

103^D CONGRESS
2^D SESSION

H. R. 4585

To promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.

IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 1994

Mr. ARMEY introduced the following bill; which was referred jointly to the Committees on Ways and Means, Government Operations, and Rules

AUGUST 4, 1994

Additional sponsors: Mr. SMITH of Michigan, Mr. LINDER, Mr. YOUNG of Alaska, Mr. BARTLETT of Maryland, Mr. DOOLITTLE, Mr. ROTH, Mr. BURTON of Indiana, Mr. RAVENEL, and Mr. KLUG

A BILL

To promote freedom, fairness, and economic opportunity for families by reducing the power and reach of the Federal establishment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Freedom and Fairness
5 Restoration Act of 1994”.

1 **TITLE I—TAX REDUCTION AND**
2 **SIMPLIFICATION**

3 **SEC. 101. INDIVIDUALS TAXED ONLY ON EARNED INCOME.**

4 (a) IN GENERAL.—Section 1 of the Internal Revenue
5 Code of 1986 is amended to read as follows:

6 **“SECTION 1. TAX IMPOSED.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed
8 on the income of every individual a tax equal to 20 percent
9 (17 percent in the case of taxable years beginning after
10 December 31, 1996) of the excess (if any) of—

11 “(1) the taxable earned income received or ac-
12 crued during the taxable year, over

13 “(2) the standard deduction (as defined in sec-
14 tion 63) for such taxable year.

15 “(b) TAXABLE EARNED INCOME.—For purposes of
16 this section, the term ‘taxable earned income’ means the
17 excess (if any) of earned income (as defined in section
18 911(d)(2)) over the foreign earned income (as defined in
19 section 911(b)(1)).”

20 (b) INCREASE IN STANDARD DEDUCTION.—Section
21 63 of such Code is amended to read as follows:

22 **“SEC. 63. STANDARD DEDUCTION.**

23 “(a) IN GENERAL.—For purposes of this subtitle, the
24 term ‘standard deduction’ means the sum of—

25 “(1) the basic standard deduction, plus

1 “(2) the additional standard deduction.

2 “(b) BASIC STANDARD DEDUCTION.—For purposes
3 of subsection (a), the basic standard deduction is—

4 “(1) \$24,700 in the case of—

5 “(A) a joint return, and

6 “(B) a surviving spouse (as defined in sec-
7 tion 2(a)),

8 “(2) \$16,200 in the case of a head of household
9 (as defined in section 2(b)), and

10 “(3) \$12,350 in the case of an individual—

11 “(A) who is not married and who is not a
12 surviving spouse or head of household, or

13 “(B) who is a married individual filing a
14 separate return.

15 “(c) ADDITIONAL STANDARD DEDUCTION.—For pur-
16 poses of subsection (a), the additional standard deduction
17 is \$5,000 for each dependent (as defined in section 152)
18 described in section 151(c)(1) for the taxable year.

19 “(d) INFLATION ADJUSTMENT.—

20 “(1) IN GENERAL.—In the case of any taxable
21 year beginning in a calendar year after 1995, each
22 dollar amount contained in subsections (b) and (c)
23 shall be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by

1 “(B) the cost-of-living adjustment under
2 section 1(f)(3) for the calendar year in which
3 the taxable year begins, determined by sub-
4 stituting ‘calendar year 1994’ for ‘calendar year
5 1992’ in subparagraph (B) of such section.

6 “(2) ROUNDING.—If any increase determined
7 under paragraph (1) is not a multiple of \$50, such
8 amount shall be rounded to the next lowest multiple
9 of \$50.”

10 **SEC. 102. MODIFICATION OF TAX ON BUSINESS ACTIVITIES.**

11 Section 11 of the Internal Revenue Code of 1986 (re-
12 lating to tax imposed on corporations) is amended to read
13 as follows:

14 **“SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.**

15 “(a) TAX IMPOSED.—There is hereby imposed on
16 every person engaged in a business activity a tax equal
17 to 20 percent (17 percent in the case of taxable years be-
18 ginning after December 31, 1996) of the business taxable
19 income of such person.

20 “(b) LIABILITY FOR TAX.—The tax imposed by this
21 section shall be paid by the person engaged in the business
22 activity, whether such person is an individual, partnership,
23 corporation, or otherwise.

24 “(c) BUSINESS TAXABLE INCOME.—

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘business taxable income’ means gross
3 active income reduced by the deductions specified in
4 subsection (d).

5 “(2) GROSS ACTIVE INCOME.—For purposes of
6 paragraph (1), the term ‘gross active income’ means
7 gross income other than investment income.

8 “(d) DEDUCTIONS.—

9 “(1) IN GENERAL.—The deductions specified in
10 this subsection are—

11 “(A) the cost of business inputs for the
12 business activity,

13 “(B) the compensation (including contribu-
14 tions to qualified retirement plans but not in-
15 cluding other fringe benefits) paid for employ-
16 ees performing services in such activity, and

17 “(C) the cost of tangible personal and real
18 property used in such activity.

19 “(2) BUSINESS INPUTS.—For purposes of sub-
20 paragraph (A), the term ‘cost of business inputs’
21 means—

22 “(A) the actual amount paid for goods,
23 services, and materials, whether or not resold
24 during the taxable year,

1 “(B) the fair market value of business in-
2 puts brought into the United States, and

3 “(C) the actual cost, if reasonable, of trav-
4 el and entertainment expenses for business pur-
5 poses.

6 Such term shall not include purchases of goods and
7 services provided to employees or owners.

8 “(e) CARRYOVER OF EXCESS DEDUCTIONS.—

9 “(1) IN GENERAL.—If the aggregate deductions
10 for any taxable year exceed the gross active income
11 for such taxable year, the amount of the deductions
12 specified in subsection (d) for the succeeding taxable
13 year (determined without regard to this subsection)
14 shall be increased by the sum of—

15 “(A) such excess, plus

16 “(B) the product of such excess and the 3-
17 month Treasury rate for the last month of such
18 taxable year.

19 “(2) 3-MONTH TREASURY RATE.—For purposes
20 of paragraph (1), the 3-month Treasury rate is the
21 rate determined by the Secretary based on the aver-
22 age market yield (during any 1-month period se-
23 lected by the Secretary and ending in the calendar
24 month in which the determination is made) on out-
25 standing marketable obligations of the United States

1 with remaining periods to maturity of 3 months or
2 less.”

3 **SEC. 103. REPEAL OF INCOME TAX WITHHOLDING.**

4 Section 3402 of the Internal Revenue Code of 1986
5 (relating to collection of income tax at source on wages)
6 is amended by adding at the end the following new sub-
7 section:

8 “(t) TERMINATION.—This section shall not apply to
9 wages paid after December 31, 1994.”

