

104TH CONGRESS
2D SESSION

H. R. 4142

To amend the Congressional Budget Act of 1974.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 24, 1996

Mr. BARTON of Texas (for himself and Mr. STENHOLM) introduced the following bill; which was referred to the Committee on Budget, and in addition to the Committees on Government Reform and Oversight, and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Congressional Budget Act of 1974.

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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Save Our Savings Act of 1996”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title and table of contents.
Sec. 2. Definitions.

TITLE I—CAP ENTITLEMENTS AND OTHER MANDATORY SPENDING

Sec. 101. Timetable.
Sec. 102. Direct spending caps.

Sec. 103. Economic assumptions.

Sec. 104. Revisions to the caps for entitlements and other mandatory spending.

TITLE II—ENFORCEMENT PROVISIONS

Sec. 201. Reporting excess spending.

Sec. 202. Enforcing direct spending caps.

Sec. 203. Enforcing direct spending limits.

Sec. 204. Exempt programs and activities.

Sec. 205. Special rules.

Sec. 206. The current law baseline.

1 **SEC. 2. DEFINITIONS.**

2 For purposes of this Act:

3 (1) **ELIGIBLE POPULATION.**—The term “eligible
4 population” shall mean those individuals to whom
5 the United States is obligated to make a payment
6 under the provisions of a law creating entitlement
7 authority. Such term shall not include States, local-
8 ities, corporations or other nonliving entities.

9 (2) **SEQUESTER AND SEQUESTRATION.**—The
10 terms “sequester” and “sequestration” refer to or
11 mean the cancellation of budgetary resources pro-
12 vided by discretionary appropriations or direct
13 spending law.

14 (3) **BREACH.**—The term “breach” means, for
15 any fiscal year, the amount (if any) by which outlays
16 for that year (within a category of direct spending)
17 is above that category’s direct spending cap for that
18 year.

19 (4) **BASELINE.**—The term “baseline” means
20 the projection (described in section 206) of current

1 levels of new budget authority, outlays, receipts, and
2 the surplus or deficit into the budget year and the
3 outyears.

4 (5) BUDGETARY RESOURCES.—The term
5 “budgetary resources” means new budget authority,
6 unobligated balances, direct spending authority, and
7 obligation limitations.

8 (6) DISCRETIONARY APPROPRIATIONS.—The
9 term “discretionary appropriations” means budg-
10 etary resources (except to fund direct spending pro-
11 grams) provided in appropriation Acts. If an appro-
12 priation Act alters the level of direct spending or off-
13 setting collections, that effect shall be treated as di-
14 rect spending. Classifications of new accounts or ac-
15 tivities and changes in classifications shall be made
16 in consultation with the Committees on Appropria-
17 tions and the Budget of the House of Representa-
18 tives and the Senate and with CBO and OMB.

19 (7) DIRECT SPENDING.—The term “direct
20 spending” means—

21 (A) budget authority provided by law other
22 than appropriation Acts, including entitlement
23 authority;

24 (B) entitlement authority; and

25 (C) the food stamp program.

1 If a law other than an appropriation Act alters the
2 level of discretionary appropriations or offsetting col-
3 lections, that effect shall be treated as direct spend-
4 ing.

5 (8) ENTITLEMENT AUTHORITY.—The term “en-
6 titlement authority” means authority (whether tem-
7 porary or permanent) to make payments (including
8 loans and grants), the budget authority for which is
9 not provided for in advance by appropriation Acts,
10 to any person or government if, under the provisions
11 of the law containing such authority, the United
12 States is obligated to make such payments to per-
13 sons or governments who meet the requirements es-
14 tablished by such law.

15 (9) CURRENT.—The term “current” means,
16 with respect to OMB estimates included with a
17 budget submission under section 1105(a) of title 31
18 U.S.C., the estimates consistent with the economic
19 and technical assumptions underlying that budget.

20 (10) ACCOUNT.—The term “account” means an
21 item for which there is a designated budget account
22 designation number in the President’s budget.

23 (11) BUDGET YEAR.—The term “budget year”
24 means the fiscal year of the Government that starts
25 on the next October 1.

1 (12) CURRENT YEAR.—The term “current
2 year” means, with respect to a budget year, the fis-
3 cal year that immediately precedes that budget year.

4 (13) OUTYEAR.—The term “outyear” means,
5 with respect to a budget year, any of the fiscal years
6 that follow the budget year.

7 (14) OMB.—The term “OMB” means the Di-
8 rector of the Office of Management and Budget.

9 (15) CBO.—The term “CBO” means the Di-
10 rector of the Congressional Budget Office.

11 (16) BUDGET OUTLAYS AND OUTLAYS.—The
12 terms “budget outlays” and “outlays” mean, with
13 respect to any fiscal year, expenditures of funds
14 under budget authority during such year.

15 (17) BUDGET AUTHORITY AND NEW BUDGET
16 AUTHORITY.—The terms “budget authority” and
17 “new budget authority” have the meanings given to
18 them in section 3 of the Congressional Budget and
19 Impoundment Control Act of 1974.

20 (18) TAX EXPENDITURES.—The term “tax ex-
21 penditures” means those revenue losses attributable
22 to provisions of the Federal tax laws which allow a
23 special exclusion, exemption, or deduction from gross
24 income or which provide a special credit, a pref-
25 erential rate of tax, or a deferral of tax liability.

1 (19) TAX EXPENDITURES BUDGET.—The term
2 “tax expenditures budget” means an enumeration of
3 such tax expenditures.

