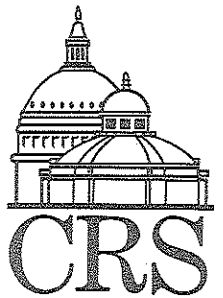


CRS Report for Congress

Major Deficit-Reduction Measures Enacted in Recent Years

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MAJOR DEFICIT-REDUCTION MEASURES ENACTED IN RECENT YEARS

SUMMARY

Since 1980, there have been 14 major pieces of legislation enacted to help reduce Federal budget deficits. Generally, they have been in the form of so-called "budget reconciliation" legislation. These acts typically have combined measures from a number of committees of Congress that have reported out changes to the respective programs under their jurisdiction to comply with budget goals that Congress has established through passage of so-called budget resolutions. The first of these acts, passed during the Carter Administration, was the Omnibus Reconciliation Act of 1980. Subsequent reconciliation acts were passed routinely during the Reagan and Bush Administrations. The most recent of these acts, the Omnibus Budget Reconciliation Act of 1993, largely incorporates the economic and budget program proposed by President Clinton upon entering office in 1993. Two other pieces of legislation enacted in the 1980s, the Social Security Amendments of 1983 and the Military Retirement Reform Act of 1986, also have had and/or will have a significant favorable impact on past and future Federal budgets.

Virtually every major aspect of Federal Government activity has been affected by these laws. Revenue-producing measures have included changes in personal and corporate income taxes, social security, medicare and unemployment taxes, medicare premiums, excise taxes for alcohol, tobacco, telephone service, and transportation, user fees for radio frequencies, airport and airways, highways, and parks, subsidies for Amtrak, origination fees for VA and FHA-backed loans, import fees on oil and other taxes on gasoline and petroleum products, customs fees, levies on ozone depleting chemicals, expansion of IRS enforcement authorities, resources, and tax penalties, numerous measures to speed up deposit and remission of Federal taxes, the sale of Conrail, and the sale of Government held-loans and other assets. Outlay constraints have included limitations on medicare reimbursable hospital and physician charges, social security and veterans' benefits, medicaid, social services, public assistance programs, farm subsidies and price supports, cost-of-living adjustments and other payments to Federal civil service and military retirees, Federal employees' pay increases, elementary and secondary education programs, college loan programs, housing subsidies, and highway funding. The deficit-reduction impact of these acts has ranged from \$8 billion over the 4-year period following passage of the Omnibus Budget Reconciliation Act of 1983 to nearly \$500 billion over the 5-year period following passage of the Omnibus Budget Reconciliation Act of 1990.

This paper, originally prepared in response to a request from the Bipartisan Commission on Entitlement and Tax Reform, is being reproduced for general distribution as a Congressional Research Service (CRS) report for Congress with the Commission's permission. It lists the major deficit-reduction measures that have been enacted since 1980. Measures enacted as part of the Tax Reform Act of 1986 were excluded, since *revenue neutrality* was a major condition throughout that Act's consideration by the Congress. Also excluded are actions taken in appropriations acts because of the complexity of identifying the motivations behind the many line items incorporated in the multitude of these bills passed since 1980. It should be noted that defense authorization and appropriations bills significantly changed the size of the deficits over the years--both the build-up in the early 1980s and the retrenchment that followed. They generally are not dealt with in this report.

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MAJOR DEFICIT-REDUCTION MEASURES ENACTED IN RECENT YEARS

THE LEGISLATION COVERED IN THE REPORT

This paper, originally prepared in response to a request from the Bipartisan Commission on Entitlement and Tax Reform, lists the major deficit-reduction measures that have been enacted in recent years. For the most part, it lists measures enacted as part of budget reconciliation bills or related legislation. It starts with legislation enacted in 1980, since that was the first year in which a reconciliation bill was enacted pursuant to the Congressional Budget and Impoundment Control Act of 1974, and ends with the Omnibus Budget Reconciliation Act of 1993. The Social Security Amendments of 1983, intended to resolve financial problems affecting the social security system, were included in the list because their near-term budget impact was significant and important for many policymakers. While the Military Retirement Reform Act of 1986 did not generate near-term budget savings, it is included on the list because it was designed to reduce the cost of the military retirement system in the long run.

