U.S. Senate
Republican Policy
Committee

Legislative Notice

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S. 1932 - Deficit Reduction Omnibus Reconciliation Act of 2005

Calendar No. 274

On October 26, the Senate Budget Committee reported S. 1932, without amendment, by a vote of 12-10.

Noteworthy

- By law, debate on a budget reconciliation bill is limited to 20 hours. Under a unanimous consent agreement, the 20 hours of debate will begin on Monday, October 31, at 4 p.m. At 6 p.m. on Wednesday, November 2, all debate time will be deemed expired.
- According to the Congressional Budget Office (CBO), S. 1932 would reduce federal outlays by $39.114 billion over the 2006-2010 period (and $108.716 billion over the 2006-2015 period).
- S. 1932 is the first deficit-reduction reconciliation bill since 1997, making it the first step in controlling runaway entitlement spending since then.
- All eight Senate Committees that received deficit-reduction instructions met, and exceeded, their instructions.
- Title VI (Finance Committee) provides net Medicaid savings of $4.285 billion over 5 years and Medicare savings of $5.721 billion over 5 years. It also provides $1.9 billion in Medicaid for Katrina victims.
- Title VII (HELP Committee) provides $11.2 billion in student assistance; even so, it results in net savings of $16.431 billion over 5 years.
- S. 1932 does **not** contain any provision affecting the Food Stamp program.

Highlights

(amount in billions)

	Savings Instruction Amount	Committee Submissions
Agriculture	**$3.000**	**$3.014**
Banking, Housing, and Urban Affairs	**$0.470**	**$0.570**
Commerce, Science & Transportation	**$4.810**	**$5.984**
Energy and Natural Resources	**$2.400**	**$2.501**
Environment & Public Works	**$0.027**	**$0.030**
Finance	**$10.000**	**$10.006**
Health, Education, Labor, and Pensions	**$13.651**	**$16.431**
Judiciary	**$0.300**	**$0.578**
Total 5-Year Reduction in Federal Outlays	**$34.700**	**$39.114**

Background

The Congressional Budget Act of 1974 requires Congress to adopt at least one Budget Resolution each year. A key enforcement procedure that is sometimes, but not always, included in the Budget Resolution is budget reconciliation. The reconciliation process gives Congress the means to achieve revenue, mandatory-spending, and debt-limit levels consistent with the goals of the current Budget Resolution.

The 2006 Budget Resolution set forth reconciliation instructions for savings of $34.7 billion over a five-year period (fiscal years 2006-2010). **This is the first time since 1997 that Congress has used the reconciliation process to reduce mandatory spending.**

Since the Budget Act was enacted in 1974, Congress has passed 19 reconciliation bills. Sixteen were signed into law while three have been vetoed. Over the past 15 years, three reconciliation bills have been enacted: in constant 2005 dollars, the 1990 bill cut mandatory spending by $100 billion, the 1993 bill cut $96 billion, and the 1997 bill cut $118 billion, all over a five-year period. While more needs to be done to reduce the deficit and control spending, the bill that we are considering now is a major step in the right direction.

This year, in addition to the spending-reduction reconciliation bill, there will be two other reconciliation bills – a tax-relief reconciliation bill and a public-debt reconciliation bill. The Senate Finance Committee and the House Ways and Means Committee may change laws to reduce the tax burden by up to $11 billion in fiscal year 2006 and by up to $70 billion during fiscal years 2006-2010. The same committees also are instructed to report a reconciliation bill that requires increases in the limit on statutory debt by $781 billion.

An important feature of the reconciliation procedure is that it cannot be filibustered in the Senate. Debate is limited to 20 hours in the Senate, all amendments must be germane, and the bill can pass that body with a simple majority. In addition, "Byrd Rule" points of order can be raised against extraneous provisions in the reconciliation bill that do not have a direct budgetary impact, requiring 60 votes to waive the point of order. The Byrd Rule also prohibits any changes in Social Security and prohibits any provisions that would increase the deficit in the years following the time period covered by the budget resolution (i.e., years after 2010).

