Order Code RS22277
Updated December 29, 2006

CRS Report for Congress

Savings in Mandatory Outlays in Selected Reconciliation Acts

Robert Keith
Specialist in American National Government
Government and Finance Division

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. In 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 role of savings in mandatory outlays in several major reconciliation acts enacted or vetoed in the 1990s and in 2006 is briefly summarized.

Reductions in mandatory outlays were a significant element in changes made in selected reconciliation acts in recent years. According to the Congressional Budget Office, reconciliation acts reduced mandatory outlays over a five-year period by $75 billion (in 1990), $77 billion (in 1993), $107 billion (in 1997), and $39 billion (in 2006); $249 billion in such reductions were proposed by Congress in 1995, but the legislation was vetoed. Reductions in Medicare and Medicaid generally have accounted for the bulk of savings in mandatory outlays in the selected reconciliation acts.

This report will be updated as developments warrant.

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

[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.

Congressional Operations Briefing– Capitol Hill Workshop

Congressional Operations Briefing and Seminar

The definitive overview of how Congress works.

This intensive course is offered as a 3-day public Briefing and as a tailored on-site 3, 4 or 5-day program.

Public Briefings are offered throughout the year in Washington, DC.
Space is limited.
Dates, Agenda, Previous Faculty, and Secure Online Registration:
TCNCHW.com

On-site Congressional Briefings and Capitol Hill Workshops for agencies:
CLCHW.com

202-678-1600 TheCapitol.Net

TheCapitol.Net

Non-partisan training and publications that show how Washington works.™

PO Box 25706, Alexandria, VA 22313-5706
202-678-1600 • www.thecapitol.net

Contract GS02F0192X GSA Advantage!®

TheCapitol.Net is on the GSA Schedule, 874-4, for custom on-site training.
GSA Contract GS02F0192X

George Mason University — Courses approved for CEUs from George Mason University

All of our courses and workshops include extensive interaction with our faculty, making our courses and workshops both educational as well as mini-consulting sessions with substantive experts.

Our Upcoming Schedule of Courses can be seen online on our web site or at TCNCourses.com.

All of our courses and any combination of their topics can be customized for on-site training for your organization—we are on GSA Advantage, Contract GS02F0192X.

thecapitol.net
202-678-1600

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 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 was 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 role of savings in mandatory outlays in several major reconciliation acts enacted or vetoed in the 1990s and in 2006 is briefly summarized.

Reconciliation Legislation in 1990, 1993, 1995, 1997, and 2006

During the period from 1990 to the present, the House and Senate completed action on 12 reconciliation measures and sent them to the President. Five of the 12 acts are excluded from this discussion because they were not omnibus reconciliation measures encompassing major changes in both revenues and spending. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) dealt with welfare reform, and the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27) implemented large tax cuts. Two other reconciliation acts, which were vetoed by President Bill Clinton, also pertained to revenue matters.[2]

The remaining seven reconciliation acts that the House and Senate completed action on in five different years during this period, as identified in **Table 1**, were omnibus bills, covering an array of issues; the two different reconciliation acts enacted in 1997, and in 2006, are treated as a set for purposes of this report. In the first four years, the acts in the net reduced — or, in the case of one vetoed measure, proposed to reduce — the deficit significantly, from between $118 billion and $482 billion over five years. In 2006, the reconciliation acts reduced mandatory spending and revenues, yielding a net increase in the deficit. Each of the acts (or sets of acts) in the five years included reductions in

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

mandatory spending, as well as changes in revenue levels; in some instances, savings in discretionary spending and debt service savings also were reflected.[3]

Table 1. Reconciliation Acts Enacted or Vetoed in 1990, 1993, 1995, 1997, and 2006

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

Reductions in mandatory outlays were a significant element in changes made in selected reconciliation acts in recent years (see **Table 2**). According to the Congressional Budget Office, reconciliation acts reduced mandatory outlays over a five-year period by $75 billion (in 1990), $77 billion (in 1993), $107 billion (in 1997), and $39 billion (in 2006); $249 billion in such reductions were proposed by Congress in 1995, but the legislation was vetoed.

Reductions in Medicare and Medicaid generally accounted for the bulk of savings in mandatory outlays in the selected reconciliation acts. Taken together, changes in Medicare and Medicaid accounted for the major share of mandatory outlay savings in 1990 (59%), 1993 (82%), 1995 (69%), and 1997 (111%, when $119 billion in Medicare and Medicaid savings were partially offset by $12 billion in increases in other programs.) In 2006, savings in the two programs amounted to 33% of total mandatory outlay savings.

---

[3] For additional information on the deficit impact of these measures, see CRS Report RS22098, *Deficit Impact of Reconciliation Legislation Enacted in 1990, 1993, 1997, and 2006*, by Robert Keith.

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

	Net 5-Year Changes in Mandatory Outlays (amounts in $ billions)				
	1990	**1993**	**1995**	**1997**	**2006**
Medicare	-43	-56	-119	-112	-6
Medicaid	-1	-7	-52	-7	-7
Other	-32	-14	-77	12	-26
Total	**-75**	**-77**	**-249**	**-107**	**-39**
Medicare and Medicaid changes as a percentage of total	59%	82%	69%	111%	33%

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

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

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

In 2006, the five-year savings in Medicare ($6 billion) and Medicaid ($7 billion) nearly were equal.

