

105TH CONGRESS  
1ST SESSION

# H. R. 2003

To reform the budget process and enforce the bipartisan balanced budget agreement of 1997.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 20, 1997

Mr. BARTON of Texas (for himself, Mr. MINGE, Mr. STENHOLM, Mr. WAMP, Mr. ANDREWS, Mr. BALLENGER, Mr. BOYD, Mr. CASTLE, Mr. TANNER, Mr. TAUSCHER, Mr. VISCLOSKY, Mr. CONDIT, Mr. LUTHER, Ms. SANCHEZ, Mr. RAMSTAD, Mr. NEUMANN, and Mr. GRAHAM) introduced the following bill; which was referred to the Committee on the Budget, and in addition to the Committees on Rules, and Ways and Means, 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

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## A BILL

To reform the budget process and enforce the bipartisan balanced budget agreement of 1997.

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

### 3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Budet Enforcement Act of 1997”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title and table of contents.

Sec. 2. Definitions.

TITLE I—ENSURE THAT THE BIPARTISAN BALANCED BUDGET  
AGREEMENT OF 1997 ACHIEVES ITS GOAL

- Sec. 101. Timetable.
- Sec. 102. Procedures to avoid sequestration or delay of new revenue reductions.
- Sec. 103. Effect on Presidents' budget submissions; point of order.
- Sec. 104. Deficit and revenue targets.
- Sec. 105. Direct spending caps.
- Sec. 106. Economic assumptions.
- Sec. 107. Revisions to the caps for entitlements and other spending and to the revenue and deficit targets in this Act.

TITLE II—ENFORCEMENT PROVISIONS

- Sec. 201. Reporting excess spending.
- Sec. 202. Enforcing direct spending caps.
- Sec. 203. Sequestration rules.
- Sec. 204. Revenue enforcement.
- Sec. 205. Exempt programs and activities.
- Sec. 206. Special rules.
- Sec. 207. The current law baseline.
- Sec. 208. Limitations on emergency spending.

**1 SEC. 2. DEFINITIONS.**

**2** For purposes of this Act:

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

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

**14** (3) BREACH.—The term “breach” means, for  
**15** any fiscal year, the amount (if any) by which outlays

1 for that year (within a category of direct spending)  
2 is above that category's direct spending cap for that  
3 year.

4 (4) BASELINE.—The term “baseline” means  
5 the projection (described in section 207) of current  
6 levels of new budget authority, outlays, receipts, and  
7 the surplus or deficit into the budget year and the  
8 outyears.

9 (5) BUDGETARY RESOURCES.—The term  
10 “budgetary resources” means new budget authority,  
11 unobligated balances, direct spending authority, and  
12 obligation limitations.

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

24 (7) DIRECT SPENDING.—The term “direct  
25 spending” means—

1 (A) budget authority provided by law other  
2 than appropriation Acts, including entitlement  
3 authority;

4 (B) entitlement authority; and

5 (C) the food stamp program.

6 If a law other than an appropriation Act alters the  
7 level of discretionary appropriations or offsetting col-  
8 lections, that effect shall be treated as direct spend-  
9 ing.

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

20 (9) CURRENT.—The term “current” means,  
21 with respect to OMB estimates included with a  
22 budget submission under section 1105(a) of title 31  
23 U.S.C., the estimates consistent with the economic  
24 and technical assumptions underlying that budget.

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

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

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

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

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

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

17          (16) BUDGET OUTLAYS AND OUTLAYS.—The  
18          terms “budget outlays” and “outlays” mean, with  
19          respect to any fiscal year, expenditures of funds  
20          under budget authority during such year.

21          (17) BUDGET AUTHORITY AND NEW BUDGET  
22          AUTHORITY.—The terms “budget authority” and  
23          “new budget authority” have the meanings given to  
24          them in section 3 of the Congressional Budget and  
25          Impoundment Control Act of 1974.

1           (18) APPROPRIATION ACT.—The term “appro-  
 2           piation Act” means an Act referred to in section  
 3           105 of title 1 of the United States Code.

4           (19) CONSOLIDATED DEFICIT.—The term “con-  
 5           solidated deficit” means, with respect to a fiscal  
 6           year, the amount by which total outlays exceed total  
 7           receipts during that year.

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

11          (21) DIRECT SPENDING CAPS.—The term “di-  
 12          rect spending caps” means the nominal dollar limits  
 13          for entitlements and other mandatory spending pur-  
 14          suant to section 105 (as modified by any revisions  
 15          provided for in this Act).

16 **TITLE I—ENSURE THAT THE BI-**  
 17 **PARTISAN BALANCED BUDG-**  
 18 **ET AGREEMENT OF 1997**  
 19 **ACHIEVES ITS GOAL**

20 **SEC. 101. TIMETABLE.**

**On or before:**

January 15 .....  
 First Monday in February .....  
  
 August 1 .....  
 August 15 .....  
 Not later than November 1 (and  
     as soon as practical after the  
     end of the fiscal).  
 November 1–December 15 .....

**Action to be completed:**

CBO economic and budget update.  
 President’s budget update based on  
     new assumptions.  
 CBO and OMB updates.  
 Preview report.  
 OMB and CBO Analyses of Deficits,  
     Revenues and Spending Levels and  
     Projections for the Upcoming Year.  
 Congressional action to avoid seques-  
     tration.

**On or before:**

December 15 .....

December 15 .....

**Action to be completed:**

OMB issues final (look back) report for prior year and preview for current year.

Presidential sequester order or order delaying new/additional revenues reductions scheduled to take effect pursuant to reconciliation legislation enacted in calendar year 1997.

1 **SEC. 102. PROCEDURES TO AVOID SEQUESTRATION OR**  
 2 **DELAY OF NEW REVENUE REDUCTIONS.**

3 (a) SPECIAL MESSAGE.—If the OMB Analysis of Ac-  
 4 tual Spending Levels and Projections for the Upcoming  
 5 Year indicates that—

6 (1) deficits in the most recently completed fiscal  
 7 year exceeded, or the deficits in the budget year are  
 8 projected to exceed, the deficit targets in section  
 9 104;

10 (2) revenues in the most recently completed fis-  
 11 cal year were less than, or revenues in the current  
 12 year are projected to be less than, the revenue tar-  
 13 gets in section 104; or

14 (3) outlays in the most recently completed fiscal  
 15 year exceeded, or outlays in the current year are  
 16 projected to exceed, the caps in section 104;

17 the President shall submit to Congress with the OMB  
 18 Analysis of Actual Spending Levels and Projections for  
 19 the Upcoming Year a special message that includes pro-  
 20 posed legislative changes to—

21 (A) offset the net deficit or outlay excess;

1 (B) offset any revenue shortfall; or

2 (C) revise the deficit or revenue targets or the

3 outlay caps contained in this Act;

4 through any combination of—

5 (i) reductions in outlays;

6 (ii) increases in revenues; or

7 (iii) increases in the deficit targets or expendi-

8 ture caps, or reductions in the revenue targets, if the

9 President submits a written determination that, be-

10 cause of economic or programmatic reasons, none of

11 the variances from the balanced budget plan should

12 be offset.

