

PROVIDING FOR CONSIDERATION OF H.R. 4663,  
SPENDING CONTROL ACT OF 2004

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JUNE 24 (legislative day, JUNE 23), 2004.—Referred to the House Calendar and  
ordered to be printed

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Mr. HASTINGS of Washington, from the Committee on Rules,  
submitted the following

R E P O R T

[To accompany H. Res. 692]

The Committee on Rules, having had under consideration House Resolution 692, by a record vote of 9 to 2, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for consideration of H.R. 4663, the Spending Control Act of 2004, under a structured rule. The rule provides one hour of general debate equally divided and controlled by the chairman and ranking minority member of the Committee on the Budget. The rule waives all points of order against the bill and against its consideration.

The rule makes in order only those amendments printed in this report. The rule provides that the amendments printed in this report shall be considered only in the order printed in this report, may be offered only by a Member designated in this report, shall be considered as read, shall be debatable for the time specified in this report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for a division of the question in the House or in the Committee of the Whole.

The rule waives all points of order against the amendments printed in this report, except that upon adoption of an amendment in the nature of a substitute, only the last amendment printed in this report shall be in order. Finally, the rule provides one motion to recommit with or without instructions.

## COMMITTEE VOTES

Pursuant to clause 3(b) of House rule XIII the results of each record vote on an amendment or motion to report, together with the names of those voting for and against, are printed below:

*Rules Committee record vote No. 294*

Date: June 24, 2004 (legislative day of June 23, 2004).

Measure: H.R. 4663—Spending Control Act of 2004.

Motion by: Mr. Frost.

Summary of motion: To make in order and provide the appropriate waivers for the amendment offered by Representative Spratt which restores the original Pay-As-You-Go (PAYGO) rules as they were originally established under the 1990 Budget Enforcement Act and extended in 1997. Requires that the net cost of all mandatory spending increases and all tax cuts enacted within a session be fully offset.

Results: Defeated 2 to 9.

Vote by Members: Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; McGovern—Yea; Dreier—Nay.

*Rules Committee record vote No. 295*

Date: June 24, 2004 (legislative day of June 23, 2004).

Measure: H.R. 4663—Spending Control Act of 2004.

Motion by: Mr. Frost.

Summary of motion: To make in order and provide the appropriate waivers for the amendment in the nature of a substitute offered by Representative Stenholm which reinstates for two years the provisions of the Budget Enforcement Act which expired in 2002. Provides for a pay-as-you-go rule for legislation that would increase the deficit and set discretionary spending limits. The discretionary spending limits would be set at the levels proposed in the President's budget for two years, with separate categories for highway and mass transit funding to reflect the House-passed transportation bill. A separate vote would be required to consider legislation that would increase the discretionary spending limits or waive the pay-as-you-go requirement. Makes amendments to the Budget Act to apply budget act points of order to unreported legislation and provide more information regarding budget act waivers.

Results: Defeated 2 to 9.

Vote by Members: Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; McGovern—Yea; Dreier—Nay.

*Rules Committee record vote No. 296*

Date: June 24, 2004 (legislative day of June 23, 2004).

Measure: H.R. 4663—Spending Control Act of 2004.

Motion by: Mr. McGovern.

Summary of motion: To make in order and provide the appropriate waivers for the amendment offered by Representatives Stenholm and Castle which requires the Rules Committee to include a justification for budget act waivers in reports accompanying rules for consideration of legislation requiring waivers. Applies budget act points of order to unreported legislation. Requires CBO cost es-

timates to include a projection of the cost of debt servicing (interest). Provides for inclusion of budget compliance statements prepared by the Budget Committee regarding budgetary implications in committee reports.

Results: Defeated 2 to 9.

Vote by Members: Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; McGovern—Yea; Dreier—Nay.

*Rules Committee record vote No. 297*

Date: June 24, 2004 (legislative day of June 23, 2004).

Measure: H.R. 4663—Spending Control Act of 2004.

Motion by: Mr. McGovern.

Summary of motion: To make in order and provide the appropriate waivers for the amendment offered by Representative Kirk which amends the rules of the House to allow a Member to raise a point of order against a rule or order that would waive section 302(f)(1) or 311(a)(1) of the Congressional Budget Act of 1974.

Results: Defeated 2 to 9.

Vote by Members: Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; McGovern—Yea; Dreier—Nay.

*Rules Committee record vote No. 298*

Date: June 24, 2004 (legislative day of June 23, 2004).

Measure: H.R. 4663—Spending Control Act of 2004.

Motion by: Mr. McGovern.

Summary of motion: To make in order and provide the appropriate waivers for the amendment offered by Representative Hensarling which converts the annual budget process to a two-year biennial cycle beginning in the 110th Congress.

Results: Defeated 2 to 9.

Vote by Members: Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; McGovern—Yea; Dreier—Nay.

*Rules Committee record vote No. 299*

Date: June 24, 2004 (legislative day of June 23, 2004).

Measure: H.R. 4663—Spending Control Act of 2004.

Motion by: Mr. McGovern.

Summary of motion: To make in order en bloc and provide the appropriate waivers for the amendments offered by Representative Young of Florida which: (1) amend House rules to set the membership of the Budget Committee to be consistent with the original 1973 recommendations of the Joint Study Committee on Budget Control; and (2) establish a Joint Committee to Conduct a Comprehensive Review of the Congressional Budget Process.

Results: Defeated 2 to 9.

Vote by Members: Goss—Nay; Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; McGovern—Yea; Dreier—Nay.

*Rules Committee record vote No. 300*

Date: June 24, 2004 (legislative day of June 23, 2004).

Measure: H.R. 4663—Spending Control Act of 2004.

Motion by: Mr. Goss.

Summary of motion: To report the resolution.

Results: Agreed to 9 to 2.

Vote by Members: Goss—Yea; Linder—Yea; Pryce—Yea; Diaz-Balart—Yea; Hastings (WA)—Yea; Myrick—Yea; Sessions—Yea; Reynolds—Yea; Frost—Nay; McGovern—Nay; Dreier—Yea.

#### SUMMARY OF AMENDMENTS MADE IN ORDER

(Summaries derived from information provided by the amendment sponsor.)

1. Brady (TX)/Turner (TX): Establishes a Federal Sunset Commission to review all federal agencies and programs for their efficiency, effectiveness, redundancy and need. (10 minutes)

2. Chocola: Replaces the 20 budget functions with a one-page budget that divides spending into the following five categories: mandatory spending, defense discretionary spending, non-defense discretionary, emergency spending and interest. Establishes a new emergency category that would be comprised of both a rainy day reserve fund for non-military emergencies and funding for military operations authorized by either a declaration of war or the use of military force. The rainy day fund would be equal to a rolling average of the five preceding years' emergency spending. (10 minutes)

3. Hastings (WA)/Castle: Eliminates the requirement of providing budget authority and outlays for the functional categories in the budget resolution. Grants the House and Senate Budget Committees the discretion to include such functional categories, if any, they deem appropriate in the budget resolution. The required contents of the budget resolution would include: (1) total of new budget authority and outlays; (2) revenues; (3) surplus or deficit; and (4) public debt. (10 minutes)

4. Hensarling: Imposes an entitlement cap whereby the total level of direct spending is limited to inflation and the growth in a given program's beneficiary population. Inflation will be the higher of either the Consumer Price Index or whatever inflator (if any) is currently applicable to each program. This entitlement cap will be enforced by an across-the-board sequester of nonexempt accounts in the amount of any excess above the cap. Certain protected programs could only face a maximum two percent reduction. The entitlement cap will not apply to Social Security. Provides that the new Medicare prescription drug benefit will be excluded from the cap until the program is fully phased-in. A sequester to enforce the cap will not reduce the funding of certain exempt programs. In addition to Social Security, substitute retirement programs such as Tier I railroad and CSRS for federal retirees, and other earned entitlements such as Medicare Part A, the newly redrawn list will consist of those programs that fulfill Constitutional requirements, meet government commitments, and regulate economic institutions. In the event of a sequester, the funding of certain protected programs could only be reduced by a maximum of two percent. These so-called "2% programs" include Medicare Parts B-D, veterans, military and federal retiree benefits, as well as certain low-income programs. Requires the President's budget to include an analysis of the long-term unfunded obligations of current entitlements, a report on any increases enacted in the prior session of Congress, and the impact of any proposals included in the President's budget sub-

mission. The Congressional Budget Office (CBO) will provide such estimates with each reported bill. (10 minutes)

5. Hensarling: Provides for an automatic continuing resolution in the event that an agreement is not reached on spending levels by the legal deadline. The federal government will operate at the prior fiscal year's level. (10 minutes)

6. Kirk: Requires the Congressional Budget Office to prepare an annual analysis that compares budgeted entitlement spending to actual entitlement spending, with an account-by-account breakdown to show spending trends and variances. (10 minutes)

7. Ryan (WI)/Gutknecht: Converts the current non-binding budget resolution into a joint budget resolution that if signed by the President would have the force of law. In addition, if the President vetoes the budget resolution, Congress is allowed to proceed on its own under a concurrent budget resolution. (10 minutes)

8. Ryan (WI)/Neugebauer: Establishes Budget Protection Accounts which would allow Congress to target spending during the appropriation and direct spending processes and redirect that spending for deficit reduction at the end of the fiscal year. (10 minutes)

9. Ryan (WI)/Stenholm/Castle: Initiates enhanced rescission for the President to propose the elimination of wasteful spending identified in appropriation bills. The proposal must be transmitted to Congress accompanied by legislative language for the rescissions and any necessary reduction in the spending limits. Provides for expedited consideration through the legislative process. (10 minutes)

10. Young (FL): Increases the fiscal year 2005 discretionary 302(a) allocation to Appropriations Committee to ensure that the transportation guarantees contemplated in TEALU and Vision 100 are fully met. The FY 2005 Budget Resolution did not provide the budgetary resources to meet these guarantees and without these resources the Transportation/Treasury Appropriations bill will not be able to honor the funding levels guaranteed in TEALU and Vision 100. (10 minutes)

11. Young (FL): Strikes section 2 of the bill (Extension of Discretionary Spending Limits). (10 minutes)

12. Young (FL): Changes the start date of the fiscal year to November 1. (10 minutes)

13. Young (FL): Requires sunset of all Federal programs (except earned entitlements) effective October 1, 2006, unless reauthorized prior to that date. (10 minutes)

14. Young (FL): Strikes the provisions relating to limitations on advance appropriations. (10 minutes)

15. Spratt: Amendment in the Nature of a Substitute. Restores the original Pay-As-You-Go (PAYGO) rules as they were originally established under the 1990 Budget Enforcement Act and extended in 1997. Requires that the net cost of all mandatory spending increases and all tax cuts enacted within a session be fully offset. Renews discretionary spending limits. (30 minutes)

16. Hensarling: Amendment in the Nature of a Substitute. Establishes joint budget resolution signed by the President with the force of law, requiring President and Congress to commit to same budget before spending money. Replaces 20 functions with one-page budget, setting spending for five categories: mandatory, non-defense, de-

fense, interest, and emergencies. Permits biennial budgeting if President and Congress agree in advance. Non-military emergencies must be handled with “rainy day” fund; spending from fund must be for sudden, urgent, unforeseen, and temporary emergencies. Provides government shutdown protection with automatic continuing resolution. Requires two-thirds supermajority vote in both houses for over-budget spending. Such points of order are protected from being waived in the House by a process used to guard against unfunded mandates. Eliminates automatic tax increases. Establishes “Family Budget Protection Accounts” to allow Congress to redirect savings found during appropriations process to tax relief or deficit reduction at the end of fiscal year. Limits growth in entitlement spending to inflation adjustment for each program and population growth; discretionary caps allow growth for inflation, with firewall separating defense, non-defense, and emergency spending. Limits protected by points of order and enforced by sequesters. Expands programs eligible for sequester; exempts Social Security and Medicare Part A; protects Medicare Parts B, C, and D, Medicaid, veterans, military, federal retiree benefits, and certain low-income programs from reductions greater than 2%; President can exempt defense or homeland security accounts for national security. Sunsets every voluntary entitlement program and all discretionary programs in FY08 and FY09 to allow cost-benefit analysis of continued funding (exempts earned benefits). Creates point of order to freeze program funding where authorization has lapsed. Provides expedited Congressional consideration of proposed presidential rescissions. Commission recommends cutting waste, fraud, and abuse; proposals receive expedited Congressional consideration (including in defense and entitlement spending). Requires use of nominal dollars to compare current spending with proposed spending. Requires agencies to fund government share of accruing costs of pension, retiree pay, and retiree health benefits earned by federal civilian and military employees (no change to retiree benefits). Defines public debt accurately by excluding debt government owes to itself. Risk-assumed budgeting provides for consideration of long-term liabilities of business-related federal insurance programs. (30 minutes)

17. Kirk: Amendment in the Nature of a Substitute. The current emergency appropriations procedure will be replaced by a “rainy day fund” reserve account for emergencies, which is built up over time and drawn down as needed. Budget projections for the coming year will be compared to actual spending for the previous year, not inflation-adjusted “baselines.” Federal spending above a set cap will trigger a spending sequester that imposes automatic, across-the-board spending reductions. Social Security and Medicare accounts will be protected from spending cuts. Discretionary spending must stay within an annual cap, set by Congress every year. Enhanced Rescissions of Budget Authority Identified by the President as Wasteful Spending. The President would be given authority to eliminate wasteful spending, by proposing a rescission package of spending. Congress will consider the President’s proposed rescission package though expedited debate and an up-or-down vote. The President will appoint a bipartisan Commission to make recommendations on proposals to eliminate waste, fraud, and abuse in the Federal budget. The Commission will prepare a report to Con-

gress that includes a list of wasteful or duplicative programs that should be reviewed by Congress. Through accrual accounting, Federal funding of pensions and retirement benefits for federal employees and uniformed services personnel will be properly accounted for in the annual budget. Using accrual accounting principles, the budget will note the present value costs of health benefits for federal employees and uniformed services personnel. Federal debt to the public would break out a separate accounting of intra-governmental debt. The limit on Federal debt to the public would be adjusted to apply solely to publicly issued Treasury securities. PAYGO rules related to spending are extended until 2007. (30 minutes)

18. Young (FL): Amendment in the Nature of a Substitute. The amendment would: (1) require sequestration of mandatory spending in the event that OMB baseline estimates of mandatory spending exceed previous estimates due to enacted legislation; (2) require baseline estimates to exclude emergency spending; (3) provide an exception for outlay components of certain expiring receipts legislation when making estimates of mandatory spending legislation; (4) change the start date of the fiscal year to November (5) require sunseting of all Federal programs (except earned entitlements) effective October 1, 2006, unless reauthorized prior to that date; (6) requires an adjustment to Appropriations Committee 302(a) allocations to ensure that the transportation guarantees contemplated in TEALU and Vision 100 are fully met; and (7) make technical and conforming changes to the Balanced Budget and Emergency Deficit Control Act of 1985. (30 minutes)

19. Young (FL): Strikes any provision that establishes, extends, or enforces discretionary spending limits. (10 minutes)

#### TEXT OF AMENDMENTS MADE IN ORDER

(Subject to appropriate page and line number adjustments to conform to the text of H.R. 4663)

1. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE BRADY OF TEXAS, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

Page 2, after line 3, insert the following: "TITLE I—EXTENSION OF DISCRETIONARY SPENDING LIMITS AND PAY-AS-YOU-GO REQUIREMENTS".

Redesignate sections 2 through 9 as sections 101 through 108, respectively, and on page 10, after line 21, add the following new title:

## **TITLE II—ESTABLISHMENT OF FEDERAL AGENCY SUNSET COMMISSION**

### **SEC. 201. REVIEW AND ABOLISHMENT OF FEDERAL AGENCIES.**

(a) SCHEDULE FOR REVIEW.—Not later than one year after the date of the enactment of this Act, the Federal Agency Sunset Commission established under section 202 (in this title referred to as the "Commission") shall submit to Congress a schedule for review by the Commission, at least once every 12 years (or less, if deter-

mined appropriate by Congress), of the abolishment or reorganization of each agency.

(b) REVIEW OF AGENCIES PERFORMING RELATED FUNCTIONS.—In determining the schedule for review of agencies under subsection (a), the Commission shall provide that agencies that perform similar or related functions be reviewed concurrently to promote efficiency and consolidation.

(c) ABOLISHMENT OF AGENCIES.—

(1) IN GENERAL.—Each agency shall—

(A) be reviewed according to the schedule created pursuant to this section; and

(B) be abolished not later than one year after the date that the Commission completes its review of the agency pursuant to such schedule, unless the agency is reauthorized by the Congress.

(2) EXTENSION.—The deadline for abolishing an agency may be extended for an additional two years after the date described in paragraph (1)(B) if the Congress enacts legislation extending such deadline by a vote of a super majority of the House of Representatives and the Senate.

**SEC. 202. ESTABLISHMENT OF COMMISSION.**

(a) ESTABLISHMENT.—There is established a commission to be known as the “Federal Agency Sunset Commission”.

(b) COMPOSITION.—The Commission shall be composed of 12 members (in this title referred to as the “members”) who shall be appointed as follows:

(1) Six members shall be appointed by the Speaker of the House of Representatives, one of whom may include the Speaker of the House of Representatives, with minority members appointed with the consent of the minority leader of the House of Representatives.

(2) Six members shall be appointed by the majority leader of the Senate, one of whom may include the majority leader of the Senate, with minority members appointed with the consent of the minority leader of the Senate.

(c) QUALIFICATIONS OF MEMBERS.—

(1) IN GENERAL.—(A) Of the members appointed under subsection (b)(1), four shall be members of the House of Representatives (not more than two of whom may be of the same political party), and two shall be an individual described in subparagraph (C).

(B) Of the members appointed under subsection (b)(2), four shall be members of the Senate (not more than two of whom may be of the same political party) and two shall be an individual described in subparagraph (C).

(C) An individual under this subparagraph is an individual—

(i) who is not a member of Congress; and

(ii) with expertise in the operation and administration of Government programs.

(2) CONTINUATION OF MEMBERSHIP.—If a member was appointed to the Commission as a Member of Congress and the member ceases to be a Member of Congress, that member shall cease to be a member of the Commission. The validity of any action of the Commission shall not be affected as a result of



a member becoming ineligible to serve as a member for the reasons described in this paragraph.

(d) INITIAL APPOINTMENTS.—All initial appointments to the Commission shall be made not later than 90 days after the date of the enactment of this Act.

(e) CHAIRMAN; VICE CHAIRMAN.—

(1) INITIAL CHAIRMAN.—An individual shall be designated by the Speaker of the House of Representatives from among the members initially appointed under subsection (b)(1) to serve as chairman of the Commission for a period of 2 years.

(2) INITIAL VICE-CHAIRMAN.—An individual shall be designated by the majority leader of the Senate from among the individuals initially appointed under subsection (b)(2) to serve as vice-chairman of the Commission for a period of two years.

(3) ALTERNATE APPOINTMENTS OF CHAIRMEN AND VICE-CHAIRMEN.—Following the termination of the two-year period described in paragraphs (1) and (2), the Speaker and the majority leader shall alternate every two years in appointing the chairman and vice-chairman of the Commission.

