

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 2920
OFFERED BY MR. HOYER OF MARYLAND**

Strike all after the enacting clause and insert the following:

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.—

- 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.

5 SEC. 2. PURPOSE.

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

9 SEC. 3. DEFINITIONS.

10 As used in this Act—

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

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

6 (A) The term “outyear” means a fiscal
7 year that occurs one or more years after the
8 budget year.

9 (B) In section 250(c)(8)(C), the reference
10 to the food stamp program shall be deemed to
11 be a reference to the Supplemental Nutrition
12 Assistance Program.

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

21 (4)(A) The term “budgetary effects” means the
22 amounts by which PAYGO legislation changes direct
23 spending or revenues relative to the baseline and
24 shall be determined on the basis of estimates in-
25 cluded by reference in the PAYGO Act or prepared

1 under section 4(d)(3), as applicable. Such estimates
2 shall be made publicly available by the chairs of the
3 Committees on the Budget of the House of Rep-
4 resentatives and the Senate before final passage of
5 such legislation or under section 4(d)(3) if such esti-
6 mates are not made available before the final pas-
7 sage of such legislation. Budgetary effects that in-
8 crease direct spending or decrease revenues are
9 termed “costs” and budgetary effects that increase
10 revenues or decrease direct spending are termed
11 “savings”.

12 (B) For purposes of these definitions, off-budg-
13 et effects shall be counted as budgetary effects un-
14 less such changes flow directly from amendments to
15 title II of the Social Security Act and related provi-
16 sions of the Internal Revenue Code of 1986 and debt
17 service effects shall not be counted as budgetary ef-
18 fects.

19 (C) Solely for purposes of recording entries on
20 a PAYGO scorecard, provisions in appropriations
21 Acts are also considered to be budgetary effects for
22 purposes of this Act if such provisions make outyear
23 modifications to substantive law, except that provi-
24 sions for which the outlay effects net to zero over a
25 period consisting of the current year, the budget

1 year, and the 4 subsequent years shall not be consid-
2 ered budgetary effects. For purposes of this para-
3 graph, the term, “modifications to substantive law”
4 refers to changes to or restrictions on entitlement
5 law or other mandatory spending contained in ap-
6 propriations Acts, notwithstanding section 250(c)(8)
7 of BBEDCA. Provisions in appropriations Acts that
8 are neither outyear modifications to substantive law
9 nor changes in revenues have no budgetary effects
10 for purposes of this Act.

11 (D) If a provision is designated as an emer-
12 gency requirement under this Act and is also des-
13 ignated as an emergency requirement for purposes
14 of the applicable rules of the House of Representa-
15 tives, CBO shall not include the cost of such a provi-
16 sion in its estimate of the legislation’s budgetary ef-
17 fects.

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

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

24 (7) The term “PAYGO legislation” or a
25 “PAYGO Act” refers to a bill or joint resolution

1 that affects direct spending or revenue relative to
2 the baseline. The budgetary effects of changes in
3 revenues and outyear modifications to substantive
4 law included in appropriation Acts as defined in
5 paragraph (4) shall be treated as if they were con-
6 tained in PAYGO legislation.

7 (8) The term “timing shift” refers to a delay of
8 the date on which direct spending would otherwise
9 occur from the ninth outyear to the tenth outyear or
10 an acceleration of the date on which revenues would
11 otherwise occur from the tenth outyear to the ninth
12 outyear.

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

14 (a) CBO PAYGO ESTIMATES.—(1) A PAYGO Act
15 shall include by reference an estimate of its budgetary ef-
16 fects as determined under section 308(a)(3) of the Con-
17 gressional Budget Act of 1974, if timely submitted. Budg-
18 etary effects that are not so included shall be determined
19 under section 4(d)(3).