4 (20) APPROPRIATION ACT.—The term “appropriation Act” means an Act referred to in section
5 105 of title 1 of the United States Code.

7 (21) DEFICIT.—The term “deficit” means, with
8 respect to a fiscal year, the amount by which outlays
9 exceed receipts during that year.

10 (22) SURPLUS.—The term “surplus” means,
11 with respect to a fiscal year, the amount by which
12 receipts exceed outlays during that year.

13 (23) GOVERNMENT-SPONSORED ENTERPRISE.—
14 The term “government-sponsored enterprise” means
15 a corporate entity created by a law of the United
16 States that—

17 (A) has a Federal charter authorized by
18 law;

19 (B) is privately owned, as evidenced by
20 capital stock owned by private entities or indi-
21 viduals;

22 (C) is under the direction of a board of di-
23 rectors, a majority of which is elected by private
24 owners;

1 (D) is a financial institution with power
2 to—

3 (i) make loans or loan guarantees for
4 limited purposes such as to provide credit
5 for specific borrowers or one sector; and

6 (ii) raise funds by borrowing (which
7 does not carry the full faith and credit of
8 the Federal Government) or to guarantee
9 the debt of others in unlimited amounts;

10 (iii) does not exercise powers that are
11 reserved to the Government as sovereign
12 (such as the power to tax or to regulate
13 interstate commerce);

14 (iv) does not have the power to com-
15 mit the Government financially (but it may
16 be a recipient of a loan guarantee commit-
17 ment made by the Government); and

18 (v) has employees whose salaries and
19 expenses are paid by the enterprise and
20 are not Federal employees subject to title
21 5 of the United States Code.

22 (23) SALE OF AN ASSET.—The term “sale of an
23 asset” means the sale to the public of any physical
24 asset owned in whole or in part by the United
25 States.

1 (24) DIRECT SPENDING CAPS.—The term “di-
 2 rect spending caps” means the nominal dollar limits
 3 for entitlements and other mandatory spending pur-
 4 suant to section 102 (as modified by any revisions
 5 provided for in this Act).

6 **SEC. 101. TIMETABLE.**

On or before:	Action to be completed:
January 15	CBO economic and budget update.
First Monday in February	President’s budget. Includes seques- tration update based on new as- sumptions.
July 1	Cut off for in-session sequester.
August 1	Baseline update—OMB and CBO.
August 15	Preview report.
October 1	Start of new fiscal year.
December 15	OMB issues final (look back) report for prior year and preview for cur- rent year.
December 15	Presidential sequester order.

7 **SEC. 102. DIRECT SPENDING CAPS.**

8 Effective upon the date of enactment of this Act, the
 9 following direct spending caps shall apply to all entitle-
 10 ment authority except for undistributed offsetting receipts
 11 and net interest outlays.

[Fiscal years—\$ in millions]

	1997	1998	1999	2000	2001	2002
Medicaid	\$106,505	\$113,524	\$120,576	\$128,327	\$135,318	\$144,758
Food stamps	26,001	25,763	26,963	28,282	29,513	30,715
Supplemental security in- come	25,944	25,457	27,011	31,737	28,844	33,910
Family support	19,673	20,189	20,832	21,319	21,701	21,791
Earned income tax credit	19,746	20,438	21,228	22,106	22,919	23,642
Social security	365,403	383,402	402,351	422,412	444,081	466,767
Medicare	188,684	204,807	217,543	232,051	248,109	266,981
Federal retirement:						
Civilian/other	46,030	48,448	51,044	53,8888	56,689	59,680
Military	29,848	30,881	31,949	33,022	34,122	35,259
Unemployment compensa- tion	25,555	26,613	27,644	28,698	29,814	30,989
Veterans’ benefits	20,179	20,499	20,644	22,243	19,643	21,131

[Fiscal years—\$ in millions]

	1997	1998	1999	2000	2001	2002
Other entitlements and mandatory spending	26,421	36,887	34,352	36,269	36,760	36,524
Total entitlements and other manda- tory spending	899,989	956,908	1,002,137	1,060,311	1,107,470	1,172,285

1 SEC. 103. ECONOMIC ASSUMPTIONS.

2 Subject to periodic reestimation based on changed
3 economic conditions or changes in eligible population, de-
4 terminations of the direct spending caps under section
5 102, any breaches of such caps, and actions necessary to
6 remedy such breaches shall be based on the following eco-
7 nomic assumptions (Fiscal Years).

8

	Prelimi- nary ¹ 1996	Forecast					
		1997	1998	1999–	2000	2001	2002
Nominal GDP (billions of dollars)	7,491	7,853	8,225	8,627	9,047	9,489	9,952
Nominal GDP (percentage change)	4.3	4.8	4.7	4.9	4.9	4.9	4.9
Real GDP ² (percentage change)	1.8	2.0	2.0	2.1	2.1	2.1	2.1
Chain-type GDP price:							
Index (percent change)	2.6	2.8	2.7	2.7	2.7	2.7	2.7
CPI-U ³ (percentage change)	2.7	3.1	3.1	2.9	2.9	2.9	3.0
Unemployment rate (percent)	5.7	6.0	6.0	6.0	6.0	6.0	6.0
20 Three-month Treasury bill rate (percent)	5.0	4.8	4.8	4.8	4.8	4.8	4.8
Ten-year Treasury note rate (per- cent)	6.0	6.3	6.4	6.4	6.4	6.4	6.4
Tax bases (billions of dollars):							
Corporate profits	595	609	618	618	626	643	665
Other taxable income	1,578	1,643	1,731	1,834	1,933	2,033	2,132
Wage and salary disbursements	3,548	3,719	3,889	4,076	4,272	4,475	4,688
Total	5,721	5,972	6,237	6,529	6,831	7,151	7,485
Tax bases (percentage of GDP):							
Corporate profits	7.9	7.8	7.5	7.2	6.0	6.9	6.8
Other taxable income	21.1	20.9	21.0	21.3	21.4	21.4	21.4
Wage and salary disbursements	47.4	47.4	47.3	47.3	47.2	47.2	47.1
Total	76.4	76.0	75.8	75.7	75.5	75.4	75.2

Source: The Congressional Budget Office. The Economic and Budget Outlook: Fiscal Year 1997–2006, p. 15.

