

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

# H. R. 2920

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IN THE SENATE OF THE UNITED STATES

JULY 23, 2009

Received; read twice and referred to the Committee on the Budget

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## AN ACT

To reinstitute and update the Pay-As-You-Go requirement of budget neutrality on new tax and mandatory spending legislation, enforced by the threat of annual, automatic sequestration.

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

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Statutory Pay-As-You-Go Act of 2009”.

4 (b) TABLE OF CONTENTS.—The table of contents for  
5 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Purpose.
- Sec. 3. Definitions.
- Sec. 4. PAYGO estimates and PAYGO scorecards.
- Sec. 5. Annual report and sequestration order.
- Sec. 6. Calculating a sequestration.
- Sec. 7. Current policy adjustment to the CBO estimates.
- Sec. 8. Application of BBEDCA.
- Sec. 9. Technical corrections.
- Sec. 10. Conforming amendments.
- Sec. 11. Exempt programs and activities.

6 **SEC. 2. PURPOSE.**

7 The purpose of this Act is to reestablish a statutory  
8 procedure to enforce a rule of budget neutrality on new  
9 revenue and direct spending legislation.

10 **SEC. 3. DEFINITIONS.**

11 As used in this Act—

12 (1) The term “BBEDCA” means the Balanced  
13 Budget and Emergency Deficit Control Act of 1985.

14 (2) The definitions set forth in section 3 of the  
15 Congressional Budget and Impoundment Control  
16 Act of 1974 and in section 250 of BBEDCA shall  
17 apply to this Act, except to the extent that they are  
18 specifically modified as follows:

1           (A) The term “outyear” means a fiscal  
2           year that occurs one or more years after the  
3           budget year.

4           (B) In section 250(c)(8)(C), the reference  
5           to the food stamp program shall be deemed to  
6           be a reference to the Supplemental Nutrition  
7           Assistance Program.

8           (3) The term “AMT” means the Alternative  
9           Minimum Tax for individuals under sections 55–59  
10          of the Internal Revenue Code of 1986, the term  
11          “EGTRRA” means the Economic Growth and Tax  
12          Relief Reconciliation Act of 2001 (Public Law 107–  
13          16), and the term “JGTRRA” means the Jobs and  
14          Growth Tax Relief and Reconciliation Act of 2003  
15          (Public Law 108–27).

16          (4)(A) The term “budgetary effects” means the  
17          amounts by which PAYGO legislation changes direct  
18          spending or revenues relative to the baseline and  
19          shall be determined on the basis of estimates in-  
20          cluded by reference in the PAYGO Act or prepared  
21          under section 4(d)(3), as applicable. Budgetary ef-  
22          fects that increase direct spending or decrease reve-  
23          nues are termed “costs” and budgetary effects that  
24          increase revenues or decrease direct spending are  
25          termed “savings”.

1           (B) For purposes of these definitions, off-budget  
2           et effects shall be counted as budgetary effects un-  
3           less such changes flow directly from amendments to  
4           title II of the Social Security Act and related provi-  
5           sions of the Internal Revenue Code of 1986 and debt  
6           service effects shall not be counted as budgetary ef-  
7           fects.

8           (C) Solely for purposes of recording entries on  
9           a PAYGO scorecard, provisions in appropriations  
10          Acts are also considered to be budgetary effects for  
11          purposes of this Act if such provisions make outyear  
12          modifications to substantive law, except that provi-  
13          sions for which the outlay effects net to zero over a  
14          period consisting of the current year, the budget  
15          year, and the 4 subsequent years shall not be consid-  
16          ered budgetary effects. For purposes of this para-  
17          graph, the term, “modifications to substantive law”  
18          refers to changes to or restrictions on entitlement  
19          law or other mandatory spending contained in ap-  
20          propriations Acts, notwithstanding section 250(e)(8)  
21          of BBEDCA. Provisions in appropriations Acts that  
22          are neither outyear modifications to substantive law  
23          nor changes in revenues have no budgetary effects  
24          for purposes of this Act.

1           (D) If a provision is designated as an emer-  
2           gency requirement under this Act and is also des-  
3           ignated as an emergency requirement under the ap-  
4           plicable rules of the House of Representatives, CBO  
5           shall not include the cost of such a provision in its  
6           estimate of the PAYGO legislation’s budgetary ef-  
7           fects.

8           (5) The term “debit” refers to the net total  
9           amount, when positive, by which costs recorded on  
10          the PAYGO scorecards for a fiscal year exceed sav-  
11          ings recorded on those scorecards for that year.

12          (6) The term “entitlement law” refers to a sec-  
13          tion of law which provides entitlement authority.

14          (7) The term “PAYGO legislation” or a  
15          “PAYGO Act” refers to a bill or joint resolution  
16          that affects direct spending or revenue relative to  
17          the baseline. The budgetary effects of changes in  
18          revenues and outyear modifications to substantive  
19          law included in appropriation Acts as defined in  
20          paragraph (4) shall be treated as if they were con-  
21          tained in PAYGO legislation.

22          (8) The term “timing shift” refers to a delay of  
23          the date on which direct spending would otherwise  
24          occur from the ninth outyear to the tenth outyear or  
25          an acceleration of the date on which revenues would

1 otherwise occur from the tenth outyear to the ninth  
2 outyear.

3 **SEC. 4. PAYGO ESTIMATES AND PAYGO SCORECARDS.**

4 (a) PAYGO ESTIMATES.—(1) A PAYGO Act shall in-  
5 clude by reference an estimate of its budgetary effects as  
6 determined under section 308(a)(3) of the Congressional  
7 Budget Act of 1974, if timely submitted for printing in  
8 the Congressional Record by the chairs of the Committees  
9 on the Budget of the House of Representatives and the  
10 Senate, as applicable, before the vote on the PAYGO legis-  
11 lation. The Clerk of the House or the Secretary of the  
12 Senate, as applicable, shall also incorporate by reference  
13 such estimate printed in the relevant portion of the Con-  
14 gressional Record under section 308(a)(3) of the Congres-  
15 sional Budget Act of 1974 into the enrollment of a  
16 PAYGO Act. Budgetary effects that are not so included  
17 shall be determined under section 4(d)(3).

