

105TH CONGRESS
1ST SESSION

H. R. 2003

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

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. VISCLOSESKY, 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

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 “Budget 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 Appropriations
22 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—

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.

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.

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.

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:	Action to be completed:
January 15	CBO economic and budget update.
First Monday in February	President's budget update based on new assumptions.
August 1	CBO and OMB updates.
August 15	Preview report.
Not later than November 1 (and as soon as practical after the end of the fiscal).	OMB and CBO Analyses of Deficits, Revenues and Spending Levels and Projections for the Upcoming Year.
November 1–December 15	Congressional action to avoid sequestration.

On or before:	Action to be completed:
December 15	OMB issues final (look back) report for prior year and preview for current year.
December 15	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;

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—

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

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

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.

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).

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 numbers and spending limits for each specific category.
- 2

(d) CONTENTS OF REPORTS.—All direct spending accounts not included in these reports under separate categories shall be included under the heading “Other Entitlements and Mandatory Spending”. These reports may include adjustments among the caps set forth in this Act as required below, however the aggregate amount available under the “Total Entitlements and Other Mandatory Spending” cap shall be identical in each such report and in this Act and shall be deemed to have been adopted as part of this Act. Each such report shall include the actual amounts of the caps for each year of fiscal years 1998 through 2002 consistent with the concurrent resolution on the budget for FY 1998 for each of the following categories:

17 Earned Income Tax Credit,

18 Family Support,

19 Federal retirement:

20 Civilian/other,

21 Military,

22 Medicaid.

23 Medicare.

24 Social sec

25 Supplemental s

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 Appropriations,
16 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.

(D) CHANGES IN ELIGIBLE POPULATIONS.—For direct spending under laws and policies enacted or effective on or before July 1, 1997, the basis for adjustments under this section shall be the same as the projections underlying 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 entitlements and other mandatory spending pursuant to subsection (a).

4 (d) PERMISSIBLE REVISIONS TO DEFICIT AND REVENUE TARGETS AND DIRECT SPENDING CAPS.—Deficit and revenue targets and direct spending caps as enacted pursuant to sections 104 and 105 may be revised as follows: Except as required pursuant to section 105(a), direct spending caps may only be amended by recorded vote. It shall be a matter of highest privilege in the House of Representatives and the Senate for a Member of the House of Representatives or the Senate to insist on a recorded vote solely on the question of amending such caps. It shall not be in order for the Committee on Rules of the House of Representatives to report a resolution waiving the provisions of this subsection. This subsection may be waived in the Senate only by an affirmative vote of three-fifths 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 SPENDING LEVELS.—As soon as practicable after any fiscal year, OMB shall compile a statement of actual deficits, 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.

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.

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.

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 seque-
17 strations 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 notwithstanding
18 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;

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;

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

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:

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

13 Claims, defense;

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

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);

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.—

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.

13 (c) EARNED INCOME TAX CREDIT.—

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

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

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—

13 (h) MEDICARE.—

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

(B) PAYMENT ON THE BASIS OF COST REPORTING PERIODS.— In the case in which payment for services of a provider of services is made under title XVIII of the Social Security Act on a basis relating to the reasonable cost incurred for the services during a cost reporting period of the provider, if a reduction is made in payment amounts pursuant to a sequestration order, the reduction shall be applied to payment for costs for such services incurred at any time during each cost reporting period of the provider any part of which occurs after the effective date of order, but only (for each such cost reporting period) in the same proportion as the fraction of the cost reporting period that occurs after the effective date of the order.

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.

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, refighting,
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);

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.”.

