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HOUSE OF REPRESENTATIVES

REPT. 112–469,
Part 1

SEQUESTER REPLACEMENT ACT OF 2012

REPORT

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 4966

A BILL TO AMEND THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985 TO REPLACE THE SEQUESTER ESTABLISHED BY THE BUDGET CONTROL ACT OF 2011

together with

MINORITY AND DISSENTING VIEWS

MAY 9, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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112TH CONGRESS 2d Session | HOUSE OF REPRESENTATIVES | REPT. 112–469, Part 1

SEQUESTER REPLACEMENT ACT OF 2012

MAY 9, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. RYAN of Wisconsin, from the Committee on the Budget, submitted the following

R E P O R T

together with

MINORITY AND DISSENTING VIEWS

[To accompany H.R. 4966]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Budget, to whom was referred the bill (H.R. 4966) to amend the Balanced Budget and Emergency Deficit Control Act of 1985 to replace the sequester established by the Budget Control Act of 2011, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

In the amendment made by section 4(b), strike "251(c)(2)(A)" each place it appears and insert "251(c)(2)".

Introduction

The Path to Prosperity budget that passed the U.S. House of Representatives on March 29, 2012 set in motion a process to reprioritize certain across-the-board spending reductions (enforced by a sequester) enacted as part of the Budget Control Act of 2011 [BCA].

The budget resolution called for enactment of two pieces of legislation to replace a $98 billion sequester of discretionary programs on January 2, 2013. First, it called on six committees to achieve at least $78 billion of these savings through reforms to mandatory spending programs. Second, it proposed to achieve $19 billion in discretionary savings by lowering the discretionary cap from $1.047 trillion to $1.028 trillion for fiscal year 2013.

On April 27, 2012 Chairman Ryan introduced H.R. 4966, the Sequester Replacement Act of 2012 [SRA]. In combination with reconciliation legislation that the Budget Committee plans to report, this bill will replace the arbitrary and harmful sequester and provide for an orderly process for the enactment of appropriations legislation and long-overdue reforms in mandatory spending.

This reconciliation legislation is designed to produce $78 billion in deficit reduction. In fact, this reconciliation legislation far exceeds that goal, achieving over $300 billion in mandatory savings over a 10-year period.

This second piece of legislation, the SRA addresses the sequester and implements the budget resolution's $19 billion in savings from discretionary spending.

The SRA lowers the fiscal year 2013 discretionary cap from $1,047.0 billion down to $1,027.9 billion by providing for a $19.1 billion reduction in the discretionary spending cap for fiscal year 2013 on Jan. 2, 2013, reflecting the level of discretionary spending called for in the House-passed budget resolution. The SRA provides that the bill only takes effect once the reconciliation bill has been enacted into law, guaranteeing that no room will be granted under the caps unless the savings are made permanent.

Additionally the SRA clarifies that the Department of Veterans Affairs is exempt from any sequester under the BCA. The SRA replaces the fiscal year 2013 discretionary sequester and the defense mandatory sequester with the savings from the lower discretionary cap and the reconciliation bill.

The Sequester

On January 2, 2013, unless the BCA is amended, there will be a sequester (across the board cut) from non-exempt programs of $54.7 billion from defense programs and $54.7 billion from non-defense programs. Because defense programs are primarily funded through annual appropriations, $54.6 billion of the defense sequester will come from discretionary programs, i.e., military personnel, operations and maintenance, military construction, procurement, and research and development. Approximately $19 million will come from defense direct spending programs. The President has the authority to exempt military personnel from the sequester, but the rest of the defense budget must still generate these savings. If the President chooses to exempt military personnel, the rest of DOD spending would be reduced by an estimated 13%.

The sequester will reduce non-defense discretionary programs by $43 billion and non-defense direct spending programs by $11.7 billion. The BCA limited the reduction in Medicare spending to 2 percent ($6.3 billion) with other non-defense discretionary and mandatory programs making up the difference. In addition, the law exempts from sequester many means-tested entitlement programs, e.g., Medicaid, resulting in the brunt of the non-defense direct spending sequester falling on agriculture programs.

After fiscal year 2013, the BCA achieves the budget authority reductions in a different way. For discretionary spending, the BCA lowers the annual caps on discretionary spending by the amounts necessary to meet the goal. By the Congressional Budget Office's [CBO] current calculation this results in an average reduction of $90.4 billion in the discretionary cap in each year from 2014 to 2021. Unless these lowered caps are breached in the annual appropriations process, there would be no discretionary sequesters after fiscal year 2013.

For direct spending, the BCA continues to impose sequesters each year, which CBO estimates will average $19.0 billion from fiscal years 2014-21.

The Office of Management and Budget [OMB] will determine the exact amounts that will come from discretionary and direct spending at the start of each calendar year based on the relative proportions of discretionary and direct spending in the baseline. To date OMB has refused to provide an official estimate of the spending reductions that would occur under current law.

Why it is Necessary to Replace the Sequester

Intended as a mechanism to force action, there is bipartisan agreement that the sequester going into place would undercut key responsibilities of the federal government.

As the Administration makes clear in its own budget, "By design, the sequester is not good policy and is meant to force Congress to take action: it would lead to significant cuts to critical domestic programs such as education and research and cuts to defense programs that could undermine our national security. * * * [C]uts of this magnitude done in an across the board fashion would be devastating both to defense and non-defense programs."[1] At a committee hearing on replacing the sequester, a witness from OMB testified that "If allowed to occur, the sequester would be highly destructive to national security and domestic priorities, and core gov-

[1] "Fiscal Year 2013 Budget of the U.S. Government," Office of Management and Budget, February 2012. *http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/cutting.pdf*

ernment functions. The Administration believes that taking action to avoid the sequester in full in a balanced and fiscally responsible manner must be the primary focus of Congress's deliberations in the coming months."[2]

Of particular concern is the impact sequestration, if allowed to occur, would have on our national security.

The sequestration cuts would be on top of the savings in discretionary defense spending that are already being implemented pursuant to the debt limit agreement last August.

The House Armed Services Committee has analyzed the impact of the sequestration, and found that if left in place, sequestration would cut the military to its smallest size since before the Second World War—all while we are still a nation at war in Afghanistan, facing increased threats from Iran and North Korea, unrest in the Middle East, and a rising China.

Secretary Panetta and the professional military leadership have also looked at the impact of sequestration and reached similar conclusions:

Secretary Panetta stated, "If the maximum sequestration is triggered, the total cut will rise to about $1 trillion compared with the FY 2012 plan. The impacts of these cuts would be devastating for the Department * * * Facing such large reductions, we would have to reduce the size of the military sharply. Rough estimates suggest after ten years of these cuts, we would have the smallest ground force since 1940, the smallest number of ships since 1915, and the smallest Air Force in its history."[3]

General Dempsey, Chairman of the Joint Chiefs of Staff, stated, "[S]equestration leaves me three places to go to find the additional money: operations, maintenance, and training. That's the definition of a hollow force."[4]

The individual branch service chiefs echoed General Dempsey:

- "Cuts of this magnitude would be catastrophic to the military * * * My assessment is that the nation would incur an unacceptable level of strategic and operational risk."—General Ray T. Odierno, Chief Of Staff, United States Army
- "A severe and irreversible impact on the Navy's future,"—Admiral Jonathan W. Greenert, Chief of Naval Operations
- "A Marine Corps below the end strength that's necessary to support even one major contingency,"—General James F. Amos, Commandant of the Marine Corps
- "Even the most thoroughly deliberated strategy may not be able to overcome dire consequences,"—General Norton A. Schwartz, Chief of Staff, United States Air Force

According to an analysis by the House Appropriations Committee, the sequester will also have a significant impact on non-defense discretionary programs as well, including:

- Automatically reducing Head Start by $650 million, resulting in 75,000 fewer slots for children in the program;

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[2] Testimony of Danny Werfel, Controller of the Office of Management and Budget, Committee on the Budget, U.S. House of Representatives, April 25, 2012.

[3] Leon Panetta, U.S. Secretary of Defense, "Letter to Senator John McCain," November 14, 2011. *http://armedservices.house.gov/index.cfm/files/serve?File_id=ae72f319-e34f-4f78-8c88-b8e7c9dee61f*

[4] Testimony of Service Chiefs before House Armed Services Committee, February 14, 2012. *http://armed-services.senate.gov/Transcripts/2012/02%20February/12-02%20-%202-14-12.pdf*

• Automatically reducing the National Institutes of Health (NIH) by $2.4 billion, an amount equal to nearly half of total NIH spending on cancer this year; and

• A reduction of approximately 1,870 Border Patrol Agents (a reduction of nearly 9 percent of the total number of agents).

Leaders of both parties agree that sequester savings should be reprioritized. On August 4, 2011, then-director of the Office of Management and Budget (now White House Chief of Staff) Jack Lew wrote that the sequester was not intended to be implemented: "Make no mistake: the sequester is not meant to be policy. Rather, it is meant to be an unpalatable option that all parties want to avoid."[5]

The Path to Prosperity Approach: Reprioritize Savings Through Reconciliation

The Path to Prosperity budget that passed the U.S. House of Representatives in April of 2012 set in motion a process to reprioritize certain across the board spending reductions enacted as part of the BCA. It achieves this outcome through enactment of two pieces of legislation. The first piece of legislation will be generated through the reconciliation process, which is triggered by the budget resolution and gives expedited consideration to bills enacting the spending, revenue, and debt policies contained in the budget resolution.

To trigger these expedited procedures, *The Path to Prosperity* included reconciliation instructions calling on six House committees to achieve specified amounts of savings in programs within their jurisdictions. The Sequester Replacement Reconciliation Act consists of the legislation they have reported to achieve the same level of spending reductions enacted in the BCA, but without the haphazard cuts—especially to national security—that an across the board approach would entail.