13 (b) INTRODUCTION OF THE PRESIDENT’S PACK-

14 AGE.—Not later than November 15, the message from the

15 President required pursuant to subsection (a) shall be in-

16 troduced as a joint resolution in the House of Representa-

17 tives or the Senate by the chairman of its Committee on

18 the Budget. If the chairman fails to do so, after November

19 15, the joint resolution may be introduced by any Member

20 of that House of Congress and shall be referred to the

21 Committee on the Budget of that House.

22 (c) HOUSE BUDGET COMMITTEE ACTION.—The

23 Committee on the Budget of the House of Representatives

24 shall, by November 15, report a joint resolution contain-

25 ing—

1           (1) the recommendations in the President's  
2           message, or different policies and proposed legisla-  
3           tive changes than those contained in the message of  
4           the President, to ameliorate or eliminate any excess  
5           deficits or expenditures or any revenue shortfalls, or

6           (2) any changes to the deficit or revenue tar-  
7           gets or expenditure caps contained in this Act, ex-  
8           cept that any changes to the deficit or revenue tar-  
9           gets or expenditure caps cannot be greater than the  
10          changes recommended in the message submitted by  
11          the President.

12          (d) PROCEDURE IF THE COMMITTEES ON THE BUDG-  
13          ET OF THE HOUSE OF REPRESENTATIVES OR SENATE  
14          FAILS TO REPORT REQUIRED RESOLUTION.—

15               (1) AUTOMATIC DISCHARGE OF COMMITTEES  
16               ON THE BUDGET OF THE HOUSE.—If the Committee  
17               on the Budget of the House of Representatives fails,  
18               by November 20, to report a resolution meeting the  
19               requirements of subsection (c), the committee shall  
20               be automatically discharged from further consider-  
21               ation of the joint resolution reflecting the Presi-  
22               dent's recommendations introduced pursuant to sub-  
23               section (a), and the joint resolution shall be placed  
24               on the appropriate calendar.

1           (2) CONSIDERATION OF DISCHARGE RESOLU-  
2       TION IN THE HOUSE.—If the Committee has been  
3       discharged under paragraph (1) above, any Member  
4       may move that the House of Representatives con-  
5       sider the resolution. Such motion shall be highly  
6       privileged and not debatable. It shall not be in order  
7       to consider any amendment to the resolution except  
8       amendments which are germane and which do not  
9       change the net deficit impact of the resolution.

10       (e) CONSIDERATION OF JOINT RESOLUTION IN THE  
11   HOUSE.—Consideration of resolution reported pursuant to  
12   subsection (c) or (d) shall be pursuant to the procedures  
13   set forth in section 305 of the Congressional Budget Act  
14   of 1974 and subsection (d).

15       (f) TRANSMITTAL TO SENATE.—If a joint resolution  
16   passes the House of Representatives pursuant to sub-  
17   section (e), the Clerk of the House of Representatives shall  
18   cause the resolution to be engrossed, certified, and trans-  
19   mitted to the Senate within 1 calendar day of the day on  
20   which the resolution is passed. The resolution shall be re-  
21   ferred to the Senate Committee on the Budget.

22       (g) REQUIREMENTS FOR SPECIAL JOINT RESOLU-  
23   TION IN THE SENATE.—The Committee on the Budget of  
24   the Senate shall report not later than December 1—

1           (1) a joint resolution reflecting the message of  
2           the President; or

3           (2) the joint resolution passed by the House of  
4           Representatives, with or without amendment; or

5           (3) a joint resolution containing different poli-  
6           cies and proposed legislative changes than those con-  
7           tained in either the message of the President or the  
8           resolution passed by the House of Representatives,  
9           to eliminate all or part of any excess deficits or ex-  
10          penditures or any revenue shortfalls, or

11          (4) any changes to the deficit or revenue tar-  
12          gets, or to the expenditure caps, contained in this  
13          Act, except that any changes to the deficit or reve-  
14          nue targets or expenditure caps cannot be greater  
15          than the changes recommended in the message sub-  
16          mitted by the President.

17          (h) PROCEDURE IF THE SENATE BUDGET COMMIT-  
18          TEE FAILS TO REPORT REQUIRED RESOLUTION.—

19               (1) AUTOMATIC DISCHARGE OF SENATE BUDG-  
20          ET COMMITTEE.—In the event that the Committee  
21          on the Budget of the Senate fails, by December 1,  
22          to report a resolution meeting the requirements of  
23          subsection (g), the committee shall be automatically  
24          discharged from further consideration of the joint  
25          resolution reflecting the President's recommenda-

1        tions introduced pursuant to subsection (a) and of  
2        the resolution passed by the House of Representa-  
3        tives, and both joint resolutions shall be placed on  
4        the appropriate calendar.

5            (2) CONSIDERATION OF DISCHARGE RESOLU-  
6        TION IN THE SENATE.—(A) If the Committee has  
7        been discharged under paragraph (1), any member  
8        may move that the Senate consider the resolution.  
9        Such motion shall be highly privileged and not de-  
10       batable. It shall not be in order to consider any  
11       amendment to the resolution except amendments  
12       which are germane and which do not change the net  
13       deficit impact of the resolution.

14            (B) Consideration of resolutions reported pur-  
15        suant to subsections (c) or (d) shall be pursuant to  
16        the procedures set forth in section 305 of the Con-  
17        gressional Budget Act of 1974 and subsection (d).

18            (C) If the joint resolution reported by the Com-  
19        mittees on the Budget pursuant to subsection (c) or  
20        (g) or a joint resolution discharged in the House of  
21        Representatives or the Senate pursuant to sub-  
22        section (d)(1) or (h)(1) would eliminate less than—

23            (i) the entire amount by which actual or  
24        projected deficits exceed, or revenues fall short  
25        of, the targets in this Act; or

1           (ii) the entire amount by which actual or  
2           projected outlays exceed the caps contained in  
3           this Act;

4           then the Committee on the Budget of the Senate  
5           shall report a joint resolution, raising the deficit tar-  
6           gets or outlay caps, or reducing the revenue targets  
7           for any year in which actual or projected spending,  
8           revenues or deficits would not conform to the deficit  
9           and revenue targets or expenditure caps in this Act.