10 **SEC. 104. EFFECTIVE DATE.**

11 The amendments made by sections 101 and 102 shall
12 apply to taxable years beginning after December 31, 1994.

13 **TITLE II—SPENDING RESTRAINT**
14 **AND BUDGET PROCESS REFORM**

15 **Subtitle A—Joint Budget**
16 **Resolution**

17 **SEC. 201. JOINT BUDGET RESOLUTION.**

18 (a) DEFINITIONS.—Paragraph (4) of section 3 of the
19 Congressional Budget Act of 1974 is amended to read as
20 follows:

21 “(4) the term ‘joint resolution on the budget’
22 means—

23 “(A) a joint resolution setting forth the
24 congressional budget for the United States Gov-

1 ernment for a fiscal year as provided in section
2 301; and

3 “(B) any other joint resolution revising the
4 congressional budget for the United States Gov-
5 ernment for a fiscal year as described in section
6 304.”.

7 (b) JOINT RESOLUTION ON THE BUDGET.—(1) Sec-
8 tion 300 is amended by striking “concurrent resolution”
9 each place it appears and inserting “joint resolution”.

10 (2) Section 301(a) of the Congressional Budget Act
11 of 1974 is amended by striking “concurrent resolution”
12 each place it appears including in the caption and insert-
13 ing “joint resolution”.

14 (3) Section 301(b) is amended by striking “concur-
15 rent resolution” each place it appears including in the cap-
16 tion and inserting “joint resolution”.

17 (4) Section 301(c) is amended by striking “concur-
18 rent resolution” each place it appears and inserting “joint
19 resolution”.

20 (5) Section 301(e) is amended by striking “concur-
21 rent resolution” each place it appears and inserting “joint
22 resolution”.

23 (6) Section 301(f) is amended by striking “concur-
24 rent resolution” each place it appears and inserting “joint
25 resolution”.

1 (7) Section 301(g) is amended by striking “concur-
2 rent resolution” each place it appears and inserting “joint
3 resolution”.

4 (8) Section 301(h) is amended by striking “concur-
5 rent resolution” and inserting “joint resolution”.

6 (9) Section 301(i) is amended by striking “concur-
7 rent resolution” each place it appears and inserting “joint
8 resolution”.

9 (10) The section heading of section 301 is amended
10 by striking “**ANNUAL ADOPTION OF CONCURRENT**”
11 and inserting “**ANNUAL ADOPTION OF JOINT**”.

12 (11) The table of contents set forth in section 1(b)
13 of the Congressional Budget and Impoundment Control
14 Act of 1974 is amended by striking “Annual adoption of
15 the concurrent” in the item relating to section 301 and
16 inserting “Annual adoption of the joint”.

17 (12) Section 302 is amended by striking “concurrent
18 resolution” each place it appears and inserting “joint reso-
19 lution”.

20 (13) Section 303, including the heading, is amended
21 by striking “concurrent resolution” each place it appears
22 and inserting “joint resolution”.

23 (14) The table of contents set forth in section 1(b)
24 of the Congressional Budget and Impoundment Control

1 Act of 1974 is amended by striking “Concurrent” in the
2 item relating to section 303 and inserting “Joint”.

3 (15) Section 304 is amended by striking “concurrent
4 resolution”, including in the heading, each place it appears
5 and inserting “joint resolution”.

6 (16) The table of contents set forth in section 1(b)
7 of the Congressional Budget and Impoundment Control
8 Act of 1974 is amended by striking “Concurrent” in the
9 item relating to section 304 and inserting “Joint”.

10 (17) Section 305 is amended by striking “concurrent
11 resolution”, including in the heading, each place it appears
12 and inserting “joint resolution”.

13 (18) Section 308 is amended by striking “concurrent
14 resolution” each place it appears and inserting “joint reso-
15 lution”.

16 (19) Section 310 is amended by striking “concurrent
17 resolution” each place it appears and inserting “joint reso-
18 lution”.

19 (20) Section 311 is amended by striking “concurrent
20 resolution” each place it appears and inserting “joint reso-
21 lution”.

1 **Subtitle B—Zero Based Budgeting**
2 **and Decennial Sunsetting**

3 **SEC. 211. REAUTHORIZATION OF DISCRETIONARY PRO-**
4 **GRAMS AND UNEARNED ENTITLEMENTS.**

5 (a) FISCAL YEAR 1995.—Effective October 1, 1994,
6 spending authority for each unearned entitlement and
7 high-cost discretionary spending program is terminated
8 unless such spending authority is reauthorized after the
9 date of enactment of this Act.

10 (b) FISCAL YEAR 1996.—Effective October 1, 1995,
11 spending authority for each discretionary spending pro-
12 gram (not including high-cost discretionary spending pro-
13 grams) is terminated unless such spending authority is re-
14 authorized after the date of enactment of this Act.

15 (c) DEFINITIONS.—For purposes of this subtitle—

16 (1) the term “unearned entitlement” means an
17 entitlement not earned by service or paid for in total
18 or in part by assessments or contributions such as
19 Social Security, veterans’ benefits, retirement pro-
20 grams, and medicare; and

21 (2) the term “high-cost discretionary program”
22 means the most expensive one-third of discretionary
23 program within each budget function account.

1 **SEC. 212. POINT OF ORDER.**

2 (a) IN GENERAL.—It shall not be in order in the
3 House of Representatives or the Senate to consider any
4 bill, joint resolution, amendment, or conference report that
5 includes any provision that appropriates funds unless such
6 appropriation has been previously authorized by law.

7 (b) WAIVER OR SUSPENSION.—This section may be
8 waived or suspended in the House of Representatives or
9 the Senate only by the affirmative vote of three-fifths of
10 the Members, duly chosen and sworn.

11 **SEC. 213. DECENNIAL SUNSETTING.**

12 (a) FIRST DECENNIAL CENSUS YEAR.—Effective on
13 the first day of the fiscal year beginning in the first decen-
14 nial census year after the year 2000 and each 10 years
15 thereafter, the spending authority described in section
16 211(a) is terminated unless such spending authority is re-
17 authorized after the last date the spending authority was
18 required to be reauthorized under this subtitle.

19 (b) FIRST DECENNIAL CENSUS YEAR.—Effective on
20 the first day of the fiscal year beginning in the year after
21 the first decennial census year after the year 2000 and
22 each 10 years thereafter, the spending authority described
23 in section 211(b) is terminated unless such spending au-
24 thority is reauthorized after the last date the spending au-
25 thority was required to be reauthorized under this subtitle.

1 **Subtitle C—Spending Caps on the**
2 **Growth of Entitlements for Fis-**
3 **cal Years 1995 Through 2000**

4 **SEC. 221. SPENDING CAPS ON GROWTH OF ENTITLEMENTS**
5 **AND MANDATORIES.**

6 (a) CAP ON GROWTH OF ENTITLEMENTS.—Effective
7 for each of the fiscal years 1995 through 2000, the total
8 level of entitlement and mandatory spending, excluding
9 Social Security, shall not exceed the total level for the pre-
10 vious fiscal year increased by the consumer price index,
11 and the growth in eligible population.

12 (b) SEQUESTRATION.—Within 15 days after Con-
13 gress adjourns to end a session, and on the same day as
14 a sequestration (if any) under section 253 of the Balanced
15 Budget and Emergency Deficit Control Act of 1985, there
16 shall be a sequestration to reduce the amount of entitle-
17 ment and mandatory spending for the fiscal year begin-
18 ning in the year the Congress adjourns by any amount
19 necessary to reduce such spending to the level set forth
20 in subsection (a) unless that amount is less than
21 \$250,000,000.