Those six House Committees have advanced legislation that will:

1. Stop Fraud, by Ensuring that Individuals are Actually Eligible for the Taxpayer Benefits They Receive;
2. Eliminate Government Slush Funds and Stop Bailouts;
3. Control Runaway, Unchecked Spending;
4. Restrain Spending on Government Bureaucracies; and
5. Reduce Waste and Duplicative Programs.

The savings from these reforms, which would be enacted through the SRRA, will replace the arbitrary discretionary sequester cuts and lay the groundwork for further efforts to avert the spending-driven economic crisis before us.

The Sequester Replacement Act of 2012

Chairman Ryan introduced the SRA as called for by section 202 of the budget resolution in order to prioritize the spending reductions enacted as part of the BCA. These spending reductions are replaced but only on the enactment of other reductions which are included in the SRRA. By targeting fraud, eliminating slush funds, restraining runaway spending, reforming bureaucracies, and end-

[5] Jack Lew, "Security Spending in the Deficit Agreement," August 4, 2011. *http://www.whitehouse.gov/blog/2011/08/04/security-spending-deficit-agreement* (accessed March 19, 2012).

ing wasteful and duplicative programs, the SRRA provides a responsible way to reprioritize all of the spending reduction enacted as part of the BCA. With—and only with—the enactment of this targeted, carefully prioritized spending reduction, Congress can move to the second part of this task: replacing the across the board sequester before it does any damage.

The SRA would achieve this task by amending the BCA to replace the discretionary sequester for fiscal year 2013 with the spending reductions enacted through the Reconciliation Act. To safeguard against an end-run around the Reconciliation Act, the SRA stipulates that it would only take effect upon enactment of the reconciliation bill.

The SRA takes additional steps to protect the U.S. military and veterans and to lock in spending savings for the American taxpayer:

- It clarifies that Department of Veterans Affairs' programs are not subject to sequester.
- It lowers the BCA's discretionary caps to levels set in the Path to Prosperity budget.
- It closes a potential loophole that would otherwise allow Congress to enact large direct spending increases by counting SRRA savings as an offset.
- It eliminates the fiscal year 2013 sequester of mandatory spending on national defense.

With passage of the SRRA and the SRA, the House will have taken the responsible step of offsetting the cost (approximately $78 billion) of replacing the automatic across the board discretionary spending cuts that are scheduled to occur on January 2, 2013 through sequestration. The additional savings achieved through reconciliation beyond the $78 billion (over $180 billion in the next ten years) would further reduce the deficit. The SRA reduces the total level of discretionary spending limits for fiscal year 2013 from $1,047 billion to $1,028 billion which will save $19 billion for that fiscal year. And this approach provides a blueprint for replacing the rest of the sequester with responsible, targeted spending reduction in the years ahead.

Summary of Proposed Changes

This bill is designed to amend the provisions of the BCA to avert an impending sequestration, which will be implemented on January 3, 2013.

The reconciliation bill the Budget Committee will report reduces the deficit by more than $300 billion over the next decade, this is approximately four times the savings of the portion of the fiscal year 2013 sequester that is being eliminated. As a companion to the reconciliation bill and in response to the directive in section 202 of the budget resolution (H. Con. Res. 112), the Sequester Replacement Act of 2012:

- Provides that the bill only takes effect upon enactment of the reconciliation bill, ensuring that there will be no relief from the sequester unless the Reconciliation Act's savings are enacted.
- Exempts the Department of Veterans Affairs from any sequesters under the BCA.

- Re-sets the fiscal year 2013 discretionary cap at $1,047.0 billion and provides for a $19.1 billion reduction in the discretionary spending cap for fiscal year 2013 on Jan. 2, 2013, achieving the level of discretionary spending called for in the House-passed budget resolution ($1,027.9 billion).
- Makes technical and conforming changes to the operation of section 314 of the Congressional Budget Act of 1974 and provides for the appropriate treatment of the reconciliation legislation on the Statutory Pay-Go-As-You-Go scorecard.
- Replaces the fiscal year 2013 discretionary sequester and the defense mandatory sequester with the savings from the lower discretionary cap and the reconciliation bill.

Legislative History

The "sequestration" procedure was first established pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 [BBEDCA], initially intended to reduce deficits established by annual maximum deficit limits. Sequestration involves automatic across-the-board spending reductions required to be ordered by the President under certain circumstances. The orders under the terms of BBDECA occur within 15 days after the end of a session of Congress.

The Budget Enforcement Act of 1990 [BEA] significantly revised BBEDCA (the BEA is included as Title XIII of Public Law 101-508, the Omnibus Budget Reconciliation Act of 1990). It replaced the maximum spending limits with annual limits on discretionary spending and controls over increases in direct spending or decreases in revenues, termed "pay-as-you go (PAYGO)." Though the original BEA was scheduled to expire at the end of fiscal year 1995, it was extended by the Omnibus Budget Reconciliation Act of 1993, and again by the Balanced Budget Act of 1997 [BBA], in each case for five years.

The discretionary spending limits expired on September 30, 2002. The PAYGO requirement, which applied to the out-year effects (through fiscal year 2006) of legislation enacted on or before September 30, 2002, effectively expired at the same time due to the enactment of legislation (Public Law 107-312) setting the balances for all years on the Pay-As-You-Go Scorecard to zero.

The Committee on the Budget of the House reported legislation to modify the discretionary spending limits for fiscal year 2002 on December 13, 2001 (House Report 107-338, Interim Budget Control and Enforcement Act of 2001, to accompany H.R. 3084). Though the committee approved the measure by voice vote, the House did not consider it. It was instead included in the conference report on the Department of Defense and emergency Supplemental Appropriations measure signed into law on January 10, 2002 (Public Law 107-117). The law revised the discretionary spending limits and levels in the budget resolution to increase spending to respond to the September 11th terrorist attacks and was passed on a bipartisan basis.

On March 19, 2004, the Committee on the Budget of the House reported the Spending Control Act of 2004 (H.R.3973; House Report 108-442). This measure would have reestablished, though 2009, the discretionary spending limits. The limits were set for budget authority and outlays—though the legislation reported did not specify the five-year limits, which were to be entered later. The bill also extended the pay-as-you-go procedure, but applied it only for direct spending. This specific bill was not considered on the floor of the House.

On June 25, 2004, the House considered another bill titled the Spending Control Act, H.R. 4663, which failed of passage by a recorded vote of 146-268 (Roll Call Number 318—108th Congress). This bill was similar to the Spending Control Act of 2004 reported by the Committee on the Budget on March 19, 2004, but the discretionary spending limits were reduced from five years to two: Instead of spending limits through fiscal year 2009, they were set only for fiscal years 2005 and 2006. The spending-only pay-as-you-go procedures would have remained in force through fiscal year 2009 as in the March-reported Spending Control Act of 2004.

The Committee on the Budget of the Senate reported S. 3521, the Stop Over Spending Act of 2006. This measure was an omnibus budget process bill including a number of different enforcement reforms. Included among these was extension of the discretionary spending limits for three years—through fiscal year 2007. It did not include pay-as-you-go provisions but did institute maximum deficit amounts, similar to the original BBEDCA. These limits were set as a percentage of gross domestic product, frozen after fiscal year 2012.

No further significant congressional action was taken on re-establishing statutory controls on spending and revenue until 2010, when on February 10 of that year, the Statutory Pay-As-You-Go Act of 2010 was signed as part of Public Law 111-139, which raised the statutory limit on the public debt.

While it was similar to the expired pay-as-you-go law, and included references to certain sections of the BBEDCA, it did not bring that law back into force. It did amend certain sections of that Act such as the sequestrable base. It did not establish new discretionary spending limits for any period of time.

Enacted on August 2, 2012, the BCA authorized an increase in the public debt limit. Added to this increase were statutory controls on spending, primarily in the form of making BBEDCA permanent and re-establishing the discretionary spending limits from fiscal year 2012 through fiscal year 2021. These discretionary spending limits for fiscal years 2012 and 2013 were divided into security and non-security categories. The remaining years were set as a single discretionary general category. These initial spending limits have been supplanted, though, since the BCA also included additional procedures that had the effect of altering the caps as set out in the statute. The Congressional Budget Office estimated that the discretionary spending caps of the BCA would reduce the deficit, including savings from debt service, by $917 billion over the 10 fiscal years covering 2012 through 2012.[6]

The BCA also established a Joint Select Committee on Deficit Reduction which was tasked with reporting a bill to reduce the fed-

[6] Congressional Budget Office letter to the Honorable John Boehner and the Honorable Harry Reid regarding CBO Analysis of the Budget Control Act as posted on the House Committee on Rules website on August 1, 2011. *http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/123xx/doc12357/budgetcontrolactaug1.pdf*

eral deficit by an additional $1.5 trillion over a 10-year period ending in fiscal year 2021. Legislation from the Joint Committee would have been considered under procedures limiting amendment and debate. Under the terms of the BCA, if legislation from the Joint Committee reducing the deficit by at least $1.2 trillion were not enacted, then a procedure would be set in motion to reduce spending by adjusting the discretionary caps downward and calculating an amount of reductions in direct spending necessary to achieve the $1.2 trillion (or a portion thereof were legislation from the Joint Committee achieving some deficit reduction was enacted).

The Joint Committee was unable to report any proposal reducing the deficit by any amount and no legislation to that purpose was enacted by the required January 15, 2012 deadline. On this date, not only did the Joint Committee cease to exist, the automatic spending reduction process was triggered.

The process that began on January 15, 2012 had the following ramifications: The statutory discretionary caps were replaced by new caps with new definitions of security and nonsecurity—now effectively defense and nondefense, though the previous terms are still used. These categories have replaced the discretionary general category through 2021.

