

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 149

To require a balanced Federal budget by fiscal year 2002 and each year thereafter, to protect Social Security, to provide for zero-based budgeting and decennial sunseting, to impose spending caps on the growth of entitlements during fiscal years 1996 through 2002, and to enforce those requirements through a budget process involving the President and Congress and sequestration.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 4, 1995

Mr. GRAMM introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs, with instructions that if one Committee reports, the other Committee have thirty days to report or be discharged

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## A BILL

To require a balanced Federal budget by fiscal year 2002 and each year thereafter, to protect Social Security, to provide for zero-based budgeting and decennial sunseting, to impose spending caps on the growth of entitlements during fiscal years 1996 through 2002, and to enforce those requirements through a budget process involving the President and Congress and sequestration.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Balanced Budget Im-  
3 plementation Act”.

4 **SEC. 2. EFFECTIVE DATES.**

5 Except as otherwise specified, this Act and the  
6 amendments made by it shall take effect on its date of  
7 enactment and shall apply to fiscal year 1996 and subse-  
8 quent fiscal years.

9 **TITLE I—JOINT BUDGET**  
10 **RESOLUTION**

11 **SEC. 101. JOINT BUDGET RESOLUTION.**

12 (a) DEFINITIONS.—Paragraph (4) of section 3 of the  
13 Congressional Budget Act of 1974 is amended to read as  
14 follows:

15 “(4) the term ‘joint resolution on the budget’  
16 means—

17 “(A) a joint resolution setting forth the  
18 congressional budget for the United States Gov-  
19 ernment for a fiscal year as provided in section  
20 301; and

21 “(B) any other joint resolution revising the  
22 congressional budget for the United States Gov-  
23 ernment for a fiscal year as described in section  
24 304.”.

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

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

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

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

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

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

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

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

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

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

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

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

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

18      (14) The table of contents set forth in section 1(b)  
19    of the Congressional Budget and Impoundment Control  
20    Act of 1974 is amended by striking “Concurrent” in the  
21    item relating to section 303 and inserting “Joint”.

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

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

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

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

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

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

17 **TITLE II—ZERO BASED BUDGET-**  
18 **ING AND DECENNIAL**  
19 **SUNSETTING**

20 **SEC. 201. REAUTHORIZATION OF DISCRETIONARY PRO-**  
21 **GRAMS AND UNEARNED ENTITLEMENTS.**

22 (a) FISCAL YEAR 1996.—Effective October 1, 1995,  
23 spending authority for each unearned entitlement and  
24 high-cost discretionary spending program is terminated

1 unless such spending authority is reauthorized after the  
2 date of enactment of this Act.

3 (b) FISCAL YEAR 1997.—Effective October 1, 1996,  
4 spending authority for each discretionary spending pro-  
5 gram (not including high-cost discretionary spending pro-  
6 grams) is terminated unless such spending authority is re-  
7 authorized after the date of enactment of this Act.

8 (c) DEFINITIONS.—For purposes of this title—

9 (1) the term “unearned entitlement” means an  
10 entitlement not earned by service or paid for in total  
11 or in part by assessments or contributions such as  
12 Social Security, veterans’ benefits, retirement pro-  
13 grams, and medicare; and

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

17 **SEC. 202. POINT OF ORDER.**

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

23 (b) WAIVER OR SUSPENSION.—This section may be  
24 waived or suspended in the House of Representatives or

1 the Senate only by the affirmative vote of three-fifths of  
 2 the Members, duly chosen and sworn.

3 **SEC. 203. DECENNIAL SUNSETTING.**

4 (a) FIRST DECENNIAL CENSUS YEAR.—Effective on  
 5 the first day of the fiscal year beginning in the first decen-  
 6 nial census year after the year 2000 and each 10 years  
 7 thereafter, the spending authority described in section  
 8 201(a) is terminated unless such spending authority is re-  
 9 authorized after the last date the spending authority was  
 10 required to be reauthorized under this title.

11 (b) FIRST DECENNIAL CENSUS YEAR.—Effective on  
 12 the first day of the fiscal year beginning in the year after  
 13 the first decennial census year after the year 2000 and  
 14 each 10 years thereafter, the spending authority described  
 15 in section 201(b) is terminated unless such spending au-  
 16 thority is reauthorized after the last date the spending au-  
 17 thority was required to be reauthorized under this title.