Measures enacted as part of the Tax Reform Act of 1986 were excluded, since *revenue neutrality* was a major condition throughout its consideration by the Congress (although the list does show 5-year estimates of its impact made shortly after its passage). Also excluded are actions taken in appropriations acts because of the complexity of identifying the motivations behind the many line items incorporated in the multitude of these bills passed since 1980. However, the "caps on discretionary spending" enacted as part of reforms to the budget act in 1990 and 1993 are listed, since the motivation for them was to limit the overall magnitude of appropriations enacted from FY 1991 through FY 1995 and 1998 respectively. It should be noted that defense authorization and appropriations bills significantly changed the size of the deficits over the years--both the build-up in the early 1980s and the retrenchment that followed. They generally are not dealt with in this report.

The report lists only those measures contained within the various acts that were expected to have a deficit-reduction impact, i.e., by raising revenue or constraining spending. Measures within these acts or others enacted separately that "increased" the deficit are ignored. One exception was made for the *Economic Recovery Tax Act of 1981*. Estimates of the overall impact of that act are included because of the large amount of revenue losses involved. Estimates also are shown for the overall impact of the other laws listed here, but not of each measure contained in them. Unless otherwise noted, these estimates were made by the Congressional Budget Office (CBO) shortly after enactment of each Act.

No estimates exist that show the aggregate impact of all these laws taken together. *The estimates shown in the report for each act cannot be added together to determine their*

cumulative impact because of periodic changes in economic, demographic, and other underlying assumptions. In addition, in a number of instances, some of the spending cuts and revenue increases listed here were repealed or offset by subsequent legislation. There are cumulative estimates for the major laws enacted during the FYs 1981-1983 period. They were made by CBO in 1984 and are included in the list along with separate estimates for each of those laws.

Summaries of the legislation in the *Congressional Quarterly* weekly issues and Annual Almanacs and periodic budget and economic reports and updates of CBO were the major sources used to prepare the report.

TABLE 1. Laws With Significant Deficit-Reduction Components			
Year	Bill number	Public law number	Title
1980	H.R.7765	P.L. 96-499 (12/5/80)	Omnibus Reconciliation Act of 1980
1981	H.R.3982	P.L. 97-35 (8/13/81)	Omnibus Budget Reconciliation Act of 1981
1982	H.R.4961	P.L. 97-248 (9/3/82)	Tax Equity and Fiscal Responsibility Act of 1982
	H.R.6955	P.L. 97-253 (9/8/82)	Omnibus Budget Reconciliation Act of 1982
1983	H.R.1900	P.L. 98-21 (4/20/83)	Social Security Amendments of 1983
	H.R.4169	P.L. 98-270 (4/18/84)	Omnibus Budget Reconciliation Act of 1983
1984	H.R.4170	P.L. 98-369 (7/18/84)	Deficit Reduction Act of 1984
1985	H.J.RES.372	P.L. 99-177 (12/12/85)	Balanced Budget and Emergency Deficit Control Act of 1985
	H.R.3128	P.L. 99-272 (4/7/86)	Consolidated Omnibus Budget Reconciliation Act of 1985
1986	H.R.4420	P.L. 99-348 (7/1/86)	Military Retirement Reform Act of 1986
	H.R.5300	P.L. 99-509 (10/21/86)	Omnibus Budget Reconciliation Act of 1986
1987	H.J.RES.324	P.L. 100-119 (9/29/87)	Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987
	H.R.3545	P.L. 100-203 (12/22/87)	Omnibus Budget Reconciliation Act of 1987
1989	H.R.3299	P.L. 101-239 (12/19/89)	Omnibus Budget Reconciliation Act of 1989
1990	H.R.5835	P.L. 101-508 (11/5/90)	Omnibus Budget Reconciliation Act of 1990
1993	H.R.2264	P.L. 103-66 (08/10/93)	Omnibus Budget Reconciliation Act of 1993

LISTING OF DEFICIT-REDUCTION MEASURES

(Figures cannot be added from one act to another. Unless otherwise noted, they represent Congressional Budget Office estimates made shortly after the time of enactment.)

