

1 *A bill to reinstitute and update the Pay-As-You-Go requirement of budget neutrality on new tax*
2 *and mandatory spending legislation, enforced by the threat of annual, automatic sequestration.*

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

4 (a) Short Title.—This Act may be cited as the "Statutory Pay-As-You-Go Act of 2009".

5 (b) Table of Contents.

6 Section 1. Short Title and Table of Contents

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18
19 **SECTION 2. PURPOSE AND EXPIRATION.**

20 (a) Purpose.—The purpose of this Act is to re-establish a statutory procedure to enforce a
21 rule of budget neutrality on new tax and mandatory spending legislation enacted through the end
22 of calendar year 2013, by creating an automatic statutory penalty that Congress and the President
23 will seek to avoid.

24 (b) Expiration.—Sections 1 through 8 of this Act shall expire on the later of December
25 31, 2013, or the issuance and implementation of a sequestration order for fiscal year 2014 if one
26 is required by this Act.

27
28 **SECTION 3. DEFINITIONS.**

29 As used in this Act—

30 (1) The term "BBEDCA" means the Balanced Budget and Emergency Deficit Control
31 Act of 1985, as amended including by this Act.

1 (2) The terms "appropriations Act", "budget authority", and "outlays" have the meanings
2 given to them in section 3 of the Congressional Budget and Impoundment Control Act of 1974.

3 (3) The terms "baseline", "budget year", "CBO", "current year", "deposit insurance",
4 "OMB", "sequester", and "sequestration" have the meanings given to them in section 250 of
5 BBEDCA.

6 (4) The term "AMT" means the Alternative Minimum Tax for individuals under sections
7 55-59 of the Internal Revenue Code of 1986, the term "EGTRRA" means the Economic Growth
8 and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), and the term "JGTRRA" means
9 the Jobs and Growth Tax Relief and Reconciliation Act of 2003 (Public Law 108-27).

10 (5) The term "budgetary effects" means the amounts by which PAYGO legislation
11 changes mandatory outlays or revenues relative to the baseline. Budgetary effects that increase
12 mandatory outlays or decrease revenues are termed "costs" and budgetary effects that increase
13 revenues or decrease mandatory outlays are termed "savings". For purposes of these definitions,
14 off-budget effects and debt service effects are not counted as budgetary effects.

15 (6) The term "debit" refers to the net total amount, when positive, by which costs
16 recorded on the PAYGO ledger for a fiscal year exceed savings recorded on that ledger for that
17 year.

18 (7) The term "discretionary programs" refers to programs funded through appropriations
19 Acts other than mandatory programs.

20 (8) The term "entitlement law" means the statutory mandate or requirement of the United
21 States to incur a financial obligation unless that obligation is explicitly conditioned on the
22 appropriation in subsequent legislation of sufficient funds for that purpose.

23 (9) The term "mandatory outlays" refers to outlays flowing from (A) budget authority
24 provided by laws other than appropriations Acts, (B) entitlement laws, or (C) the Supplemental
25 Nutrition Assistance Program, and the term "mandatory programs" refers to programs that
26 produce mandatory outlays.

27 (10) The term "outyear" means a fiscal year that occurs one or more years after the
28 budget year.

29 (11) The term "PAYGO ledger" refers to a table maintained by OMB (A) containing a
30 column for each fiscal year 2010 through 2014 and recording in the applicable column or
31 columns the average of the budgetary effects of each PAYGO Act enacted after the enactment of

1 this Act and before January 1, 2014, and (B) displaying the net sum for each of those fiscal years
2 of the average budgetary effects of all such Acts.

3 (12) The term "PAYGO legislation" or a "PAYGO Act" refer to legislation that is scored
4 as increasing or decreasing governmental receipts or mandatory outlays relative to the baseline,
5 except that when those budgetary effects are caused by substantive legislative provisions in
6 appropriations Acts, the current-year and budget-year effects of those provisions are not
7 considered PAYGO legislation.

8 (13) The term "timing shift" refers to a delay of the date on which mandatory outlays
9 would otherwise occur from the ninth outyear to the tenth outyear or an acceleration of the date
10 on which revenues or offsetting receipts or collections would otherwise occur from the tenth
11 outyear to the ninth outyear.

12 13 **SECTION 4. PAYGO ESTIMATES AND PAYGO LEDGER.**

14 (a) CBO Estimates.—As soon as practicable after Congress completes action on any
15 PAYGO legislation, CBO shall provide an estimate of its budgetary effects to OMB.

16 (b) PAYGO Ledger.—OMB shall maintain and make publicly available a document
17 containing a PAYGO ledger and, not later than 7 days (excluding weekends and legal holidays)
18 after the enactment of any PAYGO legislation, OMB shall record on that ledger its estimate of
19 the legislation's budgetary effects in each fiscal year, applying the look-back requirement of
20 subsection (e) and the averaging requirement of subsection (h). The document shall also explain
21 any major differences between the OMB and CBO estimates of the budgetary effects of PAYGO
22 legislation.

23 (c) Basis of OMB Estimates.—When estimating and recording the budgetary effects of a
24 PAYGO Act, OMB shall employ economic and technical assumptions consistent with those in
25 the President's most recent Budget submitted under 31 U.S.C. §1105 and shall use probabilistic
26 methods where appropriate. Once it enters budgetary effects on the ledger, OMB shall not
27 change the entries other than to correct errors. OMB's assumptions, data, determinations,
28 estimates, and methodology under this Act are not subject to review in any judicial or
29 administrative proceedings.

30 (d) Current Policy Exceptions for Certain Legislation.—Notwithstanding the definitions
31 in paragraphs (5), (11), and (12) of section 3, OMB estimates of provisions of legislation within

1 the four areas of the budget identified in section 7 shall be entered on the PAYGO scorecard as
2 specified in that section, and the estimates so entered shall be treated as the budgetary effects of
3 PAYGO legislation for purposes of this section.