(f) TERMS OF MEMBERS.—

(1) MEMBERS OF CONGRESS.—Each member appointed to the Commission who is a member of Congress shall serve for a term of six years, except that, of the members first appointed under paragraphs (1) and (2) of subsection (b), 2 members shall be appointed to serve a term of three years under each such paragraph.

(2) OTHER MEMBERS.—Each member of the Commission who is not a member of Congress shall serve for a term of three years.

(3) TERM LIMIT.—(A) A member of the Commission who is a member of Congress and who serves more than three years of a term may not be appointed to another term as a member.

(B) A member of the Commission who is not a member of Congress and who serves as a member of the Commission for more than 56 months may not be appointed to another term as a member.

(g) POWERS OF COMMISSION.—

(1) HEARINGS AND SESSIONS.—The Commission may, for the purpose of carrying out this title, hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers appropriate. The Commission may administer oaths to witnesses appearing before it.

(2) OBTAINING INFORMATION.—The Commission may secure directly from any department or agency of the United States information necessary to enable it to carry out its duties under this title. Upon request of the Chairman, the head of that department or agency shall furnish that information to the Commission in a full and timely manner.

(3) SUBPOENA POWER.—(A) The Commission may issue a subpoena to require the attendance and testimony of witnesses and the production of evidence relating to any matter under investigation by the Commission.

(B) If a person refuses to obey an order or subpoena of the Commission that is issued in connection with a Commission

proceeding, the Commission may apply to the United States district court in the judicial district in which the proceeding is held for an order requiring the person to comply with the subpoena or order.

(4) IMMUNITY.—The Commission is an agency of the United States for purposes of part V of title 18, United States Code (relating to immunity of witnesses).

(5) CONTRACT AUTHORITY.—The Commission may contract with and compensate government and private agencies or persons for services without regard to section 3709 of the Revised Statutes (41 U.S.C. 5).

(h) COMMISSION PROCEDURES.—

(1) MEETINGS.—The Commission shall meet at the call of the Chairman.

(2) QUORUM.—Seven members of the Commission shall constitute a quorum but a lesser number may hold hearings.

(i) PERSONNEL MATTERS.—

(1) COMPENSATION.—Members shall not be paid by reason of their service as members.

(2) TRAVEL EXPENSES.—Each member shall receive travel expenses, including per diem in lieu of subsistence, in accordance with sections 5702 and 5703 of title 5, United States Code.

(3) DIRECTOR.—The Commission shall have a Director who shall be appointed by the Chairman. The Director shall be paid at a rate not to exceed the maximum rate of basic pay payable for GS-15 of the General Schedule.

(4) STAFF.—The Director may appoint and fix the pay of additional personnel as the Director considers appropriate.

(5) APPLICABILITY OF CERTAIN CIVIL SERVICE LAWS.—The Director and staff of the Commission shall be appointed subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and shall be paid in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of that title relating to classification and General Schedule pay rates.

(j) OTHER ADMINISTRATIVE MATTERS.—

(1) POSTAL AND PRINTING SERVICES.—The Commission may use the United States mails and obtain printing and binding services in the same manner and under the same conditions as other departments and agencies of the United States.

(2) ADMINISTRATIVE SUPPORT SERVICES.—Upon the request of the Commission, the Administrator of General Services shall provide to the Commission, on a reimbursable basis, the administrative support services necessary for the Commission to carry out its duties under this title.

(3) EXPERTS AND CONSULTANTS.—The Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(k) SUNSET OF COMMISSION.—The Commission shall terminate on December 31, 2026, unless reauthorized by Congress.

**SEC. 203. REVIEW OF EFFICIENCY AND NEED FOR FEDERAL AGENCIES.**

(a) IN GENERAL.—The Commission shall review the efficiency and public need for each agency in accordance with the criteria described in section 204.

(b) RECOMMENDATIONS; REPORT TO CONGRESS.—The Commission shall submit to Congress and the President not later than September 1 of each year a report containing—

(1) an analysis of the efficiency of operation and public need for each agency to be reviewed in the year in which the report is submitted pursuant to the schedule submitted to Congress under section 201;

(2) recommendations on whether each such agency should be abolished or reorganized;

(3) recommendations on whether the functions of any other agencies should be consolidated, transferred, or reorganized in an agency to be reviewed in the year in which the report is submitted pursuant to the schedule submitted to Congress under section 201; and

(4) recommendations for administrative and legislative action with respect to each such agency, but not including recommendations for appropriation levels.

(c) DRAFT LEGISLATION.—The Commission shall submit to Congress and the President not later than September 1 of each year a draft of legislation to carry out the recommendations of the Commission under subsection (b).

(d) INFORMATION GATHERING.—The Commission shall—

(1) conduct public hearings on the abolishment of each agency reviewed under subsection (b);

(2) provide an opportunity for public comment on the abolishment of each such agency;

(3) require the agency to provide information to the Commission as appropriate; and

(4) consult with the General Accounting Office, the Office of Management and Budget, the Comptroller General, and the chairman and ranking minority members of the committees of Congress with oversight responsibility for the agency being reviewed regarding the operation of the agency.

(e) USE OF PROGRAM INVENTORY.—The Commission shall use the program inventory prepared under section 208 in reviewing the efficiency and public need for each agency under subsection (a).

#### **SEC. 204. CRITERIA FOR REVIEW.**

The Commission shall evaluate the efficiency and public need for each agency pursuant to section 203(a) using the following criteria:

(1) The effectiveness, and the efficiency of the operation of, the programs carried out by each such agency.

(2) Whether the programs carried out by the agency are cost-effective.

(3) Whether the agency has acted outside the scope of its original authority, and whether the original objectives of the agency have been achieved.

(4) Whether less restrictive or alternative methods exist to carry out the functions of the agency.

(5) The extent to which the jurisdiction of, and the programs administered by, the agency duplicate or conflict with the jurisdiction and programs of other agencies.

(6) The potential benefits of consolidating programs administered by the agency with similar or duplicative programs of other agencies, and the potential for consolidating such programs.

(7) The number and types of beneficiaries or persons served by programs carried out by the agency.

(8) The extent to which any trends, developments, and emerging conditions that are likely to affect the future nature and extent of the problems or needs that the programs carried out by the agency are intended to address.

(9) The extent to which the agency has complied with the provisions contained in the Government Performance and Results Act of 1993 (Public Law 103–62; 107 Stat. 285).

(10) The promptness and effectiveness with which the agency seeks public input and input from State and local governments on the efficiency and effectiveness of the performance of the functions of the agency.

(11) Whether the agency has worked to enact changes in the law that are intended to benefit the public as a whole rather than the specific business, institution, or individuals that the agency regulates.

(12) The extent to which the agency has encouraged participation by the public as a whole in making its rules and decisions rather than encouraging participation solely by those it regulates.

(13) The extent to which the public participation in rule-making and decisionmaking of the agency has resulted in rules and decisions compatible with the objectives of the agency.

(14) The extent to which the agency complies with section 552 of title 5, United States Code (commonly known as the “Freedom of Information Act”).

(15) The extent to which the agency complies with equal employment opportunity requirements regarding equal employment opportunity.

(16) The extent of the regulatory, privacy, and paperwork impacts of the programs carried out by the agency.

(17) The extent to which the agency has coordinated with State and local governments in performing the functions of the agency.

(18) The potential effects of abolishing the agency on State and local governments.

(19) The extent to which changes are necessary in the authorizing statutes of the agency in order that the functions of the agency can be performed in the most efficient and effective manner.

**SEC. 205. COMMISSION OVERSIGHT.**

(a) MONITORING OF IMPLEMENTATION OF RECOMMENDATIONS.—The Commission shall monitor implementation of laws enacting provisions that incorporate recommendations of the Commission with respect to abolishment or reorganization of agencies.

(b) MONITORING OF OTHER RELEVANT LEGISLATION.—

(1) IN GENERAL.—The Commission shall review and report to Congress on all legislation introduced in either house of Congress that would establish—

(A) a new agency;

(B) a new program to be carried out by an existing agency.

(2) REPORT TO CONGRESS.—The Commission shall include in each report submitted to Congress under paragraph (1) an analysis of whether—

(A) the functions of the proposed agency or program could be carried out by one or more existing agencies;

(B) the functions of the proposed agency or program could be carried out in a less restrictive manner than the manner proposed in the legislation; and

(C) the legislation provides for public input regarding the performance of functions by the proposed agency or program.

**SEC. 206. RULEMAKING AUTHORITY.**

The Commission may promulgate such rules as necessary to carry out this title.

**SEC. 207. RELOCATION OF FEDERAL EMPLOYEES.**

If the position of an employee of an agency is eliminated as a result of the abolishment of an agency in accordance with this title, there shall be a reasonable effort to relocate such employee to a position within another agency.

**SEC. 208. PROGRAM INVENTORY.**

(a) PREPARATION.—The Comptroller General and the Director of the Congressional Budget Office, in cooperation with the Director of the Congressional Research Service, shall prepare an inventory of Federal programs (in this title referred to as the “program inventory”) within each agency.

(b) PURPOSE.—The purpose of the program inventory is to advise and assist the Congress and the Commission in carrying out the requirements of this title. Such inventory shall not in any way bind the committees of the Senate or the House of Representatives with respect to their responsibilities under this title and shall not infringe on the legislative and oversight responsibilities of such committees. The Comptroller General shall compile and maintain the inventory and the Director of the Congressional Budget Office shall provide budgetary information for inclusion in the inventory.

(c) INVENTORY CONTENT.—The program inventory shall set forth for each program each of the following matters:

(1) The specific provision or provisions of law authorizing the program.

(2) The committees of the Senate and the House of Representatives which have legislative or oversight jurisdiction over the program.

(3) A brief statement of the purpose or purposes to be achieved by the program.

(4) The committees which have jurisdiction over legislation providing new budget authority for the program, including the appropriate subcommittees of the Committees on Appropriations of the Senate and the House of Representatives.

(5) The agency and, if applicable, the subdivision thereof responsible for administering the program.

(6) The grants-in-aid, if any, provided by such program to State and local governments.

(7) The next reauthorization date for the program.

(8) A unique identification number which links the program and functional category structure.

(9) The year in which the program was originally established and, where applicable, the year in which the program expires.

(10) Where applicable, the year in which new budget authority for the program was last authorized and the year in which current authorizations of new budget authority expire.

(d) BUDGET AUTHORITY.—The report also shall set forth for each program whether the new budget authority provided for such programs is—

- (1) authorized for a definite period of time;
- (2) authorized in a specific dollar amount but without limit of time;
- (3) authorized without limit of time or dollar amounts;
- (4) not specifically authorized; or
- (5) permanently provided,

as determined by the Director of the Congressional Budget Office.

(e) CBO INFORMATION.—For each program or group of programs, the program inventory also shall include information prepared by the Director of the Congressional Budget Office indicating each of the following matters:

- (1) The amounts of new budget authority authorized and provided for the program for each of the preceding four fiscal years and, where applicable, the four succeeding fiscal years.
- (2) The functional and subfunctional category in which the program is presently classified and was classified under the fiscal year 2001 budget.
- (3) The identification code and title of the appropriation account in which budget authority is provided for the program.

(f) MUTUAL EXCHANGE OF INFORMATION.—The General Accounting Office, the Congressional Research Service, and the Congressional Budget Office shall permit the mutual exchange of available information in their possession which would aid in the compilation of the program inventory.

(g) ASSISTANCE BY EXECUTIVE BRANCH.—The Office of Management and Budget, and the Executive agencies and the subdivisions thereof shall, to the extent necessary and possible, provide the General Accounting Office with assistance requested by the Comptroller General in the compilation of the program inventory.

#### **SEC. 209. DEFINITION OF AGENCY.**

As used in this title, the term “agency” has the meaning given that term by section 105 of title 5, United States Code, except that such term includes an advisory committee as that term is defined in section 102(2) of the Federal Advisory Committee Act.

#### **SEC. 210. OFFSET OF AMOUNTS APPROPRIATED.**

Amounts appropriated to carry out this title shall be offset by a reduction in amounts appropriated to carry out programs of other Federal agencies.

## **2. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE CHOCOLA OF INDIANA, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES**

Page 2, after line 3, insert the following:

## **TITLE I—EXTENSION OF DISCRETIONARY SPENDING LIMITS AND PAY-AS-YOU-GO REQUIREMENTS**

Redesignate sections 2 through 9 as sections 101 through 108, respectively; on page 5, lines 23 and 24, strike “paragraphs” and insert “paragraph”; on page 6, line 5, insert quotation marks after the period and strike line 6 and all that follows thereafter through page 7, line 12; on page 7, line 13, strike “(c)” and insert “(b)”; and on page 7, strike line 25 and insert the following: “covered by subsection (b) or (c) of section 316 of the Congressional Budget Act of 1974”.

At the end, add the following new titles:

## **TITLE II—ONE-PAGE BUDGET RESOLUTIONS**

### **SEC. 201. ONE-PAGE BUDGET RESOLUTIONS.**

(a) CONTENT OF ANNUAL CONCURRENT RESOLUTIONS ON THE BUDGET.—Section 301(a)(4) of the Congressional Budget Act of 1974 is amended to read as follows:

“(4) subtotals of new budget authority and outlays for non-defense discretionary spending, defense discretionary spending, direct spending (excluding interest), interest, and emergencies (for the reserve fund in section 316(b) and for military operations in section 316(c));”.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—Section 301(b) of the Congressional Budget Act of 1974 is amended as follows:

(1) Strike paragraphs (2), (4), and (6) through (9).

(2) After paragraph (1), insert the following new paragraph:

“(2) require such other congressional procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act;”.

(3) At the end of paragraph (3), insert “and” and redesignate paragraph (5) as paragraph (4) and in such paragraph strike the semicolon and insert a period.

(c) REQUIRED CONTENTS OF REPORT.—Section 301(e)(2) of the Congressional Budget Act of 1974 is amended as follows:

(1) Redesignate subparagraphs (A), (B), (C), (D), (E), and (F) as subparagraphs (B), (C), (E), (F), and (G), respectively.

(2) Before subparagraph (B) (as redesignated), insert the following new subparagraph:

“(A) new budget authority and outlays for each major functional category, based on allocations of the total levels set forth pursuant to subsection (a)(1);”.

(3) In subparagraph (C) (as redesignated), strike “mandatory” and insert “direct spending”.

(d) ADDITIONAL CONTENTS OF REPORT.—Section 301(e)(3) of the Congressional Budget Act of 1974 is amended by striking “and” at the end of subparagraph (D), by striking the period and inserting

“; and” at the end of subparagraph (E), and by adding at the end the following new subparagraph:

“(F) reconciliation directives described in section 310.”.

(e) PRESIDENT’S BUDGET SUBMISSION TO THE CONGRESS.—(1) The first two sentences of section 1105(a) of title 31, United States Code, are amended to read as follows:

“On or after the first Monday in January but not later than the first Monday in February of each year the President shall submit a budget of the United States Government for the following fiscal year which shall set forth the following levels:

“(A) totals of new budget authority and outlays;

“(B) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

“(C) the surplus or deficit in the budget;

“(D) subtotals of new budget authority and outlays for non-defense discretionary spending, defense discretionary spending, direct spending (excluding interest), interest, and emergencies (for the reserve fund in section 316(b) and for military operations in section 316(c)); and

“(E) the public debt.

Each budget submission shall include a budget message and summary and supporting information and, as a separately delineated statement, the levels required in the preceding sentence for at least each of the 4 ensuing fiscal years.”.

(2) The third sentence of section 1105(a) of title 31, United States Code, is amended by inserting “submission” after “budget”.

(f) CONFORMING AMENDMENTS TO SECTION 310 REGARDING RECONCILIATION DIRECTIVES.—(1) Section 310(a) of such Act is amended by striking “A” and inserting “The joint explanatory statement accompanying the conference report on a”.

(2) The first sentence of section 310(b) of such Act is amended by striking “If” and inserting “If the joint explanatory statement accompanying the conference report on”.

(3) Section 310(c)(1) of such Act is amended by inserting “the joint explanatory statement accompanying the conference report on” after “pursuant to”.

## **TITLE III—EMERGENCIES**

### **SEC. 301. REPEAL OF ADJUSTMENTS FOR EMERGENCIES.**

(a) ELIMINATION OF EMERGENCY DESIGNATION.—Sections 251(b)(2)(A), 252(e), and 252(d)(4)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985 are repealed.

(b) ELIMINATION OF ADJUSTMENTS.—Section 314(b) of the Congressional Budget Act of 1974 is amended by striking paragraph (1) and by redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively.

(c) CONFORMING AMENDMENT.—Clause 2 of rule XXI of the Rules of the House of Representatives is amended by repealing paragraph (e) and by redesignating paragraph (f) as paragraph (e).



**SEC. 302. OMB EMERGENCY CRITERIA.**

(a) DEFINITION OF EMERGENCY.—Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding at the end the following new paragraph:

“(11)(A) The term ‘emergency’ means a situation that—

“(i) requires new budget authority and outlays (or new budget authority and the outlays flowing therefrom) for the prevention or mitigation of, or response to, loss of life or property, or a threat to national security; and

“(ii) is unanticipated.

“(B) As used in subparagraph (A), the term ‘unanticipated’ means that the situation is—

“(i) sudden, which means quickly coming into being or not building up over time;

“(ii) urgent, which means a pressing and compelling need requiring immediate action;

“(iii) unforeseen, which means not predicted or anticipated as an emerging need; and

“(iv) temporary, which means not of a permanent duration.”.

(b) CONFORMING AMENDMENT.—The term ‘emergency’ has the meaning given to such term in section 3 of the Congressional Budget and Impoundment Control Act of 1974.”.

**SEC. 303. DEVELOPMENT OF GUIDELINES FOR APPLICATION OF EMERGENCY DEFINITION.**

Not later than 5 months after the date of enactment of this Act, the chairmen of the Committees on the Budget (in consultation with the President) shall, after consulting with the chairmen of the Committees on Appropriations and applicable authorizing committees of their respective Houses and the Directors of the Congressional Budget Office and the Office of Management and Budget, jointly publish in the Congressional Record guidelines for application of the definition of emergency set forth in section 3(11) of the Congressional Budget and Impoundment Control Act of 1974.

**SEC. 304. RESERVE FUND FOR EMERGENCIES IN PRESIDENT'S BUDGET.**

Section 1105(f) of title 31, United States Code is amended by adding at the end the following new sentences: “Such budget submission shall also comply with the requirements of subsections (b) and (c) of section 316 of the Congressional Budget Act of 1974 and, in the case of any budget authority requested for an emergency, such submission shall include a detailed justification of why such emergency is an emergency within the meaning of section 3(11) of the Congressional Budget Act of 1974.”.

**SEC. 305. BUDGETING FOR EMERGENCIES.**

(a) EMERGENCIES.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

**“EMERGENCIES**

“SEC. 316. (a) ADJUSTMENTS.—

“(1) IN GENERAL.—After the reporting of a bill or joint resolution or the submission of a conference report thereon that provides budget authority for any emergency as identified pursuant to subsection (d) that is not covered by subsection (c)—

“(A) the chairman of the Committee on the Budget of the House of Representatives or the Senate shall determine and certify, pursuant to the guidelines referred to in section 303 of the Spending Control Act of 2004, the portion (if any) of the amount so specified that is for an emergency within the meaning of section 3(11); and

“(B) such chairman shall make the adjustment set forth in paragraph (2) for the amount of new budget authority (or outlays) in that measure and the outlays flowing from that budget authority.