Omnibus Reconciliation Act of 1980

cumulative deficit reduction: **\$80 billion**
 FYs 1981-1985
 (revenues +\$29 billion)
 (outlays - \$50 billion)

- Required corporations owing annual taxes of \$1 million or more to pay 60 percent of their liabilities in the current tax year; phased out tax-free mortgage subsidy bonds by State and local governments; and deferred expiration of telephone excise tax
- Repealed "look back" cost of living adjustment (COLA) for Federal civil service retirees (under which their initial benefits reflected the latest COLA before they retired)
- Reduced child nutrition subsidies and curbed participation in program by high income students
- Reduced spending for Post Office, transportation, small business, unemployment compensation programs
- Reflected savings from Social Security Disability Amendments of 1980; ended disability benefits to prisoners; limited "retroactivity" for social security retirement benefits to 6 months; and eliminated tax losses resulting from an employer paying an employee's share of social security taxes

Major Legislation During the 1981-1983 Period Affecting the Deficit

This table of estimates, prepared by CBO in February 1984, is included here only to show the combined impact of legislation affecting the deficit enacted during the 1981-1983 period.

	1982	1983	1984	1985	1986	1987	1988	1989	Total
	(\$s in billions)								
Revenues:									
Economic Recovery Tax Act of 1981*	-40	-91	-135	-166	-210	-248	-282	-321	-1,493
Tax Equity and Fiscal Responsibility Act of 1982	**	16	34	37	45	53	51	47	283
Social Security Amendment of 1983	---	---	6	9	9	11	22	30	87
Total revenue impact	=40	-73	-93	-117	-151	-180	-204	-239	-1,097
Outlays:***									
Entitlements	-11	-17	-24	-29	-33	-34	-37	-36	-221
National defense	1	17	25	36	42	54	65	77	317
Non-defense discretionary	-28	-27	-21	-27	-34	-35	-37	-38	-247
Effect of legislation on interest	---	-1	-2	-2	-2	-2	**	-1	-10
Total outlay impact	-38	-26	-14	-5	3	29	60	98	107
Total Increase in Deficits	+2	+65	+79	+112	+154	+209	+264	+337	+990

*This Act is listed here only to show its projected deficit impact.

**Less than \$0.5 billion.

***Reflects the combined impact of the Omnibus Budget Reconciliation Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982, the Social Security Amendments of 1983, and various other defense and non-defense authorizations and appropriations. A listing of the specific deficit-reducing measures of each of these acts follows the table. Unlike the revenue figures, CBO did not breakdown the outlay impact by each act.