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

23 “(3) CBO PAYGO ESTIMATES.—Before a vote in
24 either House on a PAYGO Act that, if determined
25 in the affirmative, would clear such Act for enroll-

1 ment, the chairs of the Committees on the Budget
2 of the House and Senate shall request from the Di-
3 rector of the Congressional Budget Office an esti-
4 mate of the budgetary effects of such Act under the
5 Pay-As-You-Go Act of 2009. If such an estimate is
6 timely provided, the chairs of the Committees on the
7 Budget of the House of Representative and the Sen-
8 ate shall cause it to be printed in the Congressional
9 Record under the heading ‘PAYGO ESTIMATE’.
10 As provided in section 4(a) of the Statutory Pay-As-
11 You-Go Act of 2009, the Clerk of the House of Rep-
12 resentatives or the Secretary of the Senate, as appli-
13 cable, shall incorporate an estimate printed in the
14 relevant portion of the Congressional Record under
15 this subsection into the enrollment of the Pay-As-
16 You-Go Act of 2009. The Director of the Congres-
17 sional Budget Office shall provide estimates under
18 this section in accordance with the scorekeeping
19 guidelines determined under section 252(d)(5) of the
20 Balanced Budget and Emergency Deficit Control
21 Act of 1985. Upon agreement, the chairs of the
22 Committees on the Budget of the House of Rep-
23 resentatives and the Senate shall submit updates to
24 such guidelines for printing in the Congressional
25 Record. For purposes of this section, the Director of

1 the Congressional Budget Office shall not count tim-
2 ing shifts in his estimates of the budgetary effects
3 of PAYGO legislation (as defined in section 3 of the
4 Pay-As-You-Go Act of 2009).”.

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

8 (b) PUBLICATION OF ESTIMATES.—The chairs of the
9 Committees of Budget of the House of Representatives
10 and the Senate shall make publicly available electronically
11 and in printed form the estimates made under section
12 308(d) of the Congressional Budget Act of 1974. The
13 chairs shall also submit such estimates to be printed in
14 the Congressional Record before the vote on final passage
15 of any measure and that measure shall include by ref-
16 erence an estimate of its budgetary effects.

17 (c) CURRENT POLICY ADJUSTMENTS FOR CERTAIN
18 LEGISLATION.—For purposes of calculating budgetary ef-
19 fects under this Act, CBO shall adjust its estimates as
20 described below for any provision of legislation designated
21 as meeting the criteria in subsection (b), (c), or (d) of
22 section 7 and which the chairman of the Committee on
23 the Budget of the House of Representatives or the Senate,
24 as applicable, designates as meeting those criteria. A sin-
25 gle piece of legislation may contain provisions designated

1 as meeting criteria in more than one of the subsections
2 listed above. For appropriately designated provisions,
3 CBO shall exclude from its estimates for purposes of this
4 Act any costs of a provision to the extent that those costs,
5 when combined with all other excluded costs of any other
6 previously designated provisions of enacted legislation
7 under the same subsection of section 7, do not exceed the
8 maximum applicable current policy adjustment defined
9 under the applicable subsection of section 7 for the appli-
10 cable 10-year period, using the most recent baseline esti-
11 mates supplied by the Congressional Budget Office con-
12 sistent with section 257 of the Balanced Budget and
13 Emergency Deficit Control Act of 1985 used in consid-
14 ering a concurrent resolution on the budget; or, after the
15 beginning of a new calendar year and before consideration
16 of a concurrent resolution on the budget, using the most
17 recent baseline estimates supplied by the Congressional
18 Budget Office consistent with section 257 of the Balanced
19 Budget and Emergency Deficit Control Act of 1985. CBO
20 estimates of legislation containing a current policy des-
21 ignation under this subsection shall include a separate
22 presentation of costs excluded from the calculation of
23 budgetary effects for the legislation, as well as an updated
24 total of all excluded cost of provisions within the same sub-
25 section of section 7.

1 (d) OMB PAYGO SCORECARDS.—

2 (1) IN GENERAL.—OMB shall maintain and
3 make publicly available a continuously updated docu-
4 ment containing two PAYGO scorecards displaying
5 the budgetary effects of PAYGO legislation as deter-
6 mined under subsection (b), applying the look-back
7 requirement in subsection (e) and the averaging re-
8 quirement in subsection (f), and a separate adden-
9 dum displaying the estimates of the costs of provi-
10 sions designated in statute as emergency require-
11 ments.

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

17 (3) OMB ESTIMATES.—If legislation does not
18 contain the estimate of budgetary effects under
19 paragraph (2), then OMB shall score the budgetary
20 effects of that legislation upon its enactment, based
21 on the approaches to scorekeeping set forth in this
22 Act.