4 (e) Look-Back to Capture Current-Year Effects.—For purposes of this section, OMB
5 shall treat the budgetary effects of PAYGO legislation enacted during a session of Congress that
6 occur during the current year as though they occurred in the budget year.

7 (f) Timing Shifts.—For purposes of this section, OMB and CBO shall not count timing
8 shifts in their estimates of the budgetary effects of PAYGO legislation.

9 (g) Emergency Legislation.—If a provision of PAYGO legislation is enacted that the
10 President designates as an emergency requirement and that the Congress so designates in statute,
11 OMB shall display the budgetary effects of that provision as an addendum in the document
12 containing the PAYGO ledger but shall not record the budgetary effects in the ledger itself.

13 (h) Averaging Used to Measure Compliance Over Ten Years.—OMB shall cumulate the
14 budgetary effects of a PAYGO Act over the budget year (which includes any look-back effects
15 under subsection (e)) and the nine subsequent outyears, divide that cumulative total by ten, and
16 enter the quotient in the budget-year column of the PAYGO ledger and in each subsequent
17 column, if any, through the column for 2014.

18 (i) Scorekeeping Guidelines.— OMB and CBO shall prepare estimates under this
19 paragraph in conformance with scorekeeping guidelines determined after consultation among the
20 House and Senate Committees on the Budget, CBO, and OMB.

21 (j) Treatment of Program Conversions.—For purposes of this section, and
22 notwithstanding other provisions of this Act—

23 (1) If legislation converts an identifiable element of a mandatory program into a
24 discretionary program (with that program element or a substantially similar one
25 continuing to be authorized), OMB and CBO shall not score the conversion of that
26 element as reducing mandatory outlays.

27 (2) If legislation converts an identifiable element of a discretionary program into a
28 mandatory program, OMB and CBO shall estimate the legislation's budgetary effects in
29 each year by subtracting the discretionary baseline levels of that element from the amount
30 by which that legislation increases mandatory outlays in that year.

31

1 **SECTION 5. ANNUAL REPORT AND SEQUESTRATION ORDER.**

2 (a) Annual Report.—No later than 14 days (excluding weekends and holidays) after
3 Congress adjourns to end a session, OMB shall make publicly available an annual PAYGO
4 report and publish in the Federal Register a notice of the report and information on how it can be
5 obtained. The report shall include an up-to-date document containing a PAYGO ledger and
6 information about estimating differences as required by section 4(b), a description of and
7 justification for any current policy exceptions made under section 4(d), information about
8 emergency legislation (if any) required by section 4(g), information about any sequestration if
9 required by subsection (b), and other data and explanations that enhance public understanding of
10 this Act and actions taken under it. If Congress does not adjourn to end a session, then for the
11 purposes of this Act it shall be deemed to have done so on December 31 of that session.

12 (b) Sequestration Order.—If the annual report issued at the end of a session of Congress
13 under subsection (a) shows a debit on the PAYGO ledger for the budget year, OMB shall prepare
14 and the President shall issue an order sequestering budgetary resources from mandatory
15 programs by enough to fully offset that debit, as prescribed in section 6. OMB shall include that
16 order in the annual report and transmit it to the House of Representatives and the Senate. If the
17 President issues a sequestration order, the annual report shall contain, for each budget account to
18 be sequestered, estimates of the baseline level of budgetary resources subject to sequestration,
19 the amount of budgetary resources to be sequestered, and the outlay reductions that will occur in
20 the budget year and the subsequent fiscal year because of that sequestration.

21
22 **SECTION 6. CALCULATING A SEQUESTRATION.**

23 (a) Sequestration Base.—For purposes of this section, OMB shall assume that mandatory
24 programs are at the levels in the baseline before the implementation of the sequestration order.

25 (b) Reducing Non-Exempt Budgetary Resources by a Uniform Percentage.—OMB shall
26 calculate the uniform percentage by which the budgetary resources of non-exempt mandatory
27 programs are to be sequestered such that the outlay savings resulting from that sequestration, as
28 calculated under subsection (c), shall fully offset the budget-year debit on the PAYGO ledger, if
29 any. If the uniform percentage calculated under the prior sentence exceeds 4 percent, the
30 Medicare programs described in section 256(d) of BBEDCA shall be reduced by 4 percent and
31 the uniform percentage by which the budgetary resources of all other non-exempt mandatory

1 programs are to be sequestered shall be increased, as necessary, so that the sequestration of
2 Medicare and of all other non-exempt mandatory programs together produces the required outlay
3 savings.

4 (c) Outlay Savings.—In determining the amount by which a sequestration offsets a
5 budget-year debit, OMB shall count –

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

9 (2) the amount by which the sequestration of Medicare payments in the 12-month
10 period following the sequestration order, pursuant to section 256(d) of BBEDCA, reduces
11 outlays in the budget year and the subsequent fiscal year; and

12 (3) the amount by which the sequestration in the budget year of the budgetary
13 resources of other non-exempt mandatory programs reduces mandatory outlays in the
14 budget year and in the subsequent fiscal year.

15
16 **SECTION 7. SPECIAL, TEMPORARY RULE TO REFLECT CURRENT POLICY.**

17 (a) Purpose.—The purpose of this section is to establish a temporary rule addressing the
18 scoring of legislation affecting four areas of the budget and superseding the scoring rules
19 otherwise provided by this Act to the extent they are inconsistent. The four areas covered by this
20 section are—

21 (1) payments made under section 1848 of the Social Security Act (titled Payment
22 for Physicians' Services),

23 (2) the Estate and Gift Tax under subtitle B of the Internal Revenue Code of 1986,

24 (3) the AMT, and

25 (4) provisions of EGTRRA or JGTRRA that amended the Internal Revenue Code
26 of 1986 (or provisions in later statutes further amending the amendments made by
27 EGTRRA or JGTRRA), other than—

28 (A) the provisions of those two Acts that were made permanent by the
29 Pension Protection Act of 2006 (Public Law 109-280),

30 (B) amendments to the estate and gift tax referred to in paragraph (2), and

31 (C) the AMT referred to in paragraph (3).