10          (k) CONFERENCE REPORTS SHALL FULLY ADDRESS  
11 DEFICIT EXCESS.—It shall not be in order in the House  
12 of Representatives or the Senate to consider a conference  
13 report on a joint resolution to eliminate all or part of any  
14 excess deficits or outlays or to eliminate all or part of any  
15 revenue shortfall compared to the deficit and revenue tar-  
16 gets and the expenditure caps contained in this Act, un-  
17 less—

18           (1) the joint resolution offsets the entire  
19           amount of any overage or shortfall; or

20           (2) the House of Representatives and Senate  
21           both pass the joint resolution reported pursuant to  
22           subsection (j)(2).

23 The vote on any resolution reported pursuant to sub-  
24 section (j)(2) shall be solely on the subject of changing

1 the deficit or revenue targets or the expenditure limits in  
 2 this Act.

3 **SEC. 103. EFFECT ON PRESIDENTS' BUDGET SUBMISSIONS;**

4 **POINT OF ORDER.**

5 (a) BUDGET SUBMISSION.—Any budget submitted by  
 6 the President pursuant to section 1105(a) of title 31,  
 7 United States Code, for each of fiscal years 1998 through  
 8 2007 shall be consistent with the spending, revenue, and  
 9 deficit levels established in sections 104 and 105 or it shall  
 10 recommend changes to those levels.

11 (b) POINT OF ORDER.—It shall not be in order in  
 12 the House of Representatives or the Senate to consider  
 13 any concurrent resolution on the budget unless it is con-  
 14 sistent with the spending, revenue, and deficit levels estab-  
 15 lished in sections 104 and 105.

16 **SEC. 104. DEFICIT AND REVENUE TARGETS.**

17 (a) CONSOLIDATED DEFICIT (OR SURPLUS) TAR-  
 18 GETS.—For purposes of sections 102 and 107, the consoli-  
 19 dated deficit targets shall be—

- 20 (1) for fiscal year 1998, \$90,500,000,000;
- 21 (2) for fiscal year 1999, \$89,700,000,000;
- 22 (3) for fiscal year 2000, \$83,000,000,000;
- 23 (4) for fiscal year 2001, \$53,300,000,000; and
- 24 (5) for fiscal year 2002, there shall be a surplus
- 25 of not less than \$1,400,000,000.

1 (b) CONSOLIDATED REVENUE TARGETS.—For pur-  
2 poses of sections 102, 107, 201, and 204, the consolidated  
3 revenue targets shall be—

- 4 (1) for fiscal year 1998, \$1,601,800,000,000;  
5 (2) for fiscal year 1999, \$1,664,200,000,000;  
6 (3) for fiscal year 2000, \$1,728,100,000,000;  
7 (4) for fiscal year 2001, \$1,805,100,000,000;  
8 and  
9 (5) for fiscal year 2002, \$1,890,400,000,000.

10 **SEC. 105. DIRECT SPENDING CAPS.**

11 (a) IN GENERAL.—Effective upon submission of the  
12 report by OMB pursuant to subsection (c), direct spending  
13 caps shall apply to all entitlement authority except for un-  
14 distributed offsetting receipts and net interest outlays.  
15 For purposes of enforcing direct spending caps under this  
16 Act, each separate program shown in the table set forth  
17 in subsection (d) shall be deemed to be a category.

18 (b) BUDGET COMMITTEE REPORTS.—Within 30 days  
19 after enactment of this Act, the Budget Committees of  
20 the House of Representatives and the Senate shall file  
21 with their respective Houses identical reports containing  
22 account numbers and spending levels for each specific cat-  
23 egory.

24 (c) REPORT BY OMB.—Within 30 days after enact-  
25 ment of this Act, OMB shall submit to the President and

1 each House of Congress a report containing account num-  
 2 bers and spending limits for each specific category.

3 (d) CONTENTS OF REPORTS.—All direct spending ac-  
 4 counts not included in these reports under separate cat-  
 5 egories shall be included under the heading “Other Enti-  
 6 tlements and Mandatory Spending”. These reports may  
 7 include adjustments among the caps set forth in this Act  
 8 as required below, however the aggregate amount available  
 9 under the “Total Entitlements and Other Mandatory  
 10 Spending” cap shall be identical in each such report and  
 11 in this Act and shall be deemed to have been adopted as  
 12 part of this Act. Each such report shall include the actual  
 13 amounts of the caps for each year of fiscal years 1998  
 14 through 2002 consistent with the concurrent resolution on  
 15 the budget for FY 1998 for each of the following cat-  
 16 egories:

17           Earned Income Tax Credit,  
 18           Family Support,  
 19           Federal retirement:  
 20                 Civilian/other,  
 21                 Military,  
 22           Medicaid,  
 23           Medicare,  
 24           Social security,  
 25           Supplemental security income,

1           Unemployment compensation,  
2           Veterans' benefits,  
3           Medicare,  
4           Other entitlements and mandatory spending,  
5       and  
6           Aggregate entitlements and other mandatory  
7       spending.

8 (e) **ADDITIONAL SPENDING LIMITS.**—Legislation enacted  
9 subsequent to this Act may include additional caps to limit  
10 spending for specific programs, activities, or accounts with  
11 these categories. Those additional caps (if any) shall be  
12 enforced in the same manner as the limits set forth in  
13 such joint explanatory statement.

14 **SEC. 106. ECONOMIC ASSUMPTIONS.**

15       Subject to periodic reestimation based on changed  
16 economic conditions or changes in eligible population, de-  
17 terminations of the direct spending caps under section  
18 105, any breaches of such caps, and actions necessary to  
19 remedy such breaches shall be based upon the economic  
20 assumptions set forth in the joint explanatory statement  
21 of managers accompanying the concurrent resolution on  
22 the budget for fiscal year 1998 (House Concurrent Reso-  
23 lution 84, 105th Congress).

1 **SEC. 107. REVISIONS TO DEFICIT AND REVENUE TARGETS**  
2 **AND TO THE CAPS FOR ENTITLEMENTS AND**  
3 **OTHER MANDATORY SPENDING.**

4 (a) AUTOMATIC ADJUSTMENTS TO DEFICIT AND  
5 REVENUE TARGETS AND TO CAPS FOR ENTITLEMENTS  
6 AND OTHER MANDATORY SPENDING.—When the Presi-  
7 dent submits the budget under section 1105(a) of title 31,  
8 United States Code, for any year, OMB shall calculate (in  
9 the order set forth below), and the budget and reports  
10 shall include, adjustments to the deficit and revenue tar-  
11 gets, and to the direct spending caps (and those limits  
12 as cumulatively adjusted) for the current year, the budget  
13 year, and each outyear, to reflect the following:

14 (1) CHANGES TO REVENUE TARGETS.—

15 (A) CHANGES IN GROWTH.—For Federal  
16 revenues and deficits under laws and policies  
17 enacted or effective before July 1, 1997, growth  
18 adjustment factors shall equal the ratio between  
19 the level of year-over-year growth measured for  
20 the fiscal year most recently completed and the  
21 applicable estimated level for that year as de-  
22 scribed in section 105.