23 (4) 5-YEAR SCORECARD.—The first scorecard
24 shall display the budgetary effects of PAYGO legis-

1 lation in each year over the 5-year period beginning
2 in the budget year.

3 (5) 10-YEAR SCORECARD.—The second score-
4 card shall display the budgetary effects of PAYGO
5 legislation in each year over the 10-year period be-
6 ginning in the budget year.

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

12 (f) AVERAGING USED TO MEASURE COMPLIANCE
13 OVER 5-YEAR AND 10-YEAR PERIODS.—OMB shall cu-
14 mulate the budgetary effects of a PAYGO Act over the
15 budget year (which includes any look-back effects under
16 subsection (e)) and—

17 (1) for purposes of the 5-year scorecard re-
18 ferred to in subsection (d)(4), the four subsequent
19 outyears, divide that cumulative total by five, and
20 enter the quotient in the budget-year column and in
21 each subsequent column of the 5-year PAYGO score-
22 card; and

23 (2) for purposes of the 10-year scorecard re-
24 ferred to in subsection (d)(5), the nine subsequent
25 outyears, divide that cumulative total by ten, and

1 enter the quotient in the budget-year column and in
2 each subsequent column of the 10-year PAYGO
3 scorecard.

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

5 (a) ANNUAL REPORT.—Not later than 14 days (ex-
6 cluding weekends and holidays) after Congress adjourns
7 to end a session, OMB shall make publicly available and
8 cause to be printed in the Federal Register an annual
9 PAYGO report. The report shall include an up-to-date
10 document containing the PAYGO scorecards, a description
11 of any current policy adjustments made under section
12 4(c), information about emergency legislation (if any) re-
13 quired by section 3(4)(D), information about any seques-
14 tration if required by subsection (b), and other data and
15 explanations that enhance public understanding of this
16 Act and actions taken under it.

17 (b) SEQUESTRATION ORDER.—If the annual report
18 issued at the end of a session of Congress under sub-
19 section (a) shows a debit on either PAYGO scorecard for
20 the budget year, OMB shall prepare and the President
21 shall issue and include in that report a sequestration order
22 that, upon issuance, shall reduce budgetary resources of
23 direct spending programs by enough to offset that debit
24 as prescribed in section 6. If there is a debit on both score-
25 cards, the order shall fully offset the larger of the two

1 debits. OMB shall include that order in the annual report
2 and transmit it to the House of Representatives and the
3 Senate. If the President issues a sequestration order, the
4 annual report shall contain, for each budget account to
5 be sequestered, estimates of the baseline level of budgetary
6 resources subject to sequestration, the amount of budg-
7 etary resources to be sequestered, and the outlay reduc-
8 tions that will occur in the budget year and the subsequent
9 fiscal year because of that sequestration.

10 **SEC. 6. CALCULATING A SEQUESTRATION.**

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

1 care and of all other nonexempt direct spending programs
2 together produce the required outlay savings.

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

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

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

15 (3) the amount by which the sequestration in
16 the budget year of the budgetary resources of other
17 nonexempt mandatory programs reduces outlays in
18 the budget year and in the subsequent fiscal year.

19 **SEC. 7. CURRENT POLICY ADJUSTMENT TO THE CBO ESTI-**
20 **MATES.**

21 (a) PURPOSE.—The purpose of this section is to pro-
22 vide for adjustments of estimates of PAYGO effects for
23 legislation affecting four areas of the budget—

1 (1) payments made under section 1848 of the
2 Social Security Act (titled Payment for Physicians'
3 Services);

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

6 (3) the AMT; and

7 (4) provisions of EGTRRA or JGTRRA that
8 amended the Internal Revenue Code of 1986 (or
9 provisions in later statutes further amending the
10 amendments made by EGTRRA or JGTRRA), other
11 than—

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

15 (B) amendments to the estate and gift tax
16 referred to in paragraph (2);

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

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

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

24 (b) **MEDICARE PAYMENTS TO PHYSICIANS.**—

1 (1) CRITERIA.—Legislation that includes provi-
2 sions amending or superseding the system of pay-
3 ments under section 1848 of the Social Security Act
4 shall trigger the current policy adjustment required
5 by this Act.