18 **TITLE III—SPENDING CAPS ON**  
 19 **THE GROWTH OF ENTITLE-**  
 20 **MENTS FOR FISCAL YEARS**  
 21 **1996 THROUGH 2002**

22 **SEC. 301. SPENDING CAPS ON GROWTH OF ENTITLEMENTS**  
 23 **AND MANDATORIES.**

24 (a) CAP ON GROWTH OF ENTITLEMENTS.—Effective  
 25 for each of the fiscal years 1996 through 2002, the total

1 level of entitlement and mandatory spending, excluding  
2 Social Security, shall not exceed the total level for the pre-  
3 vious fiscal year increased by the consumer price index,  
4 and the growth in eligible population.

5 (b) SEQUESTRATION.—Within 15 days after Con-  
6 gress adjourns to end a session, and on the same day as  
7 a sequestration (if any) under title IV (pursuant to the  
8 amendments made by such title), there shall be a seques-  
9 tration to reduce the amount of entitlement and manda-  
10 tory spending for the fiscal year beginning in the year the  
11 Congress adjourns by any amount necessary to reduce  
12 such spending to the level set forth in subsection (a) un-  
13 less that amount is less than \$250,000,000.

14 (c) UNIFORM REDUCTIONS; LIMITATIONS.—The  
15 amount required to be sequestered for the fiscal year  
16 under subsection (a) shall be obtained from nonexempt di-  
17 rect spending accounts by actions taken in the following  
18 order:

19 (1) FIRST.—The reductions in the programs  
20 specified in section 303(a) (National Wool Act and  
21 special milk), section 303(b) (guaranteed student  
22 loans), and section 303(c) (foster care and adoption  
23 assistance) shall be made.

24 (2) SECOND.—Any additional reductions that  
25 may be required shall be achieved by reducing each

1 remaining nonexempt direct spending account by the  
2 uniform percentage necessary to achieve those addi-  
3 tional reductions, except that—

4 (A) the low-income programs specified in  
5 section 303(d) shall not be reduced by more  
6 than 1 percent;

7 (B) the retirement and veterans benefits  
8 specified in section 303(e) shall not be reduced  
9 by more than 2 percent in the manner specified  
10 in that section; and

11 (C) the medicare programs shall not be re-  
12 duced by more than 4 percent in the manner  
13 specified in section 303(f).

14 The limitations set forth in subparagraphs (A), (B),  
15 and (C) shall be applied iteratively, and after each  
16 iteration the uniform percentage applicable to all  
17 other programs under this paragraph shall be in-  
18 creased (if necessary) to a level sufficient to achieve  
19 the reductions required by this paragraph.

20 **SEC. 302. EXEMPT PROGRAMS AND ACTIVITIES.**

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

24 (1) net interest;

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

4           (3) all payments from one Federal direct spend-  
5 ing budget account to another Federal budget ac-  
6 count; and all intragovernmental funds including  
7 those from which funding is derived primarily from  
8 other Government accounts, except to the extent  
9 that such funds are augmented by direct appropria-  
10 tions for the fiscal year for which the order is in ef-  
11 fect;

12           (4) activities resulting from private donations,  
13 bequests, or voluntary contributions to the Govern-  
14 ment;

15           (5) payments from any revolving fund or trust-  
16 revolving fund (or similar activity) that provides de-  
17 posit insurance or other Government insurance, Gov-  
18 ernment guarantees, or any other form of contingent  
19 liability, to the extent those payments result from  
20 contractual or other legally binding commitments of  
21 the Government at the time of any sequestration;

22           (6) credit liquidating and financing accounts;

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

1 Administration of Territories, Northern  
2 Mariana Islands Covenant grants (14-0412-0-  
3 1-806);

4 Bureau of Indian Affairs, miscellaneous  
5 payments to Indians (14-2303-0-1-452);

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 Panama Canal Commission, operating ex-  
2 penses and capital outlay (95-5190-0-2-403);