¹ Consistent with the first official estimate for 1995 published on March 5, 1996.

² Based on chained (1992) dollars.

³ CPI-U is the Consumer Price Index for all Urban Consumers.

1 **SEC. 104. REVISIONS TO THE CAPS FOR ENTITLEMENTS**
2 **AND OTHER MANDATORY SPENDING**

3 (a) **AUTOMATIC ADJUSTMENTS TO CAPS FOR ENTI-**
4 **TLEMENTS AND OTHER MANDATORY SPENDING.**—When
5 the President submits the budget under section 1105(a)
6 of title 31, United States Code, for any year, OMB shall
7 calculate (in the order set forth below), and the budget
8 and reports shall include, adjustments to the direct spend-
9 ing caps (and those limits as cumulatively adjusted) for
10 the current year, the budget year, and each outyear, to
11 reflect the following:

12 (1) **CHANGES IN CONCEPTS AND DEFINI-**
13 **TIONS.**—The adjustments produced by changes in
14 concepts and definitions shall equal the baseline lev-
15 els of new budget authority and outlays using up-to-
16 date concepts and definitions minus those levels
17 using the concepts and definitions in effect before
18 such changes. Such changes in concepts and defini-
19 tions may only be made in consultation with the
20 Committees on Appropriations, the Budget, and
21 Government Reform and Oversight and Govern-
22 mental Affairs of the House of Representatives and
23 the Senate.

24 (2) **CHANGES IN NET OUTLAYS.**—Changes in
25 net outlays for all programs and activities exempt
26 from sequestration under section 204.

1 (3) CHANGES IN INFLATION.—Inflation adjust-
2 ment factors shall equal the ratio between the level
3 of year-over-year inflation measured for the fiscal
4 year most recently completed and the applicable esti-
5 mated level for that year as set forth in the table at
6 section 103 (Economic Assumptions). Inflation shall
7 be measured as follows: for indexed programs, infla-
8 tion shall be measured by the changes in the index
9 specified in law; for programs providing health care,
10 inflation shall be measured by changes in the
11 consumer price index for all urban consumers for
12 medical care components (CPI-U medical care); and
13 for all other programs, inflation shall be measured
14 by changes in the consumer price index for all urban
15 consumers (CPI-U). The baseline and the direct
16 spending caps shall be adjusted to reflect those
17 changes.

18 (4) CHANGES IN ELIGIBLE POPULATIONS.—
19 Changes in the projection of the number of eligible
20 beneficiaries from the projections in the calculation
21 of CBO's Estimates of the President's Budgetary
22 Proposals contained in The Economic and Budget
23 Outlook: Fiscal Years 1997–2006.

24 (5) INTRA-BUDGETARY PAYMENTS.—From dis-
25 cretionary accounts to mandatory accounts. The

1 baseline and the discretionary spending caps shall be
2 adjusted to reflect those changes.

3 (b) PERMISSIBLE REVISIONS TO DIRECT SPENDING
4 CAPS.—Direct spending caps as enacted pursuant to sec-
5 tion 102 may be revised as follows: Except as required
6 pursuant to section 104(a), direct spending caps may only
7 be amended by recorded vote. It shall be a matter of high-
8 est privilege in the House of Representatives and the Sen-
9 ate for a Member of the House of Representatives or the
10 Senate to insist on a recorded vote solely on the question
11 of amending such caps. It shall not be in order for the
12 Committee on Rules of the House of Representatives to
13 report a resolution waiving the provisions of this sub-
14 section. This subsection may be waived in the Senate only
15 by an affirmative vote of three-fifths of the Members duly
16 chosen and sworn.

17 **TITLE II—ENFORCEMENT**
18 **PROVISIONS**

19 **SEC. 201. REPORTING EXCESS SPENDING.**

20 (a) ANALYSIS OF ACTUAL SPENDING LEVELS.—Fol-
21 lowing the end of any fiscal year OMB shall compile a
22 statement of actual direct spending for that year. The
23 statement shall identify such spending by categories con-
24 tained in section 102.

1 (b) ESTIMATE OF NECESSARY SPENDING REDUC-
2 TION.—Based on the statement provided under subsection
3 (a), the OMB shall issue a report to the President and
4 the Congress on December 15 of any year in which such
5 statement identifies actual or projected spending in the
6 current or immediately preceding fiscal years in excess of
7 the applicable total direct spending caps in section 102,
8 as adjusted pursuant to section 104, by more than one
9 percent of the applicable total direct spending caps for
10 such year. The report shall include:

11 (1) All instances in which actual direct spend-
12 ing has exceeded the applicable direct spending cap.

13 (2) The difference between the amount of
14 spending available under the direct spending caps
15 for the current year and estimated actual spending
16 for the categories associated with such caps.