The process has two components: sequestration and discretionary spending limits reduction. In order to achieve the $1.2 trillion in deficit reduction, spending reductions will occur absent a change in law. OMB is charged with calculating the amount in spending reduction required to achieve the specified deficit reduction.

Since the Joint Committee didn't achieve any deficit reduction, the calculation begins with a spending reduction of the full $1.2 trillion from fiscal year 2013 through fiscal year 2021. According to the BCA formula, that number is reduced by 18 percent to account for the reduced cost of debt service attributable to the lower level of spending. The remaining amount is divided by nine to account for each of fiscal years 2013 through 2021. This amount is then divided by two so that it is evenly distributed between reductions in defense and nondefense accounts.

The spending reductions are further divided between direct spending and discretionary spending within the defense and nondefense accounts.

The implementation of the spending reductions is distinct from the calculation of the amounts. Once the amount is calculated, the BCA requires reductions through 1) sequestration and 2) reductions to the revised discretionary spending limits.

The sequestration order affects both discretionary and mandatory spending for fiscal year 2013. This means that discretionary amounts appropriated for fiscal year 2013 are to be sequestered by the calculated amount no matter how much is appropriated—it is not sequestered as a function of the discretionary spending limit for that fiscal year. In addition, for all fiscal years 2013 through 2021, a direct spending sequester of nonexempt accounts is ordered.

This is distinct from the spending reductions for the discretionary spending limits for fiscal year 2014 through fiscal year 2021—these reductions occur through revising the spending limits downward for each of those fiscal years.

DISCRETIONARY SPENDING CAPS

[Billions of $ budget authority]

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Pre-Sequester Cap	1,047	1,066	1,086	1,107	1,131	1,156	1,182	1,208	1,234
Defense	546	556	566	577	590	603	616	630	644
Non-Defense	501	510	520	530	541	553	566	578	590
Reductions	−98	−93	−92	−91	−91	−90	−89	−88	−88
Defense	−55	−55	−55	−55	−55	−55	−55	−55	−55
Non-Defense	−43	−38	−38	−37	−36	−36	−35	−33	−33
Post-Sequester Cap	949	973	994	1,016	1,040	1,066	1,093	1,120	1,146
Defense	491	501	511	522	535	548	561	575	589
Non-Defense	458	472	482	493	505	517	531	545	557

Source: CBO March 2012 Baseline

The spending reductions under the BCA process begin on January 2, 2013 and will occur for each year through fiscal year 2021 as a matter of law unless changed by statute.

Section by Section

SECTION 1. SHORT TITLE

This section provides for the short title of the bill: "Sequester Replacement Act of 2012."

SECTION 2. CONTINGENT EFFECTIVE DATE.

This section requires enactment of the reconciliation bill required by section 201 of H. Con. Res. 112 (112th Congress), the concurrent resolution on the budget for fiscal year 2013, before the Sequester Replacement Act would have any force or effect.

SECTION 3. PROTECTING VETERANS PROGRAMS FROM SEQUESTER.

This section repeals section 256(e)(2)(E) of the Balanced Budget and Emergency Deficit Control Act of 1985 [BBEDCA]. That subparagraph provides for a special rule related to Veterans Medical care and how it would be treated under an across the board cut in spending ordered under the Statutory Pay-As-You-Go Act of 2010 or the Balanced Budget and Emergency Deficit Control Act of 1985. However, under current law, all programs administered by the Department of Veterans Affairs are exempt. This section clarifies that the latter provision prevails should any ambiguity arise.

SECTION 4. ACHIEVING $19 BILLION IN DISCRETIONARY SAVINGS.

Subsection (a) amends paragraph (2) of section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) to replace the discretionary spending limit in that paragraph so that it would consolidate the security and non-security categories in current law to one total discretionary category. The level of the new spending limit with respect to fiscal year 2013 is $1.047 billion in new budget authority. This eliminates the applicability of section 251A(2)(A) of BBEDCA which replaced the previous security and non-security categories in section 251(c) on January 15, 2012.

Subsection (b) amends section 251A(7)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985. This provision would require that, on January 2, 2013, the new discretionary category will be adjusted downward by $19,104,000,000 in budget authority. It also provides for an additional supplemental sequestration report for fiscal year 2013, to be issued on January 15, 2013, to ensure that the lower discretionary spending limit would be observed and any spending above that limit reduced through across the board spending reductions.

SECTION 5. CONFORMING AMENDMENTS TO SECTION 314 OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.

This section amends section 314(a) of the Congressional Budget Act of 1974 to return the language to the form prior to the enactment of the Budget Control Act of 2011. The change merely conforms the matter to be adjusted under the terms of that section in the same way it had been for many years prior and clarifies what the matter is to be adjusted.

SECTION 6. TREATMENT FOR PAYGO PURPOSES.

This section specifies that the budgetary effects of this Act and any amendment made by it, and the budgetary effects of the Act provided for by section 201 of H. Con. Res. 112 (112th Congress), shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

SECTION 7. ELIMINATION OF THE FISCAL YEAR 2013 SEQUESTRATION FOR DEFENSE DIRECT SPENDING.

Under current law, on January 2, 2013, a sequestration order will be issued by the President under the Balanced Budget and Emergency Deficit Control Act of 1985 to carry out reductions to direct spending for the defense function (050) for fiscal year 2013. This section renders that order as it pertains to defense direct spending ineffective.

HEARINGS

On April 25, 2012, the Committee on the Budget of the House held a hearing on the Budget Control Act of 2011 and how the application of an across-the-board cut in both direct spending and discretionary spending is to occur on January 2, 2013 by Presidential order.

Those testifying were Daniel I. Werfel, Controller, Office of Federal Financial Management at the Office of Management and Budget, and Susan A. Poling, Deputy General Counsel at the Government Accountability Office. The Office of Management and Budget is the lead agency responsible for implementing any sequester. At the hearing, Mr. Werfel declined to provide specific information in response to Members' questions relating to what the administration's specific proposal is to avoid the sequester and how the administration would implement the sequester if legislation is not enacted by January 2, 2013. The Chairman of the Committee on the Budget wrote to Acting OMB Director Zients on April 26, requesting additional information by May 4 on how the administration would execute the sequester required by the Budget Control Act. To date, Acting Director Zients has not responded.

VOTES OF THE COMMITTEE

Clause 3(b) of House Rule XIII requires each committee report to accompany any bill or resolution of a public character to include the total number of votes cast for and against each roll call vote, on a motion to report and any amendments offered to the measure or matter, together with the names of those voting for and against.

Listed below are the actions taken in the Committee on the Budget of the House of Representatives on the Sequester Replacement Act of 2012.

On May 7, 2012, the committee met in open session, a quorum being present.

Chairman Ryan asked unanimous consent to be authorized, consistent with clause 4 of House Rule XVI, to declare a recess at any time during the committee meeting.

There was no objection to the unanimous consent request.

Chairman Ryan asked unanimous consent to dispense with the first reading of the bill and the bill be considered as read and open to amendment at any point.

There was no objection to the unanimous consent request.

The committee adopted and ordered reported the Sequester Replacement Act of 2012.

The committee took the following votes:

AMENDMENT OFFERED BY CHAIRMAN RYAN

1. This amendment proposed making a technical correction to a citation in section 4(b) by striking "251(c)(2)(A)" and inserting "251(c)(2)(A)".

The amendment was adopted by voice vote.

AMENDMENT OFFERED BY MR. VAN HOLLEN

1. This amendment proposed replacing the $1.2 trillion sequester with an increase in taxes on domestic oil companies, U.S. businesses with international operations, and individuals with annual income greater than $1,000,000. The amendment proposes to reduce spending by eliminating unspecified waste and duplicative programs; eliminating direct payments to farmers; reforming the Federal Flood Insurance Program; and selling unspecified federal property. The amendment also proposes to increase spending on education, science, infrastructure, and the Internal Revenue Service to close the "tax gap."

The amendment was not agreed to by a roll call vote of 11 ayes and 22 noes.

ROLLCALL VOTE NO. 1

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)			
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)			
LANKFORD (OK)		X		MOORE (WI)			
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)			
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

AMENDMENT OFFERED BY MS. MCCOLLUM AND MR. SHULER

2. This amendment proposed turning off the FY 2013 sequester for Medicare and increasing revenues by eliminating certain deductions for domestic oil and gas companies.

The amendment was not agreed to by a roll call vote of 11 ayes and 22 noes.

ROLLCALL VOTE NO. 2

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		

ROLLCALL VOTE NO. 2—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)			
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)			
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)			
FLORES (TX)		X		BASS (CA)			
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

3. Mr. Garrett made a motion that the committee report the bill as amended and that the bill do pass.

The motion was agreed to by a roll call vote of 21 ayes and 13 noes.

ROLLCALL VOTE NO. 3

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)	X			VAN HOLLEN (MD) (Ranking)		X	
GARRETT (NJ)	X			SCHWARTZ (PA)		X	
SIMPSON (ID)	X			KAPTUR (OH)		X	
CAMPBELL (CA)	X			DOGGETT (TX)		X	
CALVERT (CA)	X			BLUMENAUER (OR)		X	
AKIN (MO)	X			McCOLLUM (MN)		X	
COLE (OK)	X			YARMUTH (KY)		X	

ROLLCALL VOTE NO. 3—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA)	X			PASCRELL (NJ)			
McCLINTOCK (CA)	X			HONDA (CA)			
CHAFFETZ (UT)	X			RYAN (OH)		X	
STUTZMAN (IN)	X			WASSERMAN SCHULTZ (FL)		X	
LANKFORD (OK)	X			MOORE (WI)			
BLACK (TN)	X			CASTOR (FL)		X	
RIBBLE (WI)	X			SHULER (NC)			
FLORES (TX)	X			BASS (CA)		X	
MULVANEY (SC)	X			BONAMICI (OR)		X	
HUELSKAMP (KS)	X						
YOUNG (IN)	X						
AMASH (MI)		X					
ROKITA (IN)	X						
GUINTA (NH)	X						
WOODALL (GA)	X						

Mr. Garrett made a motion that, pursuant to clause 1 of rule XXII, the Chairman be authorized to offer such motions as may be necessary in the House to go to conference with the Senate, and staff be authorized to make any necessary technical and conforming changes to the bill.