“(2) MATTERS TO BE ADJUSTED.—The adjustments referred to in paragraph (1) are to be made to the allocations made pursuant to the appropriate concurrent resolution on the budget pursuant to section 302(a) and shall be in an amount not to exceed the amount reserved for emergencies pursuant to the requirements of subsection (b).

“(b) RESERVE FUND FOR NONMILITARY EMERGENCIES.—The amount set forth in the reserve fund for emergencies for budget authority and outlays for a fiscal year pursuant to section 301(a)(4) shall equal—

“(1) the average of the enacted levels of budget authority for emergencies (other than those covered by subsection (c)) in the 5 fiscal years preceding the current year; and

“(2) the average of the levels of outlays for emergencies in the 5 fiscal years preceding the current year flowing from the budget authority referred to in paragraph (1), but only in the fiscal year for which such budget authority first becomes available for obligation.

“(c) TREATMENT OF EMERGENCIES TO FUND CERTAIN MILITARY OPERATIONS.—Whenever the Committee on Appropriations reports any bill or joint resolution that provides budget authority for any emergency that is a threat to national security and the funding of which carries out a military operation authorized by a declaration of war or a joint resolution authorizing the use of military force (or economic assistance funding in furtherance of such operation) and the report accompanying that bill or joint resolution, pursuant to subsection (d), identifies any provision that increases outlays or provides budget authority (and the outlays flowing therefrom) for such emergency, the enactment of which would cause the total amount of budget authority or outlays provided for emergencies for the budget year in the joint resolution on the budget (pursuant to section 301(a)(4)) to be exceeded:

“(1) Such bill or joint resolution shall be referred to the Committee on the Budget of the House or the Senate, as the case may be, with instructions to report it without amendment, other than that specified in paragraph (2), within 5 legislative days of the day in which it is reported from the originating committee. If the Committee on the Budget of either House fails to report a bill or joint resolution referred to it under this subparagraph within such 5-day period, the committee shall be automatically discharged from further consideration of such bill or joint resolution and such bill or joint resolution shall be placed on the appropriate calendar.

“(2) An amendment to such a bill or joint resolution referred to in this subsection shall only consist of an exemption from

section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 of all or any part of the provisions that provide budget authority (and the outlays flowing therefrom) for such emergency if the committee determines, pursuant to the guidelines referred to in section 303 of the Spending Control Act of 2004, that such budget authority is for an emergency within the meaning of section 3(11).

“(3) If such a bill or joint resolution is reported with an amendment specified in paragraph (2) by the Committee on the Budget of the House of Representatives or the Senate, then the budget authority and resulting outlays that are the subject of such amendment shall not be included in any determinations under section 302(f) or 311(a) for any bill, joint resolution, amendment, motion, or conference report.

“(d) COMMITTEE NOTIFICATION OF EMERGENCY LEGISLATION.—Whenever the Committee on Appropriations or any other committee of either House (including a committee of conference) reports any bill or joint resolution that provides budget authority for any emergency, the report accompanying that bill or joint resolution (or the joint explanatory statement of managers in the case of a conference report on any such bill or joint resolution) shall identify all provisions that provide budget authority and the outlays flowing therefrom for such emergency and include a statement of the reasons why such budget authority meets the definition of an emergency pursuant to the guidelines referred to in section 303 of the Spending Control Act of 2004.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 315 the following new item:

“Sec. 316. Emergencies.”.

**SEC. 306. APPLICATION OF SECTION 306 TO EMERGENCIES IN EXCESS OF AMOUNTS IN RESERVE FUND.**

Section 306 of the Congressional Budget Act of 1974 is amended by inserting at the end the following new sentence: “No amendment reported by the Committee on the Budget (or from the consideration of which such committee has been discharged) pursuant to section 316(c) may be amended.”.

**SEC. 307. UP-TO-DATE TABULATIONS.**

Section 308(b)(2) of the Congressional Budget Act of 1974 is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “; and”, and by adding at the end the following new subparagraph:

“(D) shall include an up-to-date tabulation of amounts remaining in the reserve fund for emergencies.”.

**3. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE HASTINGS OF WASHINGTON, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES**

At the end, add the following new section:

**SEC. . ESTABLISHMENT OF MACROECONOMIC CONGRESSIONAL BUDGETS.**

(a) MACROECONOMIC CATEGORIES.—Section 301(a) of the Congressional Budget Act of 1974 (2 U.S.C. 632(a)) is amended by

striking paragraph (4) and by redesignating paragraphs (5) through (7) as paragraphs (4) through (6), respectively.

(b) ADDITIONAL MATTERS.—Section 301(b) of the Congressional Budget Act of 1974 (2 U.S.C. 632(b)) is amended by striking “and” at the end of paragraph (8), by striking the period and inserting “; and” at the end of paragraph (9), and by adding at the end the following new paragraph:

“(10) set forth appropriate levels for each fiscal year covered by such concurrent resolution for new budget authority and outlays for each major functional category established by the Committees on the Budget (after consultation with each other), based on allocations of the total levels set forth pursuant to subsection (a)(1).”.

4. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE HENSARLING OF TEXAS, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

Page 2, after line 3, insert the following:

**TITLE I—EXTENSION OF DISCRETIONARY SPENDING LIMITS AND PAY-AS-YOU-GO REQUIREMENTS**

Redesignate sections 2 through 9 as sections 101 through 108, respectively, and, at the end, add the following new titles:

**TITLE II—SPENDING CAPS ON GROWTH OF ENTITLEMENTS AND MANDATORIES**

**SEC. 201. SPENDING CAPS ON GROWTH OF ENTITLEMENTS AND MANDATORIES.**

(a) CONTROL OF ENTITLEMENTS AND MANDATORIES.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after section 252 the following new section:

**“SEC. 252A. ENFORCING CONTROLS ON DIRECT SPENDING.**

“(a) CAP ON GROWTH OF ENTITLEMENTS.—Effective for fiscal year 2005 and for each ensuing fiscal year, the total level of direct spending for all direct spending programs, projects, and activities (excluding social security) for any such fiscal year shall not exceed the total level of spending for all such programs, projects, and activities for the previous fiscal year after the direct spending for each such program, project, or activity is increased by the higher of the change in the Consumer Price Index for All Urban Consumers or the inflator (if any) applicable to that program, project, or activity and the growth in eligible population for such, project, or activity.

“(b) SEQUESTRATION.—Within 15 days after Congress adjourns to end a session (other than of the second session of the One Hundred Eighth Congress), and on the same day as a sequestration (if any) under section 251, there shall be a sequestration to reduce the amount of direct spending for the fiscal year beginning in the year

the Congress adjourns by any amount necessary to reduce such spending to the level set forth in subsection (a) unless that amount is less than \$250,000,000.

“(c) **UNIFORM REDUCTIONS; LIMITATIONS.**—The amount required to be sequestered for the fiscal year under subsection (a) shall be obtained from nonexempt direct spending accounts by actions taken in the following order:

“(1) **FIRST.**—The reductions in the programs specified in section 256(a) (National Wool Act and special milk), section 256(b) (student loans), and section 256(c) (foster care and adoption assistance) shall be made.

“(2) **SECOND.**—Any additional reductions that may be required shall be achieved by reducing each remaining non-exempt direct spending account by the uniform percentage necessary to achieve those additional reductions, except that—

“(A) the low-income programs specified in section 256(d) shall not be reduced by more than 2 percent;

“(B) the retirement and veterans benefits specified in sections 256(f), (g), and (h) shall not be reduced by more than 2 percent in the manner specified in that section; and

“(C) the medicare programs shall not be reduced by more than 2 percent in the manner specified in section 256(i).

The limitations set forth in subparagraphs (A), (B), and (C) shall be applied iteratively, and after each iteration the uniform percentage applicable to all other programs under this paragraph shall be increased (if necessary) to a level sufficient to achieve the reductions required by this paragraph.

“(d) **EXCLUSION OF MEDICARE PRESCRIPTION DRUG PROGRAM UNTIL FULLY OPERATIONAL.**—For purposes of this section with respect to the limitation under subsection (a) for a fiscal year before fiscal year 2008, direct spending programs and direct spending shall not be construed to include part D of title XVIII of the Social Security Act (or spending under part C of such title that is attributable to such part D).”

(b) **TABLE OF CONTENTS AMENDMENT.**—The table of contents set forth in 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after the item relating to section 252 the following new item:

“Sec. 252A. Enforcing controls on direct spending.”.

**SEC. 202. EXEMPT PROGRAMS AND ACTIVITIES.**

Section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

**“SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.**

“(a) **SOCIAL SECURITY BENEFITS; TIER I RAILROAD RETIREMENT BENEFITS; AND CERTAIN MEDICARE BENEFITS.**—(1) Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act, and benefits payable under section 3(a), 3(f)(3), 4(a), or 4(f) of the Railroad Retirement Act of 1974, shall be exempt from reduction under any order issued under this part.

“(2) Payments made under part A of title XVIII (relating to part A medicare hospital insurance benefits) of the Social Security Act and payments made under part C of such title (relating to the Medicare Advantage program) insofar as they are attributable to

part A of such title shall be exempt from reduction under any order issued under this part.

“(b) DESCRIPTIONS AND LISTS.—The following budget accounts or activities shall be exempt from sequestration:

“(1) net interest;

“(2) all payments to trust funds from excise taxes or other receipts or collections properly creditable to those trust funds;

“(3) all payments from one Federal direct spending budget account to another Federal budget account; and all intragovernmental funds including those from which funding is derived primarily from other Government accounts, except to the extent that such funds are augmented by direct appropriations for the fiscal year for which the order is in effect;

“(4) activities resulting from private donations, bequests, or voluntary contributions to the Government;

“(5) payments from any revolving fund or trust-revolving fund (or similar activity) that provides deposit insurance or other Government insurance, Government guarantees, or any other form of contingent liability, to the extent those payments result from contractual or other legally binding commitments of the Government at the time of any sequestration;

“(6) credit liquidating and financing accounts;

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

“Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-806);

“Armed Forces Retirement Home Trust Fund, payment of claims (84-8930-0-7-705);

“Bureau of Indian Affairs, miscellaneous payments to Indians (14-230-0-1-452);

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

“Claims, defense;

“Claims, judgments, and relief act (20-185-0-1-806);

“Compact of Free Association, economic assistance pursuant to Public Law 99 (14-0414-0-1-806);

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

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

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

“Farm Credit Administration, Limitation on Administration Expenses (78-4131-0-3-351);

“Farm Credit System Financial Assistance Corporation, interest payments (20-1850-0-1-351);

“Internal Revenue collections of Puerto Rico (20-5737-0-2-852);

“Panama Canal Commission, operating expenses and capital outlay (95-5190-0-2-403);

“Payments of Vietnam and USS Pueblo prisoner-of-war claims (15-0104-0-1-153);

“Payments to copyright owners (03-5175-0-2-376);

“Payments to health care trust funds (75-0580-0-1-571);

- “Payments to social security trust funds (75-0404-0-1-651);
- “Payments to the United States territories, fiscal assistance (14-0418-0-1-801);
- “Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801);
- “Pension Benefit Guaranty Corporation Fund (16-4204-0-3-601);
- “Salaries of Article III judges;
- “Washington Metropolitan Area Transit Authority, interest payments (46-0300-0-1-401);
- “(8) the following noncredit special, revolving, or trust-revolving funds:
  - “Coinage profit fund (20-5811-0-2-803);
  - “Comptroller of the Currency;
  - “Director of the Office of Thrift Supervision;
  - “Exchange Stabilization Fund (20-4444-0-3-155);
  - “Federal Housing Finance Board;
  - “Foreign Military Sales trust fund (11-82232-0-7-155);
  - “National Credit Union Administration, central liquidating facility (25-4470-0-3-373);
  - “National Credit Union Administration, credit union insurance fund (25-4468-0-3-373);
  - “National Credit Union Administration operating fund (25-4056-0-3-373); and
  - “Resolution Trust Corporation Revolving Fund (22-4055-0-3-373);
- “(9) Thrift Savings Fund;
- “(10) appropriations for the District of Columbia to the extent they are appropriations of locally raised funds;
- “(11)(A) any amount paid as regular unemployment compensation by a State from its account in the Unemployment Trust Fund (established by section 904(a) of the Social Security Act);
- “(B) any advance made to a State from the Federal unemployment account (established by section 904(g) of such Act) under title XII of such Act and any advance appropriated to the Federal unemployment account pursuant to section 1203 of such Act; and
- “(C) any payment made from the Federal Employees Compensation Account (as established under section 909 of such Act) for the purpose of carrying out chapter 85 of title 5, United States Code, and funds appropriated or transferred to or otherwise deposited in such Account; and
- “(12)(A) FDIC, Bank Insurance Fund (51-4064-0-3-373);
- “(B) FDIC, FSLIC Resolution Fund (51-4065-0-3-373); and
- “(C) FDIC, Savings Association Insurance Fund (51-4066-0-3-373);
- “(c) FEDERAL RETIREMENT AND DISABILITY ACCOUNTS.—The following Federal retirement and disability accounts shall be exempt from reduction under any order issued under this part:
  - “Civil service retirement and disability fund (24-8135-0-7-602).
  - “Black Lung Disability Trust Fund (20-8144-0-7-601).

“Foreign Service Retirement and Disability Fund (19–8186–0–7–602).

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

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

“Payments to the Railroad Retirement Accounts (60–0113–0–1–601).

“Tax Court Judges Survivors Annuity Fund (23–8115–0–7–602).

“Employees Life Insurance Fund (24–8424–0–8–602).

“(d) FEDERAL ADMINISTRATIVE EXPENSES.—

“(1) Notwithstanding any provision of law other than paragraph (3), administrative expenses incurred by the departments and agencies, including independent agencies, of the Government in connection with any program, project, activity, or account shall be subject to reduction pursuant to any sequestration order, without regard to any exemption, exception, limitation, or special rule otherwise applicable with respect to such program, project, activity, or account, and regardless of whether the program, project, activity, or account is self-supporting and does not receive appropriations.

“(2) Payments made by the Government to reimburse or match administrative costs incurred by a State or political subdivision under or in connection with any program, project, activity, or account shall not be considered administrative expenses of the Government for purposes of this section, and shall be subject to sequestration to the extent (and only to the extent) that other payments made by the Government under or in connection with that program, project, activity, or account are subject to that reduction or sequestration; except that Federal payments made to a State as reimbursement of administrative costs incurred by that State under or in connection with the unemployment compensation programs specified in subsection (a)(11) shall be subject to reduction or sequestration under this part notwithstanding the exemption otherwise granted to such programs under that subsection.

“(3) Notwithstanding any other provision of law, the administrative expenses of the following programs shall be exempt from sequestration:

“(A) Comptroller of the Currency.

“(B) Federal Deposit Insurance Corporation.

“(C) Office of Thrift Supervision.

“(D) National Credit Union Administration.

“(E) National Credit Union Administration, central liquidity facility.

“(F) Federal Retirement Thrift Investment Board.

“(G) Resolution Funding Corporation.

“(H) Resolution Trust Corporation.

“(I) Board of Governors of the Federal Reserve System.

“(e) VETERANS’ PROGRAMS.—The following programs shall be exempt from reduction under any order issued under this part:

“General Post Funds (36–8180–0–7–705).

“Veterans Insurance and Indemnities (36–0120–0–1–701).

“Service-Disabled Veterans Insurance Funds (36–4012–0–3–701).



“Veterans Reopened Insurance Fund (36–4010–0–3–701).

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

“Post-Vietnam Era Veterans Education Account (36–8133–0–7–702).

“National Service Life Insurance Fund (36–8132–0–7–701).

“United States Government Life Insurance Fund (36–8150–0–7–701).

“Veterans Special Life Insurance Fund (36–8455–0–8–701).

“(f) OPTIONAL EXEMPTION OF DEFENSE AND HOMELAND SECURITY ACCOUNTS.—

“(1) IN GENERAL.—The President may, with respect to any defense or homeland security account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

“(2) LIMITATION.—The President may not use the authority provided by paragraph (1) unless the President notifies the Congress of the manner in which such authority will be exercised on or before the date specified in section 254(a) for the budget year.”.

**SEC. 203. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

(a) IN GENERAL.—Section 256 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

**“SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

“(a) NATIONAL WOOL ACT AND THE SPECIAL MILK PROGRAM.—Automatic spending increases are increases in outlays due to changes in indexes in the following programs:

“(1) National Wool Act; and

“(2) Special milk program.

In those programs all amounts other than the automatic spending increases shall be exempt from reduction under any sequestration order.

“(b) STUDENT LOANS.—For all student loans under part B or D of title IV of the Higher Education Act of 1965 made during the period when a sequestration order under section 254 is in effect as required by section 252 or 253, origination fees under sections 438(c)(2) and 455(c) of that Act shall each be increased by 0.50 percentage point.

“(c) FOSTER CARE AND ADOPTION ASSISTANCE PROGRAMS.—Any sequestration order shall make the reduction otherwise required under the foster care and adoption assistance programs (established by part E of title IV of the Social Security Act) only with respect to payments and expenditures made by States in which increases in foster care maintenance payment rates or adoption assistance payment rates (or both) are to take effect during the fiscal year involved, and only to the extent that the required reduction can be accomplished by applying a uniform percentage reduction to the Federal matching payments that each such State would otherwise receive under section 474 of that Act (for such fiscal year) for that portion of the State’s payments attributable to the increases taking effect during that year. No State’s matching payments from the Government for foster care maintenance payments or for adoption assistance maintenance payments may be reduced by a percentage exceeding the applicable domestic sequestration percent-

age. No State may, after the date of the enactment of this Act, make any change in the timetable for making payments under a State plan approved under part E of title IV of the Social Security Act which has the effect of changing the fiscal year in which expenditures under such part are made.

“(d) LOW-INCOME PROGRAMS.—(1) Benefit payments or payments to States or other entities for the programs listed in paragraph (2) shall not be reduced by more than 2 percent under any sequestration order. When reduced under an end-of-session sequestration order, those benefit reductions shall occur starting with the payment made at the start of January. When reduced under a within-session sequestration order, those benefit reductions shall occur starting with the next periodic payment.

“(2) The programs referred to in paragraph (1) are the following:

“Child Nutrition (12-3539-0-1-605).

“Food Stamp Programs (12-3505-0-1-605).

“Grants to States for Medicaid (75-0512-0-1-551).

“State Children’s Health Insurance Fund (75-0515-0-1-551).

“Supplemental Security Income Program (75-0406-0-1-609).

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

“Special supplemental nutrition program for women, infants, and children (WIC) (12-3510-0-1-605).

“(e) VETERANS’ MEDICAL CARE.—The maximum permissible reduction in budget authority for Veterans’ medical care (36-0160-0-1-703) for any fiscal year, pursuant to an order issued under section 254, shall be 2 percent.