***Omnibus Budget Reconciliation Act
of 1981*** (House Budget Committee estimates)

cumulative deficit reduction: **\$131 billion**
FYs 1982-1984

- Reduced social security spending by: eliminating \$122/month minimum benefit, phasing out benefits for students (age 18-21), curbing \$255 lump sum death payments, ending parent's benefit when youngest child reaches 16 (instead of 18), rounding benefits down to nearest dollar, precluding most payments for month in which retiree reaches age 62, capping receipt of multiple disability benefits, and delaying for 1 year the elimination of the earnings test for people age 70-71
- Limited military and Federal civil service retiree COLAs to once a year (instead of twice)
- Limited size of Federal employee pay raises for 3 years
- Raised medicare Part B deductible from \$60 to \$75 per year; effectively raised Part A deductible and coinsurance by making them effective in the year that medical care is received; set other limits on hospital and physician payments; slowed payments to hospitals; and made medicare a secondary payer to employer-provided insurance for end-stage renal disease services
- Through block grants and program consolidations, reduced spending on social service, various health service (e.g., maternal and child health, mental, and community services), and education programs
- Tightened income eligibility rules for food stamps, the school lunch program, and Aid to Families with Dependent Children (AFDC); and eliminated AFDC for children age 18 or over
- Terminated public service jobs program; tightened State-level eligibility for the "extended" unemployment benefit program; and limited conditions for payment of trade adjustment assistance
- Phased out "impact aid" for elementary and secondary schools whose students have parents employed by Federal Government; created a means test for Federal student loans (affecting families with incomes over \$30,000); and imposed a 5-percent origination fee on the loans
- Cut back Amtrak subsidies; imposed caps on highway funding; and established procedures to sell off Conrail assets
- Limited housing subsidies and tightened income eligibility criteria for housing assistance
- Reduced federal matching funds for medicaid and limited growth of programs

***Tax Equity and Fiscal Responsibility
Act of 1982***

cumulative deficit reduction: **\$116 billion**
FYs 1983-1985

- Raised taxes on businesses by: limiting use of accelerated depreciation and investment tax credit, requiring corporations to pay 90 percent of their tax liabilities in the current tax year, and limiting tax breaks for oil and gas companies, the construction and insurance industries, and pharmaceutical firms earning income in Puerto Rico
- Raised taxes on individuals by: repealing health insurance premium deduction, requiring Federal employees to pay the medicare Hospital Insurance tax beginning in 1983, restricting use of corporate pensions to shelter income, raising the "alternative" minimum tax, requiring tax withholding of 10 percent of interest and dividends, requiring tax

- withholding from certain pension distributions, tightening rules for independent contractors, and changing various reporting rules and penalties intended to improve IRS' enforcement ability
- Raised telephone tax from 1 to 3 percent for 3 years, cigarette taxes from 8 to 16 cents a pack until October 1985, the unemployment insurance tax rate and taxable base for 3 years, and various airport and airway-related taxes for 4 years
 - Increased the proportion of unemployment insurance benefits subject to income taxation
 - Reduced medicare payments to hospitals by changing reimbursement rules, slowing payments, and eliminating payments for duplicate outpatient charges, the so-called nursing differential, and private room subsidies; made medicare a secondary payer to employer-provided insurance for workers age 65-69; limited payments to radiologists, pathologists, hospital-based physicians, and surgical assistants; and pegged the medicare Part B premium at 25 percent of program costs for 1984 and 1985

Omnibus Budget Reconciliation Act of 1982

cumulative deficit reduction: **\$13 billion**
 FYs 1983-1985

- Froze dairy price supports and imposed new rules on payments to farm operators for not growing crops
- Reduced COLAs for food stamps and tightened food stamp eligibility
- Reduced COLAs for Federal civil service and military retirees under age 62 for 3 years (later repealed), and delayed COLAs for all Federal retirees by 1 month successively for 3 years (subsequent legislation further altered FYs 1984-1985 COLAs; only FY 1983 delay took effect from this legislation)
- Required home buyers to pay a lump-sum premium for FHA mortgage insurance
- Imposed new user fee of 0.5 percent on VA-backed home loans; delayed certain veterans' compensation and pension benefits; rounded veterans' benefits down to nearest dollar; and altered reductions in veterans' benefits caused by changes in dependency status

Social Security Amendments of 1983

(Social Security Administration estimates)

cumulative deficit reduction: **\$130 billion**
 CYs 1983-1989

(excluding \$35-\$40 billion in changes not affecting deficits)

- Permanently delayed social security COLAs for 6 months (moving month of payment from July to January); raised the age for "full" social security retirement benefits gradually from 65 to 67 (starting in year 2000); taxed up to 50 percent of benefits for higher income recipients; raised social security tax rates; mandatorily covered Federal Government and non-profit workers; precluded State and local governments from opting out of social security; and subjected 401K contributions to social security taxation
- Created a "prospective payment system" to reimburse hospitals for medicare-covered services (this new system initially was intended to be deficit neutral, but was used in later years to constrain the growth of medicare spending)