The motion was agreed to without objection.

Committee Oversight Findings

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on the Budget's oversight findings and recommendations are reflected in the body of this report.

Performance Goals and Objectives

With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objectives of this legislation are to provide both the President and the Congress improved tools to reconsider spending.

Constitutional Authority Statement

Pursuant to clause 7 of rule XII of the Rules of the House of Representatives, the committee finds the constitutional authority for this legislation in Article I, section 9, clause 7.

Committee Cost Estimate

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the committee report incorporates the cost estimate prepared by the Director of the Congressional Budget Office pursuant to sections 402 and 423 of the Congressional Budget Act of 1974.

Congressional Budget Office,
U.S. Congress,
Washington, DC, May 8, 2012.

Hon. Paul Ryan, *Chairman,*
Committee on the Budget, U.S. House of Representatives, Washington, DC 20515.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4966, the Sequester Replacement Act of 2012.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Avi Lerner, who can be reached at 226-2880.

Sincerely,

Douglas W. Elmendorf,
Director.

Enclosure.

cc: Hon. Chris Van Hollen, *Ranking Member.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE
MAY 8, 2012

H.R. 4966: Sequester Replacement Act of 2012

As ordered reported by the House Committee on the Budget on May 7, 2012

H.R. 4966 would eliminate certain automatic spending reductions scheduled to take effect in January 2013, as well as reduce the overall limit on discretionary budget authority for fiscal year 2013. Because the provisions of the bill are contingent on enactment of reconciliation legislation as specified in section 201 of H. Con. Res. 112, the budget resolution for fiscal year 2013 as passed by the House, CBO estimates that enacting H.R. 4966, by itself, would have no impact on the federal budget.

However, if the contingency in H.R. 4966 is met, CBO estimates that enacting the bill would increase direct spending by about $72 billion over the 2013-2022 period, relative to the current baseline projections that assume automatic spending reductions under the Budget Control Act of 2011 go into effect as currently scheduled. That total reflects the cost of avoiding sequestration (cancellation of budgetary resources) from unobligated balances for defense programs and from advance appropriations for 2013 for nondefense programs other than those under the Department of Veterans Affairs. At this point in time, no other appropriations have been provided for fiscal year 2013. If additional discretionary appropriations are enacted for 2013, more resources would be available to be sequestered, and reversing the specified automatic reductions would result in an increase of up to $97 billion in direct spending over the 2013-2022 period, CBO estimates (instead of the $72 billion figure cited above).

Those estimates reflect the proposed elimination of the scheduled January 2013 reductions under the Budget Control Act in spending for discretionary programs and in mandatory defense spending. Under H.R. 4966, the scheduled reductions in mandatory nondefense spending would remain in effect.

H.R. 4966 would also remove the separate limits on defense and nondefense discretionary budget authority for 2013. Furthermore, the act would specify a cap on total discretionary budget authority that is $19.1 billion lower than the total funding level of $1,047 billion that could be provided under current law; however, because any effect of that adjustment would be subject to future appropriation actions, there would be no impact on direct spending from that change in the cap on 2013 funding.

H.R. 4966 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Avi Lerner. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act was created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104-1).

FEDERAL MANDATES STATEMENT

The committee adopted the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104-4).

ADVISORY ON EARMARKS

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 3521 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

* * * * * * *

PART C—EMERGENCY POWERS TO ELIMINATE DEFICITS IN EXCESS OF MAXIMUM DEFICIT AMOUNT

* * * * * * *

SEC. 251. ENFORCING DISCRETIONARY SPENDING LIMITS.

(a) * * *

* * * * * * *

(c) DISCRETIONARY SPENDING LIMIT.—As used in this part, the term "discretionary spending limit" means—

(1) * * *

⟦(2) with respect to fiscal year 2013—

⟦(A) for the security category, $686,000,000,000 in new budget authority; and

⟦(B) for the nonsecurity category, $361,000,000,000 in new budget authority;⟧

(2) with respect to fiscal year 2013, for the discretionary category, $1,047,000,000,000 in new budget authority;

* * * * * * *

as adjusted in strict conformance with subsection (b).

SEC. 251A. ENFORCEMENT OF BUDGET GOAL.

Unless a joint committee bill achieving an amount greater than $1,200,000,000,000 in deficit reduction as provided in section 401(b)(3)(B)(i)(II) of the Budget Control Act of 2011 is enacted by January 15, 2012, the discretionary spending limits listed in section 251(c) shall be revised, and discretionary appropriations and direct spending shall be reduced, as follows:

(1) * * *

* * * * * * *

(7) IMPLEMENTING DISCRETIONARY REDUCTIONS.—

[(A) FISCAL YEAR 2013.—On January 2, 2013, for fiscal year 2013, OMB shall calculate and the President shall order a sequestration, effective upon issuance and under the procedures set forth in section 253(f), to reduce each account within the security category or nonsecurity category by a dollar amount calculated by multiplying the baseline level of budgetary resources in that account at that time by a uniform percentage necessary to achieve—

[(i) for the revised security category, an amount equal to the defense function discretionary reduction calculated pursuant to paragraph (5); and

[(ii) for the revised nonsecurity category, an amount equal to the nondefense function discretionary reduction calculated pursuant to paragraph (6).]

(A) FISCAL YEAR 2013.—

(i) FISCAL YEAR 2013 ADJUSTMENT.—On January 2, 2013, the discretionary category set forth in section 251(c)(2) shall be decreased by $19,104,000,000 in budget authority.

(ii) SUPPLEMENTAL SEQUESTRATION ORDER.—On January 15, 2013, OMB shall issue a supplemental sequestration report for fiscal year 2013 and take the form of a final sequestration report as set forth in section 254(f)(2) and using the procedures set forth in section 253(f), to eliminate any discretionary spending breach of the spending limit set forth in section 251(c)(2) as adjusted by clause (i), and the President shall order a sequestration, if any, as required by such report.

* * * * * * *

SEC. 256. GENERAL AND SPECIAL SEQUESTRATION RULES.

(b) * * *

* * * * * * *

(e) COMMUNITY AND MIGRANT HEALTH CENTERS, INDIAN HEALTH SERVICES AND FACILITIES, AND VETERANS' MEDICAL CARE.—

(1) * * *

(2) The accounts referred to in paragraph (1) are as follows:

(A) * * *

* * * * * * *

[(E) Veterans' medical care (36–0160–0–1–703).]

* * * * * * *

CONGRESSIONAL BUDGET ACT OF 1974

* * * * * * *

TITLE III—CONGRESSIONAL BUDGET PROCESS

* * * * * * *

ADJUSTMENTS

SEC. 314. [(a) ADJUSTMENTS.—After the reporting of a bill or joint resolution or the offering of an amendment thereto or the submission of a conference report thereon, the chairman of the Committee on the Budget of the House of Representatives or the Senate may make appropriate budgetary adjustments of new budget authority and the outlays flowing therefrom in the same amount as required by section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985.]

(a) ADJUSTMENTS.—

(1) IN GENERAL.—The chair of the Committee on the Budget of the House of Representatives or the Senate may make adjustments as set forth in paragraph (2) for a bill or joint resolution, amendment thereto or conference report thereon, by the amount of new budget authority and outlays flowing therefrom in the same amount as required by section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(2) MATTERS TO BE ADJUSTED.—The chair of the Committee on the Budget of the House of Representatives or the Senate may make the adjustments referred to in paragraph (1) to—

(A) the allocations made pursuant to the appropriate concurrent resolution on the budget pursuant to section 302(a);

(B) the budgetary aggregates as set forth in the appropriate concurrent resolution on the budget; and

(C) the discretionary spending limits, if any, set forth in the appropriate concurrent resolution on the budget.

* * * * * * *

VIEWS OF COMMITTEE MEMBERS

Clause 2(l) of rule XI requires each committee to provide two days to Members of the committee to file Minority, additional, supplemental, or dissenting views and to include such views in the report on legislation considered by the committee. The following views were submitted:

MINORITY VIEWS

REPUBLICANS REJECT A BALANCED APPROACH TO DEFICIT REDUCTION

Democrats and Republicans agree on the importance of reducing the deficit, but we disagree on how to do it. Democrats remain focused on creating more jobs now to support the fragile economy while pursuing a plan to reduce the deficit in a balanced way. That's why this Spring, House Democrats offered a budget that preserves the Medicare guarantee, helps create more jobs now, makes us stronger through investments that build long-term growth, abides by the tight spending caps established last summer—which save nearly $1 trillion over ten years—and reduces the deficit through shared responsibility. In contrast, the House-passed Republican budget resolution for fiscal year 2013 reflects the Majority's unbalanced approach to deficit reduction: it provides costly additional tax breaks for millionaires while finding savings by ending the Medicare guarantee for seniors, slashing investments that strengthen our economy, and shredding the social safety net. Because Republicans reject a balanced approach and refuse to ask millionaires to contribute one cent to deficit reduction, their budget hits everyone and everything else.

House Republicans are attempting to use the fast-track procedures provided under budget reconciliation to hasten consideration of some of their budget resolution's harmful priorities. Their resolution directed six committees to make recommendations for legislative changes that reduce the deficit by $261.5 billion over the 2012–2022 period. The results are shown in the table below.