22 (c) UNIFORM REDUCTIONS; LIMITATIONS.—The
23 amount required to be sequestered for the fiscal year
24 under subsection (a) shall be obtained from nonexempt di-

1 rect spending accounts by actions taken in the following
2 order:

3 (1) FIRST.—The reductions in the programs
4 specified in section 223(a) (National Wool Act and
5 special milk), section 223(b) (guaranteed student
6 loans), and section 223(c) (foster care and adoption
7 assistance) shall be made.

8 (2) SECOND.—Any additional reductions that
9 may be required shall be achieved by reducing each
10 remaining nonexempt direct spending account by the
11 uniform percentage necessary to achieve those addi-
12 tional reductions, except that—

13 (A) the low-income programs specified in
14 section 223(d) shall not be reduced by more
15 than 1 percent;

16 (B) the retirement and veterans benefits
17 specified in section 223(e) shall not be reduced
18 by more than 2 percent in the manner specified
19 in that section; and

20 (C) the medicare programs shall not be re-
21 duced by more than 4 percent in the manner
22 specified in section 223(f).

23 The limitations set forth in subparagraphs (A), (B),
24 and (C) shall be applied iteratively, and after each
25 iteration the uniform percentage applicable to all

1 other programs under this paragraph shall be in-
2 creased (if necessary) to a level sufficient to achieve
3 the reductions required by this paragraph.

4 **SEC. 222. EXEMPT PROGRAMS AND ACTIVITIES.**

5 (a) DESCRIPTIONS AND LISTS.—Except as provided
6 in subsection (b), the following budget accounts or activi-
7 ties shall be exempt from sequestration—

8 (1) net interest;

9 (2) all payments to trust funds from excise
10 taxes or other receipts or collections properly cred-
11 itable to those trust funds;

12 (3) all payments from one Federal direct spend-
13 ing budget account to another Federal budget ac-
14 count; and all intragovernmental funds including
15 those from which funding is derived primarily from
16 other Government accounts, except to the extent
17 that such funds are augmented by direct appropria-
18 tions for the fiscal year for which the order is in ef-
19 fect;

20 (4) activities resulting from private donations,
21 bequests, or voluntary contributions to the Govern-
22 ment;

23 (5) payments from any revolving fund or trust-
24 revolving fund (or similar activity) that provides de-
25 posit insurance or other Government insurance, Gov-

1 ernment guarantees, or any other form of contingent
2 liability, to the extent those payments result from
3 contractual or other legally binding commitments of
4 the Government at the time of any sequestration;

5 (6) credit liquidating and financing accounts;

6 (7) the following accounts, which largely fulfill
7 requirements of the Constitution or otherwise make
8 payments to which the Government is committed—

9 Administration of Territories, Northern Mari-
10 ana Islands Covenant grants (14-0412-0-1-806);

11 Bureau of Indian Affairs, miscellaneous pay-
12 ments to Indians (14-2303-0-1-452);

13 Bureau of Indian Affairs, miscellaneous trust
14 funds, tribal trust funds (14-9973-0-7-999);

15 Claims, defense;

16 Claims, judgments, and relief act (20-1895-0-
17 1-806);

18 Compact of Free Association, economic assist-
19 ance pursuant to Public Law 99-658 (14-0415-0-
20 1-806);

21 Compensation of the President (11-0001-0-1-
22 802);

23 Customs Service, miscellaneous permanent ap-
24 propriations (20-9992-0-2-852);

1 Eastern Indian land claims settlement fund
2 (14-2202-0-1-806);

3 Farm Credit System Financial Assistance Cor-
4 poration, interest payments (20-1850-0-1-351);

5 Internal Revenue collections of Puerto Rico
6 (20-5737-0-2-852);

7 Panama Canal Commission, operating expenses
8 and capital outlay (95-5190-0-2-403);

9 Payments of Vietnam and USS Pueblo pris-
10 oner-of-war claims (15-0104-0-1-153);

11 Payments to copyright owners (03-5175-0-2-
12 376);

13 Payments to the United States territories, fiscal
14 assistance (14-0418-0-1-801);

15 Payments to widows and heirs of deceased
16 Members of Congress (00-0215-0-1-801);

17 Salaries of Article III judges;

18 Soldier's and Airmen's Home, payment of
19 claims (84-8930-0-7-705);

20 Washington Metropolitan Area Transit Author-
21 ity, interest payments (46-0300-0-1-401).

22 (8) the following noncredit special, revolving, or
23 trust-revolving funds—

24 Coinage profit fund (20-5811-0-2-803);

25 Comptroller of the Currency;

1 Director of the Office of Thrift Supervision;
2 Exchange Stabilization Fund (20-4444-0-3-
3 155);

4 Federal Housing Finance Board;
5 Foreign Military Sales trust fund (11-82232-
6 0-7-155);

7 (9) Thrift Savings Fund;

8 (10) appropriations for the District of Columbia
9 to the extent they are appropriations of locally
10 raised funds;

11 (11)(A) any amount paid as regular unemploy-
12 ment compensation by a State from its account in
13 the Unemployment Trust Fund (established by sec-
14 tion 904(a) of the Social Security Act);

15 (B) any advance made to a State from the Fed-
16 eral unemployment account (established by section
17 904(g) of such Act) under title XII of such Act and
18 any advance appropriated to the Federal unemploy-
19 ment account pursuant to section 1203 of such Act;
20 and

21 (C) any payment made from the Federal Em-
22 ployees Compensation Account (as established under
23 section 909 of such Act) for the purpose of carrying
24 out chapter 85 of title 5, United States Code, and

1 funds appropriated or transferred to or otherwise
2 deposited in such Account;

3 (12) the earned income tax credit (payments to
4 individuals pursuant to section 32 of the Internal
5 Revenue Code of 1986).

6 (b) FEDERAL ADMINISTRATIVE EXPENSES.—

7 (1) Notwithstanding any provision of law other
8 than paragraph (3), administrative expenses in-
9 curred by the departments and agencies, including
10 independent agencies, of the Federal Government in
11 connection with any program, project, activity, or ac-
12 count shall be subject to reduction pursuant to any
13 sequestration order, without regard to any exemp-
14 tion, exception, limitation, or special rule otherwise
15 applicable with respect to such program, project, ac-
16 tivity, or account, and regardless of whether the pro-
17 gram, project, activity, or account is self-supporting
18 and does not receive appropriations.

19 (2) Payments made by the Federal Government
20 to reimburse or match administrative costs incurred
21 by a State or political subdivision under or in con-
22 nection with any program, project, activity, or ac-
23 count shall not be considered administrative ex-
24 penses of the Federal Government for purposes of
25 this section, and shall be subject to sequestration to

1 the extent (and only to the extent) that other pay-
2 ments made by the Federal Government under or in
3 connection with that program, project, activity, or
4 account are subject to that reduction or sequestra-
5 tion; except that Federal payments made to a State
6 as reimbursement of administrative costs incurred
7 by that State under or in connection with the unem-
8 ployment compensation programs specified in sub-
9 section (a)(11) shall be subject to reduction or se-
10 questration under this part notwithstanding the ex-
11 emption otherwise granted to such programs under
12 that subsection.