Omnibus Budget Reconciliation Act of 1983 cumulative deficit reduction: **\$8 billion**
 FYs 1984-1987

- Delayed May 1984 COLA for Federal civil service and military retirees until January 1985 (and made subsequent COLAs payable in December)

Deficit Reduction Act of 1984 cumulative deficit reduction: **\$63 billion**
 FYs 1984-1987

- Increased taxes for individuals and businesses, including: limitations on deductions for interest, business car expenses, and leasing costs, and the use of income averaging; tightened rules on mortgage-revenue bonds, the life insurance industry, and foreign tax shelters; and imposed higher taxes on telephones, liquor, and diesel fuel
- Set 15-month freeze on medicare payments to physicians; continued to peg medicare Part B premium at 25 percent of program costs (through 1986 and 1987); and limited medicare increases in hospital and laboratory payments
- Moved check date of Federal civil service and military retiree payments to first business day following month for which payment is due (effective January 1985)

Balanced Budget and Emergency Deficit Control Act of 1985
Gramm-Rudman-Hollings (GRH) cumulative deficit reduction resulting
 from FY 1986 sequestration*
 FYs 1986-1990 **\$90 billion**

*There were subsequent sequestrations, but none was as large as the one imposed in FY 1986.

- Revised budget process rules for purpose of achieving a balanced Federal budget by FY 1991
- Subsequently triggered FY 1986 sequestration cuts of 4.9 percent and 4.3 percent respectively in certain defense and non-defense programs;
- as part of FY 1986 sequestration, triggered 1-year (Jan. 1986) freeze in Federal civil service and military retiree COLAs (the law required that if sequestration became necessary, these COLAs would be affected)

Consolidated Omnibus Budget Reconciliation Act of 1985 cumulative deficit reduction: **\$75 billion**
 FYs 1986-1991

Fiscal year	1986	1987	1988	1989	1990	1991	5-year total
	(\$s in billions)						
Revenues	+1	+3	+3	+3	+3	+3	+16
Outlays	-4	-10	-8	-10	-13	-14	-59

- Raised offshore oil drilling revenues; permanently raised tobacco tax from 8 to 16 cents a pack; increased Pension Benefit Guarantee Corporation (PBGC) premium rate from \$2.60 to \$8.50 per employee; made medicare hospital insurance portion of payroll tax mandatory for State and local government workers hired after March 31, 1986; and increased IRS staffing for tax enforcement

- Extended freeze on medicare payments to physicians who did not accept assignment (i.e., medicare's determination of allowable charges); slowed transition to new hospital prospective payment system (DRGs) but limited increases in hospital payments (including payments to teaching hospitals and for graduate medical education); and continued to peg medicare Part B premium at 25 percent of program costs (through 1988)
- Required a means test for free VA medical care
- Froze pay of civilian federal workers in FY 1986 for 1 year
- Mandated administrative changes in guaranteed student loan program, including enhanced collection procedures and penalties for defaulted loans and changing bank loan disbursements from once to twice a year
- Cut spending for small business, highway, and housing programs

Tax Reform Act of 1986

cumulative deficit reduction: **\$7 billion**
FYs 1987-1992

[This Act is listed here only to show its projected deficit impact]

Military Retirement Reform Act of 1986

[While not intended for deficit-reduction purposes, this Act is listed here because it was designed to produce significant long-range savings.]