[Cuts in billions of dollars]

Committee	Budget Resolution Target			Reconciliation Measure [2]		
	2012–2013	2012–2017	2012–2022	2012–2013	2012–2017	2012–2022
Agriculture [1]	7.710	19.700	33.200	7.779	20.443	35.830
Energy & Commerce	3.750	28.430	96.760	3.870	47.970	115.480
Financial Services [1 3]	3.490	16.700	29.800	4.386	19.740	36.006
Judiciary	0.100	11.200	39.700	0.108	13.575	48.623
Oversight & Government Reform	2.200	30.100	78.900	2.269	30.785	83.301
Ways & Means	1.200	23.000	53.000	1.360	24.830	68.258
Gross Reconciliation Savings	18.450	129.130	331.360	19.764	156.470	382.577
Remove overlap	−0.100	−12.800	−69.900	−0.108	−14.429	−49.556
Net Total Reconciliation Savings	18.350	116.330	261.460	19.664	142.913	337.943

* The rule "deeming" the House-passed budget resolution as the concurrent budget resolution shifted $490 million from Agriculture to Financial Services. The 2012–2013 Agriculture target was originally $8.2 billion, while the Financial Services target was $3.0 billion. The 2012–2017 and 2012–2022 amounts, as well as the totals, were not changed.
[2] Assuming July 1 enactment, as reported by the Budget Committee on May 7, 2012.
[3] The Financial Services score includes $4.9 billion from floor insurance savings, per scoring direction from the Budget Committee.

In addition, the Sequester Replacement Act of 2012, which the Budget Committee marked up on May 7, formalizes the plan laid out in the Republican budget resolution. The bill eliminates most of the roughly $100 billion across-the-board sequester of spending—

50 percent from defense and 50 percent from non-defense programs—scheduled for 2013. The bill leaves in place only the non-defense sequester of mandatory programs, which will affect programs such as Medicare. In place of the rest of the 2013 sequester, the bill uses both the multi-year savings from the permanent mandatory spending cuts included in the reconciliation package, and the savings from lowering the discretionary spending cap for fiscal year 2013 by $19 billion below the level set in the bipartisan Budget Control Act of 2011 (BCA).

Sequestration is a meat-ax approach to deficit reduction that does not make sense for our country. It was included in the BCA as a last resort intended to pressure Congress to develop a bipartisan alternative to achieve long-term deficit reduction. But because House Republicans continue to resist the balanced approach to deficit reduction that has been recommended by every bipartisan group that has looked at the budget challenge, on January 2, 2013, this "Sword of Damocles" will go into effect. The sequestration would impose indiscriminate cuts of almost $1 trillion over the next ten years—50 percent from defense and 50 percent from non-defense programs.

Unfortunately, instead of looking for a balanced solution, the Republican reconciliation package targets programs that help the less powerful while protecting the tax breaks of powerful special interests. In fact, the reconciliation package makes deep cuts to food and nutrition programs for low-income families and Medicaid—both programs that would have been entirely exempt from any sequestration cuts.

This unbalanced approach to deficit reduction—focused only on cutting investments rather than also closing tax loopholes—is the wrong choice for America.

DEMOCRATS OFFERED BETTER, BALANCED DEFICIT REDUCTION PLANS

The deep spending cuts coming through the Republican reconciliation instructions and the sequestration of spending scheduled under the BCA are neither the right nor only ways to reduce the deficit. In fact, Democrats have proposed to achieve *greater* deficit reduction from targeted, balanced policy choices, rather than the slash-and-burn approach taken by an across-the-board sequester or the deep cuts made in the Republican reconciliation proposal. The President provided Congress with specific policies to reduce the deficit last fall and in his 2013 budget. This spring, the House Democratic budget would have replaced meat-ax spending cuts under sequestration with a combination of mandatory spending cuts and revenues from eliminating tax loopholes and asking millionaires to return to the same top tax rate they paid during the Clinton Administration, a time of strong economic growth and fiscal responsibility.

Finally, in the Budget Committee mark-up this week, Democrats offered amendments to replace the Republican plans for deficit reduction in 2013 and beyond with a balanced approach that includes both spending cuts and revenues. Democrats offered an amendment that would have replaced both the reconciliation cuts and the entire multi-year sequester with at least $1.2 trillion of deficit reduction through a balanced approach. The deficit reduction would come through legislation that increases revenues without increasing the tax burden on middle-income Americans, that decreases spending while maintaining the Medicare guarantee and protecting Social Security and the social safety net for vulnerable Americans, and that promotes economic growth and jobs. In addition, Democrats offered a targeted amendment to replace the remaining 2013 sequester of Medicare with greater deficit reduction from ending a tax break for the "Big 5" oil and gas companies. Republicans defeated both of these amendments on party-line votes.

PART I OF MARK-UP: SEQUESTER REPLACEMENT RECONCILIATION ACT OF 2012

The Republican reconciliation package includes many cuts to vital services that will affect Americans in many harmful ways. Budget Committee Democrats offered motions to achieve similar savings by cutting tax breaks and subsidies to special interests.

- **Rejecting the elimination of the Social Services Block Grant while ending taxpayer subsidies to "Big Oil."** The Social Services Block Grant gives states and localities the flexibility to target funding for essential services. Overall, it helps 23 million children, seniors, and disabled Americans become self-sufficient and economically independent. It provides states with flexible funds that support a range of services, such as providing Meals on Wheels, preventing child abuse and neglect for at-risk children, and helping low-income parents return to work by providing child care and related assistance. During the Budget Committee reconciliation mark-up this week, Democrats offered a motion to preserve the Social Services Block Grant and to replace cuts with even greater savings from repealing tax breaks for the "Big 5" oil companies. This motion was defeated on a party-line vote.
- **Protecting food and nutrition support for struggling children and families while cutting taxpayer direct payments to agricultural Interests.** The Republican proposal cuts the Supplemental Nutrition Assistance Program (SNAP), which helps struggling households purchase adequate food and nutrition. The legislation reduces assistance to every single household receiving SNAP benefits almost immediately and cuts 1.8 million people off of food assistance entirely. In addition, nearly 300,000 children will lose free school meals, on top of losing the benefits that provide food at home. During the Budget Committee reconciliation mark-up this week, Democrats offered a motion to preserve the food and nutrition assistance, and instead reduce the deficit through reform of agricultural commodity payments and risk management programs. This motion was defeated on a party-line vote.
- **Protecting health care coverage for at least 300,000 low-income children and lowering the deficit by eliminating certain tax subsidies for Big Oil.** The Republican proposal allows states to cut their support for Medicaid and the Children's Health Insurance Program (CHIP) by covering fewer people, and repeals bonuses to states for enrolling additional low-income children in the program. The first provision will result in a sharp increase in the number of uninsured Americans—100,000 children and adults in 2013 and at least 300,000 children in 2015, according to CBO. The second provision eliminates incentives for states to increase

their enrollment of children, also likely increasing the number of uninsured children. Further, the legislation eliminates funding for state insurance exchanges that will take effect in 2014 to help uninsured people find affordable coverage. States will either have to raise their own funds for these exchanges or rely on the federal government to run their exchange. During the Budget Committee reconciliation mark-up this week, Democrats offered a motion to preserve the Medicaid and CHIP payments, and to replace the proposed deficit reduction with savings from ending a wasteful tax break that encourages the "Big 5" oil and gas companies to produce oil in foreign countries rather than here at home. This motion was defeated on a party-line vote.

- **Protecting the health of women and children through the Prevention and Public Health Fund while closing tax loopholes that reward corporations that ship American jobs overseas.** The Republican proposal repeals the Prevention and Public Health Fund. The ACA appropriated funding to support such programs as cancer screenings, immunizations, research on prevention, and education and outreach. The goal of the fund is to provide an expanded and sustained investment in these programs to improve overall health and help restrain the rate of growth in private- and public-sector health care costs. Some of the funding to be cut is allocated for women's health, including breast cancer and cervical cancer screening. During the Budget Committee mark-up, Democrats offered a motion to reject the Republican recommendation, and instead close loopholes in the U.S. international corporate tax system that encourage companies to ship jobs overseas. This motion was defeated on a party-line vote.

Analysis of Republican Committee Proposals Included in Reconciliation

AGRICULTURE COMMITTEE RECONCILIATION RECOMMENDATIONS

The Agriculture Committee recommended reconciliation legislation cutting *$36 billion* from SNAP (formerly known as Food Stamps). The Committee chose to target all its cuts to food and nutrition assistance to low-income Americans, largely families with children, the disabled, and elderly, rather than look for savings from any other programs supporting the agriculture sector. All together, the recommendations make changes to the SNAP program that will reduce benefits to all 47 million people currently receiving SNAP and entirely eliminate benefits to almost 2 million people. The Republican plan makes the following cuts:

- **Almost immediately sunsets the Recovery Act SNAP enhancement.** The enhancement is currently due to end on October 31, 2013. This enhancement has been shortened twice already, most recently to provide an offset for the Child Nutrition Reauthorization Act in 2010. This saves *$6.0 billion* under the directed scoring ordered by the Committee (see below for more details), and *$4.4 billion* without it.
- **Makes it more difficult to apply for and receive SNAP benefits.** The bill limits categorical eligibility—a process that allows households who qualify for certain programs to automatically be eligible for SNAP—to those receiving cash assistance from Tem-

porary Assistance for Needy Families, Supplemental Security Income, or a state general assistance program. This change not only stops households from receiving SNAP benefits, it removes nearly 300,000 children from the child nutrition program. The bill also eliminates the state option to apply a Standard Utility Allowance in determining SNAP benefits for anyone receiving LIHEAP benefits. Together these provisions reduce SNAP by *$25 billion* while taking an additional *$0.5 billion* from child nutrition.