23 (B) CHANGES IN INFLATION.—For Fed-  
24 eral revenues and deficits under laws and poli-  
25 cies enacted or effective before July 1, 1997, in-  
26 flation adjustment factors shall equal the ratio

1           between the level of year-over-year growth  
2           measured for the fiscal year most recently com-  
3           pleted and the applicable estimated level for  
4           that year as described in section 105.

5           (2) ADJUSTMENTS TO DIRECT SPENDING  
6       CAPS.—

7                   (A) CHANGES IN CONCEPTS AND DEFINI-  
8           TIONS.—The adjustments produced by changes  
9           in concepts and definitions shall equal the base-  
10          line levels of new budget authority and outlays  
11          using up-to-date concepts and definitions minus  
12          those levels using the concepts and definitions  
13          in effect before such changes. Such changes in  
14          concepts and definitions may only be made in  
15          consultation with the Committees on Appropria-  
16          tions, the Budget, and Government Reform and  
17          Oversight and Governmental Affairs of the  
18          House of Representatives and the Senate.

19                   (B) CHANGES IN NET OUTLAYS.—Changes  
20          in net outlays for all programs and activities ex-  
21          empt from sequestration under section 204.

22                   (C) CHANGES IN INFLATION.—For direct  
23          spending under laws and policies enacted or ef-  
24          fective on or before July 1, 1997, inflation ad-  
25          justment factors shall equal the ratio between

1 the level of year-over-year inflation measured  
2 for the fiscal year most recently completed and  
3 the applicable estimated level for that years as  
4 described in section 105 (relating to economic  
5 assumptions). For direct spending under laws  
6 and policies enacted or effective after July 1,  
7 1997, there shall be no adjustment to the direct  
8 spending caps (for changes in economic condi-  
9 tions including inflation, nor for changes in  
10 numbers of eligible beneficiaries) unless—

11 (i) the Act or the joint explanatory  
12 statement of managers accompanying such  
13 Act providing new direct spending includes  
14 economic projections and projections of  
15 numbers of beneficiaries; and

16 (ii) such Act specifically provides for  
17 automatic adjustments to the direct spend-  
18 ing caps in section 105 based on those pro-  
19 jections.

20 (D) CHANGES IN ELIGIBLE POPU-  
21 LATIONS.—For direct spending under laws and  
22 policies enacted or effective on or before July 1,  
23 1997, the basis for adjustments under this sec-  
24 tion shall be the same as the projections under-  
25 lying Table A–4, CBO Baseline Projections of

1 Mandatory Spending, Including Deposit Insur-  
2 ance (by fiscal year, in billions of dollars), pub-  
3 lished in An Analysis of the President's Budg-  
4 etary Proposals for Fiscal Year 1998, March  
5 1997, page 53. For direct spending under laws  
6 and policies enacted or effective after July 1,  
7 1997, there shall be no adjustment to the direct  
8 spending caps for changes in numbers of eligi-  
9 ble beneficiaries unless—

10 (i) the Act or the joint explanatory  
11 statement of managers accompanying such  
12 Act providing new direct spending includes  
13 economic projections and projections of  
14 numbers of beneficiaries; and

15 (ii) such Act specifically provides for  
16 automatic adjustments to the direct spend-  
17 ing caps in section 105 based on those pro-  
18 jections.

19 (E) INTRA-BUDGETARY PAYMENTS.—From  
20 discretionary accounts to mandatory accounts.  
21 The baseline and the discretionary spending  
22 caps shall be adjusted to reflect those changes.

23 (c) CHANGES TO DEFICIT TARGETS.—The deficit  
24 targets in section 104 shall be adjusted to reflect changes

1 to the revenue targets or changes to the caps for entitle-  
 2 ments and other mandatory spending pursuant to sub-  
 3 section (a).

4 (d) PERMISSIBLE REVISIONS TO DEFICIT AND REVE-  
 5 NUE TARGETS AND DIRECT SPENDING CAPS.—Deficit  
 6 and revenue targets and direct spending caps as enacted  
 7 pursuant to sections 104 and 105 may be revised as fol-  
 8 lows: Except as required pursuant to section 105(a), direct  
 9 spending caps may only be amended by recorded vote. It  
 10 shall be a matter of highest privilege in the House of Rep-  
 11 resentatives and the Senate for a Member of the House  
 12 of Representatives or the Senate to insist on a recorded  
 13 vote solely on the question of amending such caps. It shall  
 14 not be in order for the Committee on Rules of the House  
 15 of Representatives to report a resolution waiving the provi-  
 16 sions of this subsection. This subsection may be waived  
 17 in the Senate only by an affirmative vote of three-fifths  
 18 of the Members duly chosen and sworn.

## 19 **TITLE II—ENFORCEMENT** 20 **PROVISIONS**

### 21 **SEC. 201. REPORTING EXCESS SPENDING.**

22 (a) ANALYSIS OF ACTUAL DEFICIT, REVENUE, AND  
 23 SPENDING LEVELS.—As soon as practicable after any fis-  
 24 cal year, OMB shall compile a statement of actual deficits,  
 25 revenues, and direct spending for that year. The statement

1 shall identify such spending by categories contained in sec-  
2 tion 105.

3 (b) ESTIMATE OF NECESSARY SPENDING REDUC-  
4 TION.—Based on the statement provided under subsection  
5 (a), the OMB shall issue a report to the President and  
6 the Congress on December 15 of any year in which such  
7 statement identifies actual or projected deficits, revenues,  
8 or spending in the current or immediately preceding fiscal  
9 years in violation of the revenue targets or direct spending  
10 caps in section 104 or 105, by more than one percent of  
11 the applicable total revenues or direct spending for such  
12 year. The report shall include:

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

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

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

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

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

4           (a) PURPOSE.—This title provides enforcement of the  
5           direct spending caps on categories of spending established  
6           pursuant to section 105. This section shall apply for any  
7           fiscal year in which direct spending exceeds the applicable  
8           direct spending cap.