- For persons who first enter military service after July 31, 1986: reduced the initial amount of retired pay for those with less than 30 years of service, reduced COLAs to increase in Consumer Price Index (CPI) minus 1 percentage point, and provided for a one-time recomputation of retired pay at age 62 to what it would have been without enactment of this Act, followed by continuation of reduced COLAs (CPI minus 1)

Omnibus Budget Reconciliation Act of 1986

cumulative deficit reduction: **\$54 billion**
FYs 1987-1991

Fiscal year	1987	1988	1989	1990	1991	5-year total
		(\$s in billions)				
Revenues	+5	+7	+7	+6	+4	+30
Outlays	-15	-4	-3	---	-2	-24

- Required sale of the Government's 85-percent share of Conrail and certain federally-held loans for agricultural, housing, economic development, Export-Import Bank, and higher education; specified procedures for collecting oil price overcharge penalties; imposed new custom fees on commercial goods; accelerated payment of excise taxes and social security taxes from State and local governments; bolstered tax enforcement; increased penalties for tax avoidance; and imposed 1.3 cents per barrel oil tax to pay for offshore spills
- Limited increases in medicare payments to hospitals and reduced reimbursement for hospital capital costs (overriding regulatory changes to do the same)

Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987

- Extended GRH deficit-reduction procedures and the deadline for achieving a balanced budget until FY 1993

Omnibus Budget Reconciliation Act of 1987 cumulative deficit reduction: **\$194 billion**
 (includes effect of continuing resolution--P.L. 100-202) FYs 1988-1992

Fiscal year	1988	1989	1990	1991	1992	5-year total
	(\$s in billions)					
Revenues	+11	+16	+18	+17	+13	+75
Outlays	-23	-19	-22	-25	-29	-118

- Increased taxes primarily on corporations, including changes in treatment of installment sales and contributions to overfunded pension funds, employee stock ownership plans, and vacation funds; extended expiring telephone and unemployment taxes for 3 years; increased energy and recreation user fees; raised PBGC premium rate from \$8.50 to \$16 per employee and imposed new charges for employers with underfunded plans. [A continuing resolution, P.L. 100-202, provided resources for increased tax enforcement.]
- Required sale of federally-held loans for rural electrification, telephone bank, and water projects
- Extended period of 2.3-percent cuts imposed by GRH on medicare payments to hospitals and physicians; limited subsequent increase in hospital payments; reduced payments for hospital capital costs; imposed 2-percent cut on overpriced procedures; slowed medicare payments to providers; continued to peg medicare Part B premium at 25 percent of program costs (through 1989)
- Deferred 40 percent of 1988 lump-sum Federal civilian retirement payments into 1989 (later revised to 50 percent)
- Reduced agricultural subsidies and price support programs
- Appropriations reflecting the 1987 "budget summit" agreement were to place constraints on defense and non-defense discretionary spending

Omnibus Budget Reconciliation Act of 1989 cumulative deficit reduction: **\$57 billion**
 FYs 1990-1994

Fiscal year	1990	1991	1992	1993	1994	5-year total
	(\$s in billions)					
Revenues	+5	+5	+4	+6	+8	+28
Outlays	-9	-5	-6	-5	-5	-29

- Raised the social security wage base by \$900 (from \$50,400 to 51,300) and permanently included contributions to tax-deferred savings plans in calculating future base increases; repealed exclusion of interest earned by corporations on loans to employee stock ownership plans; imposed new excise taxes on ozone-depleting chemicals, passenger departures from commercial vessels, and petroleum and petroleum-based products; delayed reduction of excise tax on airline tickets; sped up remittance of income and payroll taxes; increased broadcasting and nuclear regulating fees; and made