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

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

Table 3. Savings in Mandatory Outlays in Reconciliation Acts Enacted or Vetoed in 1990, 1993, 1995, 1997, and 2006

(amounts in $ billions)

	Fiscal year																				5-Year total
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Omnibus Budget Reconciliation Act of 1990																					
Medicare	n/a	n/a	n/a	n/a	n/a																-43
Medicaid	n/a	n/a	n/a	n/a	n/a																-1
Other	n/a	n/a	n/a	n/a	n/a																-32
Net savings	**-9**	**-12**	**-16**	**-19**	**-19**																**-75**
Omnibus Budget Reconciliation Act of 1993																					
Medicare				-2	-6	-12	-16	-20													-56
Medicaid				[a]	-1	-2	-2	-3													-7
Other				-3	-2	-3	-2	-3													-14
Net Savings				**-5**	**-9**	**-17**	**-21**	**-26**													**-77**
Balanced Budget Act of 1995 (vetoed)																					
Medicare						-6	-13	-23	-35	-42											-119
Medicaid						[a]	-3	-9	-16	-24											-52
Other						-3	-12	-18	-22	-22											-77
Net Savings						**-10**	**-28**	**-50**	**-73**	**-88**											**-249**
Balanced Budget Act of 1997 and Taxpayer Relief Act of 1997																					
Medicare								-6	-16	-29	-20	-41									-112

	Fiscal year																				5-Year total
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Medicaid								1	[a]	-1	-3	-4									-7
Other								6	6	[a]	7	-7									12
Net Savings								**1**	**-10**	**-30**	**-16**	**-52**									**-107**
Deficit Reduction Act of 2005 and Tax Increase Prevention and Reconciliation Act of 2005 [b]																					
Medicare																-3	6	-1	-3	-5	-6
Medicaid																[a]	-1	-2	-2	-3	-7
Other																-2	-1	-2	-16	-4	-26
Net Savings																**-5**	**4**	**-5**	**-21**	**-12**	**-39**

Sources: Congressional Budget Office, (1) *The Economic and Budget Outlook: Fiscal Years 1992-1996*, Jan. 1991, Table III-3, p. 66, and unpublished documentation related thereto; (2) *The Economic and Budget Outlook: An Update*, Sept. 1993, Table 2-2, p. 29; (3) *The Economic and Budget Outlook: December 1995 Update* (Memorandum), Dec. 1995, Table 4, p. 16; (4) *The Economic and Budget Outlook: An Update*, Sept. 1997, Table 10, p. 36, and Table 11, p. 40; and (5) cost estimates on S. 1932 (Jan. 27, 2006) and H.R. 4297 (June 2, 2006).

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

a. Less than $500 million.
b. The Tax Increase Prevention and Reconciliation Act of 2005 was not scored as affecting mandatory outlays.

Learn how Capitol Hill really works

All of our programs and any combination of their topics can be tailored for on-site training for your organization.

For more than 40 years, TheCapitol.Net and its predecessor, Congressional Quarterly Executive Conferences, have been teaching professionals from government, military, business, and NGOs about the dynamics and operations of the legislative and executive branches and how to work with them.

Our custom, on-site training and publications include congressional operations, legislative and budget process, communication and advocacy, media and public relations, research, testifying before Congress, legislative drafting, critical thinking and writing, and more.

- **Diverse Client Base**—We have tailored hundreds of custom on-site training programs for Congress, numerous agencies in all federal departments, the military, law firms, lobbying firms, unions, think tanks and NGOs, foreign delegations, associations and corporations, delivering exceptional insight into how Washington works.™
- **Experienced Program Design and Delivery**—We have designed and delivered hundreds of custom programs covering congressional/legislative operations, budget process, media training, writing skills, legislative drafting, advocacy, research, testifying before Congress, grassroots, and more.
- **Professional Materials**—We provide training materials and publications that show how Washington works. Our publications are designed both as course materials and as invaluable reference tools.
- **Large Team of Experienced Faculty**—More than 150 faculty members provide independent subject matter expertise. Each program is designed using the best faculty member for each session.
- **Non-Partisan**—TheCapitol.Net is non-partisan.
- **GSA Schedule**—TheCapitol.Net is on the GSA Schedule, 874-4, for custom on-site training: GSA Contract GS02F0192X.

Please see our Capability Statement on our web site at **TCNCS.com**.

Custom training programs are designed to meet your educational and training goals, each led by independent subject-matter experts best qualified to help you reach your educational objectives and align with your audience.

As part of your custom program, we can also provide classroom space, breaks and meals, receptions, tours, and online registration and individual attendee billing services.

For more information about custom on-site training for your organization, please see our web site: **TCNCustom.com** or call us: 202-678-1600, ext 115.

TheCapitol.Net

Non-partisan training and publications that show how Washington works.™

PO Box 25706, Alexandria, VA 22313-5706
202-678-1600 • www.thecapitol.net

GSA Advantage! Contract GS02F0192X

TheCapitol.Net is on the GSA Schedule, 874-4, for custom on-site training. GSA Contract GS02F0192X