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CRS Report for Congress

Deficit Impact of Reconciliation Legislation Enacted in 1990, 1993, 1997, and 2006

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Summary

During the past 25 years, Congress has sent the President 21 measures under budget reconciliation procedures; 18 were signed into law and three were vetoed. During the 1980s and 1990s, such legislation often reflected Congress's most significant efforts to reduce the deficit through changes in revenue and mandatory spending laws. In recent years, however, reconciliation has been used mainly to reduce revenues. Most recently, in 2006, Congress and the President enacted reconciliation legislation reducing both mandatory spending and revenues, yielding a net increase in the deficit.

Some Members have called for renewed deficit-reduction efforts in the 110th Congress using the reconciliation process. As background on past efforts in this regard, the deficit impact of several major reconciliation acts enacted in the 1990s and in 2006 is briefly summarized.

Over a five-year period, according to Congressional Budget Office (and the Joint Committee on Taxation), the Omnibus Budget Reconciliation Act of 1990 reduced the deficit by an estimated $482 billion; the Omnibus Budget Reconciliation Act of 1993 reduced the deficit by an estimated $433 billion; in 1997, the Balanced Budget and the Taxpayer Relief Act together reduced the deficit by an estimated $118 billion; and in 2006, the Deficit Reduction Act and the Tax Increase Prevention and Reconciliation Act together increased the deficit by an estimated $31 billion. Reductions in mandatory spending were a significant element in the changes made in all four years.

This report will be updated as developments warrant.

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The budget reconciliation process is an optional procedure, provided for under the Congressional Budget Act of 1974 (P.L. 93-344, as amended), that operates as an adjunct to the annual budget resolution process.[1] The chief purpose of the reconciliation process is to enhance Congress's ability to change current law in order to bring revenue, spending, and debt-limit levels into conformity with the policies of the budget resolution.

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

Reconciliation was first used by the House and Senate during the administration of President Jimmy Carter, in calendar year 1980 for FY1981. As an optional procedure, it has not been used every year. During the period covering budget resolutions for FY1981-FY2007, 18 omnibus reconciliation measures were enacted into law and three were vetoed.

From 1980 into the 1990s, reconciliation was used to reduce the deficit through reductions in mandatory spending, increases in revenues, or a combination of the two. In more recent years, however, reconciliation has been used to reduce revenues and, in a few instances, to increase spending levels in particular areas. Most recently, in 2006, Congress and the President enacted reconciliation legislation reducing both mandatory spending and revenues, yielding a net increase in the deficit.

Some Members have called for renewed deficit-reduction efforts in the 110th Congress using the reconciliation process. As background on past efforts in this regard, the deficit impact of several major reconciliation acts enacted in the 1990s and in 2006 is briefly summarized.

Reconciliation Legislation in 1990, 1993, 1997, and 2006

During the period from 1990 through 2006, the House and Senate completed action on 12 reconciliation measures and sent them to the President. Three of the measures were vetoed by President Bill Clinton and are excluded from this discussion.[2] The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), which dealt with welfare reform, and the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27), which implemented large tax cuts, also are excluded from this discussion.

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

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[1] For more information on reconciliation procedures, see CRS Report RL33030, *The Budget Reconciliation Process: House and Senate Procedures*, by Robert Keith and Bill Heniff Jr.

[2] President Clinton vetoed the Balanced Budget Act of 1995 on Dec. 6, 1995, the Taxpayer Refund and Relief Act of 1999 on Sept. 23, 1999, and the Marriage Tax Relief Reconciliation Act of 2000 on Aug. 5, 2000.

net reduced the deficit in three instances and increased it in the other (see **Table 1**). Each of the acts included reductions in mandatory spending, as well as changes in revenue levels.