3 Payments of Vietnam and USS Pueblo  
4 prisoner-of-war claims (15-0104-0-1-153);

5 Payments to copyright owners (03-5175-  
6 0-2-376);

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

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

11 Salaries of Article III judges;

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

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

16 (8) the following noncredit special, revolving, or  
17 trust-revolving funds—

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

19 Comptroller of the Currency;

20 Director of the Office of Thrift Super-  
21 vision;

22 Exchange Stabilization Fund (20-4444-0-  
23 3-155);

24 Federal Housing Finance Board;

1 Foreign Military Sales trust fund (11–  
2 82232–0–7–155);

3 (9) Thrift Savings Fund;

4 (10) appropriations for the District of Columbia  
5 to the extent they are appropriations of locally  
6 raised funds;

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

11 (B) any advance made to a State from the Fed-  
12 eral unemployment account (established by section  
13 904(g) of such Act) under title XII of such Act and  
14 any advance appropriated to the Federal unemploy-  
15 ment account pursuant to section 1203 of such Act;  
16 and

17 (C) any payment made from the Federal Em-  
18 ployees Compensation Account (as established under  
19 section 909 of such Act) for the purpose of carrying  
20 out chapter 85 of title 5, United States Code, and  
21 funds appropriated or transferred to or otherwise  
22 deposited in such Account; and

23 (12) the earned income tax credit (payments to  
24 individuals pursuant to section 32 of the Internal  
25 Revenue Code of 1986).

1 (b) FEDERAL ADMINISTRATIVE EXPENSES.—

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

14 (2) Payments made by the Federal Government  
15 to reimburse or match administrative costs incurred  
16 by a State or political subdivision under or in con-  
17 nection with any program, project, activity, or ac-  
18 count shall not be considered administrative ex-  
19 penses of the Federal Government for purposes of  
20 this section, and shall be subject to sequestration to  
21 the extent (and only to the extent) that other pay-  
22 ments made by the Federal Government under or in  
23 connection with that program, project, activity, or  
24 account are subject to that reduction or sequestra-  
25 tion; except that Federal payments made to a State

1 as reimbursement of administrative costs incurred  
2 by that State under or in connection with the unem-  
3 ployment compensation programs specified in sub-  
4 section (a)(11) shall be subject to reduction or se-  
5 questration under this part notwithstanding the ex-  
6 emption otherwise granted to such programs under  
7 that subsection.

8 (3) Notwithstanding any other provision of law,  
9 the administrative expenses of the following pro-  
10 grams shall be exempt from sequestration:

11 (A) Comptroller of the Currency.

12 (B) Federal Deposit Insurance Corpora-  
13 tion.

14 (C) Office of Thrift Supervision.

15 (D) National Credit Union Administration.

16 (E) National Credit Union Administration,  
17 central liquidity facility.

18 (F) Federal Retirement Thrift Investment  
19 Board.

20 (G) Resolution Funding Corporation.

21 (H) Resolution Trust Corporation.

22 (I) Board of Governors of the Federal Re-  
23 serve System.

1 **SEC. 303. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

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

6 (1) National Wool Act.

7 (2) Special milk program.

8 In those programs all amounts other than the automatic  
9 spending increases shall be exempt from reduction under  
10 any sequestration order.

11 (b) THE GUARANTEED STUDENT LOAN PROGRAM.—

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

18 (2) For any loan made during the period beginning  
19 on the date that a sequestration order takes effect with  
20 respect to a fiscal year, the rate used in computing the  
21 special allowance payment pursuant to section  
22 438(b)(2)(A)(iii) of such Act for each of the first four spe-  
23 cial allowance payments for such loan shall be adjusted  
24 by reducing such rate by the lesser of—

25 (A) 0.40 percent, or

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

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

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

1 domestic sequestration percentage. No State may, after  
2 the date of the enactment of this Act, make any change  
3 in the timetable for making payments under a State plan  
4 approved under part E of title IV of the Social Security  
5 Act which has the effect of changing the fiscal year in  
6 which expenditures under such part are made.