13 (3) Notwithstanding any other provision of law,
14 the administrative expenses of the following pro-
15 grams shall be exempt from sequestration:

16 (A) Comptroller of the Currency.

17 (B) Federal Deposit Insurance Corpora-
18 tion.

19 (C) Office of Thrift Supervision.

20 (D) National Credit Union Administration.

21 (E) National Credit Union Administration,
22 central liquidity facility.

23 (F) Federal Retirement Thrift Investment
24 Board.

25 (G) Resolution Funding Corporation.

1 (H) Resolution Trust Corporation.

2 (I) Board of Governors of the Federal Re-
3 serve System.

4 **SEC. 223. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

5 (a) NATIONAL WOOL ACT AND THE SPECIAL MILK
6 PROGRAM.—Automatic spending increases are increases
7 in outlays due to changes in indexes in the following pro-
8 grams:

9 (1) National Wool Act; and

10 (2) Special milk program.

11 In those programs all amounts other than the automatic
12 spending increases shall be exempt from reduction under
13 any sequestration order.

14 (b) THE GUARANTEED STUDENT LOAN PROGRAM.—

15 (1) Any reductions which are required to be achieved from
16 the student loan programs operated pursuant to part B
17 of title IV of the Higher Education Act of 1965 under
18 any sequestration order shall be achieved only from loans
19 described in paragraphs (2) and (3) by the application of
20 the measures described in such paragraphs.

21 (2) For any loan made during the period beginning
22 on the date that a sequestration order takes effect with
23 respect to a fiscal year, the rate used in computing the
24 special allowance payment pursuant to section
25 438(b)(2)(A)(iii) of such Act for each of the first four spe-

1 cial allowance payments for such loan shall be adjusted
2 by reducing such rate by the lesser of—

3 (A) 0.40 percent, or

4 (B) the percentage by which the rate specified
5 in such section exceeds 3 percent.

6 (3) For any loan made during the period beginning
7 on the date that a sequestration order takes effect with
8 respect to a fiscal year, the origination fee which is author-
9 ized to be collected pursuant to section 438(c)(2) of such
10 Act shall be increased by 0.50 percent.

11 (c) FOSTER CARE AND ADOPTION ASSISTANCE PRO-
12 GRAMS.—Any sequestration order shall make the reduc-
13 tion otherwise required under the foster care and adoption
14 assistance programs (established by part E of title IV of
15 the Social Security Act) only with respect to payments and
16 expenditures made by States in which increases in foster
17 care maintenance payment rates or adoption assistance
18 payment rates (or both) are to take effect during the fiscal
19 year involved, and only to the extent that the required re-
20 duction can be accomplished by applying a uniform per-
21 centage reduction to the Federal matching payments that
22 each such State would otherwise receive under section 474
23 of that Act (for such fiscal year) for that portion of the
24 State's payments attributable to the increases taking ef-
25 fect during that year. No State's matching payments from

1 the Federal Government for foster care maintenance pay-
2 ments or for adoption assistance maintenance payments
3 may be reduced by a percentage exceeding the applicable
4 domestic sequestration percentage. No State may, after
5 the date of the enactment of this Act, make any change
6 in the timetable for making payments under a State plan
7 approved under part E of title IV of the Social Security
8 Act which has the effect of changing the fiscal year in
9 which expenditures under such part are made.

10 (d) LOW-INCOME ENTITLEMENTS.—(1) Benefit pay-
11 ments or payments to States or other entities for the pro-
12 grams listed in paragraph (2) shall not be reduced by
13 more than 1 percent under any sequestration order. When
14 reduced under an end-of-session sequestration order, those
15 benefit reductions shall occur starting with the payment
16 made at the start of January. When reduced under a with-
17 in-session sequestration order, those benefit reductions
18 shall occur starting with the next periodic payment.

19 (2) The programs referred to in paragraph (1) are
20 the following:

21 Aid to families with dependent children (75-
22 0412-0-1-609);
23 Child nutrition (12-3539-0-1-605);
24 Food stamp programs (12-3505-0-1-605) and
25 (12-3550-0-1-605);

1 Grants to States for medicaid (75-0512-0-1-
2 551); and

3 Supplemental security income program (75-
4 0406-0-1-609).

5 (e) FEDERAL RETIREMENT AND VETERANS' PRO-
6 GRAMS.—

7 (1) For each of the programs listed in para-
8 graph (2) and except as provided in paragraph (3),
9 monthly (or other periodic) benefit payments shall
10 be reduced by the uniform percentage applicable to
11 direct spending sequestrations for such programs
12 under section 221(c)(2), which shall in no case ex-
13 ceed 2 percent under any sequestration order. When
14 reduced under an end-of-session sequestration order,
15 those benefit reductions shall occur starting with the
16 payment made at the start of January or 7 weeks
17 after the order is issued, whichever is later. When
18 reduced under a within-session sequestration order,
19 those benefit reductions shall occur starting with the
20 next periodic payment.

21 (2) The programs subject to paragraph (1) are:

22 Benefits payable under sections 3(a),
23 3(f)(3), 4(a), or 4(f) of the Railroad Retirement
24 Act of 1974;

1 Benefits under chapter 21 of title 38,
2 United States Code, relating to specially adapt-
3 ed housing and mortgage-protection life insur-
4 ance for certain veterans with service-connected
5 disabilities (36-0137-0-1-702);

6 Benefits under section 907 of title 38,
7 United States Code, relating to burial benefits
8 for veterans who die as a result of service-con-
9 nected disability (36-0155-0-1-701);

10 Benefits under chapter 39 of title 38,
11 United States Code, relating to automobiles and
12 adaptive equipment for certain disabled veter-
13 ans and members of the Armed Forces (36-
14 0137-0-1-702);

15 Black lung benefits (20-8144-0-7-601);

16 Central Intelligence Agency retirement and
17 disability system fund (56-3400-0-1-054);

18 Civil service retirement and disability fund
19 (24-8135-0-7-602);

20 Comptrollers general retirement system
21 (05-0107-0-1-801);

22 Foreign service retirement and disability
23 fund (19-8186-0-7-602);

24 Judicial survivors' annuities fund (10-
25 8110-0-7-602);

1 Longshoremen's and harborworkers' com-
2 pensation benefits (16-9971-0-7-601);
3 Military retirement fund (97-8097-0-7-
4 602);
5 National Oceanic and Atmospheric Admin-
6 istration retirement (13-1450-0-1-306);
7 Pensions for former Presidents (47-0105-
8 0-1-802);
9 Railroad retirement tier II (60-8011-0-7-
10 601);
11 Railroad supplemental annuity pension
12 fund (60-8012-0-7-602);
13 Retired pay, Coast Guard (69-0241-0-1-
14 403);
15 Retirement pay and medical benefits for
16 commissioned officers, Public Health Service
17 (75-0379-0-1-551);
18 Special benefits, Federal Employees' Com-
19 pensation Act (16-1521-0-1-600);
20 Special benefits for disabled coal miners
21 (75-0409-0-1-601);
22 Tax Court judges survivors annuity fund
23 (23-8115-0-7-602);
24 Veterans' compensation (36-0153-0-1-
25 701); and

1 Veterans' pensions (36-0154-0-1-701).

2 (f) MEDICARE PROGRAM.—

3 (1) CALCULATION OF REDUCTION IN INDIVID-
4 UAL PAYMENT AMOUNTS.—To achieve the total per-
5 centage reduction in those programs required by sec-
6 tion 221, the percentage reduction that shall apply
7 to payments under the health insurance programs
8 under title XVIII of the Social Security Act for serv-
9 ices furnished after any sequestration order is issued
10 shall be such that the reduction made in payments
11 under that order shall achieve the required total per-
12 centage reduction in those payments for that fiscal
13 year as determined on a 12-month basis.