“(f) FEDERAL RETIREMENT PROGRAMS.—

“(1) For each of the programs listed in paragraph (2) and except as provided in paragraph (3), monthly (or other periodic) benefit payments shall be reduced by the uniform percentage applicable to direct spending sequestrations for such programs, which shall in no case exceed 2 percent under any sequestration order. When reduced under an end-of-session sequestration order, those benefit reductions shall occur starting with the payment made at the start of January or 7 weeks after the order is issued, whichever is later. When reduced under a within-session sequestration order, those benefit reductions shall occur starting with the next periodic payment.

“(2) The programs subject to paragraph (1) are:

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

“Comptrollers General Retirement System (05-0107-0-1-801).

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

“Claims Judges’ Retirement Fund (10-8124-0-7-602).

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

“National Oceanic and Atmospheric Administration Retirement (13-1450-0-1-306).

“Railroad Industry Pension Fund (60-8011-0-7-601).

“Retired pay, Coast Guard (70-0602-0-1-403).

“Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551).

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

“Payments to the Foreign Service Retirement and Disability Fund (72-1036-0-1-153).

“Payments to Judiciary Trust Funds (10-0941-0-1-752).

“(g) VETERANS PROGRAMS.—To achieve the total percentage reduction required by any order issued under this part, the percentage reduction that shall apply to payments under the following programs shall in no event exceed 2 percent:

“Canteen Service Revolving Fund (36-4014-0-3-705).

“Medical Center Research Organizations (36-4026-0-3-703).

“Disability Compensation Benefits (36-0102-0-1-701).

“Education Benefits (36-0137-0-1-702).

“Vocational Rehabilitation and Employment Benefits (36-0135-0-1-702).

“Pensions Benefits (36-0154-0-1-701).

“Burial Benefits (36-0139-0-1-701).

“Guaranteed Transitional Housing Loans For Homeless Veterans Program Account (36-1119-0-1-704).

“Housing Direct Loan Financing Account (36-4127-0-1-704).

“Housing Guaranteed Loan Financing Account (36-4129-0-3-704).

“Vocational Rehabilitation and Education Direct Loan Financing Account (36-4259-0-3-702).

“(h) MILITARY HEALTH CARE AND RETIREMENT.—To achieve the total percentage reduction in military retirement required by any order issued under this part, the percentage reduction that shall apply to payments under the Military retirement fund (97-8097-0-7-602), payments to the military retirement fund (97-0040-0-1-054), and the Defense Health Program (97-0130-0-1-051) shall in no event exceed 2 percent.

“(i) MEDICARE PROGRAM.—

“(1) CALCULATION OF REDUCTION IN INDIVIDUAL PAYMENT AMOUNTS.—To achieve the total percentage reduction in those programs required by any order issued under this part, the percentage reduction that shall apply to payments under the health insurance programs under title XVIII of the Social Security Act (other than payments described in section 255(a)(2)) that are subject to such order for services furnished after any sequestration order is issued shall be such that the reduction made in payments under that order shall achieve the required total percentage reduction in those payments for that fiscal year as determined on a 12-month basis. However, the percentage reduction under any such program shall in no case exceed 2 percent under any sequestration order.

“(2) TIMING OF APPLICATION OF REDUCTIONS.—If a reduction is made under paragraph (1) in payment amounts pursuant to a sequestration order, the reduction shall be applied to payment for services furnished after the effective date of the order.

“(3) NO INCREASE IN BENEFICIARY CHARGES IN ASSIGNMENT-RELATED CASES.—If a reduction in payment amounts is made under paragraph (1) for services for which payment under part B of title XVIII of the Social Security Act is made on the basis of an assignment described in section 1842(b)(3)(B)(ii), in accordance with section 1842(b)(6)(B), or under the procedure de-

scribed in section 1870(f)(1) of such Act, the person furnishing the services shall be considered to have accepted payment of the reasonable charge for the services, less any reduction in payment amount made pursuant to a sequestration order, as payment in full.

“(4) APPLICATION TO PARTS C AND D.—The reductions otherwise required under parts C and D of title XVIII of the Social Security Act with respect to a fiscal year shall be applied to the calendar year that begins after the end of the fiscal year to which the applicable sequestration order applies.

“(j) FEDERAL PAY.—

“(1) IN GENERAL.—For purposes of any order issued under section 254, new budget authority to pay Federal personnel shall be reduced by the applicable uniform percentage, but no sequestration order may reduce or have the effect of reducing the rate of pay to which any individual is entitled under any statutory pay system (as increased by any amount payable under section 5304 of title 5, United States Code, or section 302 of the Federal Employees Pay Comparability Act of 1990) or the rate of any element of military pay to which any individual is entitled under title 37, United States Code, or any increase in rates of pay which is scheduled to take effect under section 5303 of title 5, United States Code, section 1009 of title 37, United States Code, or any other provision of law.

“(2) DEFINITIONS.—For purposes of this subsection:

“(A) The term ‘statutory pay system’ shall have the meaning given that term in section 5302(1) of title 5, United States Code.

“(B) The term ‘elements of military pay’ means—

“(i) the elements of compensation of members of the uniformed services specified in section 1009 of title 37, United States Code,

“(ii) allowances provided members of the uniformed services under sections 403a and 405 of such title, and

“(iii) cadet pay and midshipman pay under section 203(c) of such title.

“(C) The term ‘uniformed services’ shall have the meaning given that term in section 101(3) of title 37, United States Code.

“(k) CHILD SUPPORT ENFORCEMENT PROGRAM.—Any sequestration order shall accomplish the full amount of any required reduction in expenditures under sections 455 and 458 of the Social Security Act by reducing the Federal matching rate for State administrative costs under such program, as specified (for the fiscal year involved) in section 455(a) of such Act, to the extent necessary to reduce such expenditures by that amount.

“(l) EXTENDED UNEMPLOYMENT COMPENSATION.—(1) A State may reduce each weekly benefit payment made under the Federal-State Extended Unemployment Compensation Act of 1970 for any week of unemployment occurring during any period with respect to which payments are reduced under an order issued under this title by a percentage not to exceed the percentage by which the Federal payment to the State under section 204 of such Act is to be reduced for such week as a result of such order.

“(2) A reduction by a State in accordance with subparagraph (A) shall not be considered as a failure to fulfill the requirements of section 3304(a)(11) of the Internal Revenue Code of 1954.

“(m) COMMODITY CREDIT CORPORATION.—

“(1) POWERS AND AUTHORITIES OF THE COMMODITY CREDIT CORPORATION.—This title shall not restrict the Commodity Credit Corporation in the discharge of its authority and responsibility as a corporation to buy and sell commodities in world trade, to use the proceeds as a revolving fund to meet other obligations and otherwise operate as a corporation, the purpose for which it was created.

“(2) REDUCTION IN PAYMENTS MADE UNDER CONTRACTS.—(A) Payments and loan eligibility under any contract entered into with a person by the Commodity Credit Corporation prior to the time any sequestration order has been issued shall not be reduced by an order subsequently issued. Subject to subparagraph (B), after any sequestration order is issued for a fiscal year, any cash payments made by the Commodity Credit Corporation—

“(i) under the terms of any one-year contract entered into in or after such fiscal year and after the issuance of the order; and

“(ii) out of an entitlement account, to any person (including any producer, lender, or guarantee entity) shall be subject to reduction under the order.

“(B) Each contract entered into with producers or producer cooperatives with respect to a particular crop of a commodity and subject to reduction under subparagraph (A) shall be reduced in accordance with the same terms and conditions. If some, but not all, contracts applicable to a crop of a commodity have been entered into prior to the issuance of any sequestration order, the order shall provide that the necessary reduction in payments under contracts applicable to the commodity be uniformly applied to all contracts for succeeding crops of the commodity, under the authority provided in paragraph (3).

“(3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this title, if any sequestration order is issued with respect to a fiscal year, any reduction under the order applicable to contracts described in paragraph (2) may provide for reductions in outlays for the account involved to occur in the fiscal years following the fiscal year to which the order applies.

“(4) UNIFORM PERCENTAGE RATE OF REDUCTION AND OTHER LIMITATIONS.—All reductions described in paragraph (2) that are required to be made in connection with any sequestration order with respect to a fiscal year—

“(A) shall be made so as to ensure that outlays for each program, project, activity, or account involved are reduced by a percentage rate that is uniform for all such programs, projects, activities, and accounts, and may not be made so as to achieve a percentage rate of reduction in any such item exceeding the rate specified in the order; and

“(B) with respect to commodity price support and income protection programs, shall be made in such manner and under such procedures as will attempt to ensure that—

“(i) uncertainty as to the scope of benefits under any such program is minimized;

“(ii) any instability in market prices for agricultural commodities resulting from the reduction is minimized; and

“(iii) normal production and marketing relationships among agricultural commodities (including both contract and non-contract commodities) are not distorted.

In meeting the criterion set out in clause (iii) of subparagraph (B) of the preceding sentence, the President shall take into consideration that reductions under an order may apply to programs for two or more agricultural commodities that use the same type of production or marketing resources or that are alternative commodities among which a producer could choose in making annual production decisions.

“(5) CERTAIN AUTHORITY NOT TO BE LIMITED.—Nothing in this title shall limit or reduce in any way any appropriation that provides the Commodity Credit Corporation with funds to cover the Corporation’s net realized losses.

“(n) POSTAL SERVICE FUND.—Notwithstanding any other provision of law, any sequestration of the Postal Service Fund shall be accomplished by a payment from that Fund to the General Fund of the Treasury, and the Postmaster General of the United States shall make the full amount of that payment during the fiscal year to which the presidential sequestration order applies.

“(o) EFFECTS OF SEQUESTRATION.—The effects of sequestration shall be as follows:

“(1) Budgetary resources sequestered from any account other than an entitlement trust, special, or revolving fund account shall revert to the Treasury and be permanently canceled.

“(2) Except as otherwise provided, the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President’s budget).

“(3) Administrative regulations or similar actions implementing a sequestration shall be made within 120 days of the sequestration order. To the extent that formula allocations differ at different levels of budgetary resources within an account, program, project, or activity, the sequestration shall be interpreted as producing a lower total appropriation, with that lower appropriation being obligated as though it had been the pre-sequestration appropriation and no sequestration had occurred.

“(4) Except as otherwise provided, obligations in sequestered direct spending accounts shall be reduced in the fiscal year in which a sequestration occurs and in all succeeding fiscal years.

“(5) If an automatic spending increase is sequestered, the increase (in the applicable index) that was disregarded as a result of that sequestration shall not be taken into account in any subsequent fiscal year.

“(6) Except as otherwise provided, sequestration in accounts for which obligations are indefinite shall be taken in a manner to ensure that obligations in the fiscal year of a sequestration and succeeding fiscal years are reduced, from the level that would actually have occurred, by the applicable sequestration percentage.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by amending the item relating to section 256 to read as follows:

“Sec. 256. Exceptions, limitations, and special rules.”.

**SEC. 204. TECHNICAL AND CONFORMING AMENDMENTS.**

The Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Section 251(a)(1) is amended by inserting “, section 252A,” after “section 252”.

(2) Section 254(c)(4)(B) is amended by inserting “or section 252A” after “section 252”.

(3) Section 254(c) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) DIRECT SPENDING CONTROL SEQUESTRATION REPORTS.—The preview reports shall set forth, for the current year and the budget year, estimates for each of the following:

“(A) The total level of direct spending for all programs, projects, and activities (excluding social security).

“(B) The sequestration percentage or (if the required sequestration percentage is greater than the maximum allowable percentage for medicare) percentages necessary to comply with section 252A.”.

(4) Section 254(f) is amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6) and by inserting after paragraph (3) the following new paragraph:

“(4) DIRECT SPENDING CONTROL SEQUESTRATION REPORTS.—The final reports shall contain all the information required in the direct spending control sequestration preview reports. In addition, these reports shall contain, for the budget year, for each account to be sequestered, estimates of the baseline level of sequesterable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions. The reports shall also contain estimates of the effects on outlays of the sequestration in each out-year for direct spending programs.”.

(5) Section 258C(a)(1) is amended by inserting “, 252A,” after “section 252”.

## **TITLE III—LONG-TERM UNFUNDED OBLIGATIONS AND OTHER AMENDMENTS**

**SEC. 301. LONG-TERM UNFUNDED OBLIGATIONS.**

(a) IN GENERAL.—Title IV of the Congressional Budget Act of 1974 is amended by adding at the end the following:

## **PART C—LONG-TERM UNFUNDED OBLIGATIONS**

### **“SEC. 441. ANALYSIS OF LONG-TERM UNFUNDED OBLIGATIONS.**

“Beginning in fiscal year 2006, the President’s budget shall include an analysis of long-term unfunded obligations. This analysis shall include:

“(1) An analysis of the impact of long-term unfunded obligations in applicable entitlement programs on the long-term level of unified budget outlays and the unified budget surplus or deficit, in relation to the projected level of the Gross Domestic Product.

“(2) A report on the impact of legislation enacted during the previous session of Congress that increases the long-term unfunded obligation in any applicable group of entitlement program.

“(3) An analysis of the impact of legislation proposed in the President’s budget on the long-term unfunded obligation in any applicable entitlement program.

### **“SEC. 442. STANDARD FOR DETERMINING INCREASE IN LONG-TERM UNFUNDED OBLIGATION.**

“For the purpose of this part, legislation shall be considered to increase the long-term unfunded obligation of an applicable group of entitlement programs if it either—

“(1) increases the excess of the discounted present value of the expenditures of programs in the group above the discounted present value of the dedicated receipts of programs in the group over a long-term estimating period by more than an applicable threshold; or

“(2) increases the dollar level of the expenditures of programs in the group above the dedicated receipts of programs in the group above the dedicated receipts of programs in the group in the last year of the estimating period by more than the applicable threshold.

### **“SEC. 443. LONG-TERM UNFUNDED OBLIGATION ANALYSES BY CONGRESSIONAL BUDGET OFFICE.**

The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

“(1) an estimate of any increase of the long-term unfunded obligation of any applicable entitlement program which would be incurred in carrying out such bill or resolution as measured by the increase of the excess of the discounted present value of the expenditures of such program above the discounted present value of the dedicated receipts of such program over a long-term estimating period by more than an applicable threshold; and

“(2) an estimate of any increase in the dollar level of the expenditures of such program above the dedicated receipts of such program above the dedicated receipts of such program in the last year of the estimating period by more than the applicable threshold.



The estimates and description so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

**“SEC. 444. DEFINITIONS.**

“As used in this part—

“(1) the term ‘applicable entitlement program’ shall be defined as any one of the following programs:

“(A) Old Age, Survivors, and Disability Insurance.

“(B) Medicare (combined hospital insurance and supplemental medical insurance).

“(C) Civilian retirement and disability (combined Civil Service Retirement System and Federal Employees Retirement System).

“(D) Foreign Service Retirement and Disability (combined Foreign Service Retirement and Disability System and Foreign Service Pension System).

“(E) Retired Employees Health Benefits.

“(F) Military Retirement System.

“(G) Uniformed Services Retiree Health Care System.

“(H) Railroad Retirement System (combined Rail Industry Pension Fund, Social Security Equivalent Benefit Account, and National Railroad Retirement Investment Trust).

“(I) Supplemental Security Income (SSI).

“(J) For estimates made on or after January 1, 2006, veterans disability compensation.

“(K) Any other entitlement program with regularly available long-term estimates.

“(2) The term ‘entitlement program with regularly available long-term estimates’ means a program for which the Director of the Congressional Budget Office, in consultation with the Committees on the Budget of the House of Representatives and the Senate and the Director of the Office of Management and Budget, has determined that it is feasible to make long-term estimates of expenditures and dedicated receipts based on explicit demographic, economic, and other estimating assumptions. The Director shall notify the House and Senate Committees on the Budget in writing, whenever he or she makes such a determination.

“(3) The term ‘applicable group of entitlement programs’ shall be defined as any of the following:

“(A) Old Age, Survivors, and Disability Insurance.

“(B) All applicable entitlement programs except Old Age, Survivors, and Disability Insurance.

“(4) The term ‘long-term estimating period’ shall be defined as 75 years, starting with the current year, for all applicable entitlement programs except for Old Age, Survivors, and Disability Insurance. For Old Age, Survivors, and Disability Insurance, the term shall be defined as the infinite period of years utilized in the most recent annual report of the Board of Trustees provided pursuant to section 201(c)(2) of the Social Security Act.

“(5) The term ‘last year of the estimating period’ shall be defined as the 75th year of the long-term estimating period.

“(6) The term ‘dedicated receipts’ shall be defined, for all applicable entitlement programs other than Medicare, as taxes and fees received from the public, payments received from Federal agencies on behalf of Federal agency employees who are participants in the program, transfers received by the program under section 7(c)(2) of the Railroad Retirement Act of 1974 (45 U.S.C. 231f(c)(2)), and transfers from the general fund of amounts equivalent to income tax receipts under section 86 of the Internal Revenue Code. Dedicated receipts shall not include payments from the general fund to amortize a program’s unfunded liability or payments of interest on a program’s trust fund holdings. For Medicare, ‘dedicated receipts’ shall be defined according to section 801(c)(3) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

“(7) The term ‘expenditures’ shall be defined, for all applicable entitlement programs other than Medicare, to include benefit payments, administrative expenses to the extent paid from a dedicated fund, and transfers to other programs made under section 7(c)(2) of the Railroad Retirement Act of 1974 (45 U.S.C. 231f(c)(2)). For Medicare, ‘expenditures’ shall be defined according to section 801(c)(4) of the Medicare prescription Drug, Improvement, and Modernization Act of 2003.

“(8) The term ‘applicable threshold’ shall be defined as:

“(A) For a group of applicable entitlement programs over a long-term estimating period—

“(i) 0.02 percent of the present value of the taxable payroll of the group of programs over the estimating period, for legislation affecting Old Age, Survivors, and Disability Insurance or Medicare; and

“(ii) 1 percent of the present value of the expenditures over the estimating period of the programs in the group that are affected by the legislation.

“(B) For a group of applicable entitlement programs in the last year of the estimating period—

“(i) 0.02 percent of the taxable payroll of the group of programs in that year, for legislation affecting Old Age, Survivors, and Disability Insurance or Medicare;

“(ii) 0.01 percent of Gross Domestic Product in that year; or

“(iii) 1 percent of the expenditures in that year of the programs in the group that are affected by the legislation.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding after the item relating to section 428 the following:

“PART C—LONG-TERM UNFUNDED OBLIGATIONS

“Sec. 441. Analysis of long-term unfunded obligations.

“Sec. 442. Standard for determining increase in long-term unfunded obligation.

“Sec. 443. Long-term unfunded obligation analyses by congressional budget office.

“Sec. 444. Definitions.

5. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE HENSARLING OF TEXAS, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

At the end, add the following new section:

**SEC. . GOVERNMENT SHUTDOWN PROTECTION.**

(a) IN GENERAL.—Chapter 13 of title 31, United States Code, is amended by inserting after section 1310 the following new section:

**“§ 1311. Continuing appropriations**

“(a)(1) If any regular appropriation bill for a fiscal year does not become law before the beginning of such fiscal year or a joint resolution making continuing appropriations is not in effect, there are appropriated, out of any money in the Treasury not otherwise appropriated, and out of applicable corporate or other revenues, receipts, and funds, such sums as may be necessary to continue any project or activity for which funds were provided in the preceding fiscal year—

“(A) in the corresponding regular appropriation Act for such preceding fiscal year; or

“(B) if the corresponding regular appropriation bill for such preceding fiscal year did not become law, then in a joint resolution making continuing appropriations for such preceding fiscal year.