6 (2) ADJUSTMENT.—The amount of the max-
7 imum current policy adjustment shall be the dif-
8 ference between—

9 (A) estimated net outlays attributable to
10 the payments made to physicians under that
11 section of the Social Security Act (as scheduled
12 on July 15, 2009, to be in effect); and

13 (B) what those net outlays would have
14 been if the nominal payment rates and related
15 parameters in effect for 2009 had been in effect
16 thereafter without change.

17 (c) ESTATE AND GIFT TAX.—

18 (1) CRITERIA.—Legislation that includes provi-
19 sions amending the Estate and Gift Tax under sub-
20 title B of the Internal Revenue Code of 1986 shall
21 trigger the current policy adjustment required by
22 this Act.

23 (2) ADJUSTMENT.—The amount of the max-
24 imum current policy adjustment shall be the dif-
25 ference between—

1 (A) total revenues projected to be collected
2 under the Internal Revenue Code of 1986 (as
3 scheduled on July 15, 2009, to be in effect);
4 and

5 (B) what those revenue collections would
6 have been if, on the date of enactment of the
7 legislation meeting the criteria in paragraph
8 (1), estate and gift tax law had instead been
9 amended so that the tax rates, nominal exemp-
10 tion amounts, and related parameters in effect
11 for tax year 2009 had remained in effect there-
12 after without change.

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

15 (1) CRITERIA.—Legislation that includes provi-
16 sions extending middle-class tax cuts or AMT relief
17 shall trigger the current policy adjustment required
18 by this Act if those provisions extend one or more
19 of the following provisions—

20 (A) AMT relief for calendar year 2010 and
21 subsequent years in such a manner that the
22 number of AMT taxpayers is not estimated to
23 exceed the number of AMT taxpayers in tax
24 year 2008 in any year through the tenth year
25 after enactment;

1 (B) the 10 percent bracket as in effect for
2 tax year 2010, as provided for under section
3 101(a) of the Economic Growth and Tax Relief
4 Reconciliation Act of 2001 and any later
5 amendments through July 15, 2009;

6 (C) the child tax credit as in effect for tax
7 year 2010, as provided for under section 201 of
8 the Economic Growth and Tax Relief Reconcili-
9 ation Act and any later amendments through
10 July 15, 2009;

11 (D) tax benefits for married couples as in
12 effect for tax year 2010, as provided for under
13 title III of the Economic Growth and Tax Relief
14 Reconciliation Act and any later amendments
15 through July 15, 2009;

16 (E) the adoption credit as in effect in tax
17 year 2010, as provided for under section 202 of
18 the Economic Growth and Tax Relief Reconcili-
19 ation Act of 2001 and any later amendments
20 through July 15, 2009;

21 (F) the dependent care credit as in effect
22 in tax year 2010, as provided for under section
23 204 of the Economic Growth and Tax Relief
24 Reconciliation Act of 2001 and any later
25 amendments through July 15, 2009;

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

6 (H) the education tax benefits as in effect
7 in tax year 2010, as provided for under title IV
8 of the Economic Growth and Tax Relief Rec-
9 onciliation Act of 2001 and any later amend-
10 ments through July 15, 2009;

11 (I) the 25 and 28 percent brackets as in
12 effect for tax year 2010, as provided for under
13 section 101(a) of the Economic Growth and
14 Tax Relief Reconciliation Act of 2001 and any
15 later amendments through July 15, 2009; and

16 (J) the 33 percent brackets as in effect for
17 tax year 2010, as provided for under section
18 101(a) of the Economic Growth and Tax Relief
19 Reconciliation Act of 2001 and any later
20 amendment affecting taxpayers with taxable in-
21 come of \$200,000 or less for individuals and
22 \$250,000 or less for couples in calendar year
23 2010 and increased in each subsequent year by
24 an amount equal to the cost of living adjust-
25 ment determined under section 1(f)(3) of the

1 Internal Revenue Code of 1986 for the calendar
2 year in which the taxable year begins, deter-
3 mined by substituting “calendar year 2008” for
4 “calendar year 1992” in subparagraph (B)
5 thereof.