17 (3) The amounts by which direct spending must
18 be reduced in the current fiscal year so that total ac-
19 tual and estimated direct spending for all cap cat-
20 egories for the current and immediately preceding
21 fiscal years shall not exceed the amounts available
22 under the direct spending caps for such fiscal years.

23 (4) The amount of excess spending attributable
24 solely to changes in inflation or eligible populations.

25 (c) TIMETABLE.—

Date:	Actions to be completed:
January 15	CBO economic and budget update.
First Monday in February	President’s budget (includes sequestration update based on new assumptions).
August 1	CBO and OMB updates.
August 15	Preview report.
December 15	OMB issues final (look back) report for prior year and preview for current year.
December 15	Presidential sequester order.

1 **SEC. 202. ENFORCING DIRECT SPENDING CAPS.**

2 (a) GENERAL STATEMENT ON SPENDING CAPS.—

3 This title provides enforcement of the direct spending caps
 4 on categories of spending established pursuant to section
 5 102. This section shall apply for any fiscal year in which
 6 direct spending exceeds the applicable direct spending cap.

7 (b) OVERALL RULES.—

8 (1) ELIMINATING A BREACH.—Each non-ex-
 9 empt account within a category shall be reduced by
 10 a dollar amount calculated by multiplying the base-
 11 line level of sequestrable budgetary resources in that
 12 account at that time by the uniform percentage nec-
 13 essary to eliminate a breach within that category.

14 (2) PROGRAMS, PROJECTS, OR ACTIVITIES.—

15 Except as otherwise provided, the same percentage
 16 sequestration shall apply to all programs, projects
 17 and activities within a budget account (with pro-
 18 grams, projects and activities as delineated in the
 19 appropriation Act or accompanying report for the
 20 relevant fiscal year covering that account, or for

1 amounts not included in appropriation Acts, as iden-
2 tified in the section “Federal Programs by Agency
3 and Account” as it appears in the Analytical Per-
4 spectives to the President’s FY 1997 Budget Pro-
5 posal beginning at page 383.

6 (3) ADMINISTRATIVE EXPENSES ASSOCIATED
7 WITH CERTAIN PROGRAMS.—Notwithstanding any
8 exemption, general rule or special rule in this Act,
9 administrative expenses associated with all programs
10 shall be fully subject to sequestration under this sec-
11 tion.

12 (4) INDEFINITE AUTHORITY.—Except as other-
13 wise provided, sequestration in accounts for which
14 obligations are indefinite shall be taken in a manner
15 to ensure that obligations in the fiscal year of a se-
16 questration and succeeding fiscal years are reduced,
17 from the level that would actually have occurred, by
18 the applicable sequestration percentage or percent-
19 ages.

20 (5) CANCELLATION OF BUDGETARY RE-
21 SOURCES.—Budgetary resources sequestered from
22 any account other than an entitlement trust, special
23 or revolving fund account shall revert to the Treas-
24 ury and be permanently canceled or repealed.

1 (6) IMPLEMENTING REGULATIONS.—Adminis-
2 trative regulations or similar actions implementing
3 the sequestration of a program or activity shall be
4 made within 30 days of the effective date of the se-
5 questration of that program or activity.

6 **SEC. 203. ENFORCING DIRECT SPENDING LIMITS.**

7 (a) IN GENERAL.—All direct spending (except mat-
8 ters exempted from the caps under section 204) shall be
9 subject to caps on total direct spending outlays for each
10 fiscal year. Consistent with the cap on total outlays, sepa-
11 rate caps are established for—

12 (1) any program (named in the table at section
13 102,

14 (2) such other program or groups of programs
15 for which additional caps shall be established in sub-
16 sequent legislation, and

17 (3) the remainder of direct spending programs,
18 except that the separate caps in section 102, plus any ad-
19 ditional direct spending under such additional separate
20 caps as shall be established in subsequent legislation, shall
21 not exceed the cap for total direct spending in section 102,
22 as adjusted in accordance with section 104.

23 (b) GENERAL RULES.—For programs subject to di-
24 rect spending caps:

1 (1) TRIGGERING OF SEQUESTRATION.—Seques-
2 tration is triggered if total direct spending subject to
3 the caps exceeds or is projected to exceed the aggre-
4 gate cap for direct spending for the current or im-
5 mediately preceding fiscal year.

6 (2) CALCULATION OF REDUCTIONS.—Seques-
7 tration shall reduce spending under each separate
8 direct spending cap in proportion to the amounts
9 each category of direct spending contributes or con-
10 tributed to the overage.

11 (3) UNIFORM PERCENTAGES.—In calculating
12 the uniform percentage applicable to the sequestra-
13 tion of all spending programs or activities within
14 each category, or the uniform percentage applicable
15 to the sequestration of nonexempt direct spending
16 programs or activities, the sequestrable base for di-
17 rect spending programs and activities is the total
18 level of outlays for the fiscal year for those programs
19 or activities in the current law baseline.

20 (4) PERMANENT SEQUESTRATION OF DIRECT
21 SPENDING.—Obligations in sequestered direct spend-
22 ing accounts shall be reduced in the fiscal year in
23 which a sequestration occurs and in all succeeding
24 fiscal years. Notwithstanding any other provision of
25 this section, after the first direct spending seques-

1 tration, any later sequestration shall reduce direct
2 spending by an amount in addition to, rather than
3 in lieu of, the reduction in direct spending in place
4 under the existing sequestration or sequestrations.