Table 1. Reconciliation Acts Enacted in 1990, 1993, 1997, and 2006

Fiscal Year	Budget Resolution	Resultant Reconciliation Act(s)	Date Enacted	5-Year Deficit Impact
1991	H.Con.Res. 310	Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)	11-05-1990	-$482 billion
1994	H.Con.Res. 64	Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66)	08-10-1993	-$433 billion
1998	H.Con.Res. 84	Balanced Budget Act of 1997 (P.L. 105-33) and Taxpayer Relief Act of 1997 (P.L. 105-34)	08-05-1997	-$118 billion
2006	H.Con.Res. 95	Deficit Reduction Act of 2005 (P.L. 109-171) and Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222).	02-08-2006 (DRA) and 05-17-2006 (TIPRA)	+$31 billion

Source: Prepared by the Congressional Research Service from data published by the Congressional Budget Office and the Joint Committee on Taxation.

Note: Negative sign (-) indicates deficit reduction; positive sign (+) indicates deficit increase.

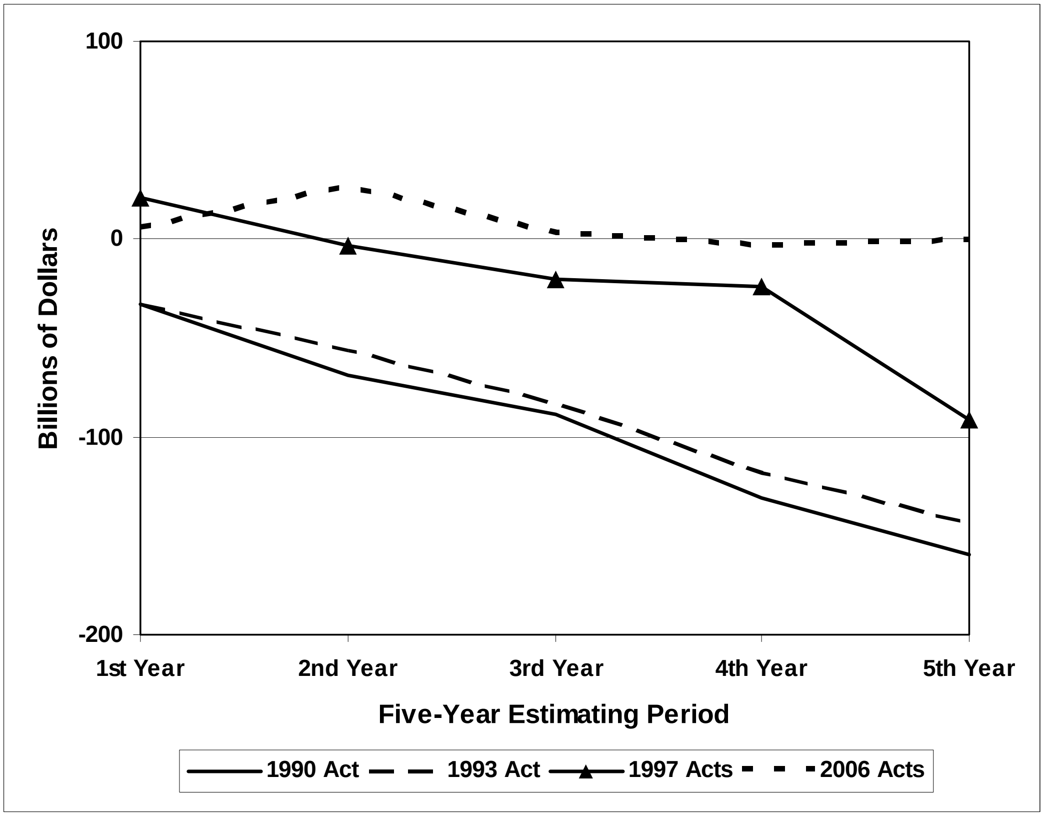
Over a five-year period, according to the Congressional Budget Office (and the Joint Committee on Taxation), the Omnibus Budget Reconciliation Act of 1990 reduced the deficit by an estimated $482 billion; the Omnibus Budget Reconciliation Act of 1993 reduced the deficit by an estimated $433 billion; in 1997, the Balanced Budget Act and the Taxpayer Relief Act together reduced the deficit by an estimated $118 billion; and, in 2006, the Deficit Reduction Act and the Tax Increase Prevention and Reconciliation Act together increased the deficit by an estimated $31 billion. **Table 2** provides more detailed information on the annual deficit impact of the acts over a five-year period.