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

16 (2) The programs referred to in paragraph (1) are  
17 the following:

18 Aid to families with dependent children (75-  
19 0412-0-1-609);

20 Child nutrition (12-3539-0-1-605);

21 Food stamp programs (12-3505-0-1-605) and  
22 (12-3550-0-1-605);

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

1 Supplemental security income program (75–  
2 0406–0–1–609).

3 (e) FEDERAL RETIREMENT AND VETERANS' PRO-  
4 GRAMS.—

5 (1) For each of the programs listed in para-  
6 graph (2) and except as provided in paragraph (3),  
7 monthly (or other periodic) benefit payments shall  
8 be reduced by the uniform percentage applicable to  
9 direct spending sequestrations for such programs  
10 under section 301(c)(2), which shall in no case ex-  
11 ceed 2 percent under any sequestration order. When  
12 reduced under an end-of-session sequestration order,  
13 those benefit reductions shall occur starting with the  
14 payment made at the start of January or 7 weeks  
15 after the order is issued, whichever is later. When  
16 reduced under a within-session sequestration order,  
17 those benefit reductions shall occur starting with the  
18 next periodic payment.

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

20 Benefits payable under sections 3(a),  
21 3(f)(3), 4(a), or 4(f) of the Railroad Retirement  
22 Act of 1974;

23 Benefits under chapter 21 of title 38,  
24 United States Code, relating to specially adapt-  
25 ed housing and mortgage-protection life insur-

1           ance for certain veterans with service-connected  
2           disabilities (36-0137-0-1-702);

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

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

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

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

15          Civil service retirement and disability fund  
16          (24-8135-0-7-602);

17          Comptrollers general retirement system  
18          (05-0107-0-1-801);

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

21          Judicial survivors' annuities fund (10-  
22          8110-0-7-602);

23          Longshoremen's and harborworkers' com-  
24          pensation benefits (16-9971-0-7-601);

1 Military retirement fund (97-8097-0-7-  
2 602);

3 National Oceanic and Atmospheric Admin-  
4 istration retirement (13-1450-0-1-306);

5 Pensions for former Presidents (47-0105-  
6 0-1-802);

7 Railroad retirement tier II (60-8011-0-7-  
8 601);

9 Railroad supplemental annuity pension  
10 fund (60-8012-0-7-602);

11 Retired pay, Coast Guard (69-0241-0-1-  
12 403);

13 Retirement pay and medical benefits for  
14 commissioned officers, Public Health Service  
15 (75-0379-0-1-551);

16 Special benefits, Federal Employees' Com-  
17 pensation Act (16-1521-0-1-600);

18 Special benefits for disabled coal miners  
19 (75-0409-0-1-601);

20 Tax Court judges survivors annuity fund  
21 (23-8115-0-7-602);

22 Veterans' compensation (36-0153-0-1-  
23 701); and

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

25 (f) MEDICARE PROGRAM.—

1           (1) CALCULATION OF REDUCTION IN INDIVID-  
2           UAL PAYMENT AMOUNTS.—To achieve the total per-  
3           centage reduction in those programs required by sec-  
4           tion 301, the percentage reduction that shall apply  
5           to payments under the health insurance programs  
6           under title XVIII of the Social Security Act for serv-  
7           ices furnished after any sequestration order is issued  
8           shall be such that the reduction made in payments  
9           under that order shall achieve the required total per-  
10          centage reduction in those payments for that fiscal  
11          year as determined on a 12-month basis.

12          (2) TIMING OF APPLICATION OF REDUC-  
13          TIONS.—

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

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

18          (3) NO INCREASE IN BENEFICIARY CHARGES IN  
19          ASSIGNMENT-RELATED CASES.—If a reduction in  
20          payment amounts is made under paragraph (1) for  
21          services for which payment under part B of title  
22          XVIII of the Social Security Act is made on the  
23          basis of an assignment described in section  
24          1842(b)(3)(B)(ii), in accordance with section  
25          1842(b)(6)(B), or under the procedure described in

1 section 1870(f)(1) of such Act, the person furnishing  
2 the services shall be considered to have accepted  
3 payment of the reasonable charge for the services,  
4 less any reduction in payment amount made pursu-  
5 ant to a sequestration order, as payment in full.