5 (5) SPECIAL RULE.—For any direct spending
6 program in which—

7 (A) outlays pay for entitlement benefits;

8 (B) a current-year sequestration takes ef-
9 fect after the 1st day of the budget year;

10 (C) that delay reduces the amount of enti-
11 tlement authority that is subject to sequestra-
12 tion in the budget; and

13 (D) the uniform percentage otherwise ap-
14 plicable to the budget-year sequestration of a
15 program or activity is increased due to the
16 delay;

17 then it shall revert to the uniform percentage cal-
18 culated under paragraph (3) when the budget year
19 is completed.

20 (6) INDEXED BENEFIT PAYMENTS.—If, under
21 any entitlement program—

22 (A) benefit payments are made to persons
23 or governments more frequently than once a
24 year; and

1 (B) the amount of entitlement authority is
2 periodically adjusted under existing law to re-
3 flect changes in a price index (commonly called
4 “cost of living adjustments”);
5 sequestration shall first be applied to the cost of liv-
6 ing adjustment before reductions are made to the
7 base benefit. For the first fiscal year to which a se-
8 questration order applies, the benefit payment re-
9 ductions in such programs accomplished by the
10 order shall take effect starting with the payment
11 made at the beginning of January following a final
12 sequester order. For the purposes of this subsection
13 Veterans Compensation shall be considered a pro-
14 gram that meets the conditions of the preceding sen-
15 tence.

16 (7) LOAN PROGRAMS.—For all loans made, ex-
17 tended or otherwise modified on or after the date of
18 sequestration, under loan programs subject to direct
19 spending caps—

20 (A) the sequestrable base shall be total
21 fees associated with all loans made extended or
22 otherwise modified on or after the date of se-
23 questration; and

24 (B) the fees paid by borrowers shall be in-
25 creased by a uniform percentage sufficient to

1 produce the dollar savings in such loan pro-
2 grams for the fiscal year or years of the seques-
3 trations required by this section.

4 Notwithstanding any other provision of law, in any
5 year in which a sequester is in effect, all subsequent
6 fees shall be increased by the uniform percentage
7 and all proceeds from such fees shall be paid into
8 the general fund of the Treasury.

9 (8) INSURANCE PROGRAMS.—Any sequestration
10 in a Federal program that sells insurance contracts
11 to the public (including the Federal Crop Insurance
12 Fund, the National Insurance Development Fund,
13 the National Flood Insurance fund, insurance activi-
14 ties of the Overseas Private Insurance Corporation,
15 and Veterans' Life insurance programs) shall be ac-
16 complished by increasing premiums on contracts en-
17 tered into extended or otherwise modified, after the
18 date a sequestration order takes effect by the uni-
19 form sequestration percentage. Notwithstanding any
20 other provision of law, for any year in which a se-
21 quester affecting such programs is in effect, subse-
22 quent premiums shall be increased by the uniform
23 percentage and all proceeds from the premium in-
24 crease shall be paid from the insurance fund or ac-
25 count to the general fund of the Treasury.

1 (9) STATE GRANT FORMULAS.—For all State
2 grant programs subject to direct spending caps—

3 (A) the total amount of funds available for
4 all states shall be reduced by the amount re-
5 quired to be sequestered; and

6 (B) if in the absence of caps states would
7 receive increased funding in the budget year
8 compared to the immediately preceding fiscal
9 year, sequestration shall first be applied to the
10 estimated increases before reductions are made
11 compared to actual payments to states in the
12 previous year—

13 (i) the reductions shall be applied first
14 to the total estimated increases for all
15 states; then

16 (ii) the uniform reduction shall be
17 made from each state's grant; and

18 (iii) the uniform reduction shall apply
19 to the base funding levels available to
20 states in the immediately preceding fiscal
21 year only to the extent necessary to elimi-
22 nate any remaining excess over the appli-
23 cable direct spending cap.

24 (10) SPECIAL RULE FOR CERTAIN PRO-
25 GRAMS.—Except matters exempted under sec-

1 tion 204 and programs subject to special rules
2 set forth under section 205 and notwithstand-
3 ing any other provisions of law, any sequestra-
4 tion required under this Act shall reduce benefit
5 levels by an amount sufficient to eliminate all
6 excess spending identified in the report issued
7 pursuant to section 201, while maintaining the
8 same uniform percentage reduction in the mon-
9 etary value of benefits subject to reduction
10 under this subsection.

11 (c) **WITHIN SESSION SEQUESTER.**—If a bill or reso-
12 lution providing direct spending for a fiscal year in
13 progress is enacted before July 1 of that fiscal year and
14 causes a breach within a direct spending cap or caps for
15 that fiscal year, 15 days later there shall be a sequestra-
16 tion to eliminate that breach within that cap or caps fol-
17 lowing the procedures set forth in subsection (a).

18 **SEC. 204. EXEMPT PROGRAMS AND ACTIVITIES.**

19 The following budget accounts, activities within ac-
20 counts, or income shall be exempt from sequestration—

21 (1) net interest;

22 (2) all payments to trust funds from excise
23 taxes or other receipts or collections properly cred-
24 itable to those trust funds;

25 (3) offsetting receipts and collections;

1 (4) all payments from one Federal direct spend-
2 ing budget account to another Federal budget ac-
3 count;

4 (5) all intragovernmental funds including those
5 from which funding is derived primarily from other
6 Government accounts;

7 (6) expenses to the extent they result from pri-
8 vate donations, bequests, or voluntary contributions
9 to the Government;

10 (7) nonbudgetary activities, including but not
11 limited to—

12 (A) credit liquidating and financing ac-
13 counts;

14 (B) the Pension Benefit Guarantee Cor-
15 poration Trust Funds;

16 (C) the Thrift Savings Fund;