Bill Provisions

Title I—Agriculture

Title I meets, and exceeds, the Agriculture Committee's budget reconciliation obligation of $3 billion in deficit reduction over five years (with a CBO score of $3.014 billion) through a plan that reflects the thoughts and suggestions of a broad array of agriculture, conservation and nutrition groups consulted by the Agriculture Committee over the past many months. The Committee-adopted package achieves savings from farm commodity programs, but leaves unchanged the structure of the farm program created in the 2002 Farm Bill (P.L. 107-171). Savings to conservation programs are achieved without impacting landowners' or farmers' existing multiyear contracts in any program. Agricultural research programs remain intact, recognizing past funding levels, and food stamps programs are untouched.

Commodity Programs

- **Reduction of Commodity Program Payments –** This section reduces by 2.5 percent all payments that producers receive for the 2006-2010 crop years for the following commodities: wheat, corn, grain sorghum, barley, oats, upland cotton, extra long staple cotton, rice, soybeans, other oilseeds, wool, mohair, honey, dry peas, lentils, small chickpeas, unshorn pelts, silage, hay, and peanuts. It directs the Secretary to calculate the amount a producer is entitled to receive in direct payments, counter-cyclical payments, marketing loan gains, and loan deficiency payments, and then reduce that amount by 2.5 percent. The reductions will not apply to payments made in the 2011 and subsequent crop years. **Deficit Reduction: $1.296 billion over 5 years.**

- Beginning on October 1, 2005, and ending on September 30, 2007, payments received by dairy producers under the extended Milk Income Loss Contract (MILC) program will be reduced by 2.5 percent. ***Spending: $998 million over 5 years.***

- **Forfeiture Penalty for Nonrecourse Sugar Loans –** This section assesses a forfeiture penalty on nonrecourse sugar loans. The penalty is equal to 1.2 percent of the applicable loan rate for sugarcane and sugar beets and applies to the 2006 through 2010 crops. The penalty does not apply to loans made in the 2011 and subsequent crop years. **Deficit Reduction: $65 million over 5 years.**

- The upland cotton Step 2 program will be eliminated as of August 1, 2006. **Deficit Reduction: $282 million over 5 years.**

- **Advance Direct Payments –** This section reduces the amount a producer may receive in an advance direct payment from a maximum of 50 percent to 40 percent for the 2006 crop year and to 29 percent for each of the 2007 through 2011 crop years. The producer will still receive the full direct payment amount because the amount not advanced will be paid in the final direct payment (minus the 2.5 percent reduction required by the reduction of commodity program payments section above). **Deficit Reduction: $1.088 billion over 5 years.**

<u>Conservation Programs</u>

- **Conservation Reserve Program (CRP) –** The acreage cap is reduced from 39.2 million acres to 36.4 million acres through calendar year 2010. In 2011, the acreage cap will increase to 38.3 million acres. This section includes a provision to ensure that current contracts are honored. **Deficit Reduction: $129 million over 5 years.**

- **Conservation Security Program (CSP) –** This provision limits CSP expenditures to $1.954 billion for fiscal years 2006 through 2010 and increase the expenditure cap to $5.2 billion for fiscal years 2006 through 2015. **Deficit Reduction: $821 million over 5 years.**

- **Environmental Quality Incentives Program (EQIP) –** Funding is reduced for fiscal years 2006 through 2010. This provision limits spending on EQIP to $1.185 billion in fiscal year 2006 and $1.270 billion in each of fiscal years 2007 through 2010. It restores funding to $1.3 billion in fiscal year 2011. **Deficit Reduction: $104 million over 5 years.**

<u>Miscellaneous</u>

- **Initiative for Future Agriculture and Food Systems –** This section limits funding for the Initiative to $104 million in fiscal year 2006 and $130 million for each of fiscal years 2007 through 2010. It restores funding to $200 million in fiscal year 2011. **Deficit Reduction: $227 million over 5 years.**

Title II—Banking, Housing, and Urban Affairs

Title II meets, and exceeds, the Banking Committee's budget reconciliation obligation of $470 million in deficit reduction over five years (with a CBO score of $570 million).