1 (b) Duration.—This section shall remain in effect through December 31, 2010, for each
2 of the four areas specified in subsection (a), except that if the President determines that
3 legislation sufficiently consistent with current policy as described in subsection (c)(2) has not
4 been enacted in one or more of those four areas by that date, the provisions of this section will
5 remain in effect with respect to that area or those areas until such legislation has been enacted or
6 until December 31, 2011, whichever occurs sooner.

7 (c) Current Policy Projection and Initial Current Law Projections.—

8 (1) For purposes of this section, the budgetary effects of legislation of the type
9 referred to in subsection (a) shall be estimated relative to the baseline under section 257
10 of BBEDCA but the budgetary effects of that legislation shall be entered on the PAYGO
11 ledger only to the extent that they fall outside a range bounded by the current policy
12 projection under paragraph (2) and the initial current law projection under paragraph (3),
13 as specified under subsections (d), (e), or (f), as applicable. Each of those two boundary
14 projections shall be estimated using the policy assumptions stated in paragraph (2) or (3)
15 as applicable, regardless of the enactment of subsequent legislation, but the estimates of
16 the dollar levels of those two boundary projections shall change—

17 (A) when economic and technical assumptions change with the issuance of
18 a new budget under 31 U.S.C. 1105,

19 (B) with changes in the assumed effective date of the legislation that is
20 measured against those two projections, and

21 (C) to the extent the policy assumptions under either of those two
22 projections interact with other aspects of law, when legislation affecting those
23 other aspects of law is enacted.

24 With respect only to legislation affecting the AMT or the amendments to provisions of
25 the income tax referred to in subsection (a)(4), the dollar levels of those two boundary
26 projections shall be estimated separately, and the determination of whether and the extent
27 to which budgetary effects fall outside the boundaries shall be made separately, for each
28 separate provision within that legislation.

29 (2) During the period specified in subsection (b), there shall exist a current policy
30 projection in addition to the baseline specified in section 257 of BBEDCA. This
31 projection shall—

1 (A) with respect to payments made under section 1848 of the Social
2 Security Act, assume that the applicable payment rates and payment policies in
3 effect for 2009 remain in effect thereafter without change;

4 (B) with respect to the estate and gift tax, assume that the tax rates,
5 nominal exemption amounts, and related parameters in effect for tax year 2009
6 remain in effect thereafter without change;

7 (C) with respect to the AMT, assume that the exemption amounts and
8 related parameters in effect for tax year 2009 are increased in each subsequent
9 year by an amount equal to the cost-of-living adjustment determined under
10 section 1(f)(3) of the Internal Revenue Code of 1986 for the calendar year in
11 which the taxable year begins, determined by substituting "calendar year 2008"
12 for "calendar year 1992" in subparagraph (B) thereof ; and

13 (D) with respect to the income tax provisions referred to in subsection
14 (a)(4), assume that each such separate provision scheduled on June 8, 2009, to be
15 in effect for tax year 2010 remains in effect thereafter without change, other than
16 applicable indexing.

17 (3) Initial Current Law Projection.—During the period specified in subsection (b),
18 there shall exist an initial current law projection in addition to the baseline specified in
19 section 257 of BBEDCA. This projection shall—

20 (A) with respect to payments made under section 1848 of the Social
21 Security Act, assume that the applicable payment rates and payment policies
22 scheduled on June 8, 2009, to be in effect for each subsequent fiscal year shall be
23 in effect as scheduled;

24 (B) with respect to the estate and gift tax, assume that the tax rates,
25 nominal exemption amounts, and related parameters scheduled on June 8, 2009,
26 to be in effect for each subsequent tax year shall be in effect as scheduled;

27 (C) with respect to the AMT, assume that the exemption amounts and
28 related parameters scheduled on June 8, 2009, to be in effect for each subsequent
29 tax year shall be in effect as scheduled; and

1 (D) with respect to provisions of the income tax referred to in subsection
2 (a)(4), assume that each such provision scheduled on June 8, 2009, to be in effect
3 for each subsequent tax year shall be in effect as scheduled.

4 (d) Budgetary Effects of Certain Medicare Legislation.— Notwithstanding the definitions
5 in paragraphs (5), (11), and (12) of section 3, OMB shall enter on the PAYGO ledger the
6 budgetary effects of any provision of PAYGO legislation that amends or supersedes the system
7 of payments under section 1848 of the Social Security Act—

8 (1) only to the extent that the level of net Medicare outlays are estimated to be
9 higher in a fiscal year than if that provision of PAYGO legislation had instead enacted (or
10 maintained) the current policy projection, or

11 (2) only to the extent that the level of net Medicare outlays are estimated to be
12 lower in a fiscal year than if that provision of PAYGO legislation had instead enacted (or
13 maintained) the initial current law projection.

14 (e) Budgetary Effects of Estate and Gift Tax Legislation.—Notwithstanding the
15 definitions in paragraphs (5), (11), and (12) of section 3, OMB shall enter on the PAYGO ledger
16 the budgetary effects of any provision of PAYGO legislation that amends the estate and gift
17 tax—

18 (1) only to the extent that total revenues in a fiscal year are estimated to be
19 changed because tax liability under the estate and gift tax is estimated to be higher in tax
20 year 2010 than if that provision of PAYGO legislation had instead enacted (or
21 maintained) the current policy projection,

22 (2) only to the extent that total revenues in a fiscal year are estimated to be
23 changed because tax liability under the estate and gift tax is estimated to be lower in tax
24 year 2010 than if that provision of PAYGO legislation had instead enacted (or
25 maintained) the initial current law projection,

26 (3) only to the extent that total revenues in a fiscal year are estimated to be
27 changed because tax liability under the estate and gift tax is estimated to be lower in a tax
28 year after 2010 than if that provision of PAYGO legislation had instead enacted (or
29 maintained) the current policy projection, or

30 (4) only to the extent that total revenues in a fiscal year are estimated to be
31 changed because tax liability under the estate and gift tax is estimated to be higher in a

1 tax year after 2010 than if that provision of PAYGO legislation had instead enacted (or
2 maintained) the initial current law projection.