18 (2)(A) Section 308(a) of the Congressional Budget  
19 Act of 1974 is amended by adding at the end the following  
20 new paragraph:

21 “(3) CBO PAYGO ESTIMATES.—Before a vote in  
22 either House on a PAYGO Act that, if determined  
23 in the affirmative, would clear such Act for enroll-  
24 ment, the chairs of the Committees on the Budget  
25 of the House and Senate, as applicable, shall request

1 from the Director of the Congressional Budget Of-  
2 fice an estimate of the budgetary effects of such Act  
3 under the Statutory Pay-As-You-Go Act of 2009. If  
4 such an estimate is timely provided, the chairs of the  
5 Committees on the Budget of the House of Rep-  
6 resentatives and the Senate shall post such estimate  
7 on their respective committee websites and cause it  
8 to be printed in the Congressional Record under the  
9 heading ‘PAYGO ESTIMATE’. For purposes of this  
10 section, the Director of the Congressional Budget  
11 Office shall not count timing shifts in his estimates  
12 of the budgetary effects of PAYGO legislation (as  
13 defined in section 3 of the Statutory Pay-As-You-Go  
14 Act of 2009).”.

15 (B) The side heading of section 308(a) of the Con-  
16 gressional Budget Act of 1974 is amended by striking  
17 “REPORTS ON”.

18 (b) Section 308 of the Congressional Budget Act of  
19 1974 is amended by adding at the end the following new  
20 subsection:

21 “(d) SCOREKEEPING GUIDELINES.—The Director of  
22 the Congressional Budget Office shall provide estimates  
23 under this section in accordance with the scorekeeping  
24 guidelines determined under section 252(d)(5) of the Bal-  
25 anced Budget and Emergency Deficit Control Act of 1985.

1 Upon agreement, the chairs of the Committees on the  
2 Budget of the House of Representatives and the Senate  
3 shall submit updates to such guidelines for printing in the  
4 Congressional Record.”.

5 (c) CURRENT POLICY ADJUSTMENTS FOR CERTAIN  
6 LEGISLATION.—For purposes of calculating budgetary ef-  
7 fects under this Act, CBO shall adjust its estimates as  
8 described below for any provision of legislation designated  
9 as meeting the criteria in subsection (b), (c), or (d) of  
10 section 7 and which the chairman of the Committee on  
11 the Budget of the House of Representatives or the Senate,  
12 as applicable, designates as meeting those criteria. A sin-  
13 gle piece of legislation may contain provisions designated  
14 as meeting criteria in more than one of the subsections  
15 listed above. For appropriately designated provisions,  
16 CBO shall exclude from its estimates for purposes of this  
17 Act any costs of a provision to the extent that those costs,  
18 when combined with all other excluded costs of any other  
19 previously designated provisions of enacted legislation  
20 under the same subsection of section 7, do not exceed the  
21 maximum applicable current policy adjustment defined  
22 under the applicable subsection of section 7 for the appli-  
23 cable 10-year period, using the most recent baseline esti-  
24 mates supplied by the Congressional Budget Office con-  
25 sistent with section 257 of the Balanced Budget and

1 Emergency Deficit Control Act of 1985 used in consid-  
2 ering a concurrent resolution on the budget; or, after the  
3 beginning of a new calendar year and before consideration  
4 of a concurrent resolution on the budget, using the most  
5 recent baseline estimates supplied by the Congressional  
6 Budget Office consistent with section 257 of the Balanced  
7 Budget and Emergency Deficit Control Act of 1985. CBO  
8 estimates of legislation containing a current policy des-  
9 ignation under this subsection shall include a separate  
10 presentation of costs excluded from the calculation of  
11 budgetary effects for the legislation, as well as an updated  
12 total of all excluded costs of provisions within the same  
13 subsection of section 7.

14 (d) OMB PAYGO SCORECARDS.—

15 (1) IN GENERAL.—OMB shall maintain and  
16 make publicly available a continuously updated docu-  
17 ment containing two PAYGO scorecards displaying  
18 the budgetary effects of PAYGO legislation as deter-  
19 mined under section 308 of the Congressional Budg-  
20 et Act of 1974, applying the look-back requirement  
21 in subsection (e) and the averaging requirement in  
22 subsection (f), and a separate addendum displaying  
23 the estimates of the costs of provisions designated in  
24 statute as emergency requirements.

1           (2) ESTIMATES IN LEGISLATION.—Except as  
2           provided in paragraph (3), in making the calcula-  
3           tions for the PAYGO scorecards, OMB shall use the  
4           budgetary effects included by reference in the appli-  
5           cable legislation.

6           (3) OMB ESTIMATES.—If legislation does not  
7           contain the estimate of budgetary effects under  
8           paragraph (2), then OMB shall score the budgetary  
9           effects of that legislation upon its enactment, based  
10          on the approaches to scorekeeping set forth in this  
11          Act.

12          (4) 5-YEAR SCORECARD.—The first scorecard  
13          shall display the budgetary effects of PAYGO legis-  
14          lation in each year over the 5-year period beginning  
15          in the budget year.

16          (5) 10-YEAR SCORECARD.—The second score-  
17          card shall display the budgetary effects of PAYGO  
18          legislation in each year over the 10-year period be-  
19          ginning in the budget year.

20          (e) LOOK-BACK TO CAPTURE CURRENT-YEAR EF-  
21          FECTS.—For purposes of this section, OMB shall treat the  
22          budgetary effects of PAYGO legislation enacted during a  
23          session of Congress that occur during the current year as  
24          though they occurred in the budget year.