- **Eliminates federal match for SNAP's employment and training program.** Republicans say that this is one of many job training programs funded by the federal government and is duplicative. However, many job programs are oversubscribed and this one is geared to a very vulnerable population. Total savings over the 11 years are *$3.1 billion*.
- **Ends the state bonus program.** The program provides additional funds to states that meet certain administrative targets. Elimination saves *$0.5 billion*.
- **Removes automatic indexing from SNAP's nutrition education and obesity prevention program.** Over time, this change gradually reduces the program's purchasing power. This saves *$0.5 billion* over 11 years.

ENERGY AND COMMERCE COMMITTEE RECONCILIATION RECOMMENDATIONS

The Energy and Commerce Committee reported reconciliation legislation that cuts *$115 billion* from health expenditures. All of the cuts come from repeal of certain provisions of the Affordable Care Act (ACA), cuts to Medicaid, and medical malpractice reform, over which it shares jurisdiction with the Judiciary Committee.

Title I—Repeals and defunds parts of the ACA

The recommendation impedes implementation of the ACA that is already benefitting millions of Americans. Overall, the changes cut *$26.3 billion* over the next decade.

- **Repeals the Prevention and Public Health Fund.** Repealing this fund and rescinding unobligated funding reduces spending on prevention and public health by *$11.9 billion*. The ACA appropriated a total of $5 billion for 2010 through 2014 and $2 billion for each subsequent year to support such programs as cancer screenings, immunizations, research on prevention, and education and outreach. The goal of the fund is to provide an expanded and sustained investment in these programs to improve overall health and help restrain the rate of growth in private- and public-sector health care costs. Some of the funding to be cut is allocated for women's health, including breast cancer and cervical cancer screening. The Middle Class Tax Relief and Job Creation Act of 2012 (the first payroll tax cut extension bill) already reduced funding for this fund by $5.0 billion.
- **Repeals funding for state health insurance exchanges.** The proposal strikes the mandatory funding for state exchanges and rescinds unobligated funds, cutting *$13.5 billion*. Starting in 2014, these exchanges will allow individuals and small businesses to compare health plans, determine if they are eligible for tax credits for private insurance or health programs like the CHIP, and en-

roll in a health plan that meets their needs. As a result of this proposal, states will either have to raise their own funds to pay for setting up an exchange or rely on the federal government to run their exchange.

- **Defunds the Consumer Operated and Oriented Plan (CO-OP) program.** The proposal reduces spending by *$0.9 billion* by rescinding all unobligated funds for the CO-OP program, which provides subsidized loans to qualified non-profit health insurance plans.

Title II—Cuts Medicaid and CHIP

The recommendation cuts Medicaid spending and reduces the deficit by *$22.7 billion* over the next decade, harming hundreds of thousands of low-income Americans, including at least 300,000 children.

- **Repeals states' Medicaid and CHIP Maintenance of Effort (MOE) requirements.** The ACA requires states to maintain their current Medicaid eligibility standards until 2014 (and CHIP eligibility standards until 2019), when nationwide Medicaid eligibility standards take effect and state-based health insurance exchanges will begin operating. Repealing the MOE provision would increase the number of Americans who are uninsured, as states scale back eligibility for low-income children, parents, seniors, and people with serious disabilities. CBO estimates that the provision will increase the number of uninsured children and adults by 100,000 in 2013 and increase the number of uninsured children by at least 300,000 in 2015. Repealing the MOE reduces the deficit by *$0.6 billion*.
- **Repeals CHIP performance bonus payments for states that provide more low-income children with health care coverage.** The bonus payments, currently slated to end in 2013, help states with the additional coverage-related costs in Medicaid as well as CHIP; the more children a state enrolls above the target, the larger the federal bonus payment. Eliminating the bonuses reduces spending by *$0.4 billion*.
- **Rebases the Disproportionate Share Hospital (DSH) allotment for uncompensated care** to maintain the 2021 level of reductions for an additional year, which reduces spending by *$4.2 billion*. Current law includes annual aggregate DSH allotment reductions for 2014 through 2021, to reflect the expected reduction in uncompensated care that will result from the ACA.
- **Repeals increased federal Medicaid funding cap and match for territories.** The proposal replaces the ACA's increased Medicaid federal match and cap for the territories with the levels in place prior to the ACA, reducing spending by *$6.3 billion*, or 64 percent.
- **Reduces the state provider tax threshold to 5.5 percent,** down from the current threshold of no higher than 6.0 percent of the net patient service revenues. States can use these revenues from health care provider taxes to help finance the state share of Medicaid expenditures. This proposal reduces spending by *$11.3 billion*.

Title III—Medical Malpractice

Jurisdiction over medical malpractice is shared by the Energy and Commerce and the Judiciary Committees. The medical malpractice proposal approved by Energy and Commerce differs in a few respects from the version approved by Judiciary. The Energy and Commerce version generates *$66.5 billion* in on-budget savings over ten years ($56 billion in reduced spending and $10.5 billion in increased revenues). The Judiciary version saves about $18 billion less. The Energy and Commerce version saves more because it includes a provision to allow evidence of income from collateral sources (such as life insurance payouts and health insurance) at trial. Like the Judiciary bill, it caps non-economic damages at $250,000, imposes a strict statute of limitations on filing lawsuits, places restrictions on punitive damages, replaces joint-and-several liability with a "fair-share" rule, provides a safe harbor from punitive damages for products that meet FDA applicable safety requirements, limits contingency fee payments, and applies the legislation's provisions beyond medical malpractice to "any health care liability claim." Both the Judiciary and Energy and Commerce bills override applicable state laws in all 50 states.

WAYS AND MEANS COMMITTEE RECONCILIATION RECOMMENDATIONS

The Ways and Means Committee recommended reconciliation changes that save $68 billion. Instead of cutting tax loopholes that encourage the outsourcing of jobs overseas, eliminating egregious tax breaks, or eliminating additional tax breaks for millionaires, the Committee chose instead to raise taxes on families with children, eliminate valuable social services that help to support child protection services and home-based services, including Meals on Wheels, and make it harder to purchase health insurance for those returning to work. Ways and means Democrats attempted to offer the Buffett Rule as a substitute for the cuts, but were ruled out of order. The Republican proposal makes the following changes:

- **Eliminates the Social Services Block Grant,** which gives states and localities the flexibility to target funding for essential services. Overall, the Block Grant helps 23 million children, seniors, and disabled Americans become self-sufficient and economically independent through services funded in whole, or in part, by the program. It provides home-based services, such as Meals on Wheels, for 1.7 million seniors. It helps prevent child abuse and neglect, providing child protective services for 1.8 million at-risk children. It supports low-income parents returning to work by providing child care and related assistance for 4.4 million children. It also provides services for nearly 1 million disabled individuals, including respite care and transportation. Ending the program saves *$16.7 billion*.
- **Attacks the ACA so another 350,000 Americans go without health care coverage.** Under the ACA, Americans whose incomes are low but who are ineligible for Medicaid and do not have employer-sponsored coverage can receive a subsidy to help them afford private coverage. For them to receive real-time assistance, the tax credit is paid in advance (and directly to the insurer) based on prior-year income. However, if their incomes increase later in the

year, they are responsible for repaying some or all of this subsidy through a process called "true up." The ACA sensibly limits true-up payments to encourage participation and avoid penalizing individuals and families whose circumstances change mid-year. Congress already raised the true-up limit twice. The Republican proposal requires these families to repay everything even if they got the subsidy they were eligible for at the time, saving *$43.9 billion*. The Joint Committee on Taxation estimates that, as a result, 350,000 people will forgo purchasing health insurance—mostly healthier people who are willing to take the risk. That will leave these families at risk and drive up premiums for the remaining less-healthy people purchasing health coverage through insurance exchanges.

• **Denies refundable child tax credit to taxpayers filing with Individual Taxpayer Identification Numbers (ITINs).** This provision requires a taxpayer to include his or her Social Security number on tax returns to claim the refundable child tax credit, saving *$7.6 billion.* This measure ends refundable child tax credits for more than 3 million children in 2013 alone in families with an average income of about $20,000.

FINANCIAL SERVICES COMMITTEE RECONCILIATION RECOMMENDATIONS

The Financial Services Committee recommended cuts that save *$31.1 billion,* assuming a July 1 enactment date, as the Republicans requested (in its score, CBO noted that the proposal would also increase the net income to the National Flood Insurance Program by $4.9 billion). The reconciliation instruction called for a total of $29.8 billion in net savings. Each of the five components to the Committee's proposal is controversial or raises scoring issues.

• **Repeals regulators' authority to shut down a failing large financial firm when that failure would threaten the financial stability of the U.S.** This proposal relies on a budget gimmick to generate savings. The Dodd-Frank legislation designed this authority to pay for itself over time, with any initial up-front costs being recouped by selling assets and imposing an assessment, after the resolution, on financial institutions with more than $50 billion in assets. Thus, some of the offsetting recoveries are estimated to come outside the scoring window. Repealing the authority entirely eliminates the appearance of costs in the ten-year window, and therefore shows savings of *$22.6 billion.* But repealing the authority will prevent regulators from managing the orderly wind down of a failing firm—that inability could result in the disorderly collapse of large financial institutions—making future bailouts more likely and making it more likely that taxpayers will again be stuck with the bill.