Federal Deposit Insurance Corporation Reform

- **The Safe and Fair Deposit Insurance Act –** The legislation merges the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to create a new Deposit Insurance Fund (DIF). Other provisions give the FDIC more flexibility in determining the appropriate size of the insurance fund and in setting the premiums to be paid by banks and thrifts. The bill also changes current FDIC policies to reflect inflation and the growing size of deposits by increasing the retirement fund (Individual Retirement Account) size that the FDIC can insure from $100,000, under the current system, to $250,000. The bill also allows the FDIC, at its discretion, to adjust coverage limits for checking, savings, retirement and other individual deposit accounts for inflation in 2010 and every five years thereafter. The bulk of the savings from the bill is expected to come from higher net assessments on banks. **Deficit Reduction: $300 million over 5 years.**

Federal Housing Administration Insurance Reform

- **Sale of the Federal Housing Administration's (FHA's) inventory of defaulted mortgages –** To preserve a defaulted property as affordable housing, FHA may sell that property at below market rates. Estimates suggest that forgone proceeds associated with these sales average about $10 million annually. This bill ends FHA's permanent authority to sell such properties at below-market prices, but authorize the appropriation of $100 million in 2006 to support rehabilitation grants and below-market sales. **Deficit Reduction: $270 million over 5 years.**

Title III—Commerce, Science & Transportation

Title III meets, and exceeds, the Commerce Committee's budget reconciliation obligation of $4.81 billion in deficit reduction over five years (with a CBO score of $5.984 billion). The Committee's reconciliation bill raises an estimated $10 billion in auction fees, establishes a date certain by which public safety personnel will be able to use an additional 24 MHz of spectrum recovered from the digital transition, allocates remaining auction proceeds to programs that would advance the DTV transition and strengthen public safety communications.

Spectrum Auctions

- **Hard Date for Digital TV Transition and Advance Auction –** This provision requires over-the-air TV broadcasters to return their license to use a certain frequency of spectrum for analog transmissions by April 7, 2009, and directs the FCC to conduct an advance auction of those licenses on January 28, 2008. This provision requires that any auction proceeds in excess of $10 billion be deposited in the Treasury to reduce the deficit. This could be a significant sum if the auction brings in over $20 billion as some industry groups have suggested. **Deficit Reduction: $8.3 billion over 5 years.**

- **Extend the Federal Communications Commission's auction authority –** This provision extends the FCC's authority to auction spectrum from September 30, 2007 to September 30, 2009. **Deficit Reduction: $1.7 billion over 5 years.**

- **Supplemental License Fees –** This section directs the FCC to assess a one-time, "extraordinary" fee on license holders in 2006 to be deposited in the Treasury. **Deficit Reduction: $10 million over 5 years.**

Digital Transition and Public Safety Fund

- **Converter boxes –** Directs the Secretary of Commerce to use up to ***$3 billion*** in auction proceeds to assist TV viewers with analog TV sets with converting over-the-air digital TV signals after the transition date.

- **Low-Power and Translator Television Stations –** Directs the Secretary of Commerce to spend up to ***$200 million*** in auction proceeds to assist low-power and translator television stations with converting their broadcast equipment from analog to digital television.

- **Emergency Communications Program –** Directs the Secretary of Commerce to spend up to ***$1.25 billion*** in auction proceeds on programs that will pay for the costs of purchasing interoperable emergency communications equipment for first responders ($1 billion), implementing a national alert system ($200 million), and creating a tsunami warning and coastal vulnerability program ($50 million).

- **E-911 Program –** Directs the Secretary of Commerce to spend up to ***$250 million*** in auction proceeds to implement the ENHANCE 911 Act of 2004 (P.L. 108-494), which would provide grants to improve emergency services in responding to requests made from wireless phones.

- **Coastal Disaster Assistance –** Directs the Secretary of Commerce to spend up to ***$200 million*** in auction proceeds for a program to provide assistance to coastal States and Indian tribes affected by hurricanes and other coastal disasters.

- **Essential Air Service –** Directs the Secretary of Commerce to spend (through the Department of Transportation) up to ***$15 million*** in auction proceeds on the Essential Air Service Program in each year there are proceeds in the fund, if the amount appropriated in the annual appropriations bill for that program exceeds $110 million in that year.

Title IV—Energy and Natural Resources

Title IV meets, and exceeds, the Energy and Natural Resources Committee's budget reconciliation obligation of $2.4 billion in deficit reduction over five years (with a CBO score of $2.5 billion). The committee achieved this by authorizing the leasing, development, production, and transportation of oil and natural gas in the Arctic National Wildlife Refuge 1002 Coastal Plain Area.

Guidelines Governing Oil and Gas Leases

- The legislation directs the Secretary of the Interior to implement an environmentally sound competitive oil and gas leasing program and to ensure that activities on the Coastal Plain result in the receipt of fair market value for the mineral resources to be leased.