1 (f) AVERAGING USED TO MEASURE COMPLIANCE  
2 OVER 5-YEAR AND 10-YEAR PERIODS.—OMB shall cumu-  
3 late the budgetary effects of a PAYGO Act over the budg-  
4 et year (which includes any look-back effects under sub-  
5 section (e)) and—

6 (1) for purposes of the 5-year scorecard re-  
7 ferred to in subsection (d)(4), the four subsequent  
8 outyears, divide that cumulative total by five, and  
9 enter the quotient in the budget-year column and in  
10 each subsequent column of the 5-year PAYGO score-  
11 card; and

12 (2) for purposes of the 10-year scorecard re-  
13 ferred to in subsection (d)(5), the nine subsequent  
14 outyears, divide that cumulative total by ten, and  
15 enter the quotient in the budget-year column and in  
16 each subsequent column of the 10-year PAYGO  
17 scorecard.

18 **SEC. 5. ANNUAL REPORT AND SEQUESTRATION ORDER.**

19 (a) ANNUAL REPORT.—Not later than 14 days (ex-  
20 cluding weekends and holidays) after Congress adjourns  
21 to end a session, OMB shall make publicly available and  
22 cause to be printed in the Federal Register an annual  
23 PAYGO report. The report shall include an up-to-date  
24 document containing the PAYGO scorecards, a description  
25 of any current policy adjustments made under section

1 4(c), information about emergency legislation (if any) des-  
2 ignated under section 3(4)(D), information about any se-  
3 questration if required by subsection (b), and other data  
4 and explanations that enhance public understanding of  
5 this Act and actions taken under it.

6 (b) SEQUESTRATION ORDER.—If the annual report  
7 issued at the end of a session of Congress under sub-  
8 section (a) shows a debit on either PAYGO scorecard for  
9 the budget year, OMB shall prepare and the President  
10 shall issue and include in that report a sequestration order  
11 that, upon issuance, shall reduce budgetary resources of  
12 direct spending programs by enough to offset that debit  
13 as prescribed in section 6. If there is a debit on both score-  
14 cards, the order shall fully offset the larger of the two  
15 debits. OMB shall include that order in the annual report  
16 and transmit it to the House of Representatives and the  
17 Senate. If the President issues a sequestration order, the  
18 annual report shall contain, for each budget account to  
19 be sequestered, estimates of the baseline level of budgetary  
20 resources subject to sequestration, the amount of budg-  
21 etary resources to be sequestered, and the outlay reduc-  
22 tions that will occur in the budget year and the subsequent  
23 fiscal year because of that sequestration.

1 **SEC. 6. CALCULATING A SEQUESTRATION.**

2 (a) REDUCING NONEXEMPT BUDGETARY RE-  
3 SOURCES BY A UNIFORM PERCENTAGE.—OMB shall cal-  
4 culate the uniform percentage by which the budgetary re-  
5 sources of nonexempt direct spending programs are to be  
6 sequestered such that the outlay savings resulting from  
7 that sequestration, as calculated under subsection (b),  
8 shall offset the budget-year debit, if any on the applicable  
9 PAYGO scorecard. If the uniform percentage calculated  
10 under the prior sentence exceeds 4 percent, the Medicare  
11 programs described in section 256(d) of BBEDCA shall  
12 be reduced by 4 percent and the uniform percentage by  
13 which the budgetary resources of all other nonexempt di-  
14 rect spending programs are to be sequestered shall be in-  
15 creased, as necessary, so that the sequestration of Medi-  
16 care and of all other nonexempt direct spending programs  
17 together produce the required outlay savings.

18 (b) OUTLAY SAVINGS.—In determining the amount  
19 by which a sequestration offsets a budget-year debit, OMB  
20 shall count—

21 (1) the amount by which the sequestration in a  
22 crop year of crop support payments, pursuant to  
23 section 256(j) of BBEDCA, reduces outlays in the  
24 budget year and the subsequent fiscal year;

25 (2) the amount by which the sequestration of  
26 Medicare payments in the 12-month period following

1 the sequestration order, pursuant to section 256(d)  
2 of BBEDCA, reduces outlays in the budget year and  
3 the subsequent fiscal year; and

4 (3) the amount by which the sequestration in  
5 the budget year of the budgetary resources of other  
6 nonexempt mandatory programs reduces outlays in  
7 the budget year and in the subsequent fiscal year.

8 **SEC. 7. CURRENT POLICY ADJUSTMENT TO THE CBO ESTI-**  
9 **MATES.**

10 (a) **PURPOSE.**—The purpose of this section is to pro-  
11 vide for adjustments of estimates of budgetary effects of  
12 PAYGO legislation for legislation affecting four areas of  
13 the budget—

14 (1) payments made under section 1848 of the  
15 Social Security Act (titled Payment for Physicians’  
16 Services);

17 (2) the Estate and Gift Tax under subtitle B of  
18 the Internal Revenue Code of 1986;

19 (3) the AMT; and

20 (4) provisions of EGTRRA or JGTRRA that  
21 amended the Internal Revenue Code of 1986 (or  
22 provisions in later statutes further amending the  
23 amendments made by EGTRRA or JGTRRA), other  
24 than—

1 (A) the provisions of those two Acts that  
2 were made permanent by the Pension Protec-  
3 tion Act of 2006 (Public Law 109–280);

4 (B) amendments to the estate and gift tax  
5 referred to in paragraph (2);

6 (C) the AMT referred to in paragraph (3);

7 (D) the 35 percent bracket and that por-  
8 tion of the 33 percent bracket that applies to  
9 taxable income greater than \$200,000 for an  
10 individual and \$250,000 for a couple; and

11 (E) provisions in those two Acts relating to  
12 taxes rates on capital gains and dividends.