9           (b) GENERAL RULES.—

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

16           (2) PROGRAMS, PROJECTS, OR ACTIVITIES.—  
17           Except as otherwise provided, the same percentage  
18           sequestration shall apply to all programs, projects  
19           and activities within a budget account.

20           (3) INDEFINITE AUTHORITY.—Except as other-  
21           wise provided, sequestration in accounts for which  
22           obligations are indefinite shall be taken in a manner  
23           to ensure that obligations in the fiscal year of a se-  
24           questration and succeeding fiscal years are reduced,  
25           from the level that would actually have occurred, by

1 the applicable sequestration percentage or percent-  
2 ages.

3 (4) CANCELLATION OF BUDGETARY RE-  
4 SOURCES.—Budgetary resources sequestered from  
5 any account other than an trust, special or revolving  
6 fund shall revert to the Treasury and be perma-  
7 nently canceled.

8 (5) IMPLEMENTING REGULATIONS.—Notwith-  
9 standing any other provision of law, administrative  
10 rules or similar actions implementing any sequestra-  
11 tion shall take effect within 30 days after that se-  
12 questration.

13 **SEC. 203. SEQUESTRATION RULES.**

14 (a) GENERAL RULES.—For programs subject to di-  
15 rect spending caps:

16 (1) TRIGGERING OF SEQUESTRATION.—Seques-  
17 tration is triggered if total direct spending subject to  
18 the caps exceeds or is projected to exceed the aggre-  
19 gate cap for direct spending for the current or im-  
20 mediately preceding fiscal year.

21 (2) CALCULATION OF REDUCTIONS.—Seques-  
22 tration shall reduce spending under each separate  
23 direct spending cap in proportion to the amounts  
24 each category of direct spending exceeded the appli-  
25 cable cap.

1           (3) UNIFORM PERCENTAGES.—In calculating  
2       the uniform percentage applicable to the sequestra-  
3       tion of all spending programs or activities within  
4       each category, or the uniform percentage applicable  
5       to the sequestration of nonexempt direct spending  
6       programs or activities, the sequestrable base for di-  
7       rect spending programs and activities is the total  
8       level of outlays for the fiscal year for those programs  
9       or activities in the current law baseline.

10          (4) PERMANENT SEQUESTRATION OF DIRECT  
11       SPENDING.—Obligations in sequestered direct spend-  
12       ing accounts shall be reduced in the fiscal year in  
13       which a sequestration occurs and in all succeeding  
14       fiscal years. Notwithstanding any other provision of  
15       this section, after the first direct spending seques-  
16       tration, any later sequestration shall reduce direct  
17       spending by an amount in addition to, rather than  
18       in lieu of, the reduction in direct spending in place  
19       under the existing sequestration or sequestrations.

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

22                (A) outlays pay for entitlement benefits;

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

1 (C) that delay reduces the amount of enti-  
2 tlement authority that is subject to sequestra-  
3 tion in the budget; and

4 (D) the uniform percentage otherwise ap-  
5 plicable to the budget-year sequestration of a  
6 program or activity is increased due to the  
7 delay;

8 then the uniform percentage shall revert to the uni-  
9 form percentage calculated under paragraph (3)  
10 when the budget year is completed.

11 (6) INDEXED BENEFIT PAYMENTS.—If, under  
12 any entitlement program—

13 (A) benefit payments are made to persons  
14 or governments more frequently than once a  
15 year; and

16 (B) the amount of entitlement authority is  
17 periodically adjusted under existing law to re-  
18 flect changes in a price index (commonly called  
19 “cost of living adjustments”);

20 sequestration shall first be applied to the cost of liv-  
21 ing adjustment before reductions are made to the  
22 base benefit. For the first fiscal year to which a se-  
23 questration applies, the benefit payment reductions  
24 in such programs accomplished by the order shall  
25 take effect starting with the payment made at the

1 beginning of January following a final sequester.  
2 For the purposes of this subsection, veterans' com-  
3 pensation shall be considered a program that meets  
4 the conditions of the preceding sentence.

5 (7) LOAN PROGRAMS.—For all loans made, ex-  
6 tended, or otherwise modified on or after any se-  
7 questration under loan programs subject to direct  
8 spending caps—

9 (A) the sequestrable base shall be total  
10 fees associated with all loans made extended or  
11 otherwise modified on or after the date of se-  
12 questration; and

13 (B) the fees paid by borrowers shall be in-  
14 creased by a uniform percentage sufficient to  
15 produce the dollar savings in such loan pro-  
16 grams for the fiscal year or years of the seques-  
17 trations required by this section.

18 Notwithstanding any other provision of law, in any  
19 year in which a sequestration is in effect, all subse-  
20 quent fees shall be increased by the uniform percent-  
21 age and all proceeds from such fees shall be paid  
22 into the general fund of the Treasury.

23 (8) INSURANCE PROGRAMS.—Any sequestration  
24 of a Federal program that sells insurance contracts  
25 to the public (including the Federal Crop Insurance

1 Fund, the National Insurance Development Fund,  
2 the National Flood Insurance fund, insurance activi-  
3 ties of the Overseas Private Insurance Corporation,  
4 and Veterans' Life insurance programs) shall be ac-  
5 complished by increasing premiums on contracts en-  
6 tered into extended or otherwise modified, after the  
7 date a sequestration order takes effect by the uni-  
8 form sequestration percentage. Notwithstanding any  
9 other provision of law, for any year in which a se-  
10 questration affecting such programs is in effect, sub-  
11 sequent premiums shall be increased by the uniform  
12 percentage and all proceeds from the premium in-  
13 crease shall be paid from the insurance fund or ac-  
14 count to the general fund of the Treasury.

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

17 (A) the total amount of funds available for  
18 all States shall be reduced by the amount re-  
19 quired to be sequestered; and

20 (B) if States are projected to receive in-  
21 creased funding in the budget year compared to  
22 the immediately preceding fiscal year, seques-  
23 tration shall first be applied to the estimated  
24 increases before reductions are made compared

1 to actual payments to States in the previous  
2 year—

3 (i) the reductions shall be applied first  
4 to the total estimated increases for all  
5 States; then

6 (ii) the uniform reduction shall be  
7 made from each State's grant; and

8 (iii) the uniform reduction shall apply  
9 to the base funding levels available to  
10 states in the immediately preceding fiscal  
11 year only to the extent necessary to elimi-  
12 nate any remaining excess over the appli-  
13 cable direct spending cap.