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

12 (A) permanently extending the AMT ex-
13 emption and brackets in effect in tax year 2009
14 but increased in tax year 2010 and each subse-
15 quent tax year as indicated under subsection
16 (d)(2)(B), along with any additional amount
17 necessary to prevent the number of taxpayers
18 who must pay AMT from increasing; and

19 (B) permanently extending the provisions
20 identified in section 7(a)(4),
21 were enacted on the same day as the legislation re-
22 ferred to in paragraph (1).

23 **SEC. 8. APPLICATION OF BBEDCA.**

24 For purposes of this Act—

1 (1) notwithstanding section 275 of BBEDCA,
2 the provisions of sections 255, 256, 257, and 274 of
3 BBEDCA, as amended by this Act, shall apply to
4 the provisions of this Act;

5 (2) references in sections 255, 256, 257, and
6 274 to “this part” or “this title” shall be interpreted
7 as applying to this Act;

8 (3) references in sections 255, 256, 257, and
9 274 of BBEDCA to “section 254” shall be inter-
10 preted as referencing section 5 of this Act;

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

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

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

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

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

1 **SEC. 9. TECHNICAL CORRECTIONS.**

2 (a) Section 250(c)(18) of BBEDCA is amended by
3 striking “the expenses the Federal deposit insurance agen-
4 cies” and inserting “the expenses of the Federal deposit
5 insurance agencies”.

6 (b) Section 256(k)(1) of BBEDCA is amended by
7 striking “in paragraph (5)” and inserting “in paragraph
8 (6)”.

9 **SEC. 10. CONFORMING AMENDMENTS.**

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

11 (b) Section 256(b) of BBEDCA is amended by strik-
12 ing “origination fees under sections 438(c)(2) and 455(c)
13 of that Act shall each be increased by 0.50 percentage
14 point.” and inserting in lieu thereof “origination fees
15 under sections 438(c)(2) and (6) and 455(c) and loan
16 processing and issuance fees under section
17 428(f)(1)(A)(ii) of that Act shall each be increased by the
18 uniform percentage specified in that sequestration order,
19 and, for student loans originated during the period of the
20 sequestration, special allowance payments under section
21 438(b) of that Act accruing during the period of the se-
22 questration shall be reduced by the uniform percentage
23 specified in that sequestration order.”.

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

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

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

3 (2) by amending paragraph (1) to read as fol-
4 lows:

5 “(1) CALCULATION OF REDUCTION IN PAYMENT
6 AMOUNTS.—To achieve the total percentage reduc-
7 tion in those programs required by section 252 or
8 253, subject to paragraph (2), and notwithstanding
9 section 710 of the Social Security Act, OMB shall
10 determine, and the applicable Presidential order
11 under section 254 shall implement, the percentage
12 reduction that shall apply, with respect to the health
13 insurance programs under title XVIII of the Social
14 Security Act—

15 “(A) in the case of parts A and B of such
16 title, to individual payments for services fur-
17 nished during the one-year period beginning on
18 the first day of the first month beginning after
19 the date the order is issued (or, if later, the
20 date specified in paragraph (4)); and

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

1 such that the reduction made in payments under
2 that order shall achieve the required total percentage
3 reduction in those payments for that period.”;

4 (3) by inserting after paragraph (1) the fol-
5 lowing:

6 “(2) UNIFORM REDUCTION RATE; MAXIMUM
7 PERMISSIBLE REDUCTION.—Reductions in payments
8 for programs and activities under such title XVIII
9 pursuant to a sequestration order under section 254
10 shall be at a uniform rate, which shall not exceed 4
11 percent, across all such programs and activities sub-
12 ject to such order.”;

13 (4) by inserting after paragraph (3), as redesign-
14 nated, the following:

15 “(4) TIMING OF SUBSEQUENT SEQUESTRATION
16 ORDER.—A sequestration order required by section
17 252 or 253 with respect to programs under such
18 title XVIII shall not take effect until the first month
19 beginning after the end of the effective period of any
20 prior sequestration order with respect to such pro-
21 grams, as determined in accordance with paragraph
22 (1).”;

23 (5) in paragraph (6), as redesignated, to read
24 as follows:

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

8 “(A) the part C growth percentage under
9 section 1853(e)(6);

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

12 “(C) application of risk corridors to part D
13 payment rates under section 1860D–15(e).”;
14 and

15 (6) by adding after paragraph (6), as redesign-
16 nated, the following:

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

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

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

4 “(C) QUALIFIED INDIVIDUAL (QI) PRE-
5 MIUMS.—Payments to States for coverage of
6 Medicare cost-sharing for certain low-income
7 Medicare beneficiaries under section 1933 of
8 the Social Security Act.”.