13 (b) MEDICARE PAYMENTS TO PHYSICIANS.—

14 (1) CRITERIA.—Legislation that includes provi-  
15 sions amending or superseding the system of pay-  
16 ments under section 1848 of the Social Security Act  
17 shall trigger the current policy adjustment required  
18 by this Act.

19 (2) ADJUSTMENT.—The amount of the max-  
20 imum current policy adjustment shall be the dif-  
21 ference between—

22 (A) estimated net outlays attributable to  
23 the payments made to physicians under that  
24 section of the Social Security Act (as scheduled  
25 on July 15, 2009, to be in effect); and

1           (B) what those net outlays would have  
2           been if the nominal payment rates and related  
3           parameters in effect for 2009 had been in effect  
4           thereafter without change.

5           (c) ESTATE AND GIFT TAX.—

6           (1) CRITERIA.—Legislation that includes provi-  
7           sions amending the Estate and Gift Tax under sub-  
8           title B of the Internal Revenue Code of 1986 shall  
9           trigger the current policy adjustment required by  
10          this Act.

11          (2) ADJUSTMENT.—The amount of the max-  
12          imum current policy adjustment shall be the dif-  
13          ference between—

14                (A) total revenues projected to be collected  
15                under the Internal Revenue Code of 1986 (as  
16                scheduled on July 15, 2009, to be in effect);  
17                and

18                (B) what those revenue collections would  
19                have been if, on the date of enactment of the  
20                legislation meeting the criteria in paragraph  
21                (1), estate and gift tax law had instead been  
22                amended so that the tax rates, nominal exemp-  
23                tion amounts, and related parameters in effect  
24                for tax year 2009 had remained in effect there-  
25                after without change.

1 (d) PERMANENT EXTENSION OF MIDDLE-CLASS TAX  
2 CUTS AND AMT RELIEF.—

3 (1) CRITERIA.—Legislation that includes provi-  
4 sions extending middle-class tax cuts or AMT relief  
5 shall trigger the current policy adjustment required  
6 by this Act if those provisions extend one or more  
7 of the following provisions—

8 (A) AMT relief for calendar year 2010 and  
9 subsequent years in such a manner that the  
10 number of AMT taxpayers is not estimated to  
11 exceed the number of AMT taxpayers in tax  
12 year 2008 in any year through the tenth year  
13 after enactment;

14 (B) the 10 percent bracket as in effect for  
15 tax year 2010, as provided for under section  
16 101(a) of the Economic Growth and Tax Relief  
17 Reconciliation Act of 2001 and any later  
18 amendments through July 15, 2009;

19 (C) the child tax credit as in effect for tax  
20 year 2010, as provided for under section 201 of  
21 the Economic Growth and Tax Relief Reconcili-  
22 ation Act and any later amendments through  
23 July 15, 2009;

24 (D) tax benefits for married couples as in  
25 effect for tax year 2010, as provided for under

1 title III of the Economic Growth and Tax Relief  
2 Reconciliation Act and any later amendments  
3 through July 15, 2009;

4 (E) the adoption credit as in effect in tax  
5 year 2010, as provided for under section 202 of  
6 the Economic Growth and Tax Relief Reconcili-  
7 ation Act of 2001 and any later amendments  
8 through July 15, 2009;

9 (F) the dependent care credit as in effect  
10 in tax year 2010, as provided for under section  
11 204 of the Economic Growth and Tax Relief  
12 Reconciliation Act of 2001 and any later  
13 amendments through July 15, 2009;

14 (G) the employer-provided child care credit  
15 as in effect in tax year 2010, as provided for  
16 under section 205 of the Economic Growth and  
17 Tax Relief Reconciliation Act of 2001 and any  
18 later amendments through July 15, 2009;

19 (H) the education tax benefits as in effect  
20 in tax year 2010, as provided for under title IV  
21 of the Economic Growth and Tax Relief Rec-  
22 onciliation Act of 2001 and any later amend-  
23 ments through July 15, 2009;

24 (I) the 25 and 28 percent brackets as in  
25 effect for tax year 2010, as provided for under

1 section 101(a) of the Economic Growth and  
2 Tax Relief Reconciliation Act of 2001 and any  
3 later amendments through July 15, 2009; and

4 (J) the 33 percent brackets as in effect for  
5 tax year 2010, as provided for under section  
6 101(a) of the Economic Growth and Tax Relief  
7 Reconciliation Act of 2001 and any later  
8 amendment affecting taxpayers with taxable in-  
9 come of \$200,000 or less for individuals and  
10 \$250,000 or less for couples in calendar year  
11 2010 and increased in each subsequent year by  
12 an amount equal to the cost of living adjust-  
13 ment determined under section 1(f)(3) of the  
14 Internal Revenue Code of 1986 for the calendar  
15 year in which the taxable year begins, deter-  
16 mined by substituting “calendar year 2008” for  
17 “calendar year 1992” in subparagraph (B)  
18 thereof.

19 (2) ADJUSTMENT.—The amount of the max-  
20 imum current policy adjustment shall be the dif-  
21 ference between what total revenues would have been  
22 under the Internal Revenue Code of 1986 (as sched-  
23 uled on July 15, 2009, to be in effect) and what rev-  
24 enues would be if legislation—

1 (A) permanently extending the AMT ex-  
2 emption and brackets in effect in tax year 2009  
3 but increased in tax year 2010 and each subse-  
4 quent tax year as indicated under subsection  
5 (d)(2)(B), along with any additional amount  
6 necessary to prevent the number of taxpayers  
7 who must pay AMT from increasing; and

8 (B) permanently extending the provisions  
9 identified in paragraph (1),

10 were enacted on the same day as the legislation re-  
11 ferred to in paragraph (1).