17 (D) the Federal Reserve System; and

18 (E) appropriations for the District of Co-
19 lumbia to the extent they are appropriations of
20 locally raised funds;

21 (8) payments resulting from Government insur-
22 ance, Government guarantees, or any other form of
23 contingent liability, to the extent those payments re-
24 sult from contractual or other legally binding com-

1 mitments of the Government at the time of any se-
2 questration;

3 (9) the following accounts, which largely fulfill
4 requirements of the Constitution or otherwise make
5 payments to which the Government is committed—

6 Bureau of Indian Affairs, miscellaneous
7 trust funds, tribal trust funds (14-9973-0-7-
8 999);

9 Claims, defense;

10 Claims, judgments and relief act (20-
11 1895-0-1-806);

12 Compact of Free Association, economic as-
13 sistance pursuant to Public Law 99-658 (14-
14 0415-0-1-806);

15 Compensation of the President (11-0001-
16 0-1-802);

17 Customs Service, miscellaneous permanent
18 appropriations (20-9992-0-2-852);

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

21 Farm Credit System Financial Assistance
22 Corporation, interest payments (20-1850-0-1-
23 351);

24 Internal Revenue collections of Puerto Rico
25 (20-5737-0-2-852);

1 Payments of Vietnam and USS Pueblo
2 prisoner-of-war claims (15-0104-0-1-153):

3 Payments to copyright owners (03-5175-
4 0-2-376);

5 Salaries of Article III judges (not including
6 cost of living adjustments);

7 Soldier's and Airman's Home, payment of
8 claims (84-8930-0-7-705);

9 Washington Metropolitan Area Transit Au-
10 thority, interest payments (46-0300-0-1-401);

11 (10) the following noncredit special, revolving,
12 or trust-revolving funds—

13 Exchange Stabilization Fund (20-4444-0-
14 3-155); and

15 Foreign Military Sales trust fund (11-
16 82232-0-7-155).

17 (j) OPTIONAL EXEMPTION OF MILITARY PERSON-
18 NEL.—

19 (1) The President may, with respect to any
20 military personnel account, exempt that account
21 from sequestration or provide for a lower uniform
22 percentage reduction that would otherwise apply.

23 (2) The President may not use the authority
24 provided by paragraph (1) unless he notifies the
25 Congress of the manner in which such authority will

1 be exercised on or before the initial snapshot date
2 for the budget year.

3 **SEC. 205. SPECIAL RULES.**

4 (a) CHILD SUPPORT ENFORCEMENT PROGRAM.—

5 Any sequestration order shall accomplish the full amount
6 of any required reduction in payments under sections 455
7 and 458 of the Social Security Act by reducing the Fed-
8 eral matching rate for State administrative costs under
9 the program, as specified (for the fiscal year involved) in
10 section 455(a) of such Act, to the extent necessary to re-
11 duce such expenditures by that amount.

12 (b) COMMODITY CREDIT CORPORATION.—

13 (1) EFFECTIVE DATE.—For the Commodity
14 Credit Corporation, the date on which a sequestra-
15 tion order takes effect in a fiscal year shall vary for
16 each crop of a commodity. In general, the sequestra-
17 tion order shall take effect when issued, but for each
18 crop of a commodity for which 1-year contracts are
19 issued as an entitlement, the sequestration order
20 shall take effect with the start of the sign-up period
21 for that crop that begins after the sequestration
22 order is issued. Payments for each contract in such
23 a crop shall be reduced under the same terms and
24 conditions.

25 (2) DAIRY PROGRAM.—

1 (A) As the sole means of achieving any re-
2 duction in outlays under the milk price-support
3 program, the Secretary of Agriculture shall pro-
4 vide for a reduction to be made in the price re-
5 ceived by producers for all milk in the United
6 States and marketed by producers for commer-
7 cial use.

8 (B) That price reduction (measured in
9 cents per hundred-weight of milk marketed)
10 shall occur under subparagraph (A) of section
11 201(d)(2) of the Agricultural Act of 1949 (7
12 U.S.C. 1446(d)(2)(A)), shall begin on the day
13 any sequestration order is issued, and shall not
14 exceed the aggregate amount of the reduction
15 in outlays under the milk price-support pro-
16 gram, that otherwise would have been achieved
17 by reducing payments made for the purchase of
18 milk or the products of milk under this sub-
19 section during that fiscal year.

20 (3) EFFECT OF DELAY.—For purposes of sub-
21 section (b)(1), the sequestrable base for Commodity
22 Credit Corporation is the current-year level of gross
23 outlays resulting from new budget authority that is
24 subject to reduction under paragraphs (1) and (2).

1 (4) CERTAIN AUTHORITY NOT TO BE LIM-
2 ITED.—Nothing in this Act shall restrict the Cor-
3 poration in the discharge of its authority and re-
4 sponsibility as a corporation to buy and sell com-
5 modities in world trade, or limit or reduce in any
6 way any appropriation that provides the Corporation
7 with funds to cover its realized losses.

8 (c) EARNED INCOME TAX CREDIT.—

9 (1) The sequestrable base for earned income
10 tax credit program is the dollar value of all current
11 year benefits to the entire eligible population.

12 (2) In the event sequestration is triggered to re-
13 duce earned income tax credits, all earned income
14 tax credits shall be reduced, whether or not such
15 credits otherwise would result in cash payments to
16 beneficiaries, by a uniform percentage sufficient to
17 produce the dollar savings required by the sequestra-
18 tion.