As **Figure 1** indicates, the annual deficit impact of the reconciliation measures varied considerably.

For the three years in which the reconciliation acts reduced the deficit over the five-year period, in two instances (1990 and 1993) the acts were estimated to yield a reduction in the deficit in the first applicable fiscal year; in the other instance (1997), a deficit increase ($21 billion) was estimated in the first year. Thereafter, deficit reduction occurred in each year in all three instances and the amounts escalated over the period.

The largest amount of deficit reduction occurred in the fifth (and final) year of the estimating period for each of the acts in these three years and amounted to $160 billion for the 1990 act, $143 billion for the 1993 act, and $91 billion for the 1997 acts.

Figure 1. Annual Deficit Impact of Selected Reconciliation Acts

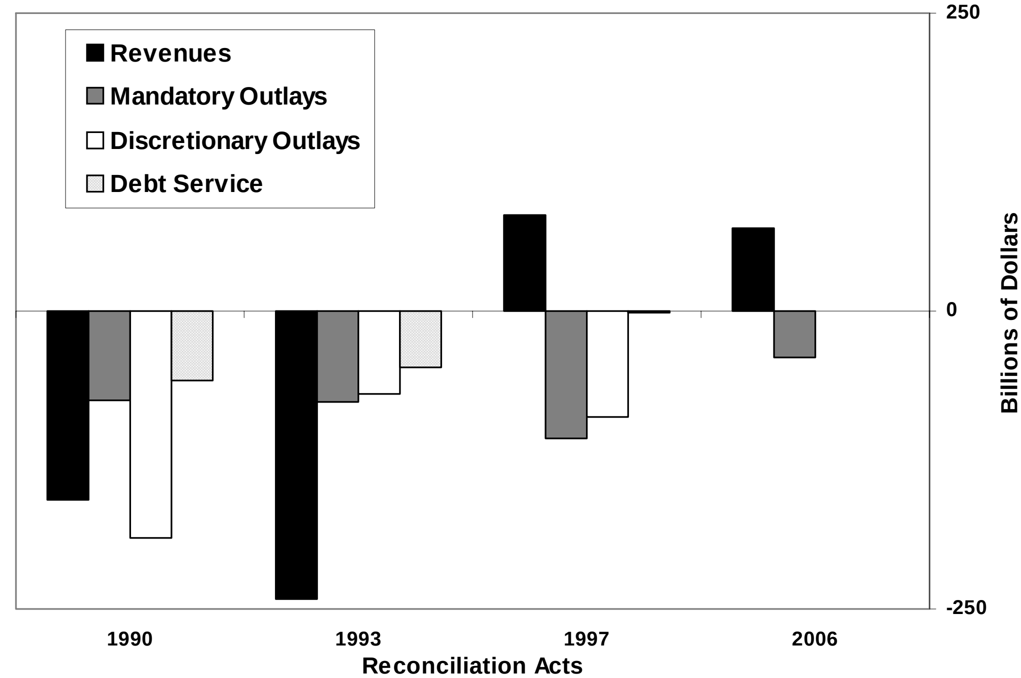


In each of these three cases, the reconciliation legislation implemented deficit-reduction policies agreed to by Congress and the President involving both spending and revenue changes. In the case of spending, in addition to mandatory spending reductions in reconciliation, the deficit-reduction policies assumed a reduction in the growth of discretionary spending over the ensuing years. Although discretionary spending is provided in annual appropriations acts, statutory limits on discretionary spending were established (and extended) in the three reconciliation acts. Accordingly, CBO included estimates of the savings expected to occur in discretionary spending pursuant to the statutory limits in its assessments of the deficit impact of the reconciliation legislation.