12 **SEC. 8. APPLICATION OF BBEDCA.**

13 For purposes of this Act—

14 (1) notwithstanding section 275 of BBEDCA,  
15 the provisions of sections 255, 256, 257, and 274 of  
16 BBEDCA, as amended by this Act, shall apply to  
17 the provisions of this Act;

18 (2) references in sections 255, 256, 257, and  
19 274 to “this part” or “this title” shall be interpreted  
20 as applying to this Act;

21 (3) references in sections 255, 256, 257, and  
22 274 of BBEDCA to “section 254” shall be inter-  
23 preted as referencing section 5 of this Act;

1           (4) the reference in section 256(b) of BBEDCA  
2 to “section 252 or 253” shall be interpreted as ref-  
3 erencing section 5 of this Act;

4           (5) the reference in section 256(d)(1) of  
5 BBEDCA to “section 252 or 253” shall be inter-  
6 preted as referencing section 6 of this Act;

7           (6) the reference in section 256(d)(4) of  
8 BBEDCA to “section 252 or 253” shall be inter-  
9 preted as referencing section 5 of this Act;

10           (7) section 256(k) of BBEDCA shall apply to  
11 a sequestration, if any, under this Act; and

12           (8) references in section 257(e) of BBEDCA to  
13 “section 251, 252, or 253” shall be interpreted as  
14 referencing section 4 of this Act.

15 **SEC. 9. TECHNICAL CORRECTIONS.**

16           (a) Section 250(c)(18) of BBEDCA is amended by  
17 striking “the expenses the Federal deposit insurance agen-  
18 cies” and inserting “the expenses of the Federal deposit  
19 insurance agencies”.

20           (b) Section 256(k)(1) of BBEDCA is amended by  
21 striking “in paragraph (5)” and inserting “in paragraph  
22 (6)”.

23 **SEC. 10. CONFORMING AMENDMENTS.**

24           (a) Section 256(a) of BBEDCA is repealed.

1 (b) Section 256(b) of BBEDCA is amended by strik-  
2 ing “origination fees under sections 438(c)(2) and 455(c)  
3 of that Act shall each be increased by 0.50 percentage  
4 point.” and inserting in lieu thereof “origination fees  
5 under sections 438(c)(2) and (6) and 455(c) and loan  
6 processing and issuance fees under section  
7 428(f)(1)(A)(ii) of that Act shall each be increased by the  
8 uniform percentage specified in that sequestration order,  
9 and, for student loans originated during the period of the  
10 sequestration, special allowance payments under section  
11 438(b) of that Act accruing during the period of the se-  
12 questration shall be reduced by the uniform percentage  
13 specified in that sequestration order.”.

14 (c) Section 256(c) of BBEDCA is repealed.

15 (d) Section 256(d) of BBEDCA is amended—

16 (1) by redesignating paragraphs (2), (3), and  
17 (4) as paragraphs (3), (5), and (6);

18 (2) by amending paragraph (1) to read as fol-  
19 lows:

20 “(1) CALCULATION OF REDUCTION IN PAYMENT  
21 AMOUNTS.—To achieve the total percentage reduc-  
22 tion in those programs required by section 252 or  
23 253, subject to paragraph (2), and notwithstanding  
24 section 710 of the Social Security Act, OMB shall  
25 determine, and the applicable Presidential order

1 under section 254 shall implement, the percentage  
2 reduction that shall apply, with respect to the health  
3 insurance programs under title XVIII of the Social  
4 Security Act—

5 “(A) in the case of parts A and B of such  
6 title, to individual payments for services fur-  
7 nished during the one-year period beginning on  
8 the first day of the first month beginning after  
9 the date the order is issued (or, if later, the  
10 date specified in paragraph (4)); and

11 “(B) in the case of parts C and D, to  
12 monthly payments under contracts under such  
13 parts for the same one-year period;

14 such that the reduction made in payments under  
15 that order shall achieve the required total percentage  
16 reduction in those payments for that period.”;

17 (3) by inserting after paragraph (1) the fol-  
18 lowing:

19 “(2) UNIFORM REDUCTION RATE; MAXIMUM  
20 PERMISSIBLE REDUCTION.—Reductions in payments  
21 for programs and activities under such title XVIII  
22 pursuant to a sequestration order under section 254  
23 shall be at a uniform rate, which shall not exceed 4  
24 percent, across all such programs and activities sub-  
25 ject to such order.”;

1           (4) by inserting after paragraph (3), as redesignated, the following:

2  
3           “(4) TIMING OF SUBSEQUENT SEQUESTRATION  
4 ORDER.—A sequestration order required by section  
5 252 or 253 with respect to programs under such  
6 title XVIII shall not take effect until the first month  
7 beginning after the end of the effective period of any  
8 prior sequestration order with respect to such pro-  
9 grams, as determined in accordance with paragraph  
10 (1).”;

11           (5) in paragraph (6), as redesignated, to read  
12 as follows:

13           “(6) SEQUESTRATION DISREGARDED IN COM-  
14 PUTING PAYMENT AMOUNTS.—The Secretary of  
15 Health and Human Services shall not take into ac-  
16 count any reductions in payment amounts which  
17 have been or may be effected under this part, for  
18 purposes of computing any adjustments to payment  
19 rates under such title XVIII, specifically including—

20                   “(A) the part C growth percentage under  
21 section 1853(c)(6);

22                   “(B) the part D annual growth rate under  
23 section 1860D–2(b)(6); and

1           “(C) application of risk corridors to part D  
2           payment rates under section 1860D–15(e).”;  
3           and

4           (6) by adding after paragraph (6), as redesign-  
5           nated, the following:

6           “(7) EXEMPTIONS FROM SEQUESTRATION.—In  
7           addition to the programs and activities specified in  
8           section 255, the following shall be exempt from se-  
9           questration under this part:

10           “(A) PART D LOW-INCOME SUBSIDIES.—  
11           Premium and cost-sharing subsidies under sec-  
12           tion 1860D–14 of the Social Security Act.

13           “(B) PART D CATASTROPHIC SUBSIDY.—  
14           Payments under section 1860D–15(b) and  
15           (e)(2)(B) of the Social Security Act.