- other revenue-generating accounting changes mainly affecting corporations in areas of securities taxation, foreign-source income, the alternative minimum tax, and so-called "like-kind" exchanges of property
- Retained a portion of across-the-board cuts in spending ordered by President Bush in October 1989 to comply with GRH deficit-reduction rules (i.e., sequestration)
- Limited medicare hospital and physician reimbursement rates generally; continued 15 percent reduction in reimbursement for hospital capital costs; froze most and reduced some payments for durable medical equipment; overhauled system for making medicare payments to physicians by adopting a national fee schedule based on the time, training, and skill needed to perform a specific service (the so-called relative value scale or RVS system), and in conjunction with this change, reduced reimbursement for certain physician services deemed overpriced; limited overall medicare Part B growth by establishing a process to set "volume performance standards;" prohibited physicians from referring medicare patients to labs that the referring physicians or their families have a financial interest in; and continued to peg the Part B premium at 25 percent of program costs (through 1990)
- Reduced spending on farm programs and subsidies
- Tightened the student loan program to deal with high incidence of defaults
- Extended 1 percent fee on VA housing loans and continued VA's authority to sell housing loans
- Continued through 1990 the deferral of 50 percent of lump-sum Federal civilian retirement payments

Omnibus Budget Reconciliation Act of 1990

cumulative deficit reduction: **\$482 billion**
FYs 1991-1995

Fiscal year	1991	1992	1993	1994	1995	5-year total
	(\$s in billions)					
Revenues	+18	+33	+32	+37	+39	+158
Outlays*	-15	-35	-57	-94	-121	-324

*including savings on interest costs

- Raised income taxes on high-income taxpayers by setting the top bracket at 31 percent (instead of 28 percent), phasing-out personal exemptions and reducing allowable itemized deductions through 1995, increasing the alternative minimum tax rate, and raising the maximum earnings subject to the medicare HI tax in 1991 from \$51,300 to \$125,000 a year (to be indexed thereafter)
- Extended, raised, or imposed excise taxes on telephone service, tobacco, alcohol, certain luxury goods, and airline travel; and imposed various customs and user fees
- Raised tax on gasoline and motor fuels by 5 cents; extended 9.7 cents per barrel tax on crude oil and other "environmental" taxes on hazardous chemicals and related products; and expanded the list of taxable ozone-depleting chemicals
- Extended the social security tax mandatorily to all State and local government employees not covered by a pension plan

- Required insurance companies taking deductions for certain acquisitions to spread those deductions out over time rather than taking them in the first year
- Extended an expiring increase in unemployment insurance tax until 1995
- Reduced medicare payments to hospitals by constraining updates of prospective payment system and imposing a 3-month freeze on hospital payments (October-December 1990), thereby extending the period of previous sequester; constrained update of new national fee schedule for physicians; constrained payments for new physicians, assistants at surgery, diagnostic testing, certain procedures deemed to be overpriced, radiologists, pathologists, anesthesiologists, laboratory services, outpatient capital costs, and durable medical equipment; increased medicare Part B deductible from \$75 to \$100 per year; set specific dollar-denominated premiums for Part B for the 1991-1995 period (assumed to cover 25 percent of the cost of program); and extended periods in which medicare is secondary payer to employer-provided insurance for the disabled and people with end stage renal disease
- Eliminated the lump-sum payment option for most new Federal civil service retirees for 5 years and required implementation of cost-containment measures under the Federal Employees Health Benefits program
- Required steps be taken to increase deposit insurance premiums from banks
- Reduced spending on farm programs and subsidies and created loan origination fees for certain commodities
- Reduced spending on student loans (including limiting participation of schools with high default rates), FHA mortgage insurance (including changes to increase FHA mortgage insurance premiums), and certain types of veterans' compensation and pension benefits
- Assumed savings in defense spending partially offset by increases in nondefense discretionary spending (i.e., programs requiring appropriations)
- Replaced GRH budget rules with procedures designed to assure that the deficit-reducing impact of measures contained in this act were not eroded by subsequent spending measures enacted in the FYs 1991-1995 period; specifically: it established (1) year-by-year, "dollar-denominated caps" on Federal discretionary spending (programs requiring appropriations), and (2) a "pay-as-you-go" rule for new entitlement spending requiring that any legislation to increase entitlement spending or reduce taxes be matched by other spending reductions or tax increases. Violations would be subject to floor objections and/or mandatory sequestration of funds by the President

