subsidy basis and requiring subsidy costs to be appropriated annually for most credit programs.

Title VII amended the Legislative Reorganization Acts of 1946 and 1970 (in Sections 701 and 702) to provide for continuing program review and evaluation by House and Senate committees and by the Comptroller General and (in Section 703) required the House and Senate Budget Committees to engage in continuing study of budget process reform proposals. Section 701 was executed upon enactment in 1974, Section 702 was repealed by Public Law 97-278 (96 *Stat.* 1082), which revised and codified Title 31 (Money and Finance) of the *United States Code*, and Section 703 remains in effect.

Title VIII amended the Legislative Reorganization Act of 1970 (in Section 801) to provide for the establishment and standardization of information systems for fiscal and budgetary control and set up a consultative procedure for changes in functional categories of the budget (in Section 802). Both sections were repealed by Public Law 97-278 (96 *Stat.* 1082).

House Bill

The House bill amends Title IV of the CBA of 1974 by: (1) revising Section 401 and making it apply only to borrowing and contract authority (entitlement authority is controlled under the House bill be revised procedures in Title III); (2) making technical changes in Section 402; (3) redesignating Sections 403 and 406 as Sections 202(f)(5) and 403, respectively; and (4) repealing Sections 405 and 407.

The House bill makes largely technical changes to Title V dealing with credit budgeting.

The House bill amends Title VII by repealing Sections 701 and 702 and redesignating Section 703 as Section 701.

The House bill creates a new Title VIII (Social Security Protection), redesignating Sections 13301(a) (which deals with the off-budget status of Social Security) and 13302 (which deals with a point of order in the House maintaining the Social Security trust fund balances) of the BEA of 1990 as Sections 801 and 802, respectively.

Additionally, the House bill also makes certain technical changes in the House rules and adds a new Clause 7 to House Rule XI. Clause 7 permits a committee, by majority vote, to invoke a requirement of deficit-neutrality for amendments to direct spending or revenue legislation under consideration in that committee. Clause 7 is similar in effect to a requirement in Section 310(d) of the CBA of 1974 pertaining to floor amendments offered to reconciliation measures.

Senate Amendment

The Senate amendment contains no such changes.

Conference Agreement

The House recedes to the Senate. The House conferees believe that the recommended changes in the House proposal are useful and important and therefore intend to pursue these changes in another forum.

DEFICIT REDUCTION TRUST FUND PROVISION

Current Law

Current law includes no analogous provision.

House Bill

The House bill creates the Deficit Reduction Trust Fund, an account to identify the reduced outlays and increased receipts achieved through reconciliation. Under the requirements of reconciliation and the terms of the Trust Fund, the legislative savings could not be spent and are solely reserved for deficit reduction. The Deficit Reduction Trust Fund would provide a quantitative display of the level of deficit reduction achieved through the adoption of the President's policies in reconciliation.

The Trust Fund would operate in the following manner: 1) an amount equal to the net deficit reduction estimated to result from reconciliation is transferred to the Trust Fund within 10 days of enactment; 2) amounts in the Trust Fund are unavailable for appropriation, obligation, transfer or expenditure, and may only be used to pay off maturing public debt obligations; 3) amounts in the Trust Fund are excluded from Pay-As-You-Go budget enforcement and cannot finance new spending or tax reductions; and 4) the President's budget request is required to include a separate statement of funds held by the Trust Fund.

Senate Amendment

The Senate adopted no analogous provisions.

Conference Agreement

The conference agreement does not include the House provisions. The House conferees agreed to recede to the Senate, based on their understanding that inclusion of the Deficit Reduction Trust Fund would make the entire conference report subject to a point of order in the Senate and thereby endanger final enactment of the reconciliation bill, and based on their further understanding that President Clinton has agreed to establish a Deficit Reduction Trust Fund by Executive Order.

ENTITLEMENT REVIEW

Current Law

Current law includes no analogous provision for monitoring and budgeting federal expenditures for entitlement and mandatory programs.

House Bill

Federal spending for entitlements and other mandatory programs represent, along with interest on the national debt, the fastest growing area of federal spending. The Congressional Budget Office projects outlays for entitlement and mandatory programs to increase by 6.4% per year (FY 1993-98). However, Congress is acutely aware that entitlement programs represent important commitments to the public in vital areas such as health, income security and economic stability.

Growth in entitlement spending has resulted in large part from the explosion in health care costs throughout society. National spending on health care currently represents more than 14% of the nation's total economic output and is projected to rise to 18% of Gross Domestic Product by the year 2000 if corrective action is not taken. Through its various programs, the federal government pays approximately 25% of the nation's health care costs, primarily through the medicare and medicaid entitlement programs. The social security, medicare and medicaid programs represent nearly 70% of all entitlement spending.

The House is concerned with our ability to project, monitor and pay for rising health care costs within the federal budget. Federal spending for entitlements and other mandatory programs is expected to total approximately $770 billion in 1993, representing one-half of federal outlays and more than 12% of our nation's Gross Domestic Product.

The House, acknowledging the acute budgetary pressure placed on the federal government through rising health care costs, created an entitlement review process requiring the following action on the part of the President:

(1) Following enactment of reconciliation, the Office of Management and Budget sets targets for the total level of entitlement spending levels expected to result from enactment of reconciliation.

(2) The targets would be adjusted annually for:

(a) Increases in the number of beneficiaries for direct spending programs in which the number of beneficiaries is a variable in determining costs (e.g., Social Security, Medicare, Medicaid, Food Stamps, Unemployment Compensation, Federal Civilian/Military Retirement and Veterans' Pensions/Compensation).

(b) Subsequently enacted legislation increasing or decreasing revenues and legislation designated as an "emergency" measure under the Balanced Budget and Emergency Deficit Control Act of 1985.

(3) The President's budget must include annual review of actual and projected costs for direct spending and revenues (FY 1994-97). the report shall include: total outlays for direct spending programs and projections for the following five fiscal years; the basis of any variance from the targets, including permissible adjustments; and information regarding major categories of fiscal receipts, including any variance between projected and actual receipts.

(4) If actual outlays for direct spending programs for the prior fiscal year or projected outlays for the current fiscal year or budget year exceed the targets, the President is required to propose measures to address any overage, either through spending cuts, revenue increases or outlay target increases. However, no proposal is required if projected outlays exceed the targets by ½% estimating margin of error or less.

(5) The President and Congress should "seriously consider" all other proposals (outlay target/revenue increases, discretionary cuts or non-means tested program cuts) prior to considering reductions for means-tested programs.

The entitlement review also requires the following action on the part of Congress:

(1) If the President identifies an overage and recommends legislation to recoup or eliminate it, the budget resolution must incorporate a title to address the overage through reconciliation. The reconciliation directive can reflect any combination of spending cuts or revenue increases, but must achieve legislative savings equal to or greater than the amount recommended by the President (up to the amount of the overage).

(2) If the budget resolution recommends recouping less than the full overage, the House Budget Committee must report a House resolution directing that the outlay target shall be increased by the amount which is not offset.

(3) If the House resolution requires raising the outlay targets, the House must vote directly on the issue by a separate vote on the House resolution. If the House rejects raising the target, the budget resolution may not be considered as reported.

(4) Points of order are created: (a) The House cannot consider the budget resolution conference report unless the overage has been fully addressed, either by increasing the target or reporting reconciliation instructions to eliminate the overage or both; (b) No appropriations bills may be considered unless a budget resolution complying with this act has been adopted for the current fiscal year. However, this point of order may be