16           “(C) QUALIFIED INDIVIDUAL (QI) PRE-  
17           MIUMS.—Payments to States for coverage of  
18           Medicare cost-sharing for certain low-income  
19           Medicare beneficiaries under section 1933 of  
20           the Social Security Act.”.

21 **SEC. 11. EXEMPT PROGRAMS AND ACTIVITIES.**

22           (a) DESIGNATIONS.—Section 255 of BBEDCA is  
23           amended by redesignating subsection (i) as (j) and strik-  
24           ing “1998” and inserting in lieu thereof “2010”.

1 (b) SOCIAL SECURITY, VETERANS PROGRAMS, NET  
2 INTEREST, AND TAX CREDITS.—Subsections (a) through  
3 (d) of section 255 of BBEDCA are amended to read as  
4 follows:

5 “(a) SOCIAL SECURITY BENEFITS AND TIER I RAIL-  
6 ROAD RETIREMENT BENEFITS.—Benefits payable under  
7 the old-age, survivors, and disability insurance program  
8 established under title II of the Social Security Act (42  
9 U.S.C. 401 et seq.), and benefits payable under section  
10 231b(a), 231b(f)(2), 231c(a), and 231c(f) of title 45  
11 United States Code, shall be exempt from reduction under  
12 any order issued under this part.

13 “(b) VETERANS PROGRAMS.—The following program  
14 shall be exempt from reduction under any order issued  
15 under this part—

16 “All programs administered by the Department  
17 of Veterans Affairs.

18 “Special Benefits for Certain World War II  
19 Veterans (28–0401–0–1–701).

20 “(c) NET INTEREST.—No reduction of payments for  
21 net interest (all of major functional category 900) shall  
22 be made under any order issued under this part.

23 “(d) REFUNDABLE INCOME TAX CREDITS.—Pay-  
24 ments to individuals made pursuant to provisions of the  
25 Internal Revenue Code of 1986 establishing refundable

1 tax credits shall be exempt from reduction under any order  
2 issued under this part.”.

3 (c) OTHER PROGRAMS AND ACTIVITIES, LOW-IN-  
4 COME PROGRAMS, AND ECONOMIC RECOVERY PRO-  
5 GRAMS.—Subsections (g) and (h) of section 255 of  
6 BBEDCA are amended to read as follows:

7 “(g) OTHER PROGRAMS AND ACTIVITIES.—

8 “(1)(A) The following budget accounts and ac-  
9 tivities shall be exempt from reduction under any  
10 order issued under this part:

11 “Activities resulting from private dona-  
12 tions, bequests, or voluntary contributions to  
13 the Government.

14 “Activities financed by voluntary payments  
15 to the Government for goods or services to be  
16 provided for such payments.

17 “Administration of Territories, Northern  
18 Mariana Islands Covenant grants (14-0412-0-  
19 1-808).

20 “Advances to the Unemployment Trust  
21 Fund and Other Funds (16-0327-0-1-600).

22 “Black Lung Disability Trust Fund Refi-  
23 nancing (16-0329-0-1-601).

24 “Bonneville Power Administration Fund  
25 and borrowing authority established pursuant

1 to section 13 of Public Law 93-454 (1974), as  
2 amended (89-4045-0-3-271).

3 “Claims, Judgments, and Relief Acts (20-  
4 1895-0-1-808).

5 “Compact of Free Association (14-0415-  
6 0-1-808).

7 “Compensation of the President (11-  
8 0209-01-1-802).

9 “Comptroller of the Currency, Assessment  
10 Funds (20-8413-0-8-373).

11 “Continuing Fund, Southeastern Power  
12 Administration (89-5653-0-2-271).

13 “Continuing Fund, Southwestern Power  
14 Administration (89-5649-0-2-271).

15 “Dual Benefits Payments Account (60-  
16 0111-0-1-601).

17 “Emergency Fund, Western Area Power  
18 Administration (89-5069-0-2-271).

19 “Exchange Stabilization Fund (20-4444-  
20 0-3-155).

21 “Federal Deposit Insurance Corporation,  
22 Deposit Insurance Fund (51-4596-4-4-373).

23 “Federal Deposit Insurance Corporation,  
24 FSLIC Resolution Fund (51-4065-0-3-373).

1           “Federal Deposit Insurance Corporation,  
2           Noninterest Bearing Transaction Account  
3           Guarantee (51-4458-0-3-373).

4           “Federal Deposit Insurance Corporation,  
5           Senior Unsecured Debt Guarantee (51-4457-  
6           0-3-373).

7           “Federal Housing Finance Agency, Admin-  
8           istrative Expenses (95-5532-0-2-371).

9           “Federal Payment to the District of Co-  
10          lumbia Judicial Retirement and Survivors An-  
11          nuity Fund (20-1713-0-1-752).

12          “Federal Payment to the District of Co-  
13          lumbia Pension Fund (20-1714-0-1-601).

14          “Federal Payments to the Railroad Retire-  
15          ment Accounts (60-0113-0-1-601).

16          “Federal Reserve Bank Reimbursement  
17          Fund (20-1884-0-1-803).

18          “Financial Agent Services (20-1802-0-1-  
19          803).

20          “Foreign Military Sales Trust Fund (11-  
21          8242-0-7-155).

22          “Hazardous Waste Management, Con-  
23          servation Reserve Program (12-4336-0-3-  
24          999).

1           “Host Nation Support Fund for Relocation  
2           (97-8337-0-7-051).

3           “Internal Revenue Collections for Puerto  
4           Rico (20-5737-0-2-806).

5           “Intragovernmental funds, including those  
6           from which the outlays are derived primarily  
7           from resources paid in from other government  
8           accounts, except to the extent such funds are  
9           augmented by direct appropriations for the fis-  
10          cal year during which an order is in effect.