14 (2) TIMING OF APPLICATION OF REDUC-
15 TIONS.—

16 (A) IN GENERAL.—Except as provided in
17 subparagraph (B), if a reduction is made under
18 paragraph (1) in payment amounts pursuant to
19 a sequestration order, the reduction shall be ap-
20 plied to payment for services furnished after the
21 effective date of the order. For purposes of the
22 previous sentence, in the case of inpatient serv-
23 ices furnished for an individual, the services
24 shall be considered to be furnished on the date

1 of the individual's discharge from the inpatient
2 facility.

3 (B) PAYMENT ON THE BASIS OF COST RE-
4 PORTING PERIODS.—In the case in which pay-
5 ment for services of a provider of services is
6 made under title XVIII of the Social Security
7 Act on a basis relating to the reasonable cost
8 incurred for the services during a cost reporting
9 period of the provider, if a reduction is made
10 under paragraph (1) in payment amounts pur-
11 suant to a sequestration order, the reduction
12 shall be applied to payment for costs for such
13 services incurred at any time during each cost
14 reporting period of the provider any part of
15 which occurs after the effective date of the
16 order, but only (for each such cost reporting pe-
17 riod) in the same proportion as the fraction of
18 the cost reporting period that occurs after the
19 effective date of the order.

20 (3) NO INCREASE IN BENEFICIARY CHARGES IN
21 ASSIGNMENT-RELATED CASES.—If a reduction in
22 payment amounts is made under paragraph (1) for
23 services for which payment under part B of title
24 XVIII of the Social Security Act is made on the
25 basis of an assignment described in section

1 1842(b)(3)(B)(ii), in accordance with section
2 1842(b)(6)(B), or under the procedure described in
3 section 1870(f)(1) of such Act, the person furnishing
4 the services shall be considered to have accepted
5 payment of the reasonable charge for the services,
6 less any reduction in payment amount made pursu-
7 ant to a sequestration order, as payment in full.

8 (4) NO EFFECT ON COMPUTATION OF AAPCC.—

9 In computing the adjusted average per capita cost
10 for purposes of section 1876(a)(4) of the Social Se-
11 curity Act, the Secretary of Health and Human
12 Services shall not take into account any reductions
13 in payment amounts which have been or may be ef-
14 fected under this subtitle.

15 (g) FEDERAL PAY.—

16 (1) IN GENERAL.—Except as provided in sec-
17 tion 222(b)(3), new budget authority to pay Federal
18 personnel shall be reduced by the uniform percent-
19 age calculated under section 221(c), but no seques-
20 tration order may reduce or have the effect of reduc-
21 ing the rate of pay to which any individual is enti-
22 tled under any statutory pay system (as increased by
23 any amount payable under section 5304 of title 5,
24 United States Code, or section 302 of the Federal
25 Employees Pay Comparability Act of 1990) or the

1 rate of any element of military pay to which any in-
2 dividual is entitled under title 37, United States
3 Code, or any increase in rates of pay which is sched-
4 uled to take effect under section 5303 of title 5,
5 United States Code, section 1009 of title 37, United
6 States Code, or any other provision of law.

7 (2) DEFINITIONS.—For purposes of this sub-
8 section:

9 (A) The term “statutory pay system” shall
10 have the meaning given that term in section
11 5302(1) of title 5, United States Code.

12 (B) The term “elements of military pay”
13 means—

14 (i) the elements of compensation of
15 members of the uniformed services speci-
16 fied in section 1009 of title 37, United
17 States Code,

18 (ii) allowances provided members of
19 the uniformed services under sections 403a
20 and 405 of such title, and

21 (iii) cadet pay and midshipman pay
22 under section 203(c) of such title.

23 (C) The term “uniformed services” shall
24 have the meaning given that term in section
25 101(3) of title 37, United States Code.

1 (h) CHILD SUPPORT ENFORCEMENT PROGRAM.—

2 Any sequestration order shall accomplish the full amount
3 of any required reduction in expenditures under sections
4 455 and 458 of the Social Security Act by reducing the
5 Federal matching rate for State administrative costs
6 under such program, as specified (for the fiscal year in-
7 volved) in section 455(a) of such Act, to the extent nec-
8 essary to reduce such expenditures by that amount.

9 (i) EXTENDED UNEMPLOYMENT COMPENSATION.—

10 (1) A State may reduce each weekly benefit payment made
11 under the Federal-State Extended Unemployment Com-
12 pensation Act of 1970 for any week of unemployment oc-
13 ccurring during any period with respect to which payments
14 are reduced under an order issued under this subtitle by
15 a percentage not to exceed the percentage by which the
16 Federal payment to the State under section 204 of such
17 Act is to be reduced for such week as a result of such
18 order.

19 (2) A reduction by a State in accordance with sub-
20 paragraph (A) shall not be considered as a failure to fulfill
21 the requirements of section 3304(a)(11) of the Internal
22 Revenue Code of 1954.

23 (j) COMMODITY CREDIT CORPORATION.—

24 (1) POWERS AND AUTHORITIES OF THE COM-
25 MODITY CREDIT CORPORATION.—This subtitle shall

1 not restrict the Commodity Credit Corporation in
2 the discharge of its authority and responsibility as a
3 corporation to buy and sell commodities in world
4 trade, to use the proceeds as a revolving fund to
5 meet other obligations and otherwise operate as a
6 corporation, the purpose for which it was created.

7 (2) REDUCTION IN PAYMENTS MADE UNDER
8 CONTRACTS.—(A) Payments and loan eligibility
9 under any contract entered into with a person by the
10 Commodity Credit Corporation prior to the time any
11 sequestration order has been issued shall not be re-
12 duced by an order subsequently issued. Subject to
13 subparagraph (B), after any sequestration order is
14 issued for a fiscal year, any cash payments made by
15 the Commodity Credit Corporation—

16 (i) under the terms of any one-year con-
17 tract entered into in or after such fiscal year
18 and after the issuance of the order; and

19 (ii) out of an entitlement account,
20 to any person (including any producer, lender, or
21 guarantee entity) shall be subject to reduction under
22 the order.