“(2) Appropriations and funds made available, and authority granted, for a project or activity for any fiscal year pursuant to this section shall be at a rate of operations not in excess of the lower of—

“(A) the rate of operations provided for in the regular appropriation Act providing for such project or activity for the preceding fiscal year;

“(B) in the absence of such an Act, the rate of operations provided for such project or activity pursuant to a joint resolution making continuing appropriations for such preceding fiscal year;

“(C) the rate of operations provided for in the regular appropriation bill as passed by the House of Representatives or the Senate for the fiscal year in question, except that the lower of these two versions shall be ignored for any project or activity for which there is a budget request if no funding is provided for that project or activity in either version; or

“(D) the annualized rate of operations provided for in the most recently enacted joint resolution making continuing appropriations for part of that fiscal year or any funding levels established under the provisions of this Act.

“(3) Appropriations and funds made available, and authority granted, for any fiscal year pursuant to this section for a project or activity shall be available for the period beginning with the first day of a lapse in appropriations and ending with the earlier of—

“(A) the date on which the applicable regular appropriation bill for such fiscal year becomes law (whether or not such law provides for such project or activity) or a continuing resolution making appropriations becomes law, as the case may be; or

“(B) the last day of such fiscal year.

“(b) An appropriation or funds made available, or authority granted, for a project or activity for any fiscal year pursuant to this section shall be subject to the terms and conditions imposed with respect to the appropriation made or funds made available for the preceding fiscal year, or authority granted for such project or activity under current law.

“(c) Appropriations and funds made available, and authority granted, for any project or activity for any fiscal year pursuant to this section shall cover all obligations or expenditures incurred for such project or activity during the portion of such fiscal year for which this section applies to such project or activity.

“(d) Expenditures made for a project or activity for any fiscal year pursuant to this section shall be charged to the applicable appropriation, fund, or authorization whenever a regular appropriation bill or a joint resolution making continuing appropriations until the end of a fiscal year providing for such project or activity for such period becomes law.

“(e) This section shall not apply to a project or activity during a fiscal year if any other provision of law (other than an authorization of appropriations)—

“(1) makes an appropriation, makes funds available, or grants authority for such project or activity to continue for such period; or

“(2) specifically provides that no appropriation shall be made, no funds shall be made available, or no authority shall be granted for such project or activity to continue for such period.

“(f) For purposes of this section, the term ‘regular appropriation bill’ means any annual appropriation bill making appropriations, otherwise making funds available, or granting authority, for any of the following categories of projects and activities:

“(1) Agriculture, rural development, Food and Drug Administration, and related agencies programs.

“(2) The Departments of Commerce, Justice, and State, the Judiciary, and related agencies.

“(3) The Department of Defense.

“(4) The government of the District of Columbia and other activities chargeable in whole or in part against the revenues of the District.

“(5) Energy and water development.

“(6) Foreign operations, export financing, and related programs.

“(7) The Department of Homeland Security.

“(8) The Department of the Interior and related agencies.

“(9) The Departments of Labor, Health and Human Services, and Education, and related agencies.

“(10) The Legislative Branch.

“(11) Military construction, family housing, and base realignment and closure for the Department of Defense.

“(12) The Departments of Transportation and Treasury, and independent agencies.

“(13) The Departments of Veterans Affairs and Housing and Urban Development, and sundry independent agencies, boards, commissions, corporations, and offices.”.

(b) CLERICAL AMENDMENT.—The analysis of chapter 13 of title 31, United States Code, is amended by inserting after the item relating to section 1310 the following new item:

“1311. Continuing appropriations.”.

6. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE KIRK OF ILLINOIS, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

At the end, add the following new section:

**SEC. . ANNUAL CBO REPORTS ON ENTITLEMENT SPENDING.**

Section 202(e) of the Congressional Budget Act of 1974 is amended by adding at the end the following new paragraph:

“(4) On or before February 15 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate, a report for the fiscal year ending on September 30 of the preceding year, with respect to entitlement spending, including (A) a comparison of actual spending for entitlements, on an account by account basis, with projected spending for such entitlements assumed in the concurrent resolution of the budget for that fiscal year and (B) an identification of those entitlements for which the actual spending exceeded the projected spending.”.

7. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE RYAN OF WISCONSIN, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

At the end, add the following new sections:

**SEC. . JOINT BUDGET RESOLUTIONS.**

(a) DEFINITIONS.—Paragraph (4) of section 3 of the Congressional Budget Act of 1974 is amended to read as follows:

“(4) the term ‘joint resolution on the budget’ means—

“(A) a joint resolution setting forth the congressional budget for the United States Government for a fiscal year as provided in section 301; and

“(B) any other joint resolution revising the congressional budget for the United States Government for a fiscal year as described in section 304.”.

(b) JOINT RESOLUTION ON THE BUDGET.—(1) Section 301(a) of the Congressional Budget Act of 1974 is amended by striking “concurrent resolution” each place it appears including in the caption and inserting “joint resolution”.

(2) Section 301(b) of such Act is amended by striking “concurrent resolution” each place it appears including in the caption and inserting “joint resolution”.

(3) Section 301(c) of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(4) Section 301(e) of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(5) Section 301(f) of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(6) Section 301(g) of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(7) Section 301(h) of such Act is amended by striking “concurrent resolution” and inserting “joint resolution”.

(8) Section 301(i) of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(9) The section heading of section 301 of such Act is amended by striking “**ANNUAL ADOPTION OF CONCURRENT**” and inserting “**ANNUAL ADOPTION OF JOINT**”.

(10) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking “Annual adoption of the concurrent” in the item relating to section 301 and inserting “Annual adoption of the joint”.

(11) Section 302 of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(12) Section 303 of such Act, including the heading, is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(13) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking “Concurrent” in the item relating to section 303 and inserting “Joint”.

(14) Section 304 of such Act is amended by striking “concurrent resolution”, including in the heading, each place it appears and inserting “joint resolution”.

(15) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking “Concurrent” in the item relating to section 304 and inserting “Joint”.

(16) Section 305 of such Act is amended by striking “concurrent resolution”, including in the heading, each place it appears and inserting “joint resolution”.

(17) Section 308 of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(18) Section 310 of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

(19) Section 311 of such Act is amended by striking “concurrent resolution” each place it appears and inserting “joint resolution”.

**SEC. . BUDGET REQUIRED BEFORE SPENDING BILLS MAY BE CONSIDERED; FALL-BACK PROCEDURES IF PRESIDENT VETOES JOINT BUDGET RESOLUTION.**

(a) AMENDMENTS TO SECTION 302.—Section 302(a) of the Congressional Budget Act of 1974 is amended by striking paragraph (5).

(b) AMENDMENTS TO SECTION 303 AND CONFORMING AMENDMENTS.—(1) Section 303 of the Congressional Budget Act of 1974 is amended—

(A) in subsection (b), by striking paragraph (2), by inserting “or” at the end of paragraph (1), and by redesignating paragraph (3) as paragraph (2); and

(B) by striking its section heading and inserting the following new section heading: “CONSIDERATION OF BUDGET-RELATED LEGISLATION BEFORE BUDGET BECOMES LAW”.

(2) Section 302(g)(1) of the Congressional Budget Act of 1974 is amended by striking “and, after April 15, section 303(a)”.

(3)(A) Section 904(c)(1) of the Congressional Budget Act of 1974 is amended by inserting “303(a),” before “305(b)(2),”.

(B) Section 904(d)(2) of the Congressional Budget Act of 1974 is amended by inserting “303(a),” before “305(b)(2),”.

(C) Subsection (e) of section 904 of the Congressional Budget Act of 1974 is repealed.

(c) EXPEDITED PROCEDURES UPON VETO OF JOINT RESOLUTION ON THE BUDGET.—(1) Title III of the Congressional Budget Act of 1974 is amended by adding after section 315 the following new section:

“EXPEDITED PROCEDURES UPON VETO OF JOINT RESOLUTION ON THE BUDGET

“SEC. 316. (a) SPECIAL RULE.—If the President vetoes a joint resolution on the budget for a fiscal year, the majority leader of the House of Representatives or Senate (or his designee) may introduce a concurrent resolution on the budget or joint resolution on the budget for such fiscal year. If the Committee on the Budget of either House fails to report such concurrent or joint resolution referred to it within five calendar days (excluding Saturdays, Sundays, or legal holidays except when that House of Congress is in session) after the date of such referral, the committee shall be automatically discharged from further consideration of such resolution and such resolution shall be placed on the appropriate calendar.

“(b) PROCEDURE IN THE HOUSE OF REPRESENTATIVES AND THE SENATE.—

“(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the House of Representatives and in the Senate of joint resolutions on the budget and conference reports thereon shall also apply to the consideration of concurrent resolutions on the budget introduced under subsection (a) and conference reports thereon.

“(2) Debate in the Senate on any concurrent resolution on the budget or joint resolution on the budget introduced under subsection (a), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 10 hours and in the House such debate shall be limited to not more than 3 hours.

“(c) CONTENTS OF CONCURRENT RESOLUTIONS.—Any concurrent resolution on the budget introduced under subsection (a) shall be in compliance with section 301.

“(d) EFFECT OF CONCURRENT RESOLUTION ON THE BUDGET.—Notwithstanding any other provision of this title, whenever a concurrent resolution on the budget described in subsection (a) is agreed to, then the aggregates, allocations, and reconciliation directives (if any) contained in the report accompanying such concurrent resolution or in such concurrent resolution shall be considered to be the aggregates, allocations, and reconciliation directives for all purposes of sections 302, 303, and 311 for the applicable fiscal years and such concurrent resolution shall be deemed to be a joint resolution for all purposes of this title and the Rules of the House of Representatives and any reference to the date of enactment of a joint resolution on the budget shall be deemed to be a reference to the date agreed to when applied to such concurrent resolution.”.

(2) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 315 the following new item:

“Sec. 316. Expedited procedures upon veto of joint resolution on the budget.”.

(e) LIMITATION ON CONTENTS OF BUDGET RESOLUTIONS.—Section 305 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(e) LIMITATION ON CONTENTS.—(1) It shall not be in order in the House of Representatives or in the Senate to consider any joint resolution on the budget or any amendment thereto or conference report thereon that contains any matter referred to in paragraph (2).

“(2) Any joint resolution on the budget or any amendment thereto or conference report thereon that contains any matter not permitted in section 301(a) or (b) shall not be treated in the House of Representatives or the Senate as a budget resolution under subsection (a) or (b) or as a conference report on a budget resolution under subsection (c) of this section.”.

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8. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE RYAN OF WISCONSIN, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

At the end, add the following new sections:

**SEC. . ESTABLISHMENT OF BUDGET PROTECTION MANDATORY ACCOUNT.**

(a) BUDGET PROTECTION MANDATORY ACCOUNT.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new sections:

“BUDGET PROTECTION MANDATORY ACCOUNT

“SEC. 316. (a) ESTABLISHMENT OF ACCOUNT.—The chairman of the Committee on the Budget of the House of Representatives and of the Senate shall each maintain an account to be known as the ‘Budget Protection Mandatory Account’. The Account shall be divided into entries corresponding to the House or Senate committees, as applicable, that received allocations under section 302(a) in the most recently adopted concurrent resolution on the budget, except that it shall not include the Committee on Appropriations of that House and each entry shall consist of the ‘First Year Budget Protection Balance’ and the ‘Five Year Budget Protection Balance’.

“(b) COMPONENTS.—Each entry shall consist only of amounts credited to it under subsection (c). No entry of a negative amount shall be made.

“(c) CREDITING OF AMOUNTS TO ACCOUNT.—(1) Whenever a Member or Senator, as the case may be, offers an amendment to a bill that reduces the amount of mandatory budget authority provided either under current law or proposed to be provided by the bill under consideration, that Member or Senator may state the portion of such reduction achieved in the first year covered by the most recently adopted concurrent resolution on the budget and in addition the portion of such reduction achieved in the first five years covered by the most recently adopted concurrent resolution on the budget that shall be—

“(A) credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance in the House or Senate, as applicable;

“(B) used to offset an increase in other new budget authority;

“(C) allowed to remain within the applicable section 302(a) allocation; or



“(D) used to offset a decrease in receipts.

If no such statement is made, the amount of reduction in new budget authority resulting from the amendment shall be credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance, as applicable, if the amendment is agreed to.

“(2) Except as provided by paragraph (3), the chairman of the Committee on the Budget of the House or Senate, as applicable, shall, upon the engrossment of any bill, other than an appropriation bill, by the House or Senate, as applicable, credit to the applicable entry balances amounts of new budget authority and outlays equal to the net amounts of reductions in budget authority and in outlays resulting from amendments agreed to by that House to that bill.

“(3) When computing the net amounts of reductions in budget authority and in outlays resulting from amendments agreed to by the House or Senate, as applicable, to a bill, the chairman of the Committee on the Budget of that House shall only count those portions of such amendments agreed to that were so designated by the Members or Senators offering such amendments as amounts to be credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance, or that fall within the last sentence of paragraph (1).

“(4) The chairman of the Committee on the Budget of the House and of the Senate shall each maintain a running tally of the amendments adopted reflecting increases and decreases of budget authority in the bill as reported to its House. This tally shall be available to Members or Senators during consideration of any bill by that House.

“(d) CALCULATION OF LOCK-BOX SAVINGS IN HOUSE AND SENATE.—For the purposes of enforcing section 302(a), upon the engrossment of any bill, other than an appropriation bill, by the House or Senate, as applicable, the amount of budget authority and outlays calculated pursuant to subsection (c)(3) shall be counted against the 302(a) allocation provided to the applicable committee or committees of that House which reported the bill as if the amount calculated pursuant to subsection (c)(3) was included in the bill just engrossed.

“(e) DEFINITION.—As used in this section, the term ‘appropriation bill’ means any general or special appropriation bill, and any bill or joint resolution making supplemental, deficiency, or continuing appropriations through the end of fiscal year 2005 or any subsequent fiscal year, as the case may be.”.

**SEC. . ESTABLISHMENT OF BUDGET PROTECTION DISCRETIONARY ACCOUNT.**

**“BUDGET PROTECTION DISCRETIONARY ACCOUNT**

“SEC. 317. (a) ESTABLISHMENT OF ACCOUNT.—The chairman of the Committee on the Budget of the House of Representatives and of the Senate shall each maintain an account to be known as the ‘Budget Protection Discretionary Account’. The Account shall be divided into entries corresponding to the subcommittees of the Committee on Appropriations of that House and each entry shall consist of the ‘Budget Protection Balance’.

“(b) COMPONENTS.—Each entry shall consist only of amounts credited to it under subsection (c). No entry of a negative amount shall be made.

“(c) CREDITING OF AMOUNTS TO ACCOUNT.—(1) Whenever a Member or Senator, as the case may be, offers an amendment to an appropriation bill to reduce new budget authority in any account, that Member or Senator may state the portion of such reduction that shall be—

“(A) credited to the Budget Protection Balance;

“(B) used to offset an increase in new budget authority in any other account;

“(C) allowed to remain within the applicable section 302(b) suballocation or

“(D) used to offset a decrease in receipts.

If no such statement is made, the amount of reduction in new budget authority resulting from the amendment shall be credited to the Budget Protection Balance, as applicable, if the amendment is agreed to.

“(2) Except as provided by paragraph (3), the chairman of the Committee on the Budget of the House or Senate, as applicable, shall, upon the engrossment of any appropriation bill by the House or Senate, as applicable, credit to the applicable entry balances amounts of new budget authority and outlays equal to the net amounts of reductions in budget authority and in outlays resulting from amendments agreed to by that House to that bill.

“(3) When computing the net amounts of reductions in new budget authority and in outlays resulting from amendments agreed to by the House or Senate, as applicable, to an appropriation bill, the chairman of the Committee on the Budget of that House shall only count those portions of such amendments agreed to that were so designated by the Members offering such amendments as amounts to be credited to the Budget Protection Balance, or that fall within the last sentence of paragraph (1).

“(4) The chairman of the Committee on the Budget of the House and of the Senate shall each maintain a running tally of the amendments adopted reflecting increases and decreases of budget authority in the bill as reported to its House. This tally shall be available to Members or Senators during consideration of any bill by that House.

“(d) CALCULATION OF LOCK-BOX SAVINGS IN HOUSE AND SENATE.—(1) For the purposes of enforcing section 302(a), upon the engrossment of any appropriation bill by the House or Senate, as applicable, the amount of budget authority and outlays calculated pursuant to subsection (c)(3) shall be counted against the 302(a) allocation provided to the Committee on Appropriations as if the amount calculated pursuant to subsection (c)(3) was included in the bill just engrossed.

“(2) For purposes of enforcing section 302(b), upon the engrossment of any appropriation bill by the House or Senate, as applicable, the 302(b) allocation provided to the subcommittee for the bill just engrossed shall be deemed to have been reduced by the amount of budget authority and outlays calculated, pursuant to subsection (c)(3).

“(e) DEFINITION.—As used in this section, the term ‘appropriation bill’ means any general or special appropriation bill, and any bill

or joint resolution making supplemental, deficiency, or continuing appropriations through the end of fiscal year 2005 or any subsequent fiscal year, as the case may be.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 315 the following new items:

“Sec. 316. Budget protection mandatory account.

“Sec. 317. Budget protection discretionary account.”.

**SEC. . REVENUE ADJUSTMENT.**

If an amendment is designated to be used to offset a decrease in receipts for a fiscal year pursuant to section 316(c)(1)(D) or section 317(c)(1)(D) of the Congressional Budget Act of 1974, then the applicable level of revenues for such fiscal year for purposes of section 311(a) of such Act shall be reduced by the amount of such amendment.

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**9. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE RYAN OF WISCONSIN, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES**

At the end, add the following new section:

**SEC. . ENHANCED CONSIDERATION OF CERTAIN PROPOSED RESCISSIONS.**

(a) IN GENERAL.—Part B of title X of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 681 et seq.) is amended by redesignating sections 1013 through 1017 as sections 1014 through 1018, respectively, and by inserting after section 1012 the following new section:

**“ENHANCED CONSIDERATION OF CERTAIN PROPOSED RESCISSIONS**

**“SEC. 1013. (a) PROPOSED RESCISSION OF BUDGET AUTHORITY IDENTIFIED AS WASTEFUL SPENDING.**—The President may propose, at the time and in the manner provided in subsection (b), the rescission of any budget authority provided in an appropriation Act that he identifies as wasteful spending. If the President proposes a rescission of budget authority, he may also propose to reduce the appropriate discretionary spending limits for new budget authority and outlays flowing therefrom set forth in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 by an amount that does not exceed the amount of the proposed rescission. Funds made available for obligation under this procedure may not be proposed for rescission again under this section.