6 (4) NO EFFECT ON COMPUTATION OF AAPCC.—  
7 In computing the adjusted average per capita cost  
8 for purposes of section 1876(a)(4) of the Social Se-  
9 curity Act, the Secretary of Health and Human  
10 Services shall not take into account any reductions  
11 in payment amounts which have been or may be ef-  
12 fected under this subtitle.

13 (g) FEDERAL PAY.—

14 (1) IN GENERAL.—Except as provided in sec-  
15 tion 302(b)(3), new budget authority to pay Federal  
16 personnel shall be reduced by the uniform percent-  
17 age calculated under section 301(c), but no seques-  
18 tration order may reduce or have the effect of reduc-  
19 ing the rate of pay to which any individual is enti-  
20 tled under any statutory pay system (as increased by  
21 any amount payable under section 5304 of title 5,  
22 United States Code, or section 302 of the Federal  
23 Employees Pay Comparability Act of 1990) or the  
24 rate of any element of military pay to which any in-  
25 dividual is entitled under title 37, United States

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

5 (2) DEFINITIONS.—For purposes of this sub-  
6 section:

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

10 (B) The term “elements of military pay”  
11 means—

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

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

19 (iii) cadet pay and midshipman pay  
20 under section 203(c) of such title.

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

24 (h) CHILD SUPPORT ENFORCEMENT PROGRAM.—  
25 Any sequestration order shall accomplish the full amount

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

7 (i) EXTENDED UNEMPLOYMENT COMPENSATION.—

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

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

20 (j) COMMODITY CREDIT CORPORATION.—

21 (1) POWERS AND AUTHORITIES OF THE COM-  
22 MODITY CREDIT CORPORATION.—This title shall not  
23 restrict the Commodity Credit Corporation in the  
24 discharge of its authority and responsibility as a cor-  
25 poration to buy and sell commodities in world trade,

1 to use the proceeds as a revolving fund to meet  
2 other obligations and otherwise operate as a corpora-  
3 tion, the purpose for which it was created.

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

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

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

20 (B) Each contract entered into with producers  
21 or producer cooperatives with respect to a particular  
22 crop of a commodity and subject to reduction under  
23 subparagraph (A) shall be reduced in accordance  
24 with the same terms and conditions. If some, but  
25 not all, contracts applicable to a crop of a commod-

1       ity have been entered into prior to the issuance of  
2       any sequestration order, the order shall provide that  
3       the necessary reduction in payments under contracts  
4       applicable to the commodity be uniformly applied to  
5       all contracts for succeeding crops of the commodity,  
6       under the authority provided in paragraph (3).

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

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

20                      (A) shall be made so as to ensure that out-  
21                      lays for each program, project, activity, or ac-  
22                      count involved are reduced by a percentage rate  
23                      that is uniform for all such programs, projects,  
24                      activities, and accounts, and may not be made  
25                      so as to achieve a percentage rate of reduction

1 in any such item exceeding the rate specified in  
2 the order; and

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

7 (i) uncertainty as to the scope of ben-  
8 efits under any such program is mini-  
9 mized;

10 (ii) any instability in market prices  
11 for agricultural commodities resulting from  
12 the reduction is minimized; and

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

17 In meeting the criterion set out in clause (iii)  
18 of subparagraph (B) of the preceding sentence,  
19 the President shall take into consideration that  
20 reductions under an order may apply to pro-  
21 grams for two or more agricultural commodities  
22 that use the same type of production or market-  
23 ing resources or that are alternative commod-  
24 ities among which a producer could choose in  
25 making annual production decisions.

1           (5) CERTAIN AUTHORITY NOT TO BE LIM-  
2           ITED.—Nothing in this title shall limit or reduce in  
3           any way any appropriation that provides the Com-  
4           modity Credit Corporation with funds to cover the  
5           Corporation’s net realized losses.

6           (k) THE JOBS PORTION OF AFDC.—

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

16          (2) NEW ALLOTMENT FORMULA.—

17               (A) GENERAL RULE.—Notwithstanding  
18               section 403(k) of the Social Security Act, each  
19               State’s percentage share of the amount avail-  
20               able after sequestration for direct spending pur-  
21               suant to section 403(l) of such Act shall be  
22               equal to that percentage of the total amount  
23               paid to the States pursuant to such section  
24               403(l) for the prior fiscal year that is rep-  
25               resented by the amount paid to such State pur-

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

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

1           pursuant to such section 403(k) had the seques-  
2           tration not been in effect.