23 (B) Each contract entered into with producers
24 or producer cooperatives with respect to a particular
25 crop of a commodity and subject to reduction under

1 subparagraph (A) shall be reduced in accordance
2 with the same terms and conditions. If some, but
3 not all, contracts applicable to a crop of a commod-
4 ity have been entered into prior to the issuance of
5 any sequestration order, the order shall provide that
6 the necessary reduction in payments under contracts
7 applicable to the commodity be uniformly applied to
8 all contracts for succeeding crops of the commodity,
9 under the authority provided in paragraph (3).

10 (3) DELAYED REDUCTION IN OUTLAYS PERMISS-
11 SIBLE.—Notwithstanding any other provision of this
12 subtitle, if any sequestration order is issued with re-
13 spect to a fiscal year, any reduction under the order
14 applicable to contracts described in paragraph (2)
15 may provide for reductions in outlays for the ac-
16 count involved to occur in the fiscal years following
17 the fiscal year to which the order applies.

18 (4) UNIFORM PERCENTAGE RATE OF REDUC-
19 TION AND OTHER LIMITATIONS.—All reductions de-
20 scribed in paragraph (2) that are required to be
21 made in connection with any sequestration order
22 with respect to a fiscal year—

23 (A) shall be made so as to ensure that out-
24 lays for each program, project, activity, or ac-
25 count involved are reduced by a percentage rate

1 that is uniform for all such programs, projects,
2 activities, and accounts, and may not be made
3 so as to achieve a percentage rate of reduction
4 in any such item exceeding the rate specified in
5 the order; and

6 (B) with respect to commodity price sup-
7 port and income protection programs, shall be
8 made in such manner and under such proce-
9 dures as will attempt to ensure that—

10 (i) uncertainty as to the scope of ben-
11 efits under any such program is mini-
12 mized;

13 (ii) any instability in market prices
14 for agricultural commodities resulting from
15 the reduction is minimized; and

16 (iii) normal production and marketing
17 relationships among agricultural commod-
18 ities (including both contract and non-con-
19 tract commodities) are not distorted.

20 In meeting the criterion set out in clause (iii)
21 of subparagraph (B) of the preceding sentence,
22 the President shall take into consideration that
23 reductions under an order may apply to pro-
24 grams for two or more agricultural commodities
25 that use the same type of production or market-

1 ing resources or that are alternative commod-
2 ities among which a producer could choose in
3 making annual production decisions.

4 (5) CERTAIN AUTHORITY NOT TO BE LIM-
5 ITED.—Nothing in this subtitle shall limit or reduce
6 in any way any appropriation that provides the
7 Commodity Credit Corporation with funds to cover
8 the Corporation’s net realized losses.

9 (k) THE JOBS PORTION OF AFDC.—

10 (1) FULL AMOUNT OF SEQUESTRATION RE-
11 QUIRED.—Any sequestration order shall accomplish
12 the full amount of any required reduction of the job
13 opportunities and basic skills training program
14 under section 402(a)(19), and part F of title VI, of
15 the Social Security Act, in the manner specified in
16 this subsection. Such an order may not reduce any
17 Federal matching rate pursuant to section 403(l) of
18 the Social Security Act.

19 (2) NEW ALLOTMENT FORMULA.—

20 (A) GENERAL RULE.—Notwithstanding
21 section 403(k) of the Social Security Act, each
22 State’s percentage share of the amount avail-
23 able after sequestration for direct spending pur-
24 suant to section 403(l) of such Act shall be
25 equal to that percentage of the total amount

1 paid to the States pursuant to such section
2 403(l) for the prior fiscal year that is rep-
3 resented by the amount paid to such State pur-
4 suant to such section 403(l) for the prior fiscal
5 year, except that a State may not be allotted an
6 amount under this subparagraph that exceeds
7 the amount that would have been allotted to
8 such State pursuant to such section 403(k) had
9 the sequestration not been in effect.

10 (B) REALLOTMENT OF AMOUNTS REMAIN-
11 ING UNALLOTTED AFTER APPLICATION OF GEN-
12 ERAL RULE.—Any amount made available after
13 sequestration for direct spending pursuant to
14 section 403(l) of the Social Security Act that
15 remains unallotted as a result of subparagraph
16 (A) of this paragraph shall be allotted among
17 the States in proportion to the absolute dif-
18 ference between the amount allotted, respec-
19 tively, to each State as a result of such sub-
20 paragraph and the amount that would have
21 been allotted to such State pursuant to section
22 403(k) of such Act had the sequestration not
23 been in effect, except that a State may not be
24 allotted an amount under this subparagraph
25 that results in a total allotment to the State

1 under this paragraph of more than the amount
2 that would have been allotted to such State
3 pursuant to such section 403(k) had the seques-
4 tration not been in effect.

5 (l) POSTAL SERVICE FUND.—Notwithstanding any
6 other provision of law, any sequestration of the Postal
7 Service Fund shall be accomplished by a payment from
8 that Fund to the General Fund of the Treasury, and the
9 Postmaster General of the United States shall make the
10 full amount of that payment during the fiscal year to
11 which the presidential sequestration order applies.

12 (m) EFFECTS OF SEQUESTRATION.—The effects of
13 sequestration shall be as follows:

14 (1) Budgetary resources sequestered from any
15 account other than an entitlement trust, special, or
16 revolving fund account shall revert to the Treasury
17 and be permanently canceled.

18 (2) Except as otherwise provided, the same per-
19 centage sequestration shall apply to all programs,
20 projects, and activities within a budget account (with
21 programs, projects, and activities as delineated in
22 the appropriation Act or accompanying report for
23 the relevant fiscal year covering that account, or for
24 accounts not included in appropriation Acts, as de-

1 lineated in the most recently submitted President's
2 budget).

3 (3) Administrative regulations or similar ac-
4 tions implementing a sequestration shall be made
5 within 120 days of the sequestration order. To the
6 extent that formula allocations differ at different
7 levels of budgetary resources within an account, pro-
8 gram, project, or activity, the sequestration shall be
9 interpreted as producing a lower total appropriation,
10 with that lower appropriation being obligated as
11 though it had been the pre-sequestration appropria-
12 tion and no sequestration had occurred.

13 (4) Except as otherwise provided, obligations in
14 sequestered direct spending accounts shall be re-
15 duced in the fiscal year in which a sequestration oc-
16 curs and in all succeeding fiscal years.

17 (5) If an automatic spending increase is seques-
18 tered, the increase (in the applicable index) that was
19 disregarded as a result of that sequestration shall
20 not be taken into account in any subsequent fiscal
21 year.

22 (6) Except as otherwise provided, sequestration
23 in accounts for which obligations are indefinite shall
24 be taken in a manner to ensure that obligations in
25 the fiscal year of a sequestration and succeeding fis-

1 cal years are reduced, from the level that would ac-
2 tually have occurred, by the applicable sequestration
3 percentage.

4 **SEC. 224. POINT OF ORDER.**

5 (a) IN GENERAL.—It shall not be in order in the
6 House of Representatives or the Senate to consider any
7 bill, joint resolution, amendment, or conference report that
8 includes any provision that has the effect of modifying the
9 application of this subtitle to any entitlement program
10 subject to sequestration or exempt from sequestration
11 under this subtitle.