**“(b) TRANSMITTAL OF SPECIAL MESSAGE.**—

“(1) The President may transmit to Congress a special message proposing to rescind amounts of budget authority and include with that special message a draft bill that, if enacted, would only rescind that budget authority unless the President also proposes a reduction in the appropriate discretionary spending limits set forth in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985. That bill shall clearly identify the amount of budget authority that is proposed to be rescinded for each program, project, or activity to which that budget authority relates.

“(2) In the case of an appropriation Act that includes accounts within the jurisdiction of more than one subcommittee of the Committee on Appropriations, the President in proposing to rescind budget authority under this section shall send a separate special message and accompanying draft bill for accounts within the jurisdiction of each subcommittee.

“(3) Each special message shall specify, with respect to the budget authority proposed to be rescinded, the following:

“(A) The amount of budget authority which he proposes to be rescinded.

“(B) Any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific project or governmental functions involved.

“(C) The reasons why the budget authority should be rescinded, including why he considers it to be wasteful spending.

“(D) To the maximum extent practicable, the estimated fiscal, economic, and budgetary effect (including the effect on outlays and receipts in each fiscal year) of the proposed rescission.

“(E) All facts, circumstances, and considerations relating to or bearing upon the proposed rescission and the decision to effect the proposed rescission, and to the maximum extent practicable, the estimated effect of the proposed rescission upon the objects, purposes, and programs for which the budget authority is provided.

“(F) A reduction in the appropriate discretionary spending limits set forth in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985, if proposed by the President.

“(c) PROCEDURES FOR EXPEDITED CONSIDERATION.—

“(1)(A) Before the close of the second legislative day of the House of Representatives after the date of receipt of a special message transmitted to Congress under subsection (b), the majority leader or minority leader of the House of Representatives shall introduce (by request) the draft bill accompanying that special message. If the bill is not introduced as provided in the preceding sentence, then, on the third legislative day of the House of Representatives after the date of receipt of that special message, any Member of that House may introduce the bill.

“(B) The bill shall be referred to the Committee on Appropriations. The committee shall report the bill without substantive revision and with or without recommendation. The bill shall be reported not later than the seventh legislative day of that House after the date of receipt of that special message. If that committee fails to report the bill within that period, that committee shall be automatically discharged from consideration of the bill, and the bill shall be placed on the appropriate calendar.

“(C) A vote on final passage of the bill shall be taken in the House of Representatives on or before the close of the 10th legislative day of that House after the date of the introduction of the bill in that House. If the bill is passed, the Clerk of the

House of Representatives shall cause the bill to be engrossed, certified, and transmitted to the Senate within one calendar day of the day on which the bill is passed.

“(2)(A) A motion in the House of Representatives to proceed to the consideration of a bill under this section shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

“(B) Debate in the House of Representatives on a bill under this section shall not exceed 4 hours, which shall be divided equally between those favoring and those opposing the bill. A motion to further limit debate shall not be debatable. It shall not be in order to move to recommit a bill under this section or to move to reconsider the vote by which the bill is agreed to or disagreed to.

“(C) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to a bill under this section shall be decided without debate.

“(D) Except to the extent specifically provided in the preceding provisions of this subsection, consideration of a bill under this section shall be governed by the Rules of the House of Representatives. It shall not be in order in the House of Representatives to consider any rescission bill introduced pursuant to the provisions of this section under a suspension of the rules or under a special rule.

“(3) A bill transmitted to the Senate pursuant to paragraph (1)(D) shall be referred to its Committee on Appropriations. That committee shall report the bill without substantive revision and with or without recommendation. The bill shall be reported not later than the seventh legislative day of the Senate after it receives the bill. A committee failing to report the bill within such period shall be automatically discharged from consideration of the bill, and the bill shall be placed upon the appropriate calendar.

“(4)(A) A motion in the Senate to proceed to the consideration of a bill under this section shall be privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

“(B) Debate in the Senate on a bill under this section, and all debatable motions and appeals in connection therewith (including debate pursuant to subparagraph (C)), shall not exceed 10 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

“(C) Debate in the Senate or any debatable motion or appeal in connection with a bill under this section shall be limited to not more than 1 hour, to be equally divided between, and controlled by, the mover and the manager of the bill, except that in the event the manager of the bill is in favor of any such motion or appeal, the time in opposition thereto, shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from time under their control of the pas-

sage of a bill, allot additional time to any Senator during the consideration of any debatable motion or appeal.

“(D) A motion in the Senate to further limit debate on a bill under this section is not debatable. A motion to recommit a bill under this section is not in order.

“(d) AMENDMENT AND DIVISIONS PROHIBITED.—No amendment to a bill considered under this section shall be in order in either the House of Representatives or the Senate. It shall not be in order to demand a division of the question in the House of Representatives (or in a Committee of the Whole) or in the Senate. No motion to suspend the application of this subsection shall be in order in either House, nor shall it be in order in either House to suspend the application of this subsection by unanimous consent.

“(e) REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.—Any amount of budget authority proposed to be rescinded in a special message transmitted to Congress under subsection (b) shall be made available for obligation on the day after the date on which either House rejects the bill transmitted with that special message.

“(f) DEFINITIONS.—For purposes of this section:

“(1) The term ‘appropriation Act’ means any general or special appropriation Act, and any Act or joint resolution making supplemental, deficiency, or continuing appropriations.

“(2) The term ‘legislative day’ means, with respect to either House of Congress, any day of session.

“(3) The term ‘rescind’ means, with respect to an appropriation Act, to reduce the amount of budget authority appropriated in that Act, and reducing budget authority shall include reducing obligation limitations set forth in that Act.”.

(b) EXERCISE OF RULEMAKING POWERS.—Section 904 of the Congressional Budget Act of 1974 (2 U.S.C. 621 note) is amended—

(1) in subsection (a), by striking “and 1017” and inserting “1012, and 1017”; and

(2) in subsection (d), by striking “section 1017” and inserting “sections 1012 and 1017”.

(c) CONFORMING AMENDMENTS.—

(1) Section 1011 of the Congressional Budget Act of 1974 (2 U.S.C. 682(5)) is amended by repealing paragraphs (3) and (5) and by redesignating paragraph (4) as paragraph (3).

(2) Section 1014 of such Act (2 U.S.C. 685) is amended—

(A) in subsection (b)(1), by striking “or the reservation”; and

(B) in subsection (e)(1), by striking “or a reservation” and by striking “or each such reservation”.

(3) Section 1015(a) of such Act (2 U.S.C. 686) is amended by striking “is to establish a reserve or”, by striking “the establishment of such a reserve or”, and by striking “reserve or” each other place it appears.

(4) Section 1017 of such Act (2 U.S.C. 687) is amended—

(A) in subsection (a), by striking “rescission bill introduced with respect to a special message or”;

(B) in subsection (b)(1), by striking “rescission bill or”, by striking “bill or” the second place it appears, by striking “rescission bill with respect to the same special message or”, and by striking “, and the case may be,”;

(C) in subsection (b)(2), by striking “bill or” each place it appears;

(D) in subsection (c), by striking “rescission” each place it appears and by striking “bill or” each place it appears;

(E) in subsection (d)(1), by striking “rescission bill or” and by striking “, and all amendments thereto (in the case of a rescission bill)”;

(F) in subsection (d)(2)—

(i) by striking the first sentence;

(ii) by amending the second sentence to read as follows: “Debate on any debatable motion or appeal in connection with an impoundment resolution shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, except that in the event that the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee.”;

(iii) by striking the third sentence; and

(iv) in the fourth sentence, by striking “rescission bill or” and by striking “amendment, debatable motion,” and by inserting ‘debatable motion’;

(G) in paragraph (d)(3), by striking the second and third sentences; and

(H) by striking paragraphs (4), (5), (6), and (7) of paragraph (d).

(d) CLERICAL AMENDMENTS.—The table of sections for subpart B of title X of the Congressional Budget and Impoundment Control Act of 1974 is amended by redesignating the item relating to sections 1014 through 1018 as items 1015 through 1019, respectively, and by inserting after the item relating to section 1012 the following new item:

“Sec. 1013. Enhanced consideration of certain proposed rescissions.”.

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10. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE YOUNG OF FLORIDA, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

At the appropriate place in the bill, insert the following new section:

SEC. . SPECIAL RULE FOR FISCAL YEAR 2005.—For purposes of ensuring the full funding of the transportation guarantees in fiscal year 2005, the amounts provided for fiscal year 2005 for discretionary new budget authority and outlays allocated to the House Committee on Appropriations as though under section 302(a) of the Congressional Budget Act of 1974 shall be increased by no less than \$2,057,000,000 in budget authority and \$634,000,000 in outlays.

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11. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE YOUNG OF FLORIDA, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

Strike section 2 of the bill.

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12. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE YOUNG OF FLORIDA, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

At the end, add the following new section:

**SEC. . CHANGE OF FISCAL YEAR.**

(a) FISCAL YEAR TO BEGIN NOVEMBER 1.—Section 1102 of title 31, United States Code, is amended by striking “October 1” and inserting “November 1” and by striking “September 30” and inserting “October 31”.

(b) TITLE OF APPROPRIATION ACTS.—Section 105 of title 1, United States Code, is amended by striking “September 30” and inserting “October 31”.

(c) TRANSITION TO NEW FISCAL YEAR.—(1) As soon as practicable, the President shall prepare and submit to the Congress—

(A) after consultation with the Committees on Appropriations of the House of Representatives and the Senate, budget estimates for the United States Government for the period commencing October 1, 2005, and ending October 31, 2005, in such form and detail as he may determine; and

(B) propose legislation he considers appropriate with respect to changes in law necessary to provide authorizations of appropriations for that period.

(2) The Director of the Office of Management and Budget shall provide, by regulation or otherwise, for the orderly transition of all departments, agencies, and instrumentalities of the United States Government and the government of the District of Columbia from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new fiscal year prescribed by section 1102 of title 31, United States Code, (as amended by subsection (a)). The Director shall prepare and submit to the Congress such additional proposed legislation as he considers necessary to accomplish this objective.

(d) EFFECTIVE DATE.—This section and the amendments made by it (except for subsection (c)) apply to fiscal year 2006 and subsequent fiscal years.

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13. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE YOUNG OF FLORIDA, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

At the end, add the following new section:

**SEC. . SUNSETTING OF DISCRETIONARY PROGRAMS AND UNEARNED ENTITLEMENTS.**

(a) FISCAL YEAR 2007.—Effective October 1, 2006, authorizations for all programs (except earned entitlements) shall terminate unless such programs are reauthorized after the date of enactment of this Act and before October 1, 2006.

(b) DEFINITIONS.—For purposes of subsection (a), the term “earned entitlement” means an entitlement earned by service or paid for in total or in part by assessments or contributions such as social security, veterans’ benefits, retirement programs, and medicare.

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14. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE YOUNG OF FLORIDA, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

Strike section 5 of the bill.

15. AN AMENDMENT IN THE NATURE OF A SUBSTITUTE TO BE OFFERED BY REPRESENTATIVE SPRATT OF SOUTH CAROLINA, OR HIS DESIGNEE, DEBATABLE FOR 30 MINUTES

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Budget Enforcement Act of 2004".

**SEC. 2. EXTENSION OF DISCRETIONARY SPENDING LIMITS.**

(a) DISCRETIONARY SPENDING LIMITS.—(1) Section 251(c)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (relating to fiscal year 2004) is amended—

(A) in subparagraph (A), by striking "\$31,834,000,000" and inserting "\$28,052,000,000"; and

(B) in subparagraph (B), by striking "\$1,462,000,000" and inserting "\$1,436,000,000" and by striking "\$6,629,000,000" and inserting "\$6,271,000,000".

(2) Section 251(c)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting a dash after "2005", by redesignating the remaining portion of such paragraph as subparagraph (D) and by moving it two ems to the right, and by inserting after the dash the following new subparagraphs:

"(A) for the general purpose discretionary category: \$832,474,000,000 in new budget authority and \$870,895,000,000 in outlays;

"(B) for the highway category: \$30,585,000,000 in outlays; and

"(C) for the mass transit category: \$1,554,000,000 in new budget authority and \$6,787,000,000 in outlays; and".

(3) Section 251(c)(3) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting a dash after "2006", by redesignating the remaining portion of such paragraph as subparagraph (D) and by moving it two ems to the right, and by inserting after the dash the following new subparagraphs:

"(A) for the general purpose discretionary category: \$856,879,000,000 in new budget authority and \$865,993,000,000 in outlays;

"(B) for the highway category: \$33,271,000,000 in outlays; and

"(C) for the mass transit category: \$1,671,000,000 in new budget authority and \$7,585,000,000 in outlays; and".

(4) Section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by redesignating paragraphs (4) through (9) as paragraphs (7) through (12) and inserting after paragraph (3) the following new paragraphs:

"(4) with respect to fiscal year 2007—

"(A) for the highway category: \$35,248,000,000 in outlays; and

"(B) for the mass transit category: \$1,785,000,000 in new budget authority and \$8,110,000,000 in outlays;

“(5) with respect to fiscal year 2008—

“(A) for the highway category: \$36,587,000,000 in outlays; and

“(B) for the mass transit category: \$1,890,000,000 in new budget authority and \$8,517,000,000 in outlays; and

“(6) with respect to fiscal year 2009—

“(A) for the highway category: \$37,682,000,000 in outlays; and

“(B) for the mass transit category: \$2,017,000,000 in new budget authority and \$8,968,000,000 in outlays;”.

(b) DEFINITIONS.—Section 250(c)(4) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subparagraph (B), by—

(A) striking “the Transportation Equity Act for the 21st Century and the Surface Transportation Extension Act of 2003” and inserting “the Transportation Equity Act: A Legacy for Users”; and

(B) inserting before the period at the end the following new clauses:

“(v) 69-8158-0-7-401 (Motor Carrier Safety Grants).

“(vi) 69-8159-0-7-401 (Motor Carrier Safety Operations and Programs).”;

(2) in subparagraph (C), by—

(A) inserting “(and successor accounts)” after “budget accounts”; and

(B) striking “the Transportation Equity Act for the 21st Century and the Surface Transportation Extension Act of 2003 or for which appropriations are provided pursuant to authorizations contained in those Acts (except that appropriations provided pursuant to section 5338(h) of title 49, United States Code, as amended by the Transportation Equity Act for the 21st Century, shall not be included in this category)” and inserting “the Transportation Equity Act: A Legacy for Users or for which appropriations are provided pursuant to authorizations contained in that Act”; and

(3) in subparagraph (D)(ii), by striking “section 8103 of the Transportation Equity Act for the 21st Century” and inserting “section 8103 of the Transportation Equity Act: A Legacy for Users”.

### **SEC. 3. ADJUSTMENTS TO ALIGN HIGHWAY SPENDING WITH REVENUES.**

Subparagraphs (B) through (E) of section 251(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended to read as follows:

“(B) ADJUSTMENT TO ALIGN HIGHWAY SPENDING WITH REVENUES.—(i) When the President submits the budget under section 1105 of title 31, United States Code, OMB shall calculate and the budget shall make adjustments to the highway category for the budget year and each outyear as provided in clause (ii)(I)(cc).

“(ii)(I)(aa) OMB shall take the actual level of highway receipts for the year before the current year and subtract the sum of the estimated level of highway receipts in subclause (II) plus any amount previously calculated under item (bb) for that year.

(bb) OMB shall take the current estimate of highway receipts for the current year and subtract the estimated level of receipts for that year.

“(cc) OMB shall add one-half of the sum of the amount calculated under items (aa) and (bb) to the obligation limitations set forth in the section 8103 of the Transportation Equity Act: A Legacy for Users and, using current estimates, calculate the outlay change resulting from the change in obligations for the budget year and the first out-year and the outlays flowing therefrom through subsequent fiscal years. After making the calculations under the preceding sentence, OMB shall adjust the amount of obligations set forth in that section for the budget year and the first outyear by adding one-half of the sum of the amount calculated under items (aa) and (bb) to each such year.

“(II) The estimated level of highway receipts for the purposes of this clause are—

“(aa) for fiscal year 2004, \$30,572,000,000;

“(bb) for fiscal year 2005, \$34,260,000,000;

“(cc) for fiscal year 2006, \$35,586,000,000;

“(dd) for fiscal year 2007, \$36,570,000,000;

“(ee) for fiscal year 2008, \$37,603,000,000; and

“(ff) for fiscal year 2009, \$38,651,000,000.

“(III) In this clause, the term ‘highway receipts’ means the governmental receipts credited to the highway account of the Highway Trust Fund.

“(C) In addition to the adjustment required by subparagraph (B), when the President submits the budget under section 1105 of title 31, United States Code, for fiscal year 2006, 2007, 2008, or 2009, OMB shall calculate and the budget shall include for the budget year and each outyear an adjustment to the limits on outlays for the highway category and the mass transit category equal to—

“(i) the outlays for the applicable category calculated assuming obligation levels consistent with the estimates prepared pursuant to subparagraph (D), as adjusted, using current technical assumptions; minus

“(ii) the outlays for the applicable category set forth in the subparagraph (D) estimates, as adjusted.

“(D)(i) When OMB and CBO submit their final sequester report for fiscal year 2004, that report shall include an estimate of the outlays for each of the categories that would result in fiscal years 2005 through 2009 from obligations at the levels specified in section 8103 of the Transportation Equity Act: A Legacy for Users using current assumptions.

“(ii) When the President submits the budget under section 1105 of title 31, United States Code, for fiscal year 2006, 2007, 2008, or 2009, OMB shall adjust the estimates made in clause (i) by the adjustments by subparagraphs (B) and (C).

“(E) OMB shall consult with the Committees on the Budget and include a report on adjustments under subparagraphs (B) and (C) in the preview report.”.

**SEC. 4. LEVEL OF OBLIGATION LIMITATIONS.**

(a) **HIGHWAY CATEGORY.**—For the purposes of section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, the level of obligation limitations for the highway category is—

- (1) for fiscal year 2004, \$34,309,000,000;
- (2) for fiscal year 2005, \$35,671,000,000;
- (3) for fiscal year 2006, \$36,719,000,000;
- (4) for fiscal year 2007, \$37,800,000,000;
- (5) for fiscal year 2008, \$38,913,000,000; and
- (6) for fiscal year 2009, \$40,061,000,000.

(b) **MASS TRANSIT CATEGORY.**—For the purposes of section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, the level of obligation limitations for the mass transit category is—

- (1) for fiscal year 2004, \$7,266,000,000;
- (2) for fiscal year 2005, \$7,750,000,000;
- (3) for fiscal year 2006, \$8,266,000,000;
- (4) for fiscal year 2007, \$8,816,000,000;
- (5) for fiscal year 2008, \$9,403,000,000; and
- (6) for fiscal year 2009, \$10,029,000,000.

For purposes of this subsection, the term “obligation limitations” means the sum of budget authority and obligation limitations.

**SEC. 5. EXTENSION OF PAY-AS-YOU-GO REQUIREMENT.**

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended “2002” both places it appears and inserting “2009”.

**SEC. 6. REPORTS.**

Subsections (c)(2) and (f)(2)(A) of section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended by striking “2002” and inserting “2006 (or 2009 solely for purposes of enforcing the discretionary spending limits for the highway and mass transit categories)”.