• **Eliminates the Home Affordable Modification Program (HAMP).** Dismantling HAMP eliminates virtually the only federal assistance that helps homeowners who are struggling with foreclosure and need loan modifications. Its elimination saves *$2.8 billion.*

• **Jeopardizes consumers' rights and protections by eliminating direct spending for the new Consumer Financial Pro-**

tection Bureau (CFPB) and making it subject to appropriations, thereby further violating the discretionary spending caps in the BCA. This latest attack on the CFPB will likely lessen consumer protection while adding to the pressure of keeping to a low discretionary spending cap. The proposal scores *$5.4 billion* in savings from eliminating direct spending for the CFPB, and makes the CFPB the only banking regulator to be subject to appropriations. If the Budget Committee Chairman exercises his authority to modify the discretionary caps to reflect the shift of the CFPB spending from the mandatory to the discretionary category, then there are no savings. If he does not adjust the discretionary cap, then he is effectively further lowering the discretionary cap by requiring more items to be funded under the same limit. Republicans may use that argument to further their efforts to slash spending for the CFPB.

- **Elimination of the Office of Financial Research.** This office supports the Financial Stability Oversight Council by collecting information on financial markets and conducting research on financial stability issues. It is authorized to collect fees from financial institutions with more than $50 billion in assets to offset its expenses. Eliminating the office saves slightly over *$250 million.* Because the office's fees also support the activities of the Financial Stability Oversight Council, new appropriations of about $10 million per year will be necessary to fund those activities, putting more pressure on the discretionary spending cap.
- **Reforms the flood insurance program.** The estimate of *$4.9 billion* in savings relies on the provision in the budget resolution directing CBO to treat the change in the program's net income as if were deposited in the General Fund. The provisions are the same as those in H.R. 1309, which passed the House in July 2011.

JUDICIARY COMMITTEE RECONCILIATION RECOMMENDATIONS

The Judiciary Committee recommended medical malpractice legislation that is substantively identical to the medical malpractice provisions in H.R. 5 that the House passed in March. CBO scores this legislation as saving a net total of *$48.6 billion,* for total deficit reduction that exceeds the Committee's instruction to find $39.7 billion in savings. The legislation caps noneconomic damages at $250,000 and makes it more difficult to recover punitive damages, replaces joint and several liability for losses with a "fair share" rule, imposes a strict statute of limitations for filing lawsuits, provides a safe harbor from punitive damages for products that meet FDA applicable safety requirements, and puts limits on contingency fee payments. The provisions of the bill apply to not only medical malpractice, but also to any "health care liability claims"—providing new protections for insurance companies, drug and device manufacturers, and nursing homes. Like the Energy and Commerce proposal on medical malpractice, the Judiciary legislation also overrides applicable state laws in all 50 states.

OVERSIGHT AND GOVERNMENT REFORM COMMITTEE RECONCILIATION RECOMMENDATIONS

The Committee on Oversight and Government Reform passed on a party-line vote reconciliation recommendations that generate *$83 billion* by requiring all federal employees, including postal workers, to pay more for their retirement benefits. Consequently, each federal employee will, in effect, have their pay cut an average of more than $30,000 over the next ten years. These new cuts to federal employee pay come on top of $60 billion in cuts resulting from the two-year pay freeze and $15 billion in cuts resulting from increasing retirement contributions on new federal employee enacted in H.R. 3630, the Middle Class Tax Relief Act of 2012. Under the bill, most existing employees under the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS) will face a 5 percentage point increase in their retirement contributions, which will be phased in over five years. The increase for new FERS employees is smaller—2.7 percentage points—because their contributions were already increased by 2.3 percentage points as part of the Middle Class Tax Relief Act of 2012, which will go into full effect starting 2013. (The table below shows all changes in employee contributions.)

[Contribution changes by employee category]

Beneficiary	Contribution Rate		
	Current %	Proposed Increase %	Proposed Final %
Existing:			
Federal Employees (CSRS)	7	5	12
Federal LEO Employees (CSRS)	7.5	5	12.5
Members of Congress (CSRS)	8	8.5	16.5
Congressional Staff (CSRS)	7.5	7.5	15
Federal Employees (FERS)	0.8	5	5.8
Federal LEO Employees (FERS)	1.3	5	6.3
Members of Congress (FERS)	1.3	8.5	9.8
Congressional Staff (FERS)	1.3	7.5	8.8
Newly Hired:			
Federal Employees (FERS+)	3.1	2.7	5.8
Federal LEO Employees (FERS+)	3.6	2.7	6.3
Newly Elected Members (FERS+)	3.1	2.7	5.8
Congressional Staff (FERS+)	3.1	2.7	5.8

The proposal requires larger contributions from the paychecks of current legislative employees than from other federal employees. Current Members of Congress will have to pay an additional 8.5 percent of their salaries for their retirement benefit and current Congressional staff will have to pay an additional 7.5 percent, increases that are also phased in over five years. After full phase-in of the increases, most FERS employees will pay 5.8 percent (6.3 percent if a law enforcement employee) of their salaries toward their retirement benefit, up from 0.8 percent (1.3 percent if law enforcement) they pay this year. Current Members of Congress will pay 9.8 percent and congressional staff will pay 8.8 percent, up from 1.3 percent.

The bill also eliminates the FERS annuity supplement for new employees, except those subject to mandatory retirement, starting in 2013. However, any significant savings resulting from this provision will not be realized until beyond the 10-year budget window.

PART II OF MARK-UP: SEQUESTER REPLACEMENT ACT OF 2012

In the second part of the reconciliation mark-up, the Budget Committee marked up H.R. 4966, Chairman Ryan's Sequester Replacement Act of 2012. When that legislation is combined with the reconciliation cuts considered during the first part of the mark-up, it fulfills the Majority's plan to repeal and replace the sequester scheduled for 2013 under the BCA, as envisioned by the Republican budget resolution. The Majority's complete reconciliation package makes no changes to the BCA that affect the discretionary requirements for 2014 and beyond. As a result, the sequester of funding for both defense and non-defense remains in place for those years.

Instead of the BCA's roughly $100 billion across-the-board sequester of spending for 2013—50 percent from defense and 50 percent from non-defense programs—H.R. 4966 cancels the entire defense sequester and the sequester of non-defense discretionary spending under existing law. However, certain non-defense mandatory programs—including Medicare—will still be subject to sequester for 2013. In addition, it establishes a temporary discretionary cap of $1.047 trillion for 2013—the level set by the BCA—without any firewall between defense and non-defense spending. Effective in January 2013, the bill reduces that cap by $19 billion, limiting regular discretionary spending to $1.028 trillion. Any discretionary spending above that level would trigger a sequester.

REPUBLICAN APPROACH TO REPLACING THE SEQUESTER IS UNFAIR AND UNBALANCED

The Majority's legislation is another example of their refusal to take a fair and balanced approach to reducing the deficit. Every bipartisan commission has recommended and the majority of Americans agree that we should take a balanced, bipartisan approach to reducing the deficit that both increases revenue and decreases spending. However, 98 percent of the Majority's Representatives have signed a pledge that they will not reduce the deficit by a single penny by cutting tax breaks for the wealthy.

Instead, the Republican budget resolution and this reconciliation mark-up took a lopsided approach to replacing the sequester and reducing the deficit that shreds the social safety net for vulnerable Americans, and that fails to protect Medicare from sequester for even one year. Rather than asking big corporations and wealthy special interests to give up tax breaks they do not need, the Majority passed a plan that asks hundreds of thousands of low-income children, women, seniors, and other Americans to give up vital assistance that helps them make it from day to day.

Two particularly egregious examples of their misguided choices are basic nutrition assistance and health care coverage. Although the Deficit Control Act of 1985 protects nutrition assistance and health care coverage for lower-income children and their families from sequester, the Republican reconciliation package that replaces the sequester for just one year specifically cuts funding for this important safety net assistance. Furthermore, the Majority made these harmful choices while protecting subsidies for agricultural businesses, big oil companies, and tax breaks for the wealthiest Americans. The Republican approach is not the fair and balanced approach to deficit reduction that most Americans want.

DEMOCRATIC AMENDMENTS WOULD HAVE MADE THE RIGHT CHOICES FOR AMERICAN FAMILIES AND REPLACED THE SEQUESTER FOR ALL 10 YEARS

During the Budget Committee's mark-up of H.R. 4966, Democrats offered two amendments to change the Majority's legislation so that it makes the right choices for American families by taking a fair and balanced approach to reducing the deficit. Democrats offered an amendment that would have replaced the sequester for the entire 10-year period called for under the BCA—not just one year, as the Republican plan does. The amendment would have replaced the sequester with balanced legislation that (1) cuts spending while maintaining the Medicare guarantee and protecting Social Security and a strong social safety net; (2) increases revenues without increasing the tax burden on middle-income Americans; and (3) grows jobs and the economy by, among other things, making strategic investments in education, science, research, and critical infrastructure necessary to compete in the global economy. This amendment was defeated on a party-line vote.

Democrats also offered an amendment to exempt Medicare from the 2013 sequester. This amendment would have prevented across-the-board payment cuts to doctors, hospitals, nursing homes, home health aides, and others that provide critical care to Medicare beneficiaries. The Democratic amendment would have paid for protecting Medicare from sequester by eliminating a wasteful tax break for big oil and gas companies. This amendment was defeated on a party-line vote.

DEMOCRATIC MOTIONS AND AMENDMENTS OFFERED IN BUDGET COMMITTEE MARK-UP

- **Motion #1: Protecting Health Care Coverage for At Least 300,000 Low-Income Children and Lowering the Deficit by Eliminating Certain Tax Subsidies for Big Oil**

A motion by Rep. Castor that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that would strike from Title II of the bill section 213, which repeals the maintenance of effort requirements for children in the Children's Health Insurance Program (CHIP) and children and adults in Medicaid; and section 215, which repeals CHIP performance bonus payments; and replaces them with a provision that increases revenue by eliminating a wasteful tax break that encourages big oil companies to produce oil in foreign countries rather than here at home.

- **Motion #2: Protecting the Health of Women and Children While Closing Tax Loopholes that Reward Corporations that Ship American Jobs Overseas**

A motion by Rep. Schwartz and Rep. Wasserman Schultz that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that would strike from Title II of the bill section 202, which repeals the Prevention and Public Health Fund under the

Affordable Care Act, and replace that section with changes in law to reduce the deficit by closing loopholes in the U.S. international corporate tax system that encourage companies to ship jobs overseas.