12 (b) WAIVER OR SUSPENSION.—This section may be
13 waived or suspended in the House of Representatives or
14 the Senate only by the affirmative vote of three-fifths of
15 the Members, duly chosen and sworn.

16 **Subtitle D—Balanced Budget by**
17 **Fiscal Year 2000**

18 **SEC. 231. MAXIMUM SPENDING AMOUNTS.**

19 Section 601(a)(1) of the Congressional Budget Act
20 of 1974 is amended to read as follows:

21 “(1) MAXIMUM SPENDING AMOUNT.—The term
22 ‘maximum spending amount’ means—

23 “(A) with respect to fiscal year 1995,
24 \$1,474,000,000,000 in outlays;

1 “(B) with respect to fiscal year 1996,
2 \$1,520,000,000,000 in outlays;

3 “(C) with respect to fiscal year 1997,
4 \$1,567,000,000,000 in outlays;

5 “(D) with respect to fiscal year 1998,
6 \$1,615,000,000,000 in outlays; and

7 “(E) with respect to fiscal year 1999,
8 \$1,666,000,000,000 in outlays.”.

9 **SEC. 232. ENFORCING MAXIMUM SPENDING SEQUESTRA-**
10 **TION.**

11 (a) SEQUESTRATION.—Section 253(a) of the Bal-
12 anced Budget and Emergency Deficit Control Act of 1985
13 is amended to read as follows:

14 “(a) SEQUESTRATION.—Within 15 days after Con-
15 gress adjourns to end a session (other than the One Hun-
16 dred Third Congress), and on the same day as sequestra-
17 tion (if any) under sections 251 and 252, but after any
18 sequestration required by those sections, there shall be a
19 sequestration (if necessary) to reduce total Federal spend-
20 ing to the maximum permissible level as set forth in sec-
21 tion 601(a)(1) of the Congressional Budget Act of 1974.”.

22 (b) CONFORMING AMENDMENT TO HEADING.—The
23 section heading of section 253 of the Balanced Budget and
24 Emergency Deficit Control Act of 1985 is amended to
25 read as follows:

1 **“SEC. 253. ENFORCING MAXIMUM SPENDING LIMITS.”.**

2 (c) ADDITIONAL CONFORMING AMENDMENTS.—Sec-
3 tion 253 of the Balanced Budget and Emergency Deficit
4 Control Act of 1985 is amended—

5 (1) by repealing subsections (b), (g), and (h),
6 and by redesignating subsections (c), (d), (e), and
7 (f), as subsections (b), (c), (d), and (e), respectively;

8 (2) in subsection (b) (as redesignated), by
9 amending the first sentence to read as follows: “To
10 reduce total Federal spending to the maximum per-
11 missible level for a budget year, 20 percent of the
12 required outlay reductions shall be obtained from
13 non-exempt defense accounts (accounts designated
14 as function 050 in the President’s fiscal year 1995
15 budget submission) and 80 percent from non-ex-
16 empt, non-defense accounts (all other non-exempt
17 accounts).”;

18 (3) in subsection (c) (as redesignated), by strik-
19 ing “subsection (c)” and inserting “subsection (b)”;
20 and

21 (4) in subsection (e) (as redesignated), by strik-
22 ing “(b), (c), (d), and (e)” and inserting “(b), (c),
23 and (d)” and by striking “(d) or (e)” and inserting
24 “(c) or “(d)”.

25 (d) LOOK-BACK SEQUESTER.—Section 253 of the
26 Balanced Budget and Emergency Deficit Control Act of

1 1985 is amended by adding at the end the following new
2 subsection:

3 “(f) LOOK-BACK SEQUESTER.—

4 “(1) IN GENERAL.—On July 1 of each fiscal
5 year, the Director of OMB shall determine if laws
6 effective during the current fiscal year will cause
7 spending to exceed the maximum spending amount
8 for such fiscal year. If the limit is exceeded, there
9 shall be a preliminary sequester on July 1 to elimi-
10 nate the excess.

11 “(2) PERMANENT SEQUESTER.—Budget au-
12 thority sequestered on July 1 pursuant to paragraph
13 (1) shall be permanently canceled on July 15.

14 “(3) NO MARGIN.—The margin for determining
15 a sequester under this subsection shall be zero.

16 “(4) SEQUESTRATION PROCEDURES.—The pro-
17 vision of subsections (b), (c), and (d) of this section
18 shall apply to a sequester under this subsection.”.

19 (e) REPORTS.—Section 254 of the Balanced Budget
20 and Emergency Deficit Control Act of 1985 is amended—

21 (1) by striking subsection (c);

22 (2) in subsection (d)(1), by striking “deficit se-
23 questration” and inserting “total spending seques-
24 tration”;

1 (3) in subsection (d) by repealing paragraph (4)
2 and inserting the following new paragraph:

3 “(4) TOTAL SPENDING SEQUESTRATION RE-
4 PORTS.—The preview reports shall set forth for the
5 budget year estimates for each of the following:

6 “(A) The amount of reductions required
7 from defense accounts and the reductions re-
8 quired from non-defense accounts.

9 “(B) The sequestration percentage nec-
10 essary to achieve the required reduction in de-
11 fense accounts under section 253(c).

12 “(C) The reductions required under sec-
13 tions 253(d)(1) and 253(d)(2).

14 “(D) The sequestration percentage nec-
15 essary to achieve the required reduction in non-
16 defense accounts under section 253(d)(3).”;

17 (4) in subsection (g)(3), by striking “DEFICIT”
18 and inserting “TOTAL SPENDING” in the side head-
19 ing and in the first sentence by striking “deficit”
20 and inserting “total spending”.

21 (f) CONFORMING AMENDMENT TO TABLE OF CON-
22 TENTS.—The item relating to section 253 is amended by
23 striking “Enforcing deficit targets” and inserting “En-
24 forcing maximum spending limits”.

1 **SEC. 233. TOTAL SPENDING POINT OF ORDER.**

2 (a) TOTAL SPENDING POINT OF ORDER.—Section
3 605(b) of the Congressional Budget Act of 1974 is amend-
4 ed to read as follows:

5 “(b) TOTAL SPENDING POINT OF ORDER.—

6 “(1) IN GENERAL.—It shall not be in order in
7 the House of Representatives or the Senate to con-
8 sider any bill, joint resolution, amendment, or con-
9 ference report that includes any provision that would
10 result in total spending for a fiscal year that exceeds
11 the maximum permissible total spending amount for
12 such fiscal year as set forth in section 601(a)(1).

13 “(2) WAIVER OR SUSPENSION.—This subsection
14 may be waived or suspended in the House of Rep-
15 resentatives or the Senate only by the affirmative
16 vote of three-fifths of its Members, duly chosen and
17 sworn.”.