3 (f) Budgetary Effects of AMT and Certain Income Tax Legislation Taken Separately;
4 Stacking Order and Interactive Effects.—Notwithstanding the definitions in paragraphs (5), (11),
5 and (12) of section 3, OMB shall enter on the PAYGO ledger the budgetary effects of any
6 PAYGO legislation that amends the AMT or amends one of the income tax provisions referred
7 to in subsection (a)(4)—

8 (1) only to the extent that the level of income tax revenues is estimated to be
9 lower and the level of outlays for refundable tax credits is estimated to be higher in a
10 fiscal year than if that PAYGO legislation had instead enacted (or maintained) the current
11 policy projection with respect to that provision of the income tax, or

12 (2) only to the extent that the level of income tax revenues is estimated to be
13 higher and the level of outlays for refundable tax credits is estimated to be lower in a
14 fiscal year than if that PAYGO legislation had instead enacted (or maintained) the initial
15 current law projection with respect to that provision of the income tax.

16 In making estimates under this section of the budgetary effects of a PAYGO Act that amends
17 both the AMT and at least one separate provision of the income tax, or amends more than one
18 separate provision of the income tax, OMB shall first estimate the budgetary effects of any
19 amendment to the AMT contained in that Act, and shall then estimate the budgetary effects of
20 each remaining amendment to the income tax contained in that Act as though any AMT
21 amendments contained in that Act and the preceding amendments made by that Act had been
22 enacted but the succeeding amendments had not. For purposes of this section, each separate
23 income tax rate shall be considered a separate provision.

24
25 **SECTION 8. APPLICATION OF BBEDCA.**

26 For purposes of this Act—

27 (1) notwithstanding section 275 of BBEDCA, the provisions of sections 255, 256, and
28 257 of BBEDCA, as amended by this Act, shall apply to the provisions of this Act;

29 (2) references in sections 255, 256 and 257 to "this part" shall be interpreted as applying
30 to this Act;

1 (3) references in sections 255, 256 and 257 of BBEDCA to "section 254" shall be
2 interpreted as referencing section 5 of this Act;

3 (4) the reference in section 256(b) of BBEDCA to "section 252 or 253" shall be
4 interpreted as referencing section 5 of this Act;

5 (5) the reference in section 256(d)(1) of BBEDCA to "section 252 or 253" shall be
6 interpreted as referencing section 6 of this Act;

7 (6) the reference in section 256(d)(4) of BBEDCA to "section 252 or 253" shall be
8 interpreted as referencing section 5 of this Act;

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

10 (8) references in section 257(e) to "section 251, 252, or 253" shall be interpreted as
11 referencing section 4 of this Act; and

12 (9) the term "direct spending" in section 257 of BBEDCA shall be interpreted as applying
13 to mandatory programs or the funding for mandatory programs, as appropriate.
14

15 **SECTION 9. AMENDMENTS TO THE BASELINE.**

16 In section 257 of BBEDCA—

17 (a) Strike "entitlement authority" and insert in lieu thereof "entitlement laws".

18 (b) Amend subsection (b)(2)(A) to read—

19 "(A) If any law expires before the budget year or before any outyear, then any
20 program with estimated current-year outlays of more than \$50,000,000 operating under
21 that law is assumed to continue to operate under that law as in effect immediately before
22 its expiration. For purposes of the preceding sentence, the Food, Conservation, and
23 Energy Act of 2008 or a similar successor act is treated as a program assumed to be
24 continued after its scheduled expiration."

25 (c) Amend subsection (b)(2)(D) to read—

26 "Payments of social insurance, deposit insurance, pension insurance, and any
27 similar statutory financial insurance guarantees are assumed to be made in full regardless
28 of the sufficiency of the funds supporting those programs, and funding for flood
29 insurance and any similar contractual insurance programs is assumed to be sufficient to
30 fulfill existing contracts."

1 (d) Amend subsection (c)(1) by striking "Budgetary resources" and inserting in lieu
2 thereof "Except as provided in subsection (d), budgetary resources" and by striking "to
3 offset pay absorption and for pay annualization" and inserting in lieu thereof "to adjust
4 Pell grant funding".

5 (e) Amend subsection (c)(2) to read—

6 "(2) EXPIRING HOUSING CONTRACTS.—New budget authority shall be
7 added to the baseline in the budget year and the outyears to cover the costs of renewing
8 expiring subsidized housing contracts that were funded in the current year under
9 multiyear contracts whose budget authority was recorded in years prior to the current
10 year. The amount added (before adjusting for inflation) shall be the amount needed to
11 renew the expiring contracts through an uninterrupted series of 12-month contracts,
12 assuming unchanged rental or equivalent prices."

13 (f) Amend subsection (c) (4) to read—

14 "(4) PELL GRANTS.—Notwithstanding paragraph (1), new budget authority for
15 the Pell grant program shall be included in the baseline in an amount sufficient to cover
16 the costs of the program at the maximum award level specified in the most recently
17 enacted full-year appropriations Act, the budget authority in the budget year shall be
18 adjusted for any cumulative funding shortfall or surplus from prior academic years, and
19 the adjustment for inflation under paragraph (5) shall not apply."

