Order Code RS22098
Updated September 21, 2005

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

Robert Keith
Specialist in American National Government
Government and Finance Division

Summary

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

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

Over a five-year period, according to Congressional Budget Office, the Omnibus Budget Reconciliation Act of 1990 reduced the deficit by an estimated $482 billion; the Omnibus Budget Reconciliation Act of 1993 reduced the deficit by an estimated $433 billion; and in 1997, the Balanced Budget and the Taxpayer Relief Act together reduced the deficit by an estimated $118 billion. Reductions in mandatory spending were a significant element in the deficit reduction achieved under each act.

This report will be updated as developments warrant.

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

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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.

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

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

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

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

Reconciliation Legislation in 1990, 1993, and 1997

During the period from 1990 to the present, the House and Senate completed action on 10 reconciliation measures and sent them to the President. Three of the measures were vetoed by President Bill Clinton and are excluded from this discussion.[3] 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 four remaining reconciliation acts that the House and Senate completed action in three years during this period were omnibus bills, covering an array of issues, that in the net reduced the deficit significantly (see **Table 1**). Each of the acts included reductions in mandatory spending, as well as changes in revenue levels.

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

[3] 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.

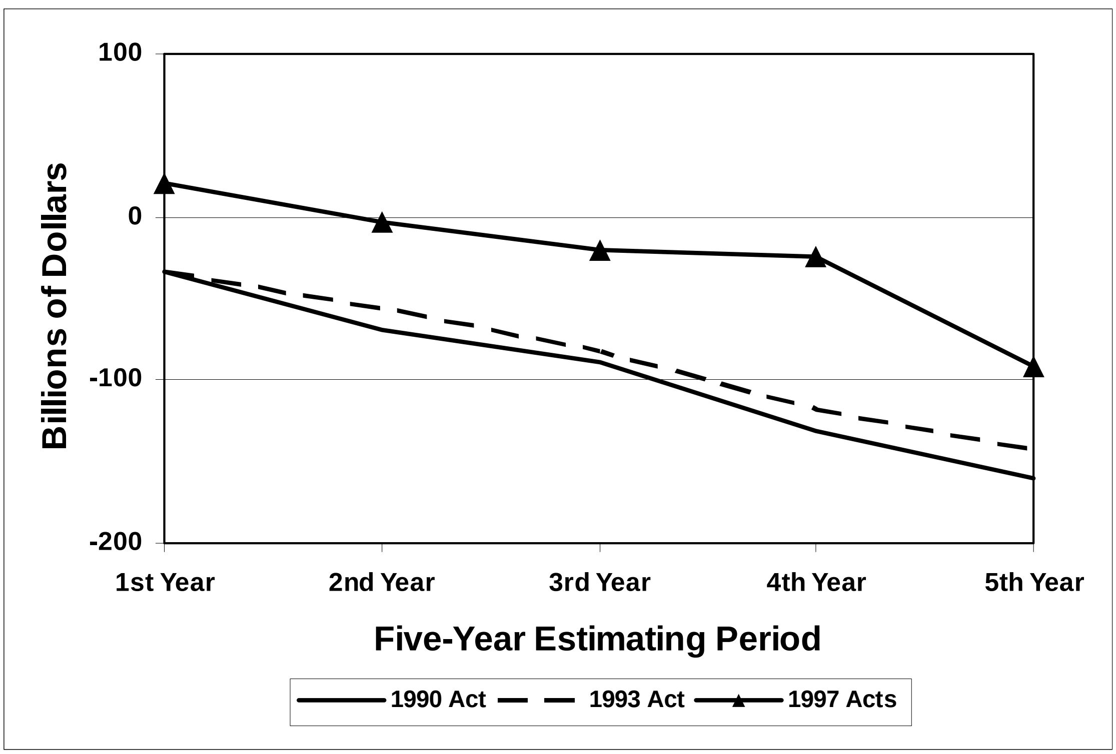
Table 1. Reconciliation Acts Enacted in 1990, 1993, and 1997

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)	11-05-90	$482 billion
1994	H.Con.Res. 64	Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66)	08-10-93	$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)	08-05-97	$118 billion

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

As **Figure 1** indicates, the 1990 and 1993 reconciliation acts were estimated to yield a reduction in the deficit in the first applicable fiscal year, but a deficit increase ($21 billion) was estimated in the first year for the 1997 acts. Thereafter, deficit reduction occurred in each year in all three instances and the amounts escalated over the period.