18 **TITLE III—REGULATORY RELIEF**
19 **Subtitle A—Private Property**
20 **Rights Protection and Com-**
21 **penensation**

22 **SEC. 311. COMPENSATION FOR TAKING OF PRIVATE PROP-**
23 **ERTY.**

24 (a) ELIGIBILITY.—

25 (1) IN GENERAL.—A private property owner is
26 entitled to receive compensation in accordance with

1 this section for any reduction in the value of prop-
2 erty owned by the private property owner, that—

3 (A) is a consequence of a limitation on an
4 otherwise lawful use of the property imposed by
5 a final agency action; and

6 (B) is measurable and not negligible.

7 (2) REDUCTIONS DEEMED NOT NEGLIGIBLE.—
8 For purposes of paragraph (1)(B), a reduction in
9 the value of property of 10 percent or more is
10 deemed not negligible.

11 (b) REQUEST FOR COMPENSATION.—Within 90 days
12 after receipt of notice of a final agency action with respect
13 to which compensation is required under subsection (a),
14 a private property owner may submit to the head of the
15 agency a request in writing for compensation under this
16 section.

17 (c) AGENCY OFFER.—Within 180 days after the re-
18 ceipt of a request for compensation submitted in accord-
19 ance with subsection (b) with respect to an agency action,
20 the head of the agency shall stay the agency action and
21 provide to the private property owner an offer to com-
22 pensate the private property owner for the difference be-
23 tween—

1 (1) the fair market value of the property deter-
2 mined based on the value of the property if the
3 agency action were not implemented; minus

4 (2) the fair market value of the property deter-
5 mined based on the value of the property if the
6 agency action were implemented.

7 (d) PRIVATE PROPERTY OWNERS' RESPONSE.—A
8 private property owner shall have 60 days after the date
9 of receipt of an offer under subsection (c) to accept or
10 to reject the offer.

11 (e) ARBITRATION.—If a private property owner re-
12 jects the offer under subsection (c), the private property
13 owner may submit the matter for arbitration to an arbitra-
14 tor appointed by the head of the agency from a list of
15 arbitrators submitted by the American Arbitration Asso-
16 ciation. The arbitrator shall determine the amount of com-
17 pensation to which the property owner is entitled under
18 this section, in accordance with subsection (c) (1) and (2).
19 The arbitration shall be conducted in accordance with the
20 real estate valuation arbitration rules of that association.
21 For purposes of this section, an arbitration is binding on
22 the head of an agency and the private property owner as
23 to the amount, if any, of compensation owed to the private
24 property owner under this section.

1 (f) PAYMENT.—The head of an agency shall pay a
2 private property owner any compensation required under
3 the terms of an offer of the agency head that is accepted
4 by the private property owner in accordance with sub-
5 section (d), or under a decision of an arbiter under sub-
6 section (e), by not later than 60 days after the date of
7 the acceptance or the date of the issuance of the decision,
8 respectively.

9 **SEC. 312. DEFINITIONS.**

10 In this subtitle:

11 (1) The term “private property owner” means
12 a non-Federal person (other than an officer, em-
13 ployee, agent, department, or instrumentality of a
14 State, municipality, or political subdivision of a
15 State, or a State, municipality, or subdivision of a
16 State) that—

17 (A) owns property referred to in paragraph

18 (2) (A) or (B); or

19 (B) holds property referred to in para-
20 graph (2)(C).

21 (2) The term “property” means—

22 (A) land;

23 (B) any interest in land; and

24 (C) any proprietary water right.

1 (3) The term “agency action” has the meaning
2 given that term in section 551(13) of title 5, United
3 States Code.

4 **Subtitle B—Measuring Costs of** 5 **Federal Regulations**

6 **SEC. 321. OMB AND CBO PROJECTIONS OF COSTS OF COM-** 7 **PLYING WITH FEDERAL MANDATES.**

8 (a) OMB REPORT.—Not later than December 31 of
9 each year, the Director of the Office of Management and
10 Budget shall submit to the President a report containing
11 the following information:

12 (1) A projection of the aggregate direct costs
13 that will be incurred in the next full fiscal year by
14 State and local governments in complying with all
15 mandates established by any Federal statutes and
16 regulations.

17 (2) A projection of the aggregate direct costs
18 that will be incurred in the next full fiscal year by
19 the private sector in complying with those mandates.

20 (3) A projection of the costs determined under
21 each of paragraphs (1) and (2) as a percentage of
22 the projected gross domestic product of the United
23 States for the next full fiscal year.

24 (b) CBO REPORT.—Not later than the date each year
25 by which the President is required to submit a budget to

1 the Congress under section 1105 of title 31, United States
2 Code, the Director of the Congressional Budget Office
3 shall submit to the Congress a report containing the infor-
4 mation described in paragraphs (1), (2), and (3) of sub-
5 section (a).

6 **SEC. 322. PRESIDENT'S RECOMMENDATIONS FOR FREEZ-**
7 **ING COSTS OF COMPLYING WITH FEDERAL**
8 **MANDATES.**

9 The President shall submit to the Congress each year
10 with the budget submitted under section 1105 of title 31,
11 United States Code—

12 (1) the most recent report of the Director of
13 the Office of Management and Budget under sub-
14 section (a);

15 (2) any comments of the President with respect
16 to that report; and

17 (3) recommendations of such changes in Fed-
18 eral laws and regulations as are necessary and ap-
19 propriate to ensure that during the fiscal year cov-
20 ered by the budget, the costs referred to in each of
21 paragraphs (1), (2), and (3) of subsection (a) do not
22 exceed the corresponding baseline costs.

23 **SEC. 323. DEFINITIONS.**

24 In this subtitle:

1 (1) **BASELINE COSTS.**—The term “baseline
2 costs” means the projection of costs referred to in
3 each of paragraphs (1), (2), and (3) of section
4 321(a) that is included in the first report of the Di-
5 rector of the Office of Management and Budget
6 under that subsection.

7 (2) **DIRECT COSTS.**—The term “direct costs”
8 means all expenditures occurring as a direct result
9 of complying with a mandate established by a Fed-
10 eral statute or regulation.

11 **Subtitle C—Risk Assessment and**
12 **Cost/Benefit Analyses and Reports**

13 **SEC. 331. ANALYSES AND REPORTS REQUIRED FOR PRO-**
14 **POSED LEGISLATION.**

15 Section 403 of the Congressional Budget Act of 1974
16 is amended—

17 (1) by redesignating paragraphs (3) and (4) as
18 paragraphs (6) and (7), respectively, and by adding
19 after paragraph (2) the following new paragraphs:

20 “(3) an estimate of the costs which would be in-
21 curred by the private sector in carrying out or com-
22 plying with any significant bill or resolution in the
23 fiscal year in which it is to become effective and in
24 each of the 4 fiscal years following such fiscal year;

1 “(4) an estimate of the risks to the public
2 health and safety which would result from any sig-
3 nificant bill or resolution;

4 “(5) an estimate of the effects of any signifi-
5 cant bill or resolution on the economy, including the
6 rate of gross domestic product growth, job loss, and
7 price stability;”;

8 (2) in paragraph (6) (as redesignated), by strik-
9 ing “(1) and (2)” and inserting “(1), (2), and (3)”.

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HR 4585 SC—3

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