20 (g) Insert after subsection (c) the following, and redesignate the subsequent subsections
21 accordingly—

22 "(d) DISASTERS.—Notwithstanding subsections (b) and (c), temporary
23 mandatory funding and tax provisions related to major natural or man-made disasters
24 shall be assumed to expire on schedule, and discretionary funding for major natural or
25 man-made disaster shall not be projected. In lieu, the baseline shall include a disaster
26 allowance that is not designated as mandatory or discretionary and is not allocated to any
27 committee of Congress. The amount of budget authority assumed for this disaster
28 allowance shall equal a probabilistic estimate of the amount of federal exposure to the
29 risk of major natural or man-made disasters occurring in the remainder of the current
30 year, the budget year, and each outyear, and the amount of outlays shall equal the
31 estimated expenditures of that budget authority. Major disasters shall include disaster

1 costs other than those normally covered by routine firefighting funding and normal and
2 ongoing costs of disaster agencies, programs, or activities."

3
4 **SECTION 10. TECHNICAL CORRECTIONS.**

5 (1) Section 250(c)(18) of BBEDCA is amended by striking "the expenses the Federal
6 deposit insurance agencies" and inserting "the expenses of the Federal deposit insurance
7 agencies".

8 (2) Section 256(k)(1) of BBEDCA is amended by striking "in paragraph (5)" and
9 inserting "in paragraph (6)".

10
11 **SECTION 11. CONFORMING AMENDMENTS.**

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

13 (b) Section 256(b) of BBEDCA is amended by striking "origination fees under sections
14 438(c)(2) and 455(c) of that Act shall each be increased by 0.50 percentage point." and
15 inserting in lieu thereof "origination fees under sections 438(c)(2) and (6) and 455(c) and
16 loan processing and issuance fees under section 428(f)(1)(A)(ii) of that Act shall each be
17 increased by the uniform percentage specified in that sequestration order, and, for student
18 loans originated during the period of the sequestration, special allowance payments under
19 section 438(b) of that Act accruing during the period of the sequestration shall be reduced
20 by the uniform percentage specified in that sequestration order."

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

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

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

24 (2) in paragraph (1) to read as follows:

25 "(1) CALCULATION OF REDUCTION IN PAYMENT AMOUNTS.—To
26 achieve the total percentage reduction in those programs required by section 252 or 253,
27 subject to paragraph (2), and notwithstanding section 710 of the Social Security Act,
28 OMB shall determine, and the applicable Presidential order under section 254 shall
29 implement, the percentage reduction that shall apply, with respect to the health insurance
30 programs under title XVIII of the Social Security Act—

1 "(A) in the case of parts A and B of such title, to individual payments for
2 services furnished during the one-year period beginning on the first day of the
3 first month beginning after the date the order is issued (or, if later, the date
4 specified in paragraph (4)), and

5 "(B) in the case of parts C and D, to monthly payments under contracts
6 under such parts for the same one-year period,
7 such that the reduction made in payments under that order shall achieve the required total
8 percentage reduction in those payments for that period.";

9 (3) by inserting after paragraph (1) the following:

10 "(2) UNIFORM REDUCTION RATE; MAXIMUM PERMISSIBLE
11 REDUCTION.—Reductions in payments for programs and activities under such title
12 XVIII pursuant to a sequestration order under section 254 shall be at a uniform rate,
13 which shall not exceed 4 percent, across all such programs and activities subject to such
14 order.";

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

16 "(4) TIMING OF SUBSEQUENT SEQUESTRATION ORDER.—A
17 sequestration order required by section 252 or 253 with respect to programs under such
18 title XVIII shall not take effect until the first month beginning after the end of the
19 effective period of any prior sequestration order with respect to such programs, as
20 determined in accordance with paragraph (1).";

21 (5) in paragraph (6), as so redesignated, to read as follows:

22 "(6) SEQUESTRATION DISREGARDED IN COMPUTING PAYMENT
23 AMOUNTS.—The Secretary of Health and Human Services shall not take into account
24 any reductions in payment amounts which have been or may be effected under this part,
25 for purposes of computing any adjustments to payment rates under such title XVIII,
26 specifically including—

27 "(A) the part C growth percentage under section 1853(c)(6);

28 "(B) the part D annual growth rate under section 1860D-2(b)(6); and

29 "(C) application of risk corridors to part D payment rates under section
30 1860D-15(e)."; and

31 (6) by adding after paragraph (6), as so redesignated, the following:

1 "(7) EXEMPTIONS FROM SEQUESTRATION.—In addition to the programs
2 and activities specified in section 255, the following shall be exempt from sequestration
3 under this part:

4 "(A) PART D LOW-INCOME SUBSIDIES.—Premium and cost-sharing
5 subsidies under section 1860D-14 of the Social Security Act.

6 "(B) PART D CATASTROPHIC SUBSIDY.—Payments under section
7 1860D-15(b) and (e)(2)(B) of the Social Security Act.

8 "(C) QUALIFIED INDIVIDUAL (QI) PREMIUMS.—Payments to States
9 for coverage of Medicare cost-sharing for certain low-income Medicare
10 beneficiaries under section 1933 of the Social Security Act."

11
12 **SECTION 12. EXEMPT PROGRAMS AND ACTIVITIES.**

13 (a) Designations.—Section 255 of BBEDCA is amended by redesignating paragraph (i)
14 as (j) and striking "1998" and inserting in lieu thereof "2010".

15 (b) Social Security, Veterans Programs, Net Interest, and Tax Credits.—Subsections (a)
16 through (d) of section 255 of BBEDCA are amended to read as follows—

17 "(a) SOCIAL SECURITY BENEFITS AND TIER I RAILROAD RETIREMENT
18 BENEFITS.—Benefits payable under the old-age, survivors, and disability insurance program
19 established under title II of the Social Security Act (Title 42, United States Code, section 401 et
20 seq.), and benefits payable under section 231b(a), 231b(f)(2), 231c(a), and 231c(f) of Title 45
21 United States Code, shall be exempt from reduction under any order issued under this part.