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

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

13 (b) SOCIAL SECURITY, VETERANS PROGRAMS, NET
14 INTEREST, AND TAX CREDITS.—Subsections (a) through
15 (d) of section 255 of BBEDCA are amended to read as
16 follows

17 “(a) SOCIAL SECURITY BENEFITS AND TIER I RAIL-
18 ROAD RETIREMENT BENEFITS.—Benefits payable under
19 the old-age, survivors, and disability insurance program
20 established under title II of the Social Security Act (title
21 42, United States Code, section 401 et seq.), and benefits
22 payable under section 231b(a), 231b(f)(2), 231c(a), and
23 231c(f) of title 45 United States Code, shall be exempt
24 from reduction under any order issued under this part.

1 “(b) VETERANS PROGRAMS.—The following program
2 shall be exempt from reduction under any order issued
3 under this part—

4 “All programs administered by the Department
5 of Veterans Affairs.

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

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

11 “(d) REFUNDABLE INCOME TAX CREDITS.—Pay-
12 ments to individuals made pursuant to provisions of the
13 Internal Revenue Code of 1986 establishing refundable
14 tax credits shall be exempt from reduction under any order
15 issued under this part.”.

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

20 “(g) OTHER PROGRAMS AND ACTIVITIES.—

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

1 “Activities resulting from private dona-
2 tions, bequests, or voluntary contributions to
3 the Government.

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

7 “Administration of Territories, Northern
8 Mariana Islands Covenant grants (14-0412-0-
9 1-808).

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

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

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

18 “Claims, Judgments, and Relief Acts (20-
19 1895-0-1-808).

20 “Compact of Free Association (14-0415-
21 0-1-808).

22 “Compensation of the President (11-
23 0209-01-1-802).

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

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

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

5 “Dual Benefits Payments Account (60-
6 0111-0-1-601).

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

9 “Exchange Stabilization Fund (20-4444-
10 0-3-155).

11 “Federal Deposit Insurance Corporation,
12 Deposit Insurance Fund (51-4596-4-4-373).

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

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

18 “Federal Deposit Insurance Corporation,
19 Senior Unsecured Debt Guarantee (51-4457-
20 0-3-373).

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

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

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

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

5 “Federal Reserve Bank Reimbursement
6 Fund (20-1884-0-1-803).

7 “Financial Agent Services (20-1802-0-1-
8 803).

9 “Foreign Military Sales Trust Fund (11-
10 8242-0-7-155).

11 “Hazardous Waste Management, Con-
12 servation Reserve Program (12-4336-0-3-
13 999).

14 “Host Nation Support Fund for Relocation
15 (97-8337-0-7-051).

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

18 “Intragovernmental funds, including those
19 from which the outlays are derived primarily
20 from resources paid in from other government
21 accounts, except to the extent such funds are
22 augmented by direct appropriations for the fis-
23 cal year during which an order is in effect.

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

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

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

6 “National Credit Union Administration,
7 Credit Union Homeowners Affordability Relief
8 Program (25-4473-0-3-371).

9 “National Credit Union Administration,
10 Credit Union Share Insurance Fund (25-4468-
11 0-3-373).

12 “National Credit Union Administration,
13 Credit Union System Investment Program (25-
14 4474-0-3-376).

15 “National Credit Union Administration,
16 Operating fund (25-4056-0-3-373).

17 “National Credit Union Administration,
18 Share Insurance Fund Corporate Debt Guar-
19 antee Program (25-4469-0-3-376).

20 “National Credit Union Administration,
21 U.S. Central Federal Credit Union Capital Pro-
22 gram (25-4475-0-3-376).

23 “Office of Thrift Supervision (20-4108-0-
24 3-373).

1 “Panama Canal Commission Compensation
2 Fund (16-5155-0-2-602).