14 (10) SPECIAL RULE FOR CERTAIN PRO-  
15 GRAMS.—Except matters exempted under sec-  
16 tion 204 and programs subject to special rules  
17 set forth under section 205 and notwithstand-  
18 ing any other provisions of law, any sequestra-  
19 tion required under this Act shall reduce benefit  
20 levels by an amount sufficient to eliminate all  
21 excess spending identified in the report issued  
22 pursuant to section 201, while maintaining the  
23 same uniform percentage reduction in the mon-  
24 etary value of benefits subject to reduction  
25 under this subsection.

1 (b) WITHIN-SESSION SEQUESTER.—If a bill or reso-  
2 lution providing direct spending for the current year is en-  
3 acted before July 1 of that fiscal year and causes a breach  
4 within any direct spending cap for that fiscal year, 15 days  
5 later there shall be a sequestration to eliminate that  
6 breach within that cap.

7 **SEC. 204. ENFORCING REVENUE TARGETS.**

8 (a) PURPOSE.—This section enforces the revenue tar-  
9 gets established pursuant to section 104. This section  
10 shall apply for any year in which actual revenues were less  
11 than the applicable revenue target in the preceding fiscal  
12 year or are projected to be less than the applicable revenue  
13 target in the current year.

14 (b) ESTIMATE OF NECESSITY TO SUSPEND NEW  
15 REVENUE REDUCTIONS.—Based on the statement pro-  
16 vided under section 201(a), OMB shall issue a report to  
17 the President and the Congress on December 15 of any  
18 year in which such statement identifies actual or projected  
19 revenues in the current or immediately preceding fiscal  
20 years lower than the applicable revenue target in section  
21 104, as adjusted pursuant to section 106, by more than  
22 1 percent of the applicable total revenue target for such  
23 year. The report shall include—

24 (1) all existing laws and policies enacted as part  
25 of any reconciliation legislation in calendar 1997

1 which would cause revenues to decline in the cal-  
 2 endar year which begins January 1, compared to  
 3 laws and policies in effect on December 15;

4 (2) the amounts by which revenues would be re-  
 5 duced by implementation of the provisions of law de-  
 6 scribed in paragraph (1) compared to provisions of  
 7 law in effect on December 15; and

8 (3) whether delaying implementation of the pro-  
 9 visions of law described in paragraph (1) would  
 10 cause the total for revenues in the projected reve-  
 11 nues in the current fiscal year and actual revenues  
 12 in the immediately preceding fiscal year to equal or  
 13 exceed the total of the targets for the applicable  
 14 years.

15 (c) GENERAL RULES.—

16 (1) DELAYED PHASE-IN OF NEW TAX CUTS.—  
 17 No provision of the Revenue Reconciliation Act of  
 18 1997—

19 (A) establishing or increasing any credit,  
 20 deduction, exclusion or eligibility limit; or

21 (B) reducing any rate  
 22 shall first take effect in the calendar year following  
 23 a year in which actual revenues were less than the  
 24 applicable revenue target or revenues in the current

1 year are projected to be less than the applicable tar-  
 2 get.

3 (2) SUSPENSION OF INDEXATION.—No new ad-  
 4 justment for inflation shall be made to any credit,  
 5 deduction, or exclusion enacted as part of the Reve-  
 6 nue Reconciliation Act of 1997 if revenues in the  
 7 preceding year were below the applicable revenue  
 8 target or revenues in the current year are projected  
 9 to be less than the applicable target.

10 (d) SPECIAL RULES.—(1) All provisions of law in-  
 11 cluded in the report pursuant to subsection (b)(1) shall  
 12 be suspended until such time as the total of projected reve-  
 13 nues in the current fiscal year and actual revenues in the  
 14 immediately preceding fiscal year is equal to or greater  
 15 than the relevant revenue targets in section 104; and

16 (2) If subsection (c) would cause the total of pro-  
 17 jected revenues in the current year and actual revenues  
 18 in the preceding fiscal year to exceed the relevant revenue  
 19 targets in section 104, new policies to reduce revenues  
 20 shall be modified sufficiently to raise revenues to the level  
 21 of the targets for the relevant years.

22 **SEC. 205. EXEMPT PROGRAMS AND ACTIVITIES.**

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

25 (1) net interest;

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

4           (3) offsetting receipts and collections;

5           (4) all payments from one Federal direct spend-  
6           ing budget account to another Federal budget ac-  
7           count;

8           (5) all intragovernmental funds including those  
9           from which funding is derived primarily from other  
10          Government accounts;

11          (6) expenses to the extent they result from pri-  
12          vate donations, bequests, or voluntary contributions  
13          to the Government;

14          (7) nonbudgetary activities, including but not  
15          limited to—

16                (A) credit liquidating and financing ac-  
17                counts;

18                (B) the Pension Benefit Guarantee Cor-  
19                poration Trust Funds;

20                (C) the Thrift Savings Fund;

21                (D) the Federal Reserve System; and

22                (E) appropriations for the District of Co-  
23                lumbia to the extent they are appropriations of  
24                locally raised funds;

1           (8) payments resulting from Government insur-  
2           ance, Government guarantees, or any other form of  
3           contingent liability, to the extent those payments re-  
4           sult from contractual or other legally binding com-  
5           mitments of the Government at the time of any se-  
6           questration;

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

10                 Bureau of Indian Affairs, miscellaneous  
11                 trust funds, tribal trust funds (14-9973-0-7-  
12                 999);

13                 Claims, defense;

14                 Claims, judgments and relief act (20-  
15                 1895-0-1-806);

16                 Compact of Free Association, economic as-  
17                 sistance pursuant to Public Law 99-658 (14-  
18                 0415-0-1-806);

19                 Compensation of the President (11-0001-  
20                 0-1-802);

21                 Customs Service, miscellaneous permanent  
22                 appropriations (20-9992-0-2-852);

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

1 Farm Credit System Financial Assistance  
 2 Corporation, interest payments (20–1850–0–1–  
 3 351);

4 Internal Revenue collections of Puerto Rico  
 5 (20–5737–0–2–852);

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

8 Payments to copyright owners (03–5175–  
 9 0–2–376);

10 Salaries of Article III judges (not including  
 11 cost of living adjustments);

12 Soldier’s and Airman’s Home, payment of  
 13 claims (84–8930–0–7–705);

14 Washington Metropolitan Area Transit Au-  
 15 thority, interest payments (46–0300–0–1–401);  
 16 (10) the following noncredit special, revolving,  
 17 or trust-revolving funds—

18 Exchange Stabilization Fund (20–4444–0–  
 19 3–155); and

20 Foreign Military Sales trust fund (11–  
 21 82232–0–7–155).

22 (j) OPTIONAL EXEMPTION OF MILITARY PERSON-  
 23 NEL.—

24 (1) The President may, with respect to any  
 25 military personnel account, exempt that account

1 from sequestration or provide for a lower uniform  
2 percentage reduction that would otherwise apply.