19 (d) REGULAR AND EXTENDED UNEMPLOYMENT
20 COMPENSATION.—

21 (1) A State may reduce each weekly benefit
22 payment made under the regular and extended un-
23 employment benefit programs for any week of unem-
24 ployment occurring during any period with respect
25 to which payments are reduced under any sequestra-

1 tion order by a percentage not to exceed the percent-
2 age by which the Federal payment to the State is to
3 be reduced for such week as a result of such order.

4 (2) A reduction by a State in accordance with
5 paragraph (1) shall not be considered as a failure to
6 fulfill the requirements of section 3304(a)(11) of the
7 Internal Revenue Code of 1986.

8 (e) FEDERAL EMPLOYEES HEALTH BENEFITS
9 FUND.— For the Federal Employees Health Benefits
10 Fund, a sequestration order shall take effect with the next
11 open season. The sequestration shall be accomplished by
12 annual payments from that Fund to the General Fund of
13 the Treasury. Those annual payments shall be financed
14 solely by charging higher premiums. The sequestrable base
15 for the Fund is the current-year level of gross outlays re-
16 sulting from claims paid after the sequestration order
17 takes effect.

18 (f) FEDERAL HOUSING FINANCE BOARD.— Any se-
19 questration of the Federal Housing Board shall be accom-
20 plished by annual payments (by the end of each fiscal
21 year) from that Board to the general fund of the Treasury,
22 in amounts equal to the uniform sequestration percentage
23 for that year times the gross obligations of the Board in
24 that year.

25 (g) FEDERAL PAY.—

1 (1) IN GENERAL.— New budget authority to
2 pay Federal personnel from direct spending accounts
3 shall be reduced by the uniform percentage cal-
4 culated under section 203(c)(3), as applicable, but
5 no sequestration order may reduce or have the effect
6 of reducing the rate of pay to which any individual
7 is entitled under any statutory pay system (as in-
8 creased by any amount payable under section 5304
9 of title 5, United States Code, or any increase in
10 rates of pay which is scheduled to take effect under
11 section 5303 of title 5, United States Code, section
12 1109 of title 37, United States Code, or any other
13 provision of law.

14 (2) DEFINITIONS.—For purposes of this sub-
15 section—

16 (A) the term “statutory pay system” shall
17 have the meaning given that term in section
18 5302(1) of title 5, United States Code;

19 (B) the term “elements of military pay”
20 means—

21 (i) the elements of compensation of
22 members of the uniformed services speci-
23 fied in section 1009 of title 37, United
24 States Code;

1 (ii) allowances provided members of
2 the uniformed services under sections
3 403(a) and 405 of such title; and

4 (iii) cadet pay and midshipman pay
5 under section 203(c) of such title; and

6 (C) the term “uniformed services” shall
7 have the same meaning given that term in sec-
8 tion 101(3) of title 37, United States Code.

9 (h) MEDICARE.—

10 (1) TIMING OF APPLICATION OF REDUC-
11 TIONS.—

12 (A) IN GENERAL.— Except as provided in
13 subparagraph (B), if a reduction is made in
14 payment amounts pursuant to sequestration
15 order, the reduction shall be applied to payment
16 for services furnished after the effective date of
17 the order. For purposes of the previous sen-
18 tence, in the case of inpatient services furnished
19 for an individual, the services shall be consid-
20 ered to be furnished on the date of the individ-
21 ual’s discharge from the inpatient facility.

22 (B) PAYMENT ON THE BASIS OF COST RE-
23 PORTING PERIODS.— In the case in which pay-
24 ment for services of a provider of services is
25 made under title XVIII of the Social Security

1 Act on a basis relating to the reasonable cost
2 incurred for the services during a cost reporting
3 period of the provider, if a reduction is made in
4 payment amounts pursuant to a sequestration
5 order, the reduction shall be applied to payment
6 for costs for such services incurred at any time
7 during each cost reporting period of the pro-
8 vider any part of which occurs after the effec-
9 tive date of order, but only (for each such cost
10 reporting period) in the same proportion as the
11 fraction of the cost reporting period that occurs
12 after the effective date of the order.

13 (2) NO INCREASE IN BENEFICIARY CHARGES IN
14 ASSIGNMENT-RELATED CASES.—If a reduction in
15 payment amounts is made pursuant to a sequestra-
16 tion order for services for which payment under part
17 B of title XVIII of the Social Security Act is made
18 on the basis of an assignment described in section
19 1842(b)(3)(B)(ii), in accordance with section
20 1842(b)(6)(B), or under the procedure described in
21 section 1870(f)(1) of such Act, the person furnishing
22 the services shall be considered to have accepted
23 payment of the reasonable charge for the services,
24 less any reduction in payment amount made pursu-
25 ant to a sequestration order, as payment in full.

1 (3) PART B PREMIUMS.—In computing the
2 amount and method of sequestration from part B of
3 title XVIII of the Social Security Act—

4 (A) the amount of sequestration shall be
5 calculated by multiplying the total amount by
6 which Medicare spending exceeds the appro-
7 priate spending cap by a percentage that re-
8 flects the ratio of total spending under Part B
9 to total Medicare spending; and

10 (B) sequestration in the Part B program
11 shall be accomplished by increasing premiums
12 to beneficiaries.

13 (4) NO EFFECT ON COMPUTATION OF AAPCC.—
14 In computing the adjusted average per capita cost
15 for purposes of section 1876(a)(4) of the Social Se-
16 curity Act, the Secretary of Health and Human
17 Services shall not take into account any reductions
18 in payment amounts which have been or may be ef-
19 fected under this part.