**SEC. 7. EXPIRATION.**

Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking “2002” and inserting “2006 (or 2009 solely for purposes of enforcing the discretionary spending limits for the highway and mass transit categories)” and by striking “2006” and inserting “2013”.

**SEC. 8. TECHNICAL CORRECTIONS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.**

Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

- (1) In section 250(a), strike “SEC. 256. GENERAL AND SPECIAL SEQUESTRATION RULES” and insert “Sec. 256. General and special sequestration rules” in the item relating to section 256.
- (2) In subparagraphs (F), (G), (H), (I), (J), and (K) of section 250(c)(4), insert “subparagraph” after “described in” each place it appears.
- (3) In section 250(c)(18), insert “of” after “expenses”.
- (4) In section 251(b)(1)(A), strike “committees” the first place it appears and insert “Committees”.
- (5) In section 251(b)(1)(C)(i), strike “fiscal years” and insert “fiscal year”.

(6) In section 251(b)(1)(D)(ii), strike “fiscal years” and insert “fiscal year”.

(7) In section 252(b)(2)(B), insert “the” before “budget year”.

(8) In section 252(c)(1)(C)(i), strike “paragraph (1)” and insert “subsection (b)”.

(9) In section 254(c)(3)(A), strike “subsection” and insert “section”.

(10) In section 254(f)(4), strike “subsection” and insert “section” and strike “sequesterable” and insert “sequestrable”.

(11) In section 255(g)(1)(B), move the fourteenth undesignated clause 2 ems to the right.

(12) In section 255(g)(2), insert “and” after the semicolon at the end of the next-to-last undesignated clause.

(13) In section 255(h)—

(A) strike “and” after the semicolon in the ninth undesignated clause;

(B) insert “and” after the semicolon at the end of the tenth undesignated clause; and

(C) strike the semicolon at the end and insert a period.

(14) In section 256(k)(1), strike “paragraph (5)” and insert “paragraph (6)”.

(15) In section 257(b)(2)(A)(i), strike “differenes” and insert “differences”.

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16. AN AMENDMENT IN THE NATURE OF A SUBSTITUTE TO BE OFFERED BY REPRESENTATIVE HENSARLING OF TEXAS, OR HIS DESIGNEE, DEBATABLE FOR 30 MINUTES

Strike all after the enacting clause and insert the following:

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

(a) SHORT TITLE.—This Act may be cited as the “Family Budget Protection Act of 2004”.

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

Sec. 2. Effective date.

**TITLE I—A SIMPLE AND BINDING BUDGET**

**Subtitle A—Joint Budget Resolutions**

Sec. 101. Declaration of purposes for the Budget Act.

Sec. 102. The timetable.

Sec. 103. Annual joint resolutions on the budget.

Sec. 104. Budget required before spending bills may be considered

Sec. 105. Amendments to effectuate joint resolutions on the budget.

**Subtitle B—Budgeting for Emergencies**

Sec. 111. Purpose.

Sec. 112. Repeal of adjustments for emergencies.

Sec. 113. OMB emergency criteria.

Sec. 114. Development of guidelines for application of emergency definition.

Sec. 115. Reserve fund for emergencies in President’s budget.

Sec. 116. Adjustments and reserve fund for emergencies in joint budget resolutions.

Sec. 117. Application of section 306 to emergencies in excess of amounts in reserve fund.

Sec. 118. Up-to-date tabulations.

Sec. 119. Prohibition on amendments to emergency reserve fund.

**Subtitle C—Biennial Budget Option**

Sec. 121. Effective date.

- Sec. 122. Revision of timetable.
- Sec. 123. Amendments to the Congressional Budget and Impoundment Control Act of 1974.
- Sec. 124. Amendments to Rules of House of Representatives.
- Sec. 125. Amendments to title 31, United States Code.
- Sec. 126. Two-year appropriations; title and style of appropriation Acts.
- Sec. 127. Multiyear authorizations.
- Sec. 128. Government strategic and performance plans on a biennial basis.
- Sec. 129. Biennial appropriation bills.
- Sec. 130. Assistance by Federal agencies to standing committees of the Senate and the House of Representatives.

#### Subtitle D—Prevention of Government Shutdown

- Sec. 141. Amendment to title 31.

#### Subtitle E—The Baseline

- Sec. 151. Elimination of inflation adjustment.
- Sec. 152. The President's budget.
- Sec. 153. The congressional budget.
- Sec. 154. Congressional Budget Office reports to committees.
- Sec. 155. Treatment of emergencies.

### TITLE II—PUTTING A LID ON THE FEDERAL BUDGET

#### Subtitle A—Spending Safeguards on the Growth of Entitlements and Mandatories

- Sec. 201. Spending caps on growth of entitlements and mandatories.
- Sec. 202. Exempt programs and activities.
- Sec. 203. Exceptions, limitations, and special rules.
- Sec. 204. Point of order.
- Sec. 205. Technical and conforming amendments.
- Sec. 206. Establishment of Family Budget Protection Mandatory Account.

#### Subtitle B—Discretionary Spending Limits

- Sec. 211. Enforcing discretionary spending limits.
- Sec. 212. Establishment of Family Budget Protection Discretionary Account.
- Sec. 213. Revenue adjustment.

#### Subtitle C—Long-term Unfunded Obligations

- Sec. 221. Long-term unfunded obligations.
- Sec. 222. Points of order.
- Sec. 223. Social security.

### TITLE III—COMBATING WASTE, FRAUD, AND ABUSE.

#### Subtitle A—Sunsetting

- Sec. 301. Reauthorization of discretionary programs and unearned entitlements.
- Sec. 302. Point of order.
- Sec. 303. Decennial sunseting.

#### Subtitle B—Enhanced Rescissions of Budget Authority Identified by the President as Wasteful Spending

- Sec. 311. Enhanced consideration of certain proposed rescissions.

#### Subtitle C—Commission to Eliminate Waste, Fraud, and Abuse

- Sec. 331. Establishment of Commission.
- Sec. 332. Duties of the Commission.
- Sec. 333. Powers of the Commission.
- Sec. 334. Commission personnel matters.
- Sec. 335. Termination of the Commission.
- Sec. 336. Congressional consideration of reform proposals.
- Sec. 337. Authorization of appropriations.

### TITLE IV—TRUTH IN ACCOUNTING

#### Subtitle A—Accrual Funding of Pensions and Retirement Pay for Federal Employees and Uniformed Services Personnel

- Sec. 401. Civil Service Retirement System.
- Sec. 402. Central Intelligence Agency Retirement and Disability System.

- Sec. 403. Foreign Service Retirement and Disability System.
- Sec. 404. Public Health Service Commissioned Corps Retirement System.
- Sec. 405. National Oceanic and Atmospheric Administration Commissioned Officer Corps Retirement System.
- Sec. 406. Coast Guard Military Retirement System.

Subtitle B—Accrual Funding of Post-Retirement Health Benefits Costs for Federal Employees

- Sec. 411. Federal employees health benefits fund.
- Sec. 412. Funding uniformed services health benefits for all retirees.
- Sec. 413. Effective date.

Subtitle C—Limit on the Public Debt

- Sec. 421. Findings.
- Sec. 422. Purpose.
- Sec. 423. Limit on public debt.

Subtitle D—Risk-Assumed Budgeting

- Sec. 431. Federal insurance programs.

TITLE V—MAINTAINING A COMMITMENT TO THE FAMILY BUDGET

Subtitle A—Further Enforcement Amendments

- Sec. 501. Super-majority points of order in the House of Representatives and the Senate.
- Sec. 502. Budget resolution enforcement point of order.
- Sec. 503. Point of order waiver protection.

Subtitle B—The Byrd Rule

- Sec. 511. Limitation on Byrd Rule.

Subtitle C—Treatment of Extraneous Appropriations in Omnibus Appropriation Measures

- Sec. 521. Treatment of extraneous appropriations.

**SEC. 2. EFFECTIVE DATE.**

Except as otherwise specifically provided, this Act and the amendments made by this Act shall become effective on the date of enactment of this Act and shall apply with respect to fiscal years beginning after September 30, 2004.

## **TITLE I—A SIMPLE AND BINDING BUDGET**

### **Subtitle A—Joint Budget Resolutions**

**SEC. 101. DECLARATION OF PURPOSES FOR THE BUDGET ACT.**

Paragraphs (1) and (2) of section 2 of the Congressional Budget and Impoundment Control Act of 1974 are amended to read as follows:

- “(1) to assure effective control over the budgetary process;
- “(2) to facilitate the determination each year of the appropriate level of Federal revenues and expenditures by the Congress and the President;”.

**SEC. 102. THE TIMETABLE.**

Section 300 of the Congressional Budget Act of 1974 is amended to read as follows:

## "TIMETABLE

"SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

<b>"On or before:</b>	<b>Action to be completed:</b>
First Monday in February .....	President submits his budget.
February 15 .....	Congressional Budget Office submits report to Budget Committees.
Not later than 6 weeks after President submits budget.	Committees submit views and estimates to Budget Committees.
April 1 .....	Senate Budget Committee reports joint resolution on the budget.
April 15 .....	Congress completes action on joint resolution on the budget.
June 10 .....	House Appropriations Committee reports last annual appropriation bill.
June 15 .....	Congress completes action on reconciliation legislation.
June 30 .....	House completes action on annual appropriation bills.
October 1 .....	Fiscal year begins."

**SEC. 103. ANNUAL JOINT RESOLUTIONS ON THE BUDGET.**

(a) CONTENT OF ANNUAL JOINT RESOLUTIONS ON THE BUDGET.—Section 301(a)(4) of the Congressional Budget Act of 1974 is amended to read as follows:

"(4) subtotals of new budget authority and outlays for non-defense discretionary spending, defense discretionary spending, direct spending (excluding interest), and interest; and for emergencies (for the reserve fund in section 316(b) and for military operations in section 316(c));".

(b) ADDITIONAL MATTERS IN JOINT RESOLUTION.—Section 301(b) of the Congressional Budget Act of 1974 is amended as follows:

(1) Strike paragraphs (2), (4), and (6) through (9).

(2) After paragraph (3), insert "and" and redesignate paragraph (5) as paragraph (4) and in such paragraph strike the semicolon and insert a period.

(c) REQUIRED CONTENTS OF REPORT.—Section 301(e)(2) of the Congressional Budget Act of 1974 is amended as follows:

(1) Redesignate subparagraphs (A), (B), (C), (D), (E), and (F) as subparagraphs (B), (C), (E), (F), (H), and (I), respectively.

(2) Before subparagraph (B) (as redesignated), insert the following new subparagraph:

"(A) new budget authority and outlays for each major functional category, based on allocations of the total levels set forth pursuant to subsection (a)(1);".

(3) In subparagraph (C) (as redesignated), strike "mandatory" and insert "direct spending".

(4) After subparagraph (C) (as redesignated), insert the following new subparagraph:

"(D) a measure, as a percentage of gross domestic product, of total outlays, total Federal revenues, the surplus or deficit, and new outlays for nondefense discretionary spending, defense spending, and direct spending as set forth in such resolution;".

(5) After subparagraph (F) (as redesignated), insert the following new subparagraph:

"(G) if the joint resolution on the budget includes any allocation to a committee other than the Committee on Ap-



propriations of levels in excess of current law levels, a justification for not subjecting any program, project, or activity (for which the allocation is made) to annual discretionary appropriations;”.

(d) ADDITIONAL CONTENTS OF REPORT.—Section 301(e)(3) of the Congressional Budget Act of 1974 is amended as follows:

(1) Redesignate subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively, strike subparagraphs (C) and (D), and redesignate subparagraph (E) as subparagraph (D).

(2) Before subparagraph (B), insert the following new subparagraph:

“(A) reconciliation directives described in section 310;”.

(e) PRESIDENT’S BUDGET SUBMISSION TO THE CONGRESS.—(1) The first two sentences of section 1105(a) of title 31, United States Code, are amended to read as follows:

“On or after the first Monday in January but not later than the first Monday in February of each year the President shall submit a budget of the United States Government for the following fiscal year which shall set forth the following levels:

“(A) totals of new budget authority and outlays;

“(B) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

“(C) the surplus or deficit in the budget;

“(D) subtotals of new budget authority and outlays for non-defense discretionary spending, defense discretionary spending, direct spending (excluding interest), and interest, and for emergencies (for the reserve fund in section 316(b) and for military operations in section 316(c)); and

“(E) the public debt.

Each budget submission shall include a budget message and summary and supporting information and, as a separately delineated statement, the levels required in the preceding sentence for at least each of the 9 ensuing fiscal years.”.

(2) The third sentence of section 1105(a) of title 31, United States Code, is amended by inserting “submission” after “budget”.

(f) LIMITATION ON CONTENTS OF BUDGET RESOLUTIONS.—Section 305 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(e) LIMITATION ON CONTENTS.—(1) It shall not be in order in the House of Representatives or in the Senate to consider any joint resolution on the budget or any amendment thereto or conference report thereon that contains any matter referred to in paragraph (2).

“(2) Any joint resolution on the budget or any amendment thereto or conference report thereon that contains any matter not permitted in section 301(a) or (b) shall not be treated in the House of Representatives or the Senate as a budget resolution under subsection (a) or (b) or as a conference report on a budget resolution under subsection (c) of this section.”.

#### **SEC. 104. BUDGET REQUIRED BEFORE SPENDING BILLS MAY BE CONSIDERED**

(a) AMENDMENTS TO SECTION 302.—Section 302(a) of the Congressional Budget Act of 1974 is amended by striking paragraph (5).

(b) AMENDMENTS TO SECTION 303 AND CONFORMING AMENDMENTS.—(1) Section 303 of the Congressional Budget Act of 1974 is amended by striking “(a) IN GENERAL.—”, by striking “as reported to the House or Senate”, by striking “to become effective” in paragraph (1), and by striking subsections (b) and (c); and

(2) by striking its section heading and inserting the following new section heading: “CONSIDERATION OF BUDGET-RELATED LEGISLATION BEFORE BUDGET BECOMES LAW”.

(c) ADDITIONAL AMENDMENTS.—(1) Section 302(g)(1) of the Congressional Budget Act of 1974 is amended by striking “and, after April 15, section 303”.

(2)(A) Section 904(c)(1) of the Congressional Budget Act of 1974 is amended by inserting “303,” before “305(b)(2).”.

(B) Section 904(d)(2) of the Congressional Budget Act of 1974 is amended by inserting “303,” before “305(b)(2).”.

(d) EXPEDITED PROCEDURES UPON VETO OF JOINT RESOLUTION ON THE BUDGET.—(1) Title III of the Congressional Budget Act of 1974 (as amended by section 116) is further amended by adding after section 316 the following new section:

“EXPEDITED PROCEDURES UPON VETO OF JOINT RESOLUTION ON THE  
BUDGET

“SEC. 317. (a) SPECIAL RULE.—If the President vetoes a joint resolution on the budget for a fiscal year, the majority leader of the House of Representatives or Senate (or his designee) may introduce a concurrent resolution on the budget or joint resolution on the budget for such fiscal year. If the Committee on the Budget of either House fails to report such concurrent or joint resolution referred to it within five calendar days (excluding Saturdays, Sundays, or legal holidays except when that House of Congress is in session) after the date of such referral, the committee shall be automatically discharged from further consideration of such resolution and such resolution shall be placed on the appropriate calendar.

“(b) PROCEDURE IN THE HOUSE OF REPRESENTATIVES AND THE SENATE.—

“(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the House of Representatives and in the Senate of joint resolutions on the budget and conference reports thereon shall also apply to the consideration of concurrent resolutions on the budget introduced under subsection (a) and conference reports thereon.

“(2) Debate in the Senate on any concurrent resolution on the budget or joint resolution on the budget introduced under subsection (a), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 10 hours and in the House such debate shall be limited to not more than 3 hours.

“(c) CONTENTS OF CONCURRENT RESOLUTIONS.—Any concurrent resolution on the budget introduced under subsection (a) shall be in compliance with section 301.

“(d) EFFECT OF CONCURRENT RESOLUTION ON THE BUDGET.—Notwithstanding any other provision of this title, whenever a concurrent resolution on the budget described in subsection (a) is agreed to, then the aggregates, allocations, and reconciliation directives (if

any) contained in the report accompanying such concurrent resolution or in such concurrent resolution shall be considered to be the aggregates, allocations, and reconciliation directives for all purposes of sections 302, 303, and 311 for the applicable fiscal years and such concurrent resolution shall be deemed to be a joint resolution for all purposes of this title and the Rules of the House of Representatives and any reference to the date of enactment of a joint resolution on the budget shall be deemed to be a reference to the date agreed to when applied to such concurrent resolution.”

(2) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 316 the following new item:

“Sec. 317. Expedited procedures upon veto of joint resolution on the budget.”.

**SEC. 105. AMENDMENTS TO EFFECTUATE JOINT RESOLUTIONS ON THE BUDGET.**

(a) DEFINITION.—Paragraph (4) of section 3 of the Congressional Budget Act of 1974 is amended to read as follows:

“(4) the term ‘joint resolution on the budget’ means—

“(A) a joint resolution setting forth the budget for the United States Government for a fiscal year as provided in section 301; and

“(B) any other joint resolution revising the budget for the United States Government for a fiscal year as described in section 304.”.

(b) ADDITIONAL AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.—(1)(A) Sections 301, 302, 303, 305, 308, 310, 311, 312, 314, 405, and 904 of the Congressional Budget Act of 1974 (2 U.S.C. 621 et seq.) are amended by striking “concurrent” each place it appears and inserting “joint”.

(B)(i) Sections 302(d), 302(g), 308(a)(1)(A), and 310(d)(1) of the Congressional Budget Act of 1974 are amended by striking “most recently agreed to concurrent resolution on the budget” each place it occurs and inserting “most recently enacted joint resolution on the budget or agreed to concurrent resolution on the budget (as applicable)”.

(ii) The section heading of section 301 is amended by striking “adoption of concurrent resolution” and inserting “joint resolutions”; and

(iii) Section 304 of such Act is amended to read as follows:

“PERMISSIBLE REVISIONS OF BUDGET RESOLUTIONS

“SEC. 304. At any time after the joint resolution on the budget for a fiscal year has been enacted pursuant to section 301, and before the end of such fiscal year, the two Houses and the President may enact a joint resolution on the budget which revises or reaffirms the joint resolution on the budget for such fiscal year most recently enacted.”.

(C) Sections 302, 303, 310, and 311, of such Act are amended by striking “agreed to” each place it appears and by inserting “enacted”.

(2)(A) Paragraph (4) of section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking “concurrent” each place it appears and by inserting “joint”.

(B) The table of contents set forth in section 1(b) of such Act is amended—

(i) in the item relating to section 301, by striking “adoption of concurrent resolution” and inserting “joint resolutions”;

(ii) by striking the item relating to section 303 and inserting the following:

“Sec. 303. Consideration of budget-related legislation before budget becomes law.”;

(iii) by striking “concurrent” and inserting “joint” in the item relating to section 305.