3 (2) The President may not use the authority  
4 provided by paragraph (1) unless he notifies the  
5 Congress of the manner in which such authority will  
6 be exercised on or before the initial snapshot date  
7 for the budget year.

8 **SEC. 206. SPECIAL RULES.**

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

17 (b) COMMODITY CREDIT CORPORATION.—

18 (1) EFFECTIVE DATE.—For the Commodity  
19 Credit Corporation, the date on which a sequestra-  
20 tion order takes effect in a fiscal year shall vary for  
21 each crop of a commodity. In general, the sequestra-  
22 tion order shall take effect when issued, but for each  
23 crop of a commodity for which 1-year contracts are  
24 issued as an entitlement, the sequestration order  
25 shall take effect with the start of the sign-up period

1 for that crop that begins after the sequestration  
2 order is issued. Payments for each contract in such  
3 a crop shall be reduced under the same terms and  
4 conditions.

5 (2) DAIRY PROGRAM.—

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

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

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

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

13      (c) EARNED INCOME TAX CREDIT.—

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

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

24      (d) REGULAR AND EXTENDED UNEMPLOYMENT  
25      COMPENSATION.—

1           (1) A State may reduce each weekly benefit  
2       payment made under the regular and extended un-  
3       employment benefit programs for any week of unem-  
4       ployment occurring during any period with respect  
5       to which payments are reduced under any sequestra-  
6       tion order by a percentage not to exceed the percent-  
7       age by which the Federal payment to the State is to  
8       be reduced for such week as a result of such order.

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

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

23      (f) FEDERAL HOUSING FINANCE BOARD.— Any se-  
24      questration of the Federal Housing Board shall be accom-  
25      plished by annual payments (by the end of each fiscal

1 year) from that Board to the general fund of the Treasury,  
2 in amounts equal to the uniform sequestration percentage  
3 for that year times the gross obligations of the Board in  
4 that year.

5 (g) FEDERAL PAY.—

6 (1) IN GENERAL.— New budget authority to  
7 pay Federal personnel from direct spending accounts  
8 shall be reduced by the uniform percentage cal-  
9 culated under section 203(c)(3), as applicable, but  
10 no sequestration order may reduce or have the effect  
11 of reducing the rate of pay to which any individual  
12 is entitled under any statutory pay system (as in-  
13 creased by any amount payable under section 5304  
14 of title 5, United States Code, or any increase in  
15 rates of pay which is scheduled to take effect under  
16 section 5303 of title 5, United States Code, section  
17 1109 of title 37, United States Code, or any other  
18 provision of law.

19 (2) DEFINITIONS.—For purposes of this sub-  
20 section—

21 (A) the term “statutory pay system” shall  
22 have the meaning given that term in section  
23 5302(1) of title 5, United States Code;

24 (B) the term “elements of military pay”  
25 means—

1 (i) the elements of compensation of  
2 members of the uniformed services speci-  
3 fied in section 1009 of title 37, United  
4 States Code;

5 (ii) allowances provided members of  
6 the uniformed services under sections  
7 403(a) and 405 of such title; and

8 (iii) cadet pay and midshipman pay  
9 under section 203(c) of such title; and

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

13 (h) MEDICARE.—

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

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

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

17               (2) NO INCREASE IN BENEFICIARY CHARGES IN  
18               ASSIGNMENT-RELATED CASES.—If a reduction in  
19               payment amounts is made pursuant to a sequestra-  
20               tion order for services for which payment under part  
21               B of title XVIII of the Social Security Act is made  
22               on the basis of an assignment described in section  
23               1842(b)(3)(B)(ii), in accordance with section  
24               1842(b)(6)(B), or under the procedure described in  
25               section 1870(f)(1) of such Act, the person furnishing

1 the services shall be considered to have accepted  
2 payment of the reasonable charge for the services,  
3 less any reduction in payment amount made pursu-  
4 ant to a sequestration order, as payment in full.

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

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

14 (B) sequestration in the Part B program  
15 shall be accomplished by increasing premiums  
16 to beneficiaries.

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

24 (i) POSTAL SERVICE FUND.— Any sequestration of  
25 the Postal Service Fund shall be accomplished by annual

1 payments from that Fund to the General Fund of the  
2 Treasury, and the Postmaster General of the United  
3 States and shall have the duty to make those payments  
4 during the first fiscal year to which the sequestration  
5 order applies and each succeeding fiscal year. The amount  
6 of each annual payment shall be—

- 7 (1) the uniform sequestration percentage, times
- 8 (2) the estimated gross obligations of the Postal  
9 Service Fund in that year other than those obliga-  
10 tions financed with an appropriation for revenue for-  
11 gone that year.

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

1 30 days of the receipt of that plan, the Postal Rate Com-  
2 mission shall approve the plan or modify it in the manner  
3 that modifications are allowed under current law. If the  
4 Postal Rate Commission does not respond to the plan  
5 within 30 days, the plan submitted by the Postmaster  
6 General shall go into effect. Any plan may be later revised  
7 by the submission of a new plan to the Postal Rate Com-  
8 mission, which may approve or modify it.

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

19 (1) the direct spending uniform sequestration  
20 percentage, times

21 (2) the estimated gross obligations of the fund  
22 in that year other than those obligations financed  
23 from discretionary appropriations for that year.

24 Any such payment for a fiscal year shall be made as soon  
25 as possible during the fiscal year, except that it may be

1 made in installments within that year if the payment  
2 schedule is approved by the Secretary of the Treasury. An-  
3 nual payments by a fund may be financed by reductions  
4 in costs required to produce the pre-sequester amount of  
5 power (but those reductions shall not include reductions  
6 in the amount of power supplied by the fund), by reduc-  
7 tions in capital expenditures, by increases in tax rates, or  
8 by any combination, but may not be financed by a lower  
9 fund surplus, a higher fund deficit, additional borrowing,  
10 delay in repayment of principal on outstanding debt and  
11 shall follow the requirements of existing law governing the  
12 fund in all other respects. The administrator of a fund  
13 or the TVA Board is authorized to take the actions speci-  
14 fied in this subsection in order to make the annual pay-  
15 ments to the Treasury.

16 (k) BUSINESS-LIKE TRANSACTIONS.—Notwithstand-  
17 ing any other provision of law, for programs which provide  
18 a business-like service in exchange for a fee, sequestration  
19 shall be accomplished through a uniform increase in fees  
20 (sufficient to produce the dollar savings in such programs  
21 for the fiscal year of the sequestration required by section  
22 201(a)(2), all subsequent fees shall be increased by the  
23 same percentage, and all proceeds from such fees shall be  
24 paid into the general fund of the Treasury, in any year

1 for which a sequester affecting such programs are in ef-  
2 fect.