- The legislation deems the activities it authorizes with respect to the oil and gas leasing program compatible with the purposes for which the Arctic National Wildlife Refuge was established.

- The legislation deems The Final Legislative Environmental Impact Statement on the Coastal Plain dated April 1987, to satisfy the requirements of the National Environmental Policy Act (NEPA) for prelease activities. Moreover, the proposal limits the number of leasing alternatives the Secretary must analyze for its environmental effects and possible mitigation measures to a preferred action and a single leasing alternative.

- The legislation designates the U.S. Court of Appeals for the District of Columbia as the exclusive court of jurisdiction for all complaints seeking judicial review of lease sales. In addition, the proposal specifies that the scope of judicial review regarding the Secretary's decision to conduct a lease sale, including the accompanying environmental analysis, is limited to whether the Secretary complied with the legislation, and must be based on the administrative record of that decision.

- The legislation grants rights-of-way or easements across the Coastal Plain for the exploration, development, production, or transportation of oil and gas.

- The legislation limits the activities it authorizes to a maximum surface area of 2,000 acres on the Coastal Plain.

Title V—Environment & Public Works

Title V meets, and exceeds, the EPW Committee's budget reconciliation obligation of $27 million in deficit reduction over five years (with a CBO score of $30 million).

Equity Bonus Program Reform

- The Equity Bonus program is a part of the overall highway program. Of the total amount of contract authority provided for Equity Bonus each year, $639 million is exempt from the annual obligation limitations. This legislation reduces that amount by $8 million in 2006 and increases it by an equal amount in 2007. CBO estimates that lowering the amount of contract authority exempt from the 2006 obligation limitation reduces obligations and direct spending in that year, and **reduces direct spending by $1 million over the 2006-2010 period**. The provision has no net impact on aggregate direct spending over the next six years.

- Current law also exempts the contract authority that Alaska chooses to spend on the Alaska Highway or the Alaska Marine Highway System from any obligation limitation. This legislation delays implementation of that exemption until December 31, 2008. **Deficit Reduction**: **$29 million over 5 years.**

Title VI—Finance

Note: *Due to the breadth and complexity of the provisions reported by the Finance Committee, the following represents a summary of those provisions. More detailed information about each of the provisions is available in the Chairman's Mark as Modified, available on the Senate Republican Conference's Trunk Line page under "Deficit Reduction News."*

Title VI meets, and exceeds, the Finance Committee's budget reconciliation obligation of $10 billion in deficit reduction over five years (with a CBO score of $10.006 billion).

Subtitle A - Medicaid

Chapter 1 – Payment for Prescription Drugs Under Medicaid

- Upper Limits on Pharmacy Reimbursement **- Deficit Reduction: $4.595 billion over 5 years.**
- Increase in Rebates for Covered Outpatient Drugs - **Deficit Reduction: $1.4 billion over 5 years.**
- Improved Regulation of Authorized Generic Drugs - **Deficit Reduction: $180 million over 5 years.**
- Collection of Rebates for Certain Physician-Administered Drugs - **Deficit Reduction: $150 million over 5 years.**

Chapter 2 – Long-Term Care Under Medicaid

- Reform of Medicaid Asset Transfer Rules - **Deficit Reduction: $335 million over 5 years.**
- Repeal of Moratorium on State Long-Term Care Partnerships - ***$10 million in spending over 5 years.***

Chapter 3 – Eliminating Fraud, Waste, and Abuse Under Medicaid

- Enhancing Third-Party Recovery - **Deficit Reduction: $480 million over 5 years.**
- Limitation on Use of Contingency Fee Arrangements - **no effect on spending.**
- Encouraging the Enactment of State False Claims Acts - **Deficit Reduction: $25 million over 5 years.**
- Employee Education about False Claims Recovery - **Deficit Reduction: $7 million over 5 years.**
- Prohibition on Restocking and Double-Billing of Prescription Drugs - ***less than $500,000 in spending over 5 years.***
- Medicaid Integrity Program - ***$403 million in spending over 5 years.***