- **Motion #3: Rejecting the Elimination of the Social Services Block Grant While Ending Taxpayer Subsidies to Big Oil**

A motion by Rep. Doggett and Rep. Bonamici that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that strikes Subtitle C of Title VI—the elimination of the Social Services Block Grant—of the bill, and replaces that section with changes in law that reduce the deficit by repealing the tax subsidies for the "Big 5" major integrated oil companies.

- **Motion #4: Protect Food and Nutrition Support for Struggling Children and Families While Cutting Taxpayer Direct Payments to Agricultural Interests**

A motion by Rep. Blumenauer and Rep. Yarmuth that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that (1) would strike Title 1, which reduces spending in the Supplemental Nutrition Assistance Program, and (2) replaces it with changes in law to reduce the deficit by reforming agricultural commodity and crop insurance programs.

- **Amendment #1: Taking a Fair and Balanced Approach to Reducing the Deficit and Replacing the Sequester**

An amendment by Rep. Van Hollen that replaces the sequester for the entire 10-year period called for under the Budget Control Act with balanced, bipartisan legislation that:

  - ◦ increases revenues without increasing the tax burden on middle-income Americans,
  - ◦ decreases spending while maintaining the Medicare guarantee and protecting Social Security and the social safety net for vulnerable Americans, and
  - ◦ promotes economic growth and jobs.

Amendment #2: Prevent Cuts to Medicare

An amendment by Rep. McCollum and Rep. Tim Ryan (OH) that exempts Medicare from the 2013 sequester, preventing across-the-board payment cuts to doctors, hospitals, nursing homes, home health aides, and others that provide critical care to Medicare beneficiaries. The amendment pays for protecting Medicare from sequester by eliminating wasteful tax breaks for big oil and gas companies.

CHRIS VAN HOLLEN.
BILL PASCRELL, Jr.
MARCY KAPTUR.
KATHY CASTOR.
KAREN BASS.

BETTY MCCOLLUM.
TIM RYAN.
ALLYSON Y. SCHWARTZ.
SUZANNE BONAMICI.
GWEN MOORE.
DEBBIE WASSERMAN SCHULTZ.
JOHN YARMUTH.
LLOYD DOGGETT.
MICHAEL M. HONDA.
EARL BLUMENAUER.
HEATH SHULER.

DISSENTING VIEWS

Chairman Ryan, Ranking Member Van Hollen, thank you for giving me the opportunity to address these issues of great importance to my district, as well as millions of communities across this country. It is imperative that we use this opportunity to discuss what should be the priorities of this Congress: achieving economic growth through job creation, expanding our middle class, and protecting our social safety-net. However, the path that the Tea Party majority and Chairman Ryan have put before us today rejects these priorities, and seeks to double down the the failed policies that already brought us massive income inequality, a weakened production base and a shrinking middle class. In short, the majority's choice is to cut $75 billion from programs that directly benefit seniors, the middle class and poor, in order to protect special interests and millionaires.

As a Member of the Committee on Ways and Means, I fought against that committee's unfair reconciliation legislation that inordinately placed the burdens of increased defense spending and tax cuts for the very wealthy on seniors, the disabled and middle class families. The Democratic minority put forth multiple amendments that sought to ask those who have so much already, to contribute a little more so we could avoid cuts to important programs.

Unfortunately, the majority rejected these amendments, and instead favored a path that took $47 billion in tax credits that middle class families could use to purchase health insurance. By removing the incentive to enter the healthcare exchanges, not only does a middle class individual's tax liability increase, but so do the general costs for the rest of us who will have to shoulder the health costs of these uninsured Americans. Additionally, we already made appropriate adjustments to the caps on repayment in December of 2010, and they were reasonable, unlike these changes that are being considered today.

The majority also choose to limit the ability of families to use the Child Tax Credit for some U.S. citizens, as well as all but eliminate the Social Service Block Grant. In my home state of New Jersey, there are almost three-hundred thousand children living in poverty, and almost forty percent of their families use an Individual Taxpayer Identification Number (ITIN) to help bear the cost of raising these children. Denying the Child Tax Credit to ITIN filers will take an average of $1,800 out of the pockets of families who earn an average of $21,000 a year. And by eliminating the Social Service block grant for 2013, they prioritized oil companies and millionaires over 23 million Americans, including the disabled and seniors, who rely on programs ranging from transportation assistance to Meals on Wheels.

Other committees have also enacted devastating cuts that unfairly place the burden on the middle class, seniors, and our most vulnerable citizens. The Agriculture Committee cut $33.2 billion from the Supplemental Nutrition Assistance Program (SNAP) over ten years, money that goes to making sure children and families who are struggling financially have access to healthy food. The Energy and Commerce Committee made $25 billion in cuts to the Medicaid program in the form of disproportionate share hospital (DSH) payment rebasing in 2022, and changes to Medicaid eligibility rules, a slight decrease in state provider taxes and the repeal of the Prevention and Public Health Fund. This is an attack on public health efforts and hospitals who treat low income patients.

There are other fair and balanced methods to reducing our debt and deficit. This is why I support the Democratic proposals that ask large oil and gas companies, millionaires and companies that ship jobs overseas, to pay just a little more to ensure that millions of seniors, middle class families and our most vulnerable citizens are not left alone to bear the burden of deficit reduction. Plain and simple, the majority is choosing millionaires over women and children's access to healthcare. They are choosing corporate welfare for outsourcing jobs over helping the next generation of workers afford college. And they are choosing oil and gas companies over ensuring that our most vulnerable citizens, including seniors and children, have access to important nutrition and healthcare programs.

Once again we find ourselves debating extreme attempts by Tea Party Republicans to hurt middle and lower income Americans, while protecting special interests, under the guise of deficit reduction. Not only will these choices fail to produce economic growth and job creation, they do not reflect the morals of our country. I reject the cynicisms that the Republican majority has in the American people, because I believe that together we can protect seniors and our most vulnerable citizens, and lay the foundation for an economy that provides future generations with the prosperity we have sought for ourselves.

BILL PASCRELL, Jr.

Appendix: Legislative Text

The following legislative text incorporates both amendments adopted in the Committee on the Budget and technical corrections.

H.R. 4966

To amend the Balanced Budget and Emergency Deficit Control Act of 1985 to replace the sequester established by the Budget Control Act of 2011.

IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2012

Mr. RYAN of Wisconsin introduced the following bill; which was referred to the Committee on the Budget, and in addition to the Committee on 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 Balanced Budget and Emergency Deficit Control Act of 1985 to replace the sequester established by the Budget Control Act of 2011.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Sequester Replacement Act of 2012".

SEC. 2. CONTINGENT EFFECTIVE DATE.

This Act and the amendments made by it shall take effect upon the enactment of the Act provided for in section 201 of H. Con. Res. 112 (112th Congress) and this Act and the amendments made by it shall have no force or effect if such Act provided for in such section is not enacted.

SEC. 3. PROTECTING VETERANS PROGRAMS FROM SEQUESTER.

Section 256(e)(2)(E) of the Balanced Budget and Emergency Deficit Control Act of 1985 is repealed.

SEC. 4. ACHIEVING $19 BILLION IN DISCRETIONARY SAVINGS.

(a) Revised 2013 Discretionary Spending Limit.—Paragraph (2) of section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(2) with respect to fiscal year 2013, for the discretionary category, $1,047,000,000,000 in new budget authority;".

(b) Discretionary Savings.—Section 251A(7)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(A) Fiscal year 2013.—

"(i) Fiscal year 2013 adjustment.—On January 2, 2013, the discretionary category set forth in section 251(c)(2) shall be decreased by $19,104,000,000 in budget authority.

"(ii) Supplemental sequestration order.—On January 15, 2013, OMB shall issue a supplemental sequestration report for fiscal year 2013 and take the form of a final sequestration report as set forth in section 254(f)(2) and using the procedures set forth in section 253(f), to eliminate any discretionary spending breach of the spending limit set forth in section 251(c)(2) as adjusted by clause (i), and the President shall order a sequestration, if any, as required by such report.".

SEC. 5. CONFORMING AMENDMENTS TO SECTION 314 OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.

Section 314(a) of the Congressional Budget Act of 1974 is amended to read as follows:

"(a) Adjustments.—

"(1) In general.—The chair of the Committee on the Budget of the House of Representatives or the Senate may make adjustments as set forth in paragraph (2) for a bill or joint resolution, amendment thereto or conference report thereon, by the amount of new budget authority and outlays flowing therefrom in the same amount as required by section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985.

"(2) Matters to be adjusted.—The chair of the Committee on the Budget of the House of Representatives or the Senate may make the adjustments referred to in paragraph (1) to—

"(A) the allocations made pursuant to the appropriate concurrent resolution on the budget pursuant to section 302(a);

"(B) the budgetary aggregates as set forth in the appropriate concurrent resolution on the budget; and

"(C) the discretionary spending limits, if any, set forth in the appropriate concurrent resolution on the budget.".

SEC. 6. TREATMENT FOR PAYGO PURPOSES.

The budgetary effects of this Act and any amendment made by it, and the budgetary effects of the Act provided for by section 201 of H. Con. Res. 112 (112th Congress), shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

SEC. 7. ELIMINATION OF THE FISCAL YEAR 2013 SEQUESTRATION FOR DEFENSE DIRECT SPENDING.

Any sequestration order issued by the President under the Balanced Budget and Emergency Deficit Control Act of 1985 to carry out reductions to direct spending for the defense function (050) for fiscal year 2013 pursuant to section 251A of such Act shall have no force or effect.

○