3 **SEC. 207. THE CURRENT LAW BASELINE.**

4 (a) SUBMISSION OF REPORTS.—CBO and OMB shall  
5 submit to the President and the Congress reports setting  
6 forth the budget baselines for the budget year and the next  
7 nine fiscal years. The CBO report shall be submitted on  
8 or before January 15. The OMB report shall accompany  
9 the President’s budget.

10 (b) DETERMINATION OF THE BUDGET BASELINE.—

11 (1) The budget baseline shall be based on the common  
12 economic assumptions set forth in section 106, adjusted  
13 to reflect revisions pursuant to subsection (c).

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

19 (3) For discretionary spending items, the base-  
20 line shall be the spending caps in effect pursuant to  
21 section 601(a)(2) of the Congressional Budget Act  
22 of 1974. For years for which there are no caps, the  
23 baseline for discretionary spending shall be the same  
24 as the last year for which there were statutory caps.

1           (4) For all other expenditures and for revenues,  
2           the baseline shall be adjusted by comparing unem-  
3           ployment, inflation, interest rates, growth and other  
4           economic indicators-and changes ineligible popu-  
5           lation-for the most recent period for which actual  
6           data are available, compared to the assumptions  
7           contained in section 106.

8           (c) REVISIONS TO THE BASELINE.—The baseline  
9           shall be adjusted for up-to-date economic assumptions  
10          when CBO submits its Economic and Budget Update and  
11          when OMB submits its budget update, and by August 1  
12          each year, when CBO and OBM submit their midyear re-  
13          views.

14       **SEC. 208. LIMITATIONS ON EMERGENCY SPENDING.**

15          (a) IN GENERAL.—(1) Within the discretionary caps  
16          for each fiscal year contained in this Act, an amount shall  
17          be withheld from allocation to the appropriate committees  
18          of the House of Representatives and of the Senate and  
19          reserved for natural disasters and other emergency pur-  
20          poses.

21          (2) Such amount for each such fiscal year shall not  
22          be less than 1 percent of total budget authority and out-  
23          lays available within those caps for that fiscal year.

1       (3) The amounts reserved pursuant to this subsection  
2 shall be made available for allocation to such committees  
3 only if—

4           (A) the President has made a request for such  
5 disaster funds;

6           (B) the programs to be funded are included in  
7 such request; and

8           (C) the projected obligations for unforeseen  
9 emergency needs exceed the 10-year rolling average  
10 annual expenditures for existing programs included  
11 in the Presidential request for the applicable fiscal  
12 year.

13       (4) Notwithstanding any other provision of law—

14           (A) States and localities shall be required to  
15 maintain effort and ensure that Federal assistance  
16 payments do not replace, subvert or otherwise have  
17 the effect of reducing regularly budgeted State and  
18 local expenditures for law enforcement, refigting,  
19 road construction and maintenance, building con-  
20 struction and maintenance or any other category of  
21 regular government expenditure (to ensure that Fed-  
22 eral disaster payments are made only for incremen-  
23 tal costs directly attributable to unforeseen disasters,  
24 and do not replace or reduce regular State and local  
25 expenditures for the same purposes);

1 (B) the President may not take administrative  
2 action to waive any requirement for States or local-  
3 ities to make minimum matching payments as a con-  
4 dition or receiving Federal disaster assistance and  
5 prohibit the President from taking administrative  
6 action to waive all or part of any repayment of Fed-  
7 eral loans for the State or local matching share re-  
8 quired as a condition of receiving Federal disaster  
9 assistance, and this clause shall apply to all match-  
10 ing share requirements and loans to meet matching  
11 share requirements under the Robert T. Stafford  
12 Disaster Relief and Emergency Assistance Act (42  
13 U.S.C. 5121 et seq.) and any other Acts pursuant  
14 to which the President may declare a disaster or dis-  
15 asters and States and localities otherwise qualify for  
16 Federal disaster assistance; and

17 (C) a two-thirds vote in each House of Congress  
18 shall be required for each emergency to reduce or  
19 waive the State matching requirement of to forgive  
20 all or part of loans for the State matching share as  
21 required under the Robert T. Stafford Disaster Re-  
22 lief and Emergency Assistance Act.

23 (b) EFFECT BUDGET RESOLUTIONS.—(1) All con-  
24 current resolutions on the budget (including revisions)  
25 shall specify the amount of new budget authority and out-

1 lays within the discretionary spending cap that shall be  
2 withheld from allocation to the committees and reserved  
3 for natural disasters, and a procedure for releasing such  
4 funds for allocation to the appropriate committee. The  
5 amount withheld shall be equal to 1 percent of the total  
6 discretionary spending cap for fiscal year covered by the  
7 resolution, unless additional amounts are specified.

8       (2) The procedure for allocation of the amounts pur-  
9 suant to paragraph (1) shall ensure that the funds are  
10 released for allocation only pursuant to the conditions con-  
11 tained in subsection (a)(3)(A) through (C).

12       (c) RESTRICTION ON USE OF FUNDS.—Notwith-  
13 standing any other provision of law, the amount reserved  
14 pursuant to subsection (a) shall not be available for other  
15 than emergency funding requirements for particular natu-  
16 ral disasters or national security emergencies so des-  
17 ignated by Acts of Congress.

18       (d) NEW POINT OF ORDER.—(1) Title IV of the Con-  
19 gressional Budget Act of 1974 is amended by adding at  
20 the end the following new section:

21       “POINT OF ORDER REGARDING EMERGENCIES

22       “SEC. 408. It shall not be in order in the House of  
23 Representatives or the Senate to consider any bill or joint  
24 resolution, or amendment thereto or conference report  
25 thereon, containing an emergency designation for purposes  
26 of section 251(b)(2)(D) or 252(e) of the Balanced Budget

1 and Emergency Deficit Control Act of 1985 or of section  
2 207 of the Balanced Budget Assurance Act of 1997 if it  
3 also provides an appropriation or direct spending for any  
4 other item or contains any other matter, but that bill or  
5 joint resolution, amendment, or conference report may  
6 contain rescissions of budget authority or reductions of di-  
7 rect spending, or that amendment may reduce amounts  
8 for that emergency.”.

9 (2) The table of contents set forth in section 1(b) of  
10 the Congressional Budget and Impoundment Control Act  
11 of 1974 is amended by inserting after the item relating  
12 to section 407 the following new item:

“Sec. 408. Point of order regarding emergencies.”.