Chapter 4 – State Financing

- Reforms of Targeted Case Management - **Deficit Reduction: $760 million over 5 years.**
- Temporary Federal Matching Payments for Medical Assistance - ***$1.94 billion in spending over 5 years.***
- Managed Care Organization Provider Tax Reform - **Deficit Reduction: $75 million over 5 years.**
- Inclusion of Podiatrists as Physicians - ***$55 million in spending over 5 years.***
- Disproportionate Share Hospital (DSH) Allotment for the District of Columbia - ***$100 million in spending over 5 years.***
- Demonstration Project Regarding Medicaid Reimbursement for Stabilization of Emergency Medical Conditions by Non-Publicly Owned or Operated Institutions for Mental Diseases - ***$30 million in spending over 5 years.***

Chapter 5 – Improving the Medicaid and State Children's Health Insurance Programs (SCHIP)

- Opportunity for Families of Disabled Children to Purchase Medicaid Coverage for Such Children - ***$720 million in spending over 5 years.***
- Demonstration Projects Regarding Home and Community-Based Alternatives to Psychiatric Residential Treatment Facilities for Children - ***$36 million in spending over 5 years.***
- Development and Support of Family-to-Family Health Information Centers - ***$11 million in spending over 5 years.***

- Restoration of Medicaid Eligibility for Certain Supplemental Security Income (SSI) Beneficiaries - ***$105 million in spending over 5 years.***
- SCHIP Provisions and Interactions - ***$140 million in spending over 5 years.***
    - Rules for Availability, Redistribution, and Extended Availability of Allotments for Fiscal Years 2003, 2004, and 2005
    - Authority to Use Up to 10% of Fiscal Year 2006 and 2007 Allotments for Outreach
    - Prohibition Against Covering Nonpregnant Childless Adults with SCHIP Funds
    - Continued Authority for Qualifying States to Use Certain Funds for Medicaid Expenditures
    - Grants to Promote Innovative Outreach and Enrollment Under Medicaid and SCHIP
- Funding for Outreach Activities - ***$65 million in spending over 5 years.***
- Money Follows the Person Rebalancing Demonstration - ***$105 million in spending over 5 years.***

Chapter 6 – Option for Hurricane Katrina Disaster States to Delay Application of Provisions - ***$2 million in spending over 5 years.***

<u>Subtitle B - Medicare</u>

- Improvements to the Medicare-Dependent Hospital (MDH) Program - ***$14 million in spending over 5 years.***
- Reduction in Payments to Skilled Nursing Facilities (SNFs) for Bad Debt - **Deficit Reduction: $250 million over 5 years.**
- Two-Year Extension of the 50-Percent Compliance Threshold Used to Determine Whether A Hospital or Unit of a Hospital is an Inpatient Rehabilitation Facility Under the Medicare Program ("75 percent rule") - ***$105 million in spending over 5 years.***
- Prohibition on Physician Self-Referrals to Physician-Owned Limited Service Hospitals - **Deficit Reduction: $22 million over 5 years.**
- Minimum Update for Physicians' Services for 2006 - ***$10.8 billion in spending over 5 years.***
- One-Year Extension of Hold Harmless Provisions for Small Rural Hospitals and Sole Community Hospitals Under the Prospective Payment System For Hospital Outpatient Department Service - ***$170 million in spending over 5 years.***
- Update to the Composite Rate Component of the Basic Case-Mix Adjusted Prospective Payment System for Dialysis Services - ***$520 million in spending over 5 years.***
- One-Year Extension of Moratorium on Therapy Caps - ***$710 million in spending over 5 years.***
- Transfer of Title of Certain Durable Medical Equipment (DME) to Patient after 13-Month Rental - **Deficit Reduction: $910 million in savings over 5 years.**
- Establishment of Medicare Value-Based Purchasing Programs - **Deficit Reduction: $4.51 billion over 5 years.**

- Phase-Out of Risk Adjustment Budget Neutrality in Determining the Amount of Payments to Medicare Advantage Organizations - **Deficit Reduction: $6.46 billion over 5 years.**
- Elimination of the Medicare Advantage Regional Plan Stabilization Fund - **Deficit Reduction: $5.44 billion over 5 years.**
- Rural Program for All-Inclusive Care for the Elderly (PACE) Provider Grant Program - ***$37 million in spending over 5 years.***
- Waiver of Part B Late Enrollment Penalty for Certain International Volunteers - ***$20 million in spending over 5 years.***
- Delivery of Services at Federally Qualified Health Centers - ***$40 million in spending over 5 years.***
- Medicare Advantage Interaction - ***$500 million in spending over 5 years.***
- Premium Interaction - **Deficit Reduction: $1.045 billion over 5 years.**

Title VII—Health, Education, Labor, and Pensions

Title VII meets, and exceeds, the HELP Committee's budget reconciliation instructions of $13.651 billon in deficit reduction over five years (with a CBO score of $16.431 billion). The committee achieved these savings primarily through changes in federal higher education programs and through modifications to premiums charged by the Pension Benefits Guaranty Corporation (PBGC).