(c) CONFORMING AMENDMENTS TO THE RULES OF THE HOUSE OF REPRESENTATIVES.—Clauses 1(e)(1), 4(a)(4), 4(b)(2), 4(f)(1)(A), and 4(f)(2) of rule X, clause 10 of rule XVIII, and clause 10 of rule XX of the Rules of the House of Representatives are amended by striking “concurrent” each place it appears and inserting “joint”.

(d) CONFORMING AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—Section 258C(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 907d(b)(1)) is amended by striking “concurrent” and inserting “joint”.

(e) CONFORMING AMENDMENTS TO SECTION 310 REGARDING RECONCILIATION DIRECTIVES.—(1) The side heading of section 310(a) of the Congressional Budget Act of 1974 (as amended by section 105(b)) is further amended by inserting “JOINT EXPLANATORY STATEMENT ACCOMPANYING CONFERENCE REPORT ON” before “JOINT”.

(2) Section 310(a) of such Act is amended by striking “A” and inserting “The joint explanatory statement accompanying the conference report on a”.

(3) The first sentence of section 310(b) of such Act is amended by striking “If” and inserting “If the joint explanatory statement accompanying the conference report on”.

(4) Section 310(c)(1) of such Act is amended by inserting “the joint explanatory statement accompanying the conference report on” after “pursuant to”.

(f) CONFORMING AMENDMENTS TO SECTION 3 REGARDING DIRECT SPENDING.—Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding at the end the following new paragraph:

“(11) The term ‘direct spending’ has the meaning given to such term in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985.”.

## **Subtitle B—Budgeting for Emergencies**

### **SEC. 111. PURPOSE.**

The purposes of this subtitle are to—

- (1) develop budgetary and fiscal procedures for emergencies;
- (2) subject spending for emergencies to budgetary procedures and controls; and
- (3) establish criteria for determining compliance with emergency requirements.

**SEC. 112. REPEAL OF ADJUSTMENTS FOR EMERGENCIES.**

(a) **ELIMINATION OF EMERGENCY DESIGNATION.**—Sections 251(b)(2)(A), 252(e), and 252(d)(4)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985 are repealed.

(b) **ELIMINATION OF EMERGENCY ADJUSTMENTS.**—Section 314(b) of the Congressional Budget Act of 1974 is amended by striking paragraph (1) and by redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively.

(c) **CONFORMING AMENDMENT.**—Clause 2 of rule XXI of the Rules of the House of Representatives is amended by repealing paragraph (e) and by redesignating paragraph (f) as paragraph (e).

**SEC. 113. OMB EMERGENCY CRITERIA.**

**DEFINITION OF EMERGENCY.**—Section 3 of the Congressional Budget and Impoundment Control Act of 1974 (as amended by section 105(e)) is further amended by adding at the end the following new paragraph:

“(12)(A) The term ‘emergency’ means a situation that—

“(i) requires new budget authority and outlays (or new budget authority and the outlays flowing therefrom) for the prevention or mitigation of, or response to, loss of life or property, or a threat to national security; and

“(ii) is unanticipated.

“(B) As used in subparagraph (A), the term ‘unanticipated’ means that the situation is—

“(i) sudden, which means quickly coming into being or not building up over time;

“(ii) urgent, which means a pressing and compelling need requiring immediate action;

“(iii) unforeseen, which means not predicted or anticipated as an emerging need; and

“(iv) temporary, which means not of a permanent duration.”.

(b) **CONFORMING AMENDMENT.**—The term ‘emergency’ has the meaning given to such term in section 3 of the Congressional Budget and Impoundment Control Act of 1974.”.

**SEC. 114. DEVELOPMENT OF GUIDELINES FOR APPLICATION OF EMERGENCY DEFINITION.**

Not later than 5 months after the date of enactment of this Act, the chairmen of the Committees on the Budget (in consultation with the President) shall, after consulting with the chairmen of the Committees on Appropriations and applicable authorizing committees of their respective Houses and the Directors of the Congressional Budget Office and the Office of Management and Budget, jointly publish in the Congressional Record guidelines for application of the definition of emergency set forth in section 3(12) of the Congressional Budget and Impoundment Control Act of 1974.

**SEC. 115. RESERVE FUND FOR EMERGENCIES IN PRESIDENT'S BUDGET.**

Section 1105(f) of title 31, United States Code is amended by adding at the end the following new sentences: “Such budget submission shall also comply with the requirements of subsections (b) and (c) of section 316 of the Congressional Budget Act of 1974 and, in the case of any budget authority requested for an emergency, such submission shall include a detailed justification of why such

emergency is an emergency within the meaning of section 3(12) of the Congressional Budget Act of 1974.”.

**SEC. 116. ADJUSTMENTS AND RESERVE FUND FOR EMERGENCIES IN JOINT BUDGET RESOLUTIONS.**

(a) EMERGENCIES.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

“EMERGENCIES

“SEC. 316. (a) ADJUSTMENTS.—

“(1) IN GENERAL.—After the reporting of a bill or joint resolution or the submission of a conference report thereon that provides budget authority for any emergency as identified pursuant to subsection (d) that is not covered by subsection (c)—

“(A) the chairman of the Committee on the Budget of the House of Representatives or the Senate shall determine and certify, pursuant to the guidelines referred to in section 114 of the Family Budget Protection Act of 2004, the portion (if any) of the amount so specified that is for an emergency within the meaning of section 3(12); and

“(B) such chairman shall make the adjustment set forth in paragraph (2) for the amount of new budget authority (or outlays) in that measure and the outlays flowing from that budget authority.

“(2) MATTERS TO BE ADJUSTED.—The adjustments referred to in paragraph (1) are to be made to the allocations made pursuant to the appropriate joint resolution on the budget pursuant to section 302(a) and shall be in an amount not to exceed the amount reserved for emergencies pursuant to the requirements of subsection (b).

“(b) RESERVE FUND FOR NONMILITARY EMERGENCIES.—The amount set forth in the reserve fund for emergencies for budget authority and outlays for a fiscal year pursuant to section 301(a)(4) shall equal—

“(1) the average of the enacted levels of budget authority for emergencies (other than those covered by subsection (c)) in the 5 fiscal years preceding the current year; and

“(2) the average of the levels of outlays for emergencies in the 5 fiscal years preceding the current year flowing from the budget authority referred to in paragraph (1), but only in the fiscal year for which such budget authority first becomes available for obligation.

“(c) TREATMENT OF EMERGENCIES TO FUND CERTAIN MILITARY OPERATIONS.—Whenever the Committee on Appropriations reports any bill or joint resolution that provides budget authority for any emergency that is a threat to national security and the funding of which carries out a military operation authorized by a declaration of war or a joint resolution authorizing the use of military force (or economic assistance funding in furtherance of such operation) and the report accompanying that bill or joint resolution, pursuant to subsection (d), identifies any provision that increases outlays or provides budget authority (and the outlays flowing therefrom) for such emergency, the enactment of which would cause the total amount of budget authority or outlays provided for emergencies for the budget year in the joint resolution on the budget (pursuant to section 301(a)(4)) to be exceeded:

“(A) Such bill or joint resolution shall be referred to the Committee on the Budget of the House or the Senate, as the case may be, with instructions to report it without amendment, other than that specified in subparagraph (B), within 5 legislative days of the day in which it is reported from the originating committee. If the Committee on the Budget of either House fails to report a bill or joint resolution referred to it under this subparagraph within such 5-day period, the committee shall be automatically discharged from further consideration of such bill or joint resolution and such bill or joint resolution shall be placed on the appropriate calendar.

“(B) An amendment to such a bill or joint resolution referred to in this subsection shall only consist of an exemption from section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 of all or any part of the provisions that provide budget authority (and the outlays flowing therefrom) for such emergency if the committee determines, pursuant to the guidelines referred to in section 114 of the Family Budget Protection Act of 2004, that such budget authority is for an emergency within the meaning of section 3(12).

“(C) If such a bill or joint resolution is reported with an amendment specified in subparagraph (B) by the Committee on the Budget of the House of Representatives or the Senate, then the budget authority and resulting outlays that are the subject of such amendment shall not be included in any determinations under section 302(f) or 311(a) for any bill, joint resolution, amendment, motion, or conference report.

“(d) COMMITTEE NOTIFICATION OF EMERGENCY LEGISLATION.—Whenever the Committee on Appropriations or any other committee of either House (including a committee of conference) reports any bill or joint resolution that provides budget authority for any emergency, the report accompanying that bill or joint resolution (or the joint explanatory statement of managers in the case of a conference report on any such bill or joint resolution) shall identify all provisions that provide budget authority and the outlays flowing therefrom for such emergency and include a statement of the reasons why such budget authority meets the definition of an emergency pursuant to the guidelines referred to in section 114 of the Family Budget Protection Act of 2004.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 315 the following new item:

“Sec. 316. Emergencies.”.

**SEC. 117. APPLICATION OF SECTION 306 TO EMERGENCIES IN EXCESS OF AMOUNTS IN RESERVE FUND.**

Section 306 of the Congressional Budget Act of 1974 is amended by inserting at the end the following new sentence: “No amendment reported by the Committee on the Budget (or from the consideration of which such committee has been discharged) pursuant to section 316(c) may be amended.”.

**SEC. 118. UP-TO-DATE TABULATIONS.**

Section 308(b)(2) of the Congressional Budget Act of 1974 is amended by striking “and” at the end of subparagraph (B), by

striking the period at the end of subparagraph (C) and inserting “; and”, and by adding at the end the following new subparagraph:  
“(D) shall include an up-to-date tabulation of amounts remaining in the reserve fund for emergencies.”.

**SEC. 119. PROHIBITION ON AMENDMENTS TO EMERGENCY RESERVE FUND.**

(a) POINT OF ORDER.—Section 305 of the Congressional Budget Act of 1974 (as amended by section 103(f)) is further amended by adding at the end the following new subsection:

“(f) POINT OF ORDER REGARDING EMERGENCY RESERVE FUND.—It shall not be in order in the House of Representatives or in the Senate to consider an amendment to a joint resolution on the budget which changes the amount of budget authority and outlays set forth in section 301(a)(4) for emergency reserve fund.”.

(b) TECHNICAL AMENDMENT.—(1) Section 904(c)(1) of the Congressional Budget Act of 1974 is amended by inserting “305(e), 305(f),” after “305(c)(4),”.

(2) Section 904(d)(2) of the Congressional Budget Act of 1974 is amended by inserting “305(e), 305(f),” after “305(c)(4),”.

## **Subtitle C—Biennial Budget Option**

**SEC. 121. EFFECTIVE DATE.**

If—

(1) as part of the President’s budget submission under section 1105(a) of title 31, United States Code, during the first session of any Congress, the President includes a request that the joint resolution on the budget that will be considered during the first session of the next Congress be for a biennium consisting of two consecutive fiscal years; and

(2) the joint resolution on the budget for the fiscal year to which the President’s submission relates contains a provision stating that the joint resolution on the budget that will be considered during the first session of the next Congress shall be for a biennium consisting of two consecutive fiscal years;

then the provisions of this subtitle shall take effect on January 1 of the calendar year in which that next Congress commences and apply to that Congress and each Congress thereafter.

**SEC. 122. REVISION OF TIMETABLE.**

Section 300 of the Congressional Budget Act of 1974 (2 U.S.C. 631) is amended to read as follows:

**“TIMETABLE**

“SEC. 300. (a) IN GENERAL.—Except as provided by subsection (b), the timetable with respect to the congressional budget process for any Congress (beginning with the One Hundred Tenth Congress or a subsequent Congress, as applicable) is as follows:

	<b>“First Session</b>
<b>“On or before:</b>	<b>Action to be completed:</b>
First Monday in February.	President submits budget recommendations.



February 15 .....	Congressional Budget Office submits report to Budget Committees.
Not later than 6 weeks after budget submission.	Committees submit views and estimates to Budget Committees.
April 1 .....	Budget Committees report joint resolution on the biennial budget.
May 15 .....	Congress completes action on joint resolution on the biennial budget.
May 15 .....	Biennial appropriation bills may be considered in the House.
June 10 .....	House Appropriations Committee reports last biennial appropriation bill.
June 30 .....	House completes action on biennial appropriation bills.
October 1 .....	Biennium begins.
"Second Session	
"On or before: Action to be completed:	
February 15 .....	President submits budget review.
Not later than 6 weeks after President submits budget review.	Congressional Budget Office submits report to Budget Committees.
The last day of the session.	Congress completes action on bills and resolutions authorizing new budget authority for the succeeding biennium.
" (b) SPECIAL RULE.—In the case of any first session of Congress that begins in any year during which the term of a President (except a President who succeeds himself) begins, the following dates shall supersede those set forth in subsection (a):	
"First Session	
"On or before: Action to be completed:	
First Monday in April ...	President submits budget recommendations.
April 20 .....	Committees submit views and estimates to Budget Committees.
May 15 .....	Budget Committees report joint resolution on the biennial budget.
June 1 .....	Congress completes action on joint resolution on the biennial budget.
June 1 .....	Biennial appropriation bills may be considered in the House.
July 1 .....	House Appropriations Committee reports last biennial appropriation bill.
July 20 .....	House completes action on biennial appropriation bills.

October 1 ..... Biennium begins.”.

**SEC. 123. AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IM-  
POUNDMENT CONTROL ACT OF 1974.**

(a) **DECLARATION OF PURPOSE.**—Section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 621(2)) is amended by striking “each year” and inserting “biennially”.

(b) **DEFINITIONS.**—

(1) **BUDGET RESOLUTION.**—Section 3(4) of such Act (2 U.S.C. 622(4)) is amended by striking “fiscal year” each place it appears and inserting “biennium”.

(2) **BIENNIUM.**—Section 3 of such Act (2 U.S.C. 622) (as amended by section 111(a)) is further amended by adding at the end the following new paragraph:

“(13) The term ‘biennium’ means the period of 2 consecutive fiscal years beginning on October 1 of any odd-numbered year.”.

(c) **BIENNIAL JOINT RESOLUTION ON THE BUDGET.**—

(1) **CONTENTS OF RESOLUTION.**—Section 301(a) of such Act (2 U.S.C. 632(a)) is amended—

(A) in the matter preceding paragraph (1) by—

(i) striking “April 15 of each year” and inserting “May 15 of each odd-numbered year”;

(ii) striking “the fiscal year beginning on October 1 of such year” the first place it appears and inserting “the biennium beginning on October 1 of such year”;

(iii) striking “the fiscal year beginning on October 1 of such year” the second place it appears and inserting “each fiscal year in such period”; and

(iv) striking “each of the four ensuing fiscal years” and inserting “each fiscal year in the next 2 bienniums”;

(B) in paragraph (6), by striking “for the fiscal year” and inserting “for each fiscal year in the biennium”; and

(C) in paragraph (7), by striking “for the fiscal year” and inserting “for each fiscal year in the biennium”.

(2) **ADDITIONAL MATTERS.**—Section 301(b) of such Act (2 U.S.C. 632(b)) is amended—

(A) in paragraph (3), by striking “for such fiscal year” and inserting “for either fiscal year in such biennium”; and

(B) in paragraph (7), by striking “for the first fiscal year” and inserting “for each fiscal year in the biennium”.

(3) **VIEWS OF OTHER COMMITTEES.**—Section 301(d) of such Act (2 U.S.C. 632(d)) is amended by inserting “(or, if applicable, as provided by section 300(b))” after “United States Code”.

(4) **HEARINGS.**—Section 301(e)(1) of such Act (2 U.S.C. 632(e)) is amended by—

(A) striking “fiscal year” and inserting “biennium”; and

(B) inserting after the second sentence the following: “On or before April 1 of each odd-numbered year (or, if applicable, as provided by section 300(b)), the Committee on the Budget of each House shall report to its House the joint resolution on the budget referred to in subsection (a) for the biennium beginning on October 1 of that year.”.

(5) GOALS FOR REDUCING UNEMPLOYMENT.—Section 301(f) of such Act (2 U.S.C. 632(f)) is amended by striking “fiscal year” each place it appears and inserting “biennium”.

(6) ECONOMIC ASSUMPTIONS.—Section 301(g)(1) of such Act (2 U.S.C. 632(g)(1)) is amended by striking “for a fiscal year” and inserting “for a biennium”.

(7) SECTION HEADING.—The section heading of section 301 of such Act is amended by striking “annual” and inserting “biennial”.

(8) TABLE OF CONTENTS.—The item relating to section 301 in the table of contents set forth in section 1(b) of such Act is amended by striking “Annual” and inserting “Biennial”.

(d) COMMITTEE ALLOCATIONS.—Section 302 of such Act (2 U.S.C. 633) is amended—

(1) in subsection (a)(1) by—

(A) striking “for the first fiscal year of the resolution,” and inserting “for each fiscal year in the biennium,”;

(B) striking “for that period of fiscal years” and inserting “for all fiscal years covered by the resolution”; and

(C) striking “for the fiscal year of that resolution” and inserting “for each fiscal year in the biennium”;

(2) in subsection (f)(1), by striking “for a fiscal year” and inserting “for a biennium”;

(3) in subsection (f)(1), by striking “first fiscal year” and inserting “either fiscal year of the biennium”;

(4) in subsection (f)(2)(A), by—

(A) striking “first fiscal year” and inserting “each fiscal year of the biennium”; and

(B) striking “the total of fiscal years” and inserting “the total of all fiscal years covered by the resolution”; and

(5) in subsection (g)(1)(A), by striking “April” and inserting “May”.

(e) SECTION 303 POINT OF ORDER.—Section 303 of such Act (2 U.S.C. 634(a)) is amended by striking “for a fiscal year” and inserting “for a biennium” and by striking “the first fiscal year” and inserting “each fiscal year of the biennium”.

(f) PERMISSIBLE REVISIONS OF JOINT RESOLUTIONS ON THE BUDGET.—Section 304 of such Act (2 U.S.C. 635) is amended—

(1) by striking “fiscal year” the first two places it appears and inserting “biennium”;

(2) by striking “for such fiscal year”; and

(3) by inserting before the period “for such biennium”.

(g) PROCEDURES FOR CONSIDERATION OF BUDGET RESOLUTIONS.—Section 305(a)(3) of such Act (2 U.S.C. 636(b)(3)) is amended by striking “fiscal year” and inserting “biennium”.

(h) COMPLETION OF HOUSE COMMITTEE ACTION ON APPROPRIATION BILLS.—Section 307 of such Act (2 U.S.C. 638) is amended—

(1) by striking “each year” and inserting “each odd-numbered year (or, if applicable, as provided by section 300(b), July 1)”;

(2) by striking “annual” and inserting “biennial”;

(3) by striking “fiscal year” and inserting “biennium”; and

(4) by striking “that year” and inserting “each odd-numbered year”.

(i) QUARTERLY BUDGET REPORTS.—Section 308 of such Act (2 U.S.C. 639) is amended by adding at the end the following new subsection:

“(d) QUARTERLY BUDGET REPORTS.—The Director of the Congressional Budget Office shall, as soon as practicable after the completion of each quarter of the fiscal year, prepare an analysis comparing revenues, spending, and the deficit or surplus for the current fiscal year to assumptions included in the congressional budget resolution. In preparing this report, the Director of the Congressional Budget Office shall combine actual budget figures to date with projected revenue and spending for the balance of the fiscal year. The Director of the