3 “Payment of Vietnam and USS Pueblo
4 prisoner-of-war claims within the Salaries and
5 Expenses, Foreign Claims Settlement account
6 (15-0100-0-1-153).

7 “Payment to Civil Service Retirement and
8 Disability Fund (24-0200-0-1-805).

9 “Payment to Department of Defense Medi-
10 care-Eligible Retiree Health Care Fund (97-
11 0850-0-1-054).

12 “Payment to Judiciary Trust Funds (10-
13 0941-0-1-752).

14 “Payment to Military Retirement Fund
15 (97-0040-0-1-054).

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

18 “Payments to Copyright Owners (03-
19 5175-0-2-376).

20 “Payments to Health Care Trust Funds
21 (75-0580-0-1-571).

22 “Payment to Radiation Exposure Com-
23 pensation Trust Fund (15-0333-0-1-054).

24 “Payments to Social Security Trust Funds
25 (28-0404-0-1-651).

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

3 “Payments to trust funds from excise
4 taxes or other receipts properly creditable to
5 such trust funds.

6 “Payments to widows and heirs of de-
7 ceased Members of Congress (00-0215-0-1-
8 801).

9 “Postal Service Fund (18-4020-0-3-372).

10 “Radiation Exposure Compensation Trust
11 Fund (15-8116-0-1-054).

12 “Reimbursement to Federal Reserve Banks
13 (20-0562-0-1-803).

14 “Salaries of Article III judges.

15 “Soldiers and Airmen’s Home, payment of
16 claims (84-8930-0-7-705).

17 “Tennessee Valley Authority Fund, except
18 nonpower programs and activities (64-4110-0-
19 3-999).

20 “Tribal and Indian trust accounts within
21 the Department of the Interior which fund
22 prior legal obligations of the Government or
23 which are established pursuant to Acts of Con-
24 gress regarding Federal management of tribal
25 real property or other fiduciary responsibilities,

1 including but not limited to Tribal Special
2 Fund (14-5265-0-2-452), Tribal Trust Fund
3 (14-8030-0-7-452), White Earth Settlement
4 (14-2204-0-1-452), and Indian Water Rights
5 and Habitat Acquisition (14-5505-0-2-303).

6 “United Mine Workers of America 1992
7 Benefit Plan (95-8260-0-7-551).

8 “United Mine Workers of America 1993
9 Benefit Plan (95-8535-0-7-551).

10 “United Mine Workers of America Com-
11 bined Benefit Fund (95-8295-0-7-551).

12 “United States Enrichment Corporation
13 Fund (95-4054-0-3-271).

14 “Universal Service Fund (27-5183-0-2-
15 376).

16 “Vaccine Injury Compensation (75-0320-
17 0-1-551).

18 “Vaccine Injury Compensation Program
19 Trust Fund (20-8175-0-7-551).

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

23 “Black Lung Disability Trust Fund (20-
24 8144-0-7-601).

1 “Central Intelligence Agency Retirement
2 and Disability System Fund (56-3400-0-1-
3 054).

4 “Civil Service Retirement and Disability
5 Fund (24-8135-0-7-602).

6 “Comptrollers general retirement system
7 (05-0107-0-1-801).

8 “Contributions to U.S. Park Police annu-
9 ity benefits, Other Permanent Appropriations
10 (14-9924-0-2-303).

11 “Court of Appeals for Veterans Claims Re-
12 tirement Fund (95-8290-0-7-705).

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

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

17 “District of Columbia Judicial Retirement
18 and Survivors Annuity Fund (20-8212-0-7-
19 602).

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

22 “Foreign National Employees Separation
23 Pay (97-8165-0-7-051).

1 “Foreign Service National Defined Con-
2 tributions Retirement Fund (19-5497-0-2-
3 602).

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

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

8 “Government Payment for Annuitants,
9 Employees Health Benefits (24-0206-0-1-
10 551).

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

13 “Judicial Officers’ Retirement Fund (10-
14 8122-0-7-602).

15 “Judicial Survivors’ Annuities Fund (10-
16 8110-0-7-602).

17 “Military Retirement Fund (97-8097-0-
18 7-602).

19 “National Railroad Retirement Investment
20 Trust (60-8118-0-7-601).