Education Provisions

Deficit Reduction Provisions

- **Windfalls and Special Payments to Lenders.** The legislation changes some of the formulas used to compute what borrowers owe to lenders, and what lenders receive from or pay to the government under the guaranteed loan program. Fixed interest rates for parents would be raised to 8.5 percent, while variable rates for student loans would increase to 6.8 percent and become fixed, as already scheduled to take place under current law. The legislation also requires lenders to rebate to the government the difference between the lender-yield formula and the rate paid by borrowers when the borrower rate is higher. **Deficit Reduction: $15.1 billion over 5 years.**

- **Changes in "9.5 Percent" Loans.** The legislation changes the payment formula for lenders whose loans are funded with proceeds of tax-exempt bonds issued between 1980 and 1993. Prior to 2004, the formula permitted the holders of these loans to collect at least 9.5 percent. The legislation makes permanent current law, rather than allowing it to expire at the end of the year. **Deficit Reduction: $1.4 billion over 5 years.**

- **Borrower Insurance Premiums and Guaranty Agency Fees.** The legislation eliminates the borrower insurance premium of up to 1 percent, which agencies have waived in the past, and replaces it with a 1 percent fee that the guaranty agencies would have to provide from their nonfederal resources. These changes become effective on April 1, 2006. **Deficit Reduction: $1.5 billion over the 5 years.**

- **Federal Lender Insurance.** The legislation reduces the portion of the defaulted loans for which lenders are reimbursed. The general reimbursement level of 98 percent would be lowered to 97 percent. The exceptional lender designation would be eliminated so that these lenders who are currently reimbursed at 100 percent would instead be reimbursed at 97 percent. **Deficit Reduction: $860 million over 5 years.**

- **Lender Fees.** The legislation increases the fees charged lenders on loan consolidations from 0.5 percent to 1.0 percent of the loan principal. **Deficit Reduction: $625 million over 5 years.**

- **Interactions Among Education Provisions.** The CBO notes that the overall reductions in direct spending would be significantly larger than the sum of the individual provisions due to the interaction of the provisions. **Deficit Reduction: $1.4 billion over 5 years.**

Spending Provisions

- **Borrower Origination Fees.** Borrower origination fees are lowered under the bill. Origination fees under the guaranteed loan program are lowered to 2.5 percent in July 2007 for student borrowers. In the direct loan program, the 3.0 percent fee is replaced with one up to 2.5 percent, to be determined by the Secretary of Education. ***$1.6 billion in spending over 5 years.***

- **Increased Loan Limits.** The legislation increases the maximum amount of subsidized loans available for first- and second-year students. The maximum amount for first-year students increases from $2,625 to $3,500; the maximum amount for second-year students increases from $3,500 to $4,500. The legislation also increases the limit for unsubsidized loans for each year of graduate school from $10,000 to $12,000. Students who need additional undergraduate courses to qualify for a graduate program or a professional license are eligible for higher borrowing levels. ***$1.9 billion in spending over 5 years.***

- **ProGAP and SMART Grant Programs.** Provides $8.0 billion for students in the academic years 2006 through 2010 to supplement grant aid received by students eligible for the Pell Grant program. The Provisional Grant Assistance or ProGAP program makes available approximately $1.45 billion in additional aid each academic year from 2006 to 2010 to students who are eligible for Pell Grants. The second new program, the National Science and Mathematics Access to Retain Talent (SMART) program, makes available approximately $450 million in additional aid in the 2006 through 2010 academic years to Pell Grant recipients in their third or fourth year who major in a handful of majors, including mathematics and science. ***$8.0 billion in spending over 5 years.***

- **Miscellaneous Provisions with Measurable Effects.** The legislation also makes changes in loan cancellation programs, the eligibility for interest deferments, the income protection allowance for students, and in the disbursement requirements for certain loans for schools with low default rates. This costs $8 million in 2006, but reduces spending by $486 million over five years. **Deficit Reduction: $486 million over five years.**

- **Hurricane Katrina Higher Education Relief.** The legislation also provides relief to certain students and educational institutions that were impacted by Hurricane Katrina. Cumulatively, these provisions ***cost $105 million in 2006***, with no effect that after 2006.