11          “Medical Facilities Guarantee and Loan  
12          Fund (75-9931-0-3-551).

13          “National Credit Union Administration,  
14          Central Liquidity Facility (25-4470-0-3-373).

15          “National Credit Union Administration,  
16          Corporate Credit Union Share Guarantee Pro-  
17          gram (25-4476-0-3-376).

18          “National Credit Union Administration,  
19          Credit Union Homeowners Affordability Relief  
20          Program (25-4473-0-3-371).

21          “National Credit Union Administration,  
22          Credit Union Share Insurance Fund (25-4468-  
23          0-3-373).

1           “National Credit Union Administration,  
2           Credit Union System Investment Program (25–  
3           4474–0–3–376).

4           “National Credit Union Administration,  
5           Operating fund (25–4056–0–3–373).

6           “National Credit Union Administration,  
7           Share Insurance Fund Corporate Debt Guar-  
8           antee Program (25–4469–0–3–376).

9           “National Credit Union Administration,  
10          U.S. Central Federal Credit Union Capital Pro-  
11          gram (25–4475–0–3–376).

12          “Office of Thrift Supervision (20–4108–0–  
13          3–373).

14          “Panama Canal Commission Compensation  
15          Fund (16–5155–0–2–602).

16          “Payment of Vietnam and USS Pueblo  
17          prisoner-of-war claims within the Salaries and  
18          Expenses, Foreign Claims Settlement account  
19          (15–0100–0–1–153).

20          “Payment to Civil Service Retirement and  
21          Disability Fund (24–0200–0–1–805).

22          “Payment to Department of Defense Medi-  
23          care-Eligible Retiree Health Care Fund (97–  
24          0850–0–1–054).

1           “Payment to Judiciary Trust Funds (10–  
2           0941–0–1–752).

3           “Payment to Military Retirement Fund  
4           (97–0040–0–1–054).

5           “Payment to the Foreign Service Retire-  
6           ment and Disability Fund (19–0540–0–1–153).

7           “Payments to Copyright Owners (03–  
8           5175–0–2–376).

9           “Payments to Health Care Trust Funds  
10          (75–0580–0–1–571).

11          “Payment to Radiation Exposure Com-  
12          pensation Trust Fund (15–0333–0–1–054).

13          “Payments to Social Security Trust Funds  
14          (28–0404–0–1–651).

15          “Payments to the United States Terri-  
16          tories, Fiscal Assistance (14–0418–0–1–806).

17          “Payments to trust funds from excise  
18          taxes or other receipts properly creditable to  
19          such trust funds.

20          “Payments to widows and heirs of de-  
21          ceased Members of Congress (00–0215–0–1–  
22          801).

23          “Postal Service Fund (18–4020–0–3–372).

24          “Radiation Exposure Compensation Trust  
25          Fund (15–8116–0–1–054).

1           “Reimbursement to Federal Reserve Banks  
2           (20–0562–0–1–803).

3           “Salaries of Article III judges.

4           “Soldiers and Airmen’s Home, payment of  
5           claims (84–8930–0–7–705).

6           “Tennessee Valley Authority Fund, except  
7           nonpower programs and activities (64–4110–0–  
8           3–999).

9           “Tribal and Indian trust accounts within  
10          the Department of the Interior which fund  
11          prior legal obligations of the Government or  
12          which are established pursuant to Acts of Con-  
13          gress regarding Federal management of tribal  
14          real property or other fiduciary responsibilities,  
15          including but not limited to Tribal Special  
16          Fund (14–5265–0–2–452), Tribal Trust Fund  
17          (14–8030–0–7–452), White Earth Settlement  
18          (14–2204–0–1–452), and Indian Water Rights  
19          and Habitat Acquisition (14–5505–0–2–303).

20          “United Mine Workers of America 1992  
21          Benefit Plan (95–8260–0–7–551).

22          “United Mine Workers of America 1993  
23          Benefit Plan (95–8535–0–7–551).

24          “United Mine Workers of America Com-  
25          bined Benefit Fund (95–8295–0–7–551).

1           “United States Enrichment Corporation  
2 Fund (95–4054–0–3–271).

3           “Universal Service Fund (27–5183–0–2–  
4 376).

5           “Vaccine Injury Compensation (75–0320–  
6 0–1–551).

7           “Vaccine Injury Compensation Program  
8 Trust Fund (20–8175–0–7–551).

9           “(B) The following Federal retirement and dis-  
10 ability accounts and activities shall be exempt from  
11 reduction under any order issued under this part:

12           “Black Lung Disability Trust Fund (20–  
13 8144–0–7–601).

14           “Central Intelligence Agency Retirement  
15 and Disability System Fund (56–3400–0–1–  
16 054).

17           “Civil Service Retirement and Disability  
18 Fund (24–8135–0–7–602).

19           “Comptrollers general retirement system  
20 (05–0107–0–1–801).

21           “Contributions to U.S. Park Police annu-  
22 ity benefits, Other Permanent Appropriations  
23 (14–9924–0–2–303).

24           “Court of Appeals for Veterans Claims Re-  
25 tirement Fund (95–8290–0–7–705).

1           “Department of Defense Medicare-Eligible  
2           Retiree Health Care Fund (97-5472-0-2-551).

3           “District of Columbia Federal Pension  
4           Fund (20-5511-0-2-601).

5           “District of Columbia Judicial Retirement  
6           and Survivors Annuity Fund (20-8212-0-7-  
7           602).

8           “Energy Employees Occupational Illness  
9           Compensation Fund (16-1523-0-1-053).

10          “Foreign National Employees Separation  
11          Pay (97-8165-0-7-051).

12          “Foreign Service National Defined Con-  
13          tributions Retirement Fund (19-5497-0-2-  
14          602).

15          “Foreign Service National Separation Li-  
16          ability Trust Fund (19-8340-0-7-602).

17          “Foreign Service Retirement and Dis-  
18          ability Fund(19-8186-0-7-602).

