be considered as income or resources under SSI; and (4) that legal assistance in establishing such a trust may be available from various legal reference services.

Other Provisions of Interest

40. Social Security Trust Funds and Budget Process--Would explicitly remove the Social Security trust funds from deficit calculations for Gramm-Rudman-Hollings purposes. The bill also includes numerous changes in the congressional budget process and provisions designed to facilitate enforcement of the deficit reductions that are expected to be achieved under the legislation.
41. Payroll Tax Deposit Schedule--Would accelerate the deposit schedule for 1991 and later for employers whose withheld Social Security and income taxes total \$100,000 or more at the end of the eighth-monthly period established by regulations.
42. Taxpayer Identification Number (TIN)--For tax returns filed after December 31, 1991, would reduce from 2 years to 1 year the age at which a TIN (a Social Security number) must be shown for a dependent claimed on an income tax return.
43. Tax and Earnings Verification for Department of Veterans Affairs (DVA) Benefits--Would provide for using Social Security and IRS data for income verification for applicants or recipients of any DVA benefit after notifying them of such use.

44. SSN Use and Death Notification for DVA--Would require the DVA to periodically check HHS death information with respect to DVA beneficiaries.
45. Modifications of Earned Income Tax Credits (EITC)--Would increase EITC rates and would exclude tax refunds related to EITCs from income in the month of receipt and from resources in the month following the month of receipt under the SSI, AFDC, Medicaid, and food stamp programs.
46. Increase the Hospital Insurance (HI) Contribution Base--Would increase the amount of earnings that will be subject to the HI tax to \$125,000 for 1991, with automatic adjustments as wages rise thereafter. (The OASDI contribution base for 1991 is \$53,400.)
47. Increase Part B Premium--Would increase the Supplemental Medical Insurance premium to \$29.90 in 1991, \$31.70 in 1992, \$36.60 in 1993, \$41.10 in 1994, and \$46.10 in 1995.

President Signs Continuing Resolution

On October 28, 1990, the President signed H.J. Res. 687, which makes further continuing appropriations, suspends sequestration and raises the debt limit through November 5, 1990, to allow for the orderly processing of appropriations bills and the reconciliation legislation completed during the last days of the 101st Congress. The Congress adjourned sine die on October 28.

LISTING OF REFERENCE MATERIALS

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U.S. Congress. House. Committee on Ways and Means. Subcommittee on Social Security. Hearing on Proposals to Improve the Effectiveness of the Social Security Administration's Vocational Rehabilitation Program. April 19, 1990. 101st Congress, 2nd session.