Omnibus Budget Reconciliation Act of 1993

cumulative deficit reduction: **\$433 billion**
FYs 1994-1998

Fiscal year	1994	1995	1996	1997	1998	5-year total
	(\$s in billions)					
Revenues	+26	+44	+52	+61	+59	+241
Outlays*	-6	-12	-32	-58	-85	-192

*including savings on interest costs

- Raised income taxes on high-income taxpayers by setting new top brackets of 36 and 39.6 percent (up from 31 percent), increasing the alternative

- minimum tax, and permanently extending the "high-income" limitation on itemized deductions and the phase out of personal exemptions; extended through 1999 a 2.5 cents per gallon tax on motor fuels (otherwise expiring in 1995) and imposed a new permanent increase of 4.3 cents per gallon on transportation fuels (including gasoline); eliminated the cap on earnings subject to the medicare HI tax (then at \$135,000 a year); and made up to 85 percent of social security benefits taxable for single people with incomes above \$34,000 and couples with incomes above \$44,000
- Raised the tax rate from 34 to 35 percent on corporations with taxable incomes above \$10 million; reduced the deductible portion of business meals and entertainment expenses from 80 to 50 percent; reduced tax-qualifying income for purposes of making payments to or drawing from pension plans; put certain limits on deductible pay of executives working for publicly-traded corporations; eliminated deductions for lobbying expenses; and extended an expiring increase in unemployment insurance tax for 2 years
 - Mandated auctioning of Federal Communications Commission licenses for commercial use of part of the electromagnetic spectrum (radio frequencies) previously reserved for the Government
 - Reduced medicare payments to hospitals and doctors by constraining updates of prospective payment system and national physician fee schedule; constrained medicare payments for hospital capital costs, graduate medical education, skill nursing facilities, home health and hospice services, durable medical equipment, ambulatory surgical centers, laboratory services, and intraocular lenses; continued and expanded scope of 1990 ban on physicians referring patients to labs in which they or their family members have a financial interest (applied to medicaid as well); and pegged the medicare Part B premium at 25 percent of program costs for 1996, 1997, and 1998
 - Repealed requirement that States provide "personal care services" in their Medicaid programs and limited "added" medicaid payments to hospitals serving large numbers of low-income people
 - Delayed Federal civil service retiree COLAs by 3 months (making them payable in April rather than January) over the FYs 1994-1996 period; limited physician fees for services given to certain Federal retirees covered by the Federal Employees Health Benefits program; and permanently eliminated the lump-sum payment option for new retirees
 - Delayed military retiree COLAs by 3 months in 1994 and 9 months in each year, 1995 through 1998
 - Imposed a new "per recipient" fee on States for the Federal costs of administering State SSI supplemental payments
 - Reduced AFDC matching rate to 50 percent for certain State administrative costs
 - Reduced spending on student loans (in part by phasing in a new Federal Direct Student Loan program)
 - Reduced spending on crop insurance and other farm programs
 - Increased "origination" fee on VA-back mortgage loans from 1.25 to 2 percent by FY 1998; extended through 1998 the VA's authority to collect payments from commercial insurers for VA-furnished services to privately-insured patients suffering from nonservice connected health problems; imposed a \$90 per month limit on veterans' pensions for recipients of nursing home care covered by medicaid; and rounded veterans' compensation payments down to nearest dollar

- Raised or newly imposed a number of user, marketing, or import fees on agricultural products, national parks and recreation facilities, mining, nuclear regulation, customs service, patents and trademarks, and merchant marine tonnage
- Extended the 1990 budget rules (the discretionary spending "caps" and "pay-as-you-go" requirement for entitlement spending) for 3 years, setting new specific dollar-denominated caps on discretionary spending (programs requiring appropriations) through FY 1998; and led to (but did not actually legislate) new rules in the House to control entitlements by setting targets for entitlement spending, FYs 1994-1997, and mandating that if those targets were exceeded, the House either would have to pass changes to entitlement programs to eliminate the excess or raise the spending targets

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