19          “Government Payment for Annuitants,  
20          Employees Health Benefits (24-0206-0-1-  
21          551).

22          “Government Payment for Annuitants,  
23          Employee Life Insurance (24-0500-0-1-602).

24          “Judicial Officers’ Retirement Fund (10-  
25          8122-0-7-602).

1           “Judicial Survivors’ Annuities Fund (10–  
2           8110–0–7–602).

3           “Military Retirement Fund (97–8097–0–  
4           7–602).

5           “National Railroad Retirement Investment  
6           Trust (60–8118–0–7–601).

7           “National Oceanic and Atmospheric Ad-  
8           ministration retirement (13–1450–0–1–306).

9           “Pensions for former Presidents (47–  
10          0105–0–1–802).

11          “Postal Service Retiree Health Benefits  
12          Fund (24–5391–0–2–551).

13          “Public Safety Officer Benefits (15–0403–  
14          0–1–754).

15          “Rail Industry Pension Fund (60–8011–  
16          0–7–601).

17          “Retired Pay, Coast Guard (70–0602–0–  
18          1–403).

19          “Retirement Pay and Medical Benefits for  
20          Commissioned Officers, Public Health Service  
21          (75–0379–0–1–551).

22          “Special Benefits for Disabled Coal Miners  
23          (16–0169–0–1–601).

24          “Special Benefits, Federal Employees’  
25          Compensation Act (16–1521–0–1–600).

1           “Special Workers Compensation Expenses  
2           (16-9971-0-7-601).

3           “Tax Court Judges Survivors Annuity  
4           Fund (23-8115-0-7-602).

5           “United States Court of Federal Claims  
6           Judges’ Retirement Fund (10-8124-0-7-602).

7           “United States Secret Service, DC Annuity  
8           (70-0400-0-1-751).

9           “Voluntary Separation Incentive Fund  
10          (97-8335-0-7-051).

11          “(2) Prior legal obligations of the Government  
12          in the following budget accounts and activities shall  
13          be exempt from any order issued under this part:

14               “Biomass Energy Development (20-0114-  
15               0-1-271).

16               “Check Forgery Insurance Fund (20-  
17               4109-0-3-803).

18               “Credit liquidating accounts.

19               “Credit reestimates.

20               “Employees Life Insurance Fund (24-  
21               8424-0-8-602).

22               “Federal Aviation Insurance Revolving  
23               Fund (69-4120-0-3-402).

24               “Federal Crop Insurance Corporation  
25               Fund (12-4085-0-3-351).

1           “Federal Emergency Management Agency,  
2           National Flood Insurance Fund (58–4236–0–  
3           3–453).

4           “Federal Home Loan Mortgage Corpora-  
5           tion (Freddie Mac).

6           “Federal National Mortgage Corporation  
7           (Fannie Mae).

8           “Geothermal resources development fund  
9           (89–0206–0–1–271).

10          “Low-Rent Public Housing—Loans and  
11          Other Expenses (86–4098–0–3–604).

12          “Maritime Administration, War Risk In-  
13          surance Revolving Fund (69–4302–0–3–403).

14          “Natural Resource Damage Assessment  
15          Fund (14–1618–0–1–302).

16          “Overseas Private Investment Corporation,  
17          Noncredit Account (71–4184–0–3–151).

18          “Pension Benefit Guaranty Corporation  
19          Fund (16–4204–0–3–601).

20          “San Joaquin Restoration Fund (14–  
21          5537–0–2–301).

22          “Servicemembers’ Group Life Insurance  
23          Fund (36–4009–0–3–701).

24          “Terrorism Insurance Program (20–0123–  
25          0–1–376).

1       “(h) LOW-INCOME PROGRAMS.—The following pro-  
2 grams shall be exempt from reduction under any order  
3 issued under this part:

4           “Academic Competitiveness/Smart Grant Pro-  
5 gram (91–0205–0–1–502).

6           “Child Care Entitlement to States (75–1550–  
7 0–1–609).

8           “Child Enrollment Contingency Fund (75–  
9 5551–0–2–551).

10          “Child Nutrition Programs (with the exception  
11 of special milk programs) (12–3539–0–1–605).

12          “Children’s Health Insurance Fund (75–0515–  
13 0–1–551).

14          “Commodity Supplemental Food Program (12–  
15 3507–0–1–605).

16          “Contingency Fund (75–1522–0–1–609).

17          “Family Support Programs (75–1501–0–1–  
18 609).

19          “Federal Pell Grants under section 401 Title  
20 IV of the Higher Education Act.

21          “Grants to States for Medicaid (75–0512–0–1–  
22 551).

23          “Payments for Foster Care and Permanency  
24 (75–1545–0–1–609).

1           “Supplemental Nutrition Assistance Program  
2           (12-3505-0-1-605).

3           “Supplemental Security Income Program (28-  
4           0406-0-1-609).

5           “Temporary Assistance for Needy Families  
6           (75-1552-0-1-609).”.

7           (d) ECONOMIC RECOVERY PROGRAMS.—Section 255  
8 of BBEDCA is amended by adding the following after  
9 subsection (h):

10          “(i) ECONOMIC RECOVERY PROGRAMS.—The fol-  
11          lowing programs shall be exempt from reduction under  
12          any order issued under this part:

13                 “All programs enacted in, or increases in pro-  
14                 grams provided by, the American Recovery and Re-  
15                 investment Act of 2009.

16                 “Exchange Stabilization Fund-Money Market  
17                 Mutual Fund Guaranty Facility (20-4274-0-3-  
18                 376).

19                 “Financial Stabilization Reserve (20-0131-4-  
20                 1-376).

21                 “GSE Mortgage-Backed Securities Purchase  
22                 Program Account (20-0126-0-1-371).

23                 “GSE Preferred Stock Purchase Agreements  
24                 (20-0125-0-1-371).