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

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

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

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

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

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

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

20          (6) Except as otherwise provided, sequestration  
21          in accounts for which obligations are indefinite shall  
22          be taken in a manner to ensure that obligations in  
23          the fiscal year of a sequestration and succeeding fis-  
24          cal years are reduced, from the level that would ac-

1 tually have occurred, by the applicable sequestration  
2 percentage.

3 **SEC. 304. POINT OF ORDER.**

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

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

15 **TITLE IV—BALANCED BUDGET**  
16 **BY FISCAL YEAR 2002**

17 **SEC. 401. REDUCTION OF MAXIMUM DEFICIT AMOUNT TO**  
18 **ZERO.**

19 (a) IN GENERAL.—Section 601(a)(1) of the Congres-  
20 sional Budget Act of 1974 is amended to read as follows:

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

23 “(A) with respect to fiscal year 1996,  
24 \$145,000,000,000;

1           “(B) with respect to fiscal year 1997,  
2           \$120,000,000,000;

3           “(C) with respect to fiscal year 1998,  
4           \$97,000,000,000;

5           “(D) with respect to fiscal year 1999,  
6           \$72,000,000,000;

7           “(E) with respect to fiscal year 2000,  
8           \$48,000,000,000;

9           “(F) with respect to fiscal year 2001,  
10          \$24,000,000,000; and

11          “(G) with respect to fiscal year 2002 and  
12          fiscal years thereafter, zero.”.

13          (b) RESTORATION OF FIXED MAXIMUM DEFICIT  
14 AMOUNTS.—Section 253(g) of the Balanced Budget and  
15 Emergency Deficit Control Act is amended by striking  
16 paragraph (1)(B).

17 **SEC. 402. MAXIMUM DEFICIT AMOUNT POINT OF ORDER.**

18          (a) MDA POINT OF ORDER.—Section 605(b) of the  
19 Congressional Budget Act of 1974 is amended to read as  
20 follows:

21          “(b) MAXIMUM DEFICIT POINT OF ORDER.—

22                 “(1) IN GENERAL.—It shall not be in order in  
23                 the House of Representatives or the Senate to con-  
24                 sider any bill, joint resolution, amendment, or con-  
25                 ference report that includes any provision that would

1 result in a deficit for a fiscal year that exceeds the  
2 maximum deficit amount for such fiscal year.

3 “(2) WAIVER OR SUSPENSION.—This subsection  
4 may be waived or suspended in the House of Rep-  
5 resentatives or the Senate only by the affirmative  
6 vote of three-fifths of the Members, duly chosen and  
7 sworn.”.

8 (b) LIMIT ON PUBLIC DEBT.—Section 605 of the  
9 Congressional Budget Act of 1974 is amended by adding  
10 at the end thereof the following:

11 “(c) LIMIT ON PUBLIC DEBT.—

12 “(1) IN GENERAL.—It shall not be in order in  
13 the House of Representatives or the Senate to con-  
14 sider any bill, joint resolution, amendment, or con-  
15 ference report that includes any provision that in-  
16 creases the national debt held by the public estab-  
17 lished in the joint resolution on the budget for a fis-  
18 cal year in excess of the limit on public debt estab-  
19 lished by the joint resolution for such fiscal year.

20 “(2) WAIVER OR SUSPENSION.—This subsection  
21 may be waived or suspended in the House of Rep-  
22 resentatives or the Senate only by the affirmative  
23 vote of three-fifths of the Members, duly chosen and  
24 sworn.”.

25 (c) SOCIAL SECURITY.—

1           (1) EXCLUSION FROM BUDGET.—Section  
2           13301(a) of the Budget Enforcement Act of 1990 is  
3           amended by adding at the end thereof the following:  
4           “‘This subsection shall apply to fiscal years begin-  
5           ning with fiscal year 2003.’”.

6           (2) EXCLUSION FROM CONGRESSIONAL BUDG-  
7           ET.—The last sentence of section 301(a) of the Con-  
8           gressional Budget Act of 1974 is amended by strik-  
9           ing “The” and inserting “Effective with respect to  
10          fiscal years beginning with fiscal year 2003, the”.