The pattern differs for the two reconciliation measures enacted in 2006. Under the legislation, the deficit increased in each of the first three years, ranging from a $3 billion increase (FY2008) to a $26 billion increase (FY2007). Although the measures reduced the deficit in the fourth and fifth years (by $3 billion and $1 billion, respectively), the deficit impact did not reflect the escalating decreases in the deficit that were estimated for the 1990, 1993, and 1997 acts.

Figure 2 shows that net savings in mandatory spending were an important component of the reconciliation legislation in all four years, amounting over five years to an estimated $75 billion in the 1990 act, $77 billion in the 1993 act,$107 billion in the 1997 acts, and $39 billion in the 2006 acts. With regard to revenues, the 1990 and 1993 acts reflected estimated net increases over five years of $158 billion and $241 billion, respectively, while the 1997 and 2006 acts reflected an estimated net reduction over five years of $80 billion and $70 billion, respectively. Five-year net savings in discretionary spending attributable to the statutory limits ranged from an estimated $69 billion (in the 1993 act), to $89 billion (in the 1997 acts), to $190 billion (in the 1990 act); the 2006 acts did not address changes in discretionary spending. Debt service savings accounted for the remaining deficit reduction for 1990, 1993, and 1997; CBO did not provide information on debt service costs for 2006.

Figure 2. Five-Year Deficit Impact of Selected Reconciliation Acts



Note: Negative amounts = deficit reduction.

Table 2. Estimated Deficit Impact of Reconciliation Legislation Enacted in 1990, 1993, 1997, and 2006

(in billions of dollars; negative amounts = deficit reduction)

	First Year	Second Year	Third Year	Fourth Year	Fifth Year	5-Year Total
Omnibus Budget Reconciliation Act of 1990 (FY1991-FY1995)						
Revenue increases	-18	-33	-32	-37	-39	-158
Mandatory spending cuts	-9	-12	-16	-19	-19	-75
Discretionary spending cuts	-6	-19	-31	-58	-75	-190
Debt service savings	-1	-4	-10	-17	-27	-59
Total	**-33**	**-69**	**-89**	**-131**	**-160**	**-482**
Omnibus Budget Reconciliation Act of 1993 (FY1994-FY1998)						
Revenue increases	-26	-44	-52	-61	-59	-241
Mandatory spending cuts	-5	-9	-17	-21	-26	-77
Discretionary spending cuts	0	0	-8	-23	-38	-69
Debt service savings	-1	-3	-8	-14	-21	-47
Total	**-33**	**-56**	**-83**	**-118**	**-143**	**-433**
Balanced Budget Act of 1997 and Taxpayer Relief Act of 1997 (FY1998-FY2002)						
Revenue decreases	9	7	23	24	18	80
Mandatory spending increases/cuts	1	-10	-30	-16	-52	-107
Discretionary spending increases/cuts	11	-1	-14	-31	-53	-89
Debt service costs/savings	0	1	1	-1	-4	-2
Total	**21**	**-3**	**-20**	**-24**	**-91**	**-118**
Deficit Reduction Act of 2005 and Tax Increase Prevention and Reconciliation Act of 2005 (FY2006-FY2010)						
Revenue decreases	11	23	7	18	11	70
Mandatory spending cuts	-5	3	-4	-21	-12	-39
Discretionary spending increases/cuts	0	0	0	0	0	0
Debt service costs	[not provided]					
Total	**6**	**26**	**3**	**-3**	**-1**	**31**

Sources: Congressional Budget Office, (1) *The Economic and Budget Outlook: Fiscal Years 1992-1996*, January 1991, Table III-3, p. 66; (2) *The Economic and Budget Outlook: An Update*, September 1993, Table 2-2, p. 29; (3) *The Economic and Budget Outlook: An Update*, September 1997, Table 10, p. 36, and Table 11, p. 40; and (4) cost estimates on S. 1932 (Jan. 27, 2006) and H.R. 4297 (June 2, 2006).

By Bradford Fitch

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