Figure 1. Annual Deficit Impact of Reconciliation Acts



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.

In each case, 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.

Figure 2 shows that in all three years, the reconciliation acts relied on net mandatory savings, amounting over five years to an estimated $75 billion in the 1990 act, $77 billion in the 1993 act, and $107 billion in the 1997 acts. With regard to revenues, however, the 1990 and 1993 acts reflected estimated net increases over five years of $158 billion and $241 billion, respectively, while the 1997 acts reflected an estimated net reduction of $80 billion over five years. Five-year net savings in discretionary spending attributable to 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). Debt service savings accounted for the remaining deficit reduction.

Figure 2. Five-Year Deficit Impact of Reconciliation Acts

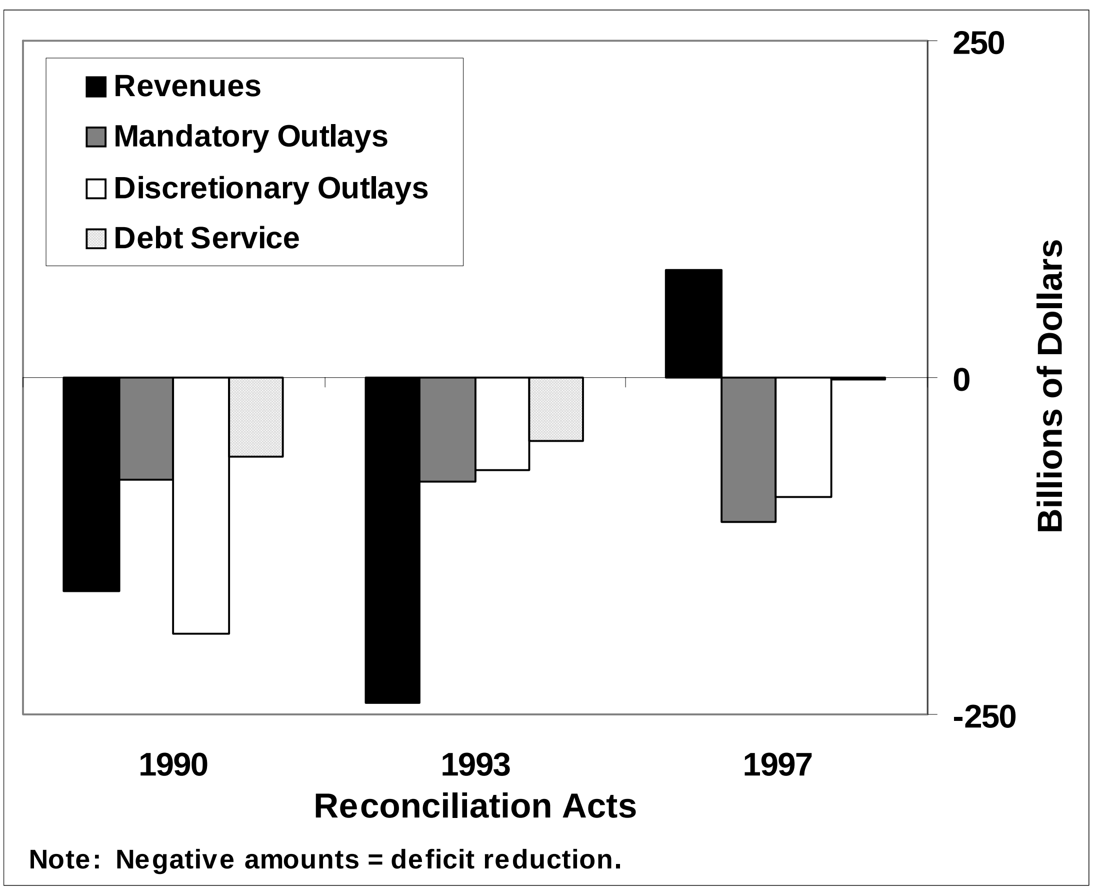


Table 2. Estimated Deficit Impact of Reconciliation Legislation Enacted in 1990, 1993, and 1997
(in billions of dollars; negative numbers = deficit reduction)

	Fiscal Year												5-Year Total
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	
Omnibus Budget Reconciliation Act of 1990													
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													
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**

	Fiscal Year												5-Year Total
	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	
Balanced Budget Act of 1997 and Taxpayer Relief Act of 1997													
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**

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; and (3) *The Economic and Budget Outlook: An Update*, September 1997, Table 10, p. 36, and Table 11, p. 40.

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