11          (3) SOCIAL SECURITY ACT.—Section 710(a) of  
12          the Social Security Act is amended by adding at the  
13          end thereof the following: “This subsection shall  
14          apply to fiscal years beginning with fiscal year  
15          2003.”.

16 **SEC. 403. SOCIAL SECURITY FIREWALL.**

17          (a) POINT OF ORDER.—Section 301(i) of the Con-  
18          gressional Budget Act of 1974 is amended to read as fol-  
19          lows:

20          “(i) SOCIAL SECURITY POINT OF ORDER.—It shall  
21          not be in order in the Senate or the House of Representa-  
22          tives to consider any joint resolution on the budget that  
23          would decrease the excess of social security revenues over  
24          social security outlays in any of the fiscal years covered  
25          by the joint resolution. No change in chapter 1 of the In-

1 ternal Revenue Code of 1986 shall be treated as affecting  
2 the amount of social security revenues unless such provi-  
3 sion changes the income tax treatment of social security  
4 benefits.”.

5 (b) BALANCING THE UNIFIED BUDGET.—Section  
6 601(a)(1) of the Congressional Budget Act of 1974, as  
7 amended by section 401(a) of this Act, is amended by add-  
8 ing at the end thereof the following:

9 “For fiscal years after fiscal year 2002, the maxi-  
10 mum deficit amount shall be set at zero for each fis-  
11 cal year in the joint resolution on the budget.”.

12 (c) ELIMINATION OF SOCIAL SECURITY DEFICIT.—  
13 Not later than October 1, 2002, Congress may adopt  
14 budget procedures for the elimination of the non-Social  
15 Security deficit by not later than September 30, 2007. The  
16 non-Social Security deficit shall be defined as the Federal  
17 budget deficit excluding the receipts and outlays of the  
18 Social Security Trust Fund.

19 **SEC. 404. DISCRETIONARY SPENDING CAPS.**

20 Section 601(a)(2) of the Congressional Budget Act  
21 of 1974 is amended—

22 (1) in subparagraph (E) by striking “and”  
23 after the semicolon; and

24 (2) by striking subparagraph (F) and inserting  
25 the following:

1           “(F) with respect to fiscal year 1996, for  
2           the discretionary category, \$514,344,000,000 in  
3           new budget authority and \$547,279,000,000 in  
4           outlays;

5           “(G) with respect to fiscal year 1997, for  
6           the discretionary category, \$522,555,000,000 in  
7           new budget authority and \$544,147,000,000 in  
8           outlays; and

9           “(H) for each of the fiscal years 1998,  
10           1999, 2000, 2001, and 2002 \$524,592,000,000  
11           in new budget authority and \$542,379,000,000  
12           in outlays.”.

13 **SEC. 405. LOOK-BACK SEQUESTER.**

14           Section 253 of the Balanced Budget and Emergency  
15           Deficit Control Act of 1985 is amended by adding at the  
16           end thereof the following new subsection:

17           “(i) LOOK-BACK SEQUESTER.—

18           “(1) IN GENERAL.—On July 1 of each fiscal  
19           year, the Director of OMB shall determine if laws  
20           effective during the current fiscal year will cause the  
21           deficit to exceed the maximum deficit amount for  
22           such fiscal year. If the limit is exceeded, there shall  
23           be a preliminary sequester on July 1 to eliminate the  
24           excess.

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

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

6           “(4) SEQUESTRATION PROCEDURES.—The pro-  
 7           vision of subsections (c), (d), and (e) of this section  
 8           shall apply to a sequester under this subsection.”.

9   **SEC. 406. SAVINGS PROVISION.**

10          The amendments made by this title, the limits estab-  
 11          lished by this title, and the procedures provided in Acts  
 12          amended by this title necessary to enforce such limits shall  
 13          apply with respect to fiscal years beginning with fiscal  
 14          year 1996 and shall continue notwithstanding the termi-  
 15          nation of any Act setting forth such procedures.

○

S 149 IS1S—2

S 149 IS1S—3

S 149 IS1S—4