22 "(b) VETERANS PROGRAMS.—The following programs shall be exempt from
23 reduction under any order issued under this part:

24 Canteen Service Revolving Fund (36-4014-0-3-705);

25 National Service Life Insurance Fund (36-8132-0-7-701);

26 Native American Veteran Housing Loan Program (36-1120-0-1-704);

27 Service-Disabled Veterans Insurance Fund (36-4012-0-3-701);

28 Veterans Insurance and Indemnities (36-0120-0-1-701);

29 Veterans Reopened Insurance Fund (36-4010-0-3-701);

30 Veterans Special Life Insurance Fund (36-8455-0-8-701);

31 United States Government Life Insurance Fund (36-8150-0-7-701);

1 Benefits under chapter 21 of title 38, United States Code, relating to specially
2 adapted housing and mortgage-protection life insurance for certain veterans with service-
3 connected disabilities (36-0120-0-1-701);

4 Compensation and Pensions (36-0102-0-1-701) to include Burial Benefits under
5 Chapter 23 of Title 38;

6 Benefits under chapter 33 of title 38, United States Code, relating to educational
7 assistance provided by the Post-9/11 Educational Assistance Act of 2008 (36-0137-0-1-
8 702);

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

12 Benefits under chapter 35 of title 38, United States Code, related to educational
13 assistance for survivors and dependents of certain veterans with service-connected
14 disabilities (36-0137-0-1-702);

15 Assistance and services under chapter 31 of title 38, United States Code, relating
16 to training and rehabilitation for certain veterans with service-connected disabilities (36-
17 0137-0-1-702);

18 Benefits under subchapters I, II, and III of chapter 37 of title 38, United States
19 Code, relating to housing loans for certain veterans and for the spouses and surviving
20 spouses of certain veterans Housing Program Account (36-1119-0-1-704); and

21 Special Benefits for Certain World War II Veterans (28-0401-0-1-701);.

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

24 "(d) REFUNDABLE INCOME TAX CREDITS.—Payments to individuals made
25 pursuant to provisions of the Internal Revenue Code of 1986 establishing refundable tax credits
26 shall be exempt from reduction under any order issued under this part."

27 (c) Other Programs and Activities, Low-Income Programs, and Economic Recovery
28 Programs.—Subsections (g) and (h) of section 255 of BBEDCA are amended to read as
29 follows—

30 "(g) OTHER PROGRAMS AND ACTIVITIES.—

1 (1)(A) The following budget accounts and activities shall be exempt from
2 reduction under any order issued under this part:

3 Activities resulting from private donations, bequests, or voluntary
4 contributions to the Government;

5 Activities financed by voluntary payments to the Government for goods or
6 services to be provided for such payments;

7 Administration of Territories, Northern Mariana Islands Covenant grants
8 (14-0412-0-1-808);

9 Advances to the Unemployment Trust Fund and Other Funds (16-0327-0-
10 1-600);

11 Appropriations for the District of Columbia (to the extent they are
12 appropriations of locally raised funds);

13 Black Lung Disability Trust Fund Refinancing (16-0329-0-1-601);

14 Bonneville Power Administration Fund and borrowing authority
15 established pursuant to section 13 of Public Law 93-454 (1974), as amended (89-
16 4045-0-3-271);

17 Claims, Judgments, and Relief Acts (20-1895-0-1-808);

18 Colorado River Basins Power Marketing Fund, Western Area Power
19 Administration, (89-4452-0-3-271);

20 Compact of Free Association (14-0415-0-1-808);

21 Compensation of the President (11-0209-0-1-802);

22 Construction, Rehabilitation, Operation and Maintenance, Western Area
23 Power Administration (89-5068-0-2-271);

24 Comptroller of the Currency, Assessment Funds (20-8413-0-8-373);

25 Continuing Fund, Southeastern Power Administration (89-5653-0-2-271);

26 Continuing Fund, Southwestern Power Administration (89-5649-0-2-271);

27 Dual Benefits Payments Account (60-0111-0-1-601);

28 Emergency Fund, Western Area Power Administration (89-5069-0-2-
29 271);

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

1 Federal Deposit Insurance Corporation, Deposit Insurance Fund (51-4596-
2 4-4-373);
3 Federal Deposit Insurance Corporation, FSLIC Resolution Fund (51-4065-
4 0-3-373);
5 Federal Deposit Insurance Corporation, Non-Interest Bearing Transaction
6 Account Guarantee (51-4458-0-3-373);
7 Federal Deposit Insurance Corporation, Office of Inspector General (51-
8 4595-0-4-373);
9 Federal Deposit Insurance Corporation, Senior Unsecured Debt Guarantee
10 (51-4457-0-3-373);
11 Federal Housing Finance Agency, Administrative Expenses (95-5532-0-2-
12 371);
13 Federal Payment to the District of Columbia Judicial Retirement and
14 Survivors Annuity Fund (20-1713-0-1-752);
15 Federal Payment to the District of Columbia Pension Fund (20-1714-0-1-
16 601);
17 Federal Payments to the Railroad Retirement Accounts (60-0113-0-1-
18 601);
19 Federal Reserve Bank Reimbursement Fund (20-1884-0-1-803);
20 Financial Agent Services (20-1802-0-1-803);
21 Foreign Military Sales Trust Fund (11-8242-0-7-155);
22 Hazardous Waste Management, Conservation Reserve Program (12-4336-
23 0-3-999);
24 Health Education Assistance Loans Program Account (75-0340-0-1-552);
25 Host Nation Support Fund for Relocation (97-8337-0-7-051);
26 Internal Revenue Collections for Puerto Rico (20-5737-0-2-806);
27 Intragovernmental funds, including those from which the outlays are
28 derived primarily from resources paid in from other government accounts, except
29 to the extent such funds are augmented by direct appropriations for the fiscal year
30 during which an order is in effect;
31 Medical Facilities Guarantee and Loan Fund (75-9931-0-3-551);