21 “National Oceanic and Atmospheric Ad-
22 ministration retirement (13-1450-0-1-306).

23 “Pensions for former Presidents (47-
24 0105-0-1-802).

1 “Postal Service Retiree Health Benefits
2 Fund (24-5391-0-2-551).

3 “Public Safety Officer Benefits (15-0403-
4 0-1-754).

5 “Rail Industry Pension Fund (60-8011-
6 0-7-601).

7 “Retired Pay, Coast Guard (70-0602-0-
8 1-403).

9 “Retirement Pay and Medical Benefits for
10 Commissioned Officers, Public Health Service
11 (75-0379-0-1-551).

12 “Special Benefits for Disabled Coal Miners
13 (16-0169-0-1-601).

14 “Special Benefits, Federal Employees’
15 Compensation Act (16-1521-0-1-600).

16 “Special Workers Compensation Expenses
17 (16-9971-0-7-601.)

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

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

22 “United States Secret Service, DC Annuity
23 (70-0400-0-1-751).

24 “Voluntary Separation Incentive Fund
25 (97-8335-0-7-051).

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

4 “Biomass Energy Development (20-0114-
5 0-1-271).

6 “Check Forgery Insurance Fund (20-
7 4109-0-3-803).

8 “Credit liquidating accounts.

9 “Credit reestimates.

10 “Employees Life Insurance Fund (24-
11 8424-0-8-602).

12 “Federal Aviation Insurance Revolving
13 Fund (69-4120-0-3-402).

14 “Federal Crop Insurance Corporation
15 Fund (12-4085-0-3-351).

16 “Federal Emergency Management Agency,
17 National Flood Insurance Fund (58-4236-0-
18 3-453).

19 “Federal Home Loan Mortgage Corpora-
20 tion (Freddie Mac).

21 “Federal National Mortgage Corporation
22 (Fannie Mae).

23 “Geothermal resources development fund
24 (89-0206-0-1-271).

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

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

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

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

9 “Pension Benefit Guaranty Corporation
10 Fund (16–4204–0–3–601).

11 “San Joaquin Restoration Fund (14–
12 5537–0–2–301).

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

15 “Terrorism Insurance Program (20–0123–
16 0–1–376).

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

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

22 “Child Care Entitlement to States (75–1550–
23 0–1–609).

24 “Child Enrollment Contingency Fund (75–
25 5551–0–2–551).

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

3 “Children’s Health Insurance Fund (75–0515–
4 0–1–551).

5 “Commodity Supplemental Food Program (12–
6 3507–0–1–605).

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

8 “Family Support Programs (75–1501–0–1–
9 609).

10 “Federal Pell Grants under section 401 Title
11 IV of the Higher Education Act.

12 “Grants to States for Medicaid (75–0512–0–1–
13 551).

14 “Payments for Foster Care and Permanency
15 (75–1545–0–1–609).

16 “Supplemental Nutrition Assistance Program
17 (12–3505–0–1–605).

18 “Supplemental Security Income Program (28–
19 0406–0–1–609).

20 “Temporary Assistance for Needy Families
21 (75–1552–0–1–609).”.

22 (d) ECONOMIC RECOVERY PROGRAMS.—Section 255
23 of BBEDCA is amended by adding the following after
24 subsection (h):

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

4 “All programs enacted in, or increases in pro-
5 grams provided by, the American Recovery and Re-
6 investment Act of 2009.

7 “Exchange Stabilization Fund-Money Market
8 Mutual Fund Guaranty Facility (20-4274-0-3-
9 376).

10 “Financial Stabilization Reserve (20-0131-4-
11 1-376).

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

14 “GSE Preferred Stock Purchase Agreements
15 (20-0125-0-1-371).

16 “Office of Financial Stability (20-0128-0-1-
17 376).

18 “Special Inspector General for the Troubled
19 Asset Relief Program (20-0133-0-1-376).

20 “Troubled Asset Relief Program Account (20-
21 0132-0-1-376).

22 “Troubled Asset Relief Program Equity Pur-
23 chase Program (20-0134-0-1-376).

1 “Troubled Asset Relief Program, Home Afford-
2 able Modification Program (20–0136–0–1–604).”.