20 (i) POSTAL SERVICE FUND.— Any sequestration of
21 the Postal Service Fund shall be accomplished by annual
22 payments from that Fund to the General Fund of the
23 Treasury, and the Postmaster General of the United
24 States and shall have the duty to make those payments
25 during the first fiscal year to which the sequestration

1 order applies and each succeeding fiscal year. The amount
2 of each annual payment shall be—

3 (1) the uniform sequestration percentage, times

4 (2) the estimated gross obligations of the Postal
5 Service Fund in that year other than those obliga-
6 tions financed with an appropriation for revenue for-
7 gone that year.

8 Any such payment for a fiscal year shall be made as soon
9 as possible during the fiscal year, except that it may be
10 made in installments within that year if the payment
11 schedule is approved by the Secretary of the Treasury.
12 Within 30 days after the sequestration order is issued, the
13 Postmaster General shall submit to the Postal Rate Com-
14 mission a plan for financing the annual payment for that
15 fiscal year and publish that plan in the Federal Register.
16 The plan may assume efficiencies in the operation of the
17 Postal Service, reductions in capital expenditures, in-
18 creases in the prices of services, or any combination, but
19 may not assume a lower Fund surplus or higher Fund
20 deficit and must follow the requirements of existing law
21 governing the Postal Service in all other respects. Within
22 30 days of the receipt of that plan, the Postal Rate Com-
23 mission shall approve the plan or modify it in the manner
24 that modifications are allowed under current law. If the
25 Postal Rate Commission does not respond to the plan

1 within 30 days, the plan submitted by the Postmaster
2 General shall go into effect. Any plan may be later revised
3 by the submission of a new plan to the Postal Rate Com-
4 mission, which may approve or modify it.

5 (j) POWER MARKETING ADMINISTRATIONS AND
6 T.V.A.— Any sequestration of the Department of Energy
7 power marketing administration funds or the Tennessee
8 Valley Authority fund shall be accomplished by annual
9 payments from those funds to the General Fund of the
10 Treasury, and the administrators of those funds shall have
11 the duty to make those payments during the fiscal year
12 to which the sequestration order applies and each succeed-
13 ing fiscal year. The amount of each payment by a fund
14 shall be—

15 (1) the direct spending uniform sequestration
16 percentage, times

17 (2) the estimated gross obligations of the fund
18 in that year other than those obligations financed
19 from discretionary appropriations for that year.

20 Any such payment for a fiscal year shall be made as soon
21 as possible during the fiscal year, except that it may be
22 made in installments within that year if the payment
23 schedule is approved by the Secretary of the Treasury. An-
24 nual payments by a fund may be financed by reductions
25 in costs required to produce the pre-sequester amount of

1 power (but those reductions shall not include reductions
2 in the amount of power supplied by the fund), by reduc-
3 tions in capital expenditures, by increases in tax rates, or
4 by any combination, but may not be financed by a lower
5 fund surplus, a higher fund deficit, additional borrowing,
6 delay in repayment of principal on outstanding debt and
7 must follow the requirements of existing law governing the
8 fund in all other respects. The administrator of a fund
9 or the TVA Board is authorized to take the actions speci-
10 fied in this subsection in order to make the annual pay-
11 ments to the Treasury.

12 (k) BUSINESSLIKE TRANSACTIONS.—Notwithstand-
13 ing any other provision of law, for programs which provide
14 a businesslike service in exchange for a fee, sequestration
15 shall be accomplished through a uniform increase in fees
16 (sufficient to produce the dollar savings in such programs
17 for the fiscal year of the sequestration required by section
18 201(a)(2), all subsequent fees shall be increased by the
19 same percentage, and all proceeds from such fees shall be
20 paid into the general fund of the Treasury, in any year
21 for which a sequester affecting such programs are in ef-
22 fect.

23 **SEC. 206. THE CURRENT LAW BASELINE.**

24 (a) DETERMINATION OF THE BUDGET BASELINE.—
25 CBO and OMB shall submit to the President and the Con-

1 gress reports setting forth the budget baselines for the
2 budget year and at least the subsequent nine fiscal years.
3 The CBO report shall be submitted on or before January
4 15. The OMB report shall accompany the President's
5 budget.

6 (1) The budget baseline shall be based on the
7 commoneconomic assumptions set forth in section
8 103, adjusted to reflect revisions pursuant to sub-
9 section (b).

10 (2) The budget baseline shall consist of a pro-
11 jection of current year levels of budget authority,
12 outlays, revenues and the surplus or deficit into the
13 budget year and the relevant outyears based on cur-
14 rent enacted laws as of the date of the projection.

15 (b) REVISIONS TO THE BASELINE.—The baseline
16 shall be adjusted for up-to-date economic assumptions
17 when CBO submits its Economic and Budget Update and
18 when OMB submits its Budget Update, and by August
19 1 each year, when CBO and OBM submit their Midyear
20 Reviews.

21 (1) For Discretionary spending items, the base-
22 line shall be the spending caps in effect pursuant to
23 section 601(a)(2) of the Congressional Budget Act
24 of 1974. For years in which there are no caps, the
25 baseline for discretionary spending shall be the same

1 as in the last year for which there were statutory
2 caps.

3 (2) For all other expenditures and for revenues,
4 the baseline shall be adjusted by comparing unem-
5 ployment, inflation, interest rates, growth and other
6 economic indicators-and changes ineligible popu-
7 lation-for the most recent period for which actual
8 data are available, compared to the assumptions
9 contained in section 103.

10 (3) The budget baseline shall provide the basis
11 for scorekeeping procedures pursuant to title II.

○