Higher Education Reauthorization

- The reconciliation bill reauthorizes the Higher Education Act of 1965 through 2011. The CBO estimates that the cost of the higher education reauthorization to be $6 million in 2006 and ***$77 million*** over the 2006-2010 period.

Pension Benefit Guaranty Corporation Premiums

- **Increase in Flat-Rate Premium for Single-Employer Plans**. The legislation increases the flat-rate premium paid by single-employer, defined-benefit pension plans insured by the PBGC from $19 to $46.75 per participant in 2006, and indexes it to wage growth starting in 2007. Because the PBGC's premiums are recorded as offsetting collections to a mandatory spending account, an increase in premium collections is reflected in the budget as a decrease in direct spending. **Deficit Reduction: $5.4 billion over five years.**

- **Increase in Flat-Rate Premium for Multiemployer Plans**. The legislation increases the flat-rate premium paid by sponsors of multiemployer pension plans insured by the PBGC from $2.60 to $8.00 per participant in 2006, and indexes it to wage growth starting in 2007. **Deficit Reduction: $300 million over five years.**

- **Premiums for Certain Terminated Single-Employer Plans**. The legislation creates a new premium for sponsors of plans that are terminated on an involuntary or distressed termination basis. The required payments are $1,250 per plan participant for three years after the termination. For sponsors whose plans were terminated while the program was being reorganized under chapter 11 of the bankruptcy code, the premium would be levied after the sponsor emerges from bankruptcy. The premium does not apply to firms that are liquidated by bankruptcy court. **Deficit Reduction: $1.0 billion over five years.**

Title VIII—Judiciary

Title VIII meets, and exceeds, the Judiciary Committee budget reconciliation obligation of $300 million in deficit reduction over five years (with a CBO score of $578 million), and provides interim relief from the shortage of employment-based immigrant visas and H-1B temporary professional visas.

Immigrant EB Visa Provision

- The bill recaptures up to 90,000 employment-based immigrant visa numbers that were authorized and made available by Congress but went unused in previous years. The annual cap on these visas is approximately 140,000 per year. Employers will pay a new $500 fee for all EB visas. **Deficit Reduction: $251 million over 5 years.**

- The bill recaptures a number of unused immigrant visas, and provides that only immigrant principal workers, not their spouses and children, count toward the annual limit on employment-based immigration. This is a crucial step with the steep increase in demand hitting the annual 140,000 cap on immigrant visas.

- The bill also allows persons for whom an employment-based immigrant petition has been filed and fee paid to file an application to adjust status at that same time. Otherwise, the almost 5-year processing backlog will reduce the expected number of petitions filed (and fees paid) if workers cannot file to adjust their status to permanent resident in a timely manner.

Temporary H-1B Visa Provision

- The bill recaptures up to 30,000 H-1B visa numbers that were authorized and made available by Congress but went unused in previous years in exchange for employers paying a new $500 fee for these visas. The annual cap on H-1B visas is 65,000 per year, which has been reached even before the start of the fiscal year in the past few years. For FY1999 and 2000, the annual cap was at 115,000 and was reached in each year. **Deficit Reduction: $75 million over 5 years.**

L Visa Fee Provision

- The bill adds $750 on the principal of each L (intra-company transferee) visa applicant. There is no annual cap on L visas. **Deficit Reduction: $252 million over 5 years.**

Administration Position

A Statement of Administration Policy (SAP) concerning S. 1932, as reported by the Senate Budget Committee, was not available at press time.

Cost

The Budget Committee, in consultation with the Congressional Budget Office, estimates the bill would reduce federal outlays by $39.114 billion over the 2006-2010 period.

Possible Amendments

Senator Baucus: an amendment related to S. 1716, the Emergency Health Care Relief Act of 2005.

Senator Bingaman: an amendment to strike the premium provisions in Section 7201, and replace with only the hike in the single-employer flat-rate premium to $30 per participant. This would reduce Title VII savings by $4.8 billion.

Senator Ensign: an amendment to reduce spending on digital converter boxes for analog television sets from $3 billion to $1 billion.