1 National Credit Union Administration, Central Liquidity Facility (25-
2 4470-0-3-373);
3 National Credit Union Administration, Corporate Credit Union Share
4 Guarantee Program (25-4476-0-3-376);
5 National Credit Union Administration, Credit Union Homeowners
6 Affordability Relief Program (25-4473-0-3-371);
7 National Credit Union Administration, Credit Union Share Insurance Fund
8 (25-4468-0-3-373);
9 National Credit Union Administration, Credit Union System Investment
10 Program (25-4474-0-3-376);
11 National Credit Union Administration, Operating fund (25-4056-0-3-373);
12 National Credit Union Administration, Share Insurance Fund Corporate
13 Debt Guarantee Program (25-4469-0-3-376);
14 National Credit Union Administration, U.S. Central Federal Credit Union
15 Capital Program (25-4475-0-3-376);
16 Office of Thrift Supervision (20-4108-0-3-373);
17 Operation and Maintenance, Alaska Power Administration (89-0302-0-1-
18 271);
19 Operation and Maintenance, Southeastern Power Administration (89-
20 0302-0-1-271);
21 Operation and Maintenance, Southwestern Power Administration (89-
22 0303-0-1-271);
23 Panama Canal Commission Compensation Fund (16-5155-0-2-602);
24 Payment of Vietnam and USS Pueblo prisoner-of-war claims within the
25 Salaries and Expenses, Foreign Claims Settlement account (15-0100-0-1-153) ;
26 Payment to Civil Service Retirement and Disability Fund (24-0200-0-1-
27 805);
28 Payment to Department of Defense Medicare-Eligible Retiree Health Care
29 Fund (97-0850-0-1-054);
30 Payment to Judiciary Trust Funds (10-0941-0-1-752);
31 Payment to Military Retirement Fund (97-0040-0-1-054);

1 Payment to the Foreign Service Retirement and Disability Fund (19-0540-
2 0-1-153);
3 Payments to Copyright Owners (03-5175-0-2-376);
4 Payments to Health Care Trust Funds (75-0580-0-1-571);
5 Payments to Social Security Trust Funds (28-0404-0-1-651);
6 Payments to the United States Territories, Fiscal Assistance (14-0418-0-1-
7 806);
8 Payments to trust funds from excise taxes or other receipts properly
9 creditable to such trust funds;
10 Payments to widows and heirs of deceased Members of Congress (00-
11 0215-0-1-801);
12 Postal Service Fund (18-4020-0-3-372);
13 Reimbursement to Federal Reserve Banks (20-0562-0-1-803);
14 Salaries of Article III judges;
15 Soldiers and Airmen's Home, payment of claims (84-8930-0-7-705);
16 Tennessee Valley Authority Fund, except non-power programs and
17 activities (64-4110-0-3-999);
18 Tribal and Indian trust accounts within the Department of the Interior
19 which fund prior legal obligations of the Government or which are established
20 pursuant to Acts of Congress regarding Federal management of tribal real
21 property or other fiduciary responsibilities, including but not limited to Tribal
22 Special Fund (14-5265-0-2-452), Tribal Trust Fund (14-8030-0-7-452), Indian
23 Land and Water Claims Settlements (14-2303-0-1-452), White Earth Settlement
24 (14-2204-0-1-452), and Indian Water Rights and Habitat Acquisition (14-5505-0-
25 2-303);
26 United Mine Workers of America 1992 Benefit Plan (95-8260-0-7-551);
27 United Mine Workers of America 1993 Benefit Plan (95-8535-0-7-551);
28 United Mine Workers of America Combined Benefit Fund (95-8295-0-7-
29 551);
30 United States Enrichment Corporation Fund (95-4054-0-3-271);
31 Universal Service Fund (27-5183-0-2-376);

1 Vaccine Injury Compensation (75-0320-0-1-551);

2 Vaccine Injury Compensation Program Trust Fund (20-8175-0-7-551);

3 and

4 Western Area Power Administration, Borrowing Authority, Recovery Act
5 (89-4404-0-3-271).

6 (B) The following Federal retirement and disability accounts and activities shall
7 be exempt from reduction under any order issued under this part:

8 Black Lung Disability Trust Fund (20-8144-0-7-601);

9 Central Intelligence Agency Retirement and Disability System Fund (56-
10 3400-0-1-054);

11 Civil Service Retirement and Disability Fund (24-8135-0-7-602);

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

13 Contributions to U.S. Park Police annuity benefits, Other Permanent
14 Appropriations (14-9924-0-2-303);

15 Court of Appeals for Veterans Claims Retirement Fund (95-8290-0-7-
16 705);

17 Department of Defense Medicare-Eligible Retiree Health Care Fund (97-
18 5472-0-2-551);

19 District of Columbia Federal Pension Fund (20-5511-0-2-601);

20 District of Columbia Judicial Retirement and Survivors Annuity Fund (20-
21 8212-0-7-602);

22 Energy Employees Occupational Illness Compensation Fund (16-1523-0-
23 1-053);

24 Foreign National Employees Separation Pay (97-8165-0-7-051);

25 Foreign Service National Defined Contributions Retirement Fund (19-
26 5497-0-2-602);

27 Foreign Service National Separation Liability Trust Fund (19-8340-0-7-
28 602);

29 Foreign Service Retirement and Disability Fund(19-8186-0-7-602);

30 Government Payment for Annuitants, Employees Health Benefits (24-
31 0206-0-1-551);

1 Government Payment for Annuitants, Employee Life Insurance (24-0500-
2 0-1-602);
3 Judicial Officers' Retirement Fund (10-8122-0-7-602);
4 Judicial Survivors' Annuities Fund (10-8110-0-7-602);
5 Military Retirement Fund (97-8097-0-7-602);
6 National Railroad Retirement Investment Trust (60-8118-0-7-601);
7 National Oceanic and Atmospheric Administration retirement (13-1450-0-
8 1-306);
9 Pensions for former Presidents (47-0105-0-1-802);
10 Postal Service Retiree Health Benefits Fund (24-5391-0-2-551);
11 Rail Industry Pension Fund (60-8011-0-7-601);
12 Retired Pay, Coast Guard (70-0602-0-1-403);
13 Retirement Pay and Medical Benefits for Commissioned Officers, Public
14 Health Service (75-0379-0-1-551);
15 Special Benefits for Disabled Coal Miners (16-0169-0-1-601);
16 Special Benefits, Federal Employees' Compensation Act (16-1521-0-1-
17 600);
18 Special Workers Compensation Expenses (16-9971-0-7-601);
19 Tax Court Judges Survivors Annuity Fund (23-8115-0-7-602);
20 United States Court of Federal Claims Judges' Retirement Fund (10-8124-
21 0-7-602);
22 United States Secret Service, DC Annuity (70-0400-0-1-751); and
23 Voluntary Separation Incentive Fund (97-8335-0-7-051).

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

26 Biomass Energy Development (20-0114-0-1-271);
27 Check Forgery Insurance Fund (20-4109-0-3-803);
28 Credit liquidating accounts;
29 Credit reestimates;
30 Employees Life Insurance Fund (24-8424-0-8-602);

1 Federal Aviation Administration, Aviation Insurance Revolving Fund (69-
2 4120-0-3-402);
3 Federal Crop Insurance Corporation fund (12-4085-0-3-351);
4 Federal Emergency Management Agency, National Flood Insurance Fund
5 (58-4236-0-3-453);
6 Geothermal resources development fund (89-0206-0-1-271);
7 Homeowners Assistance Fund (97-4090-0-3-051);
8 International Trade Administration, Operations and administration (13-
9 1250-0-1-376);
10 Low-Rent Public Housing—Loans and Other Expenses (86-4098-0-3-
11 604);
12 Maritime Administration, War Risk Insurance Revolving Fund (69-4302-
13 0-3-403);
14 Natural Resource Damage Assessment Fund (14-1618-0-1-302);
15 Overseas Private Investment Corporation, Noncredit Account (71-4184-0-
16 3-151);
17 Pension Benefit Guaranty Corporation Fund (16-4204-0-3-601);
18 Rail service assistance within the Safety and Operations account (69-
19 0700-0-1-401);
20 San Joaquin Restoration Fund (14-5537-0-2-301);
21 Servicemembers' Group Life Insurance Fund (36-4009-0-3-701); and
22 Terrorism Insurance Program (20-0123-0-1-376).

23 (3) Non-budgetary accounts and activities, including the following, are exempt
24 from sequestration under this part:

25 Credit financing accounts;
26 Deposit funds;
27 Federal Reserve;
28 Government Sponsored Enterprises, including the Federal National
29 Mortgage Association and the Federal Home Loan Mortgage Corporation; and
30 Thrift Savings Fund.

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

- 3 Academic Competitiveness/Smart Grant Program (91-0205-0-1-502);
- 4 Child Care Entitlement to States (75-1550-0-1-609);
- 5 Child Enrollment Contingency Fund (75-5551-0-2-551);
- 6 Child Nutrition Programs (with the exception of special milk programs) (12-3539-
7 0-1-605);
- 8 Children's Health Insurance Fund (75-0515-0-1-551);
- 9 Commodity Supplemental Food Program (12-3512-0-1-605);
- 10 Contingency Fund (75-1522-0-1-609);
- 11 Family Support Programs (75-1501-0-1-551);
- 12 Federal Pell Grants under section 401 Title IV of the Higher Education Act;
- 13 Grants to States for Low-Income House Projects in Lieu of Low-Income Housing
14 Credit Allocations, Recovery Act (20-0139-0-1-604);
- 15 Grants to States for Medicaid (75-0512-0-1-551);
- 16 Payments for Foster Care and Permanency (75-1545-0-1-609);
- 17 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
18 (12-3510-0-1-605);
- 19 Supplemental Nutrition Assistance Program (12-3505-0-1-605);
- 20 Supplemental Security Income Program (28-0406-0-1-609); and
- 21 Temporary Assistance for Needy Families (75-1552-0-1-609).".

22 (d) Economic Recovery Programs.—Section 255 of BBEDCA is amended by adding the
23 following after subsection (h)—

24 "(i) ECONOMIC RECOVERY PROGRAMS.—The following programs shall be exempt
25 from reduction under any order issued under this part:

- 26 All programs enacted in, or increases in programs provided by, the American
27 Recovery and Reinvestment Act of 2009;
- 28 Exchange Stabilization Fund-Money Market Mutual Fund Guaranty Facility (20-
29 4274-0-3-376);
- 30 Office of Financial Stability (20-0128-0-1-376);
- 31 Financial Stabilization Reserve (20-0131-4-1-376);

1 GSE Mortgage-Backed Securities Purchase Program Account (20-0126-0-1-371);
2 GSE Preferred Stock Purchase Agreements (20-0125-0-1-371);
3 Office of Financial Stability (20-0128-0-1-376);
4 Special Inspector General for the Troubled Asset Relief Program (20-0133-0-1-
5 376);
6 Troubled Asset Relief Program Account (20-0132-0-1-376);
7 Troubled Asset Relief Program Equity Purchase Program (20-0134-0-1-376);
8 Troubled Asset Relief Program, Home Affordable Modification Program (20-
9 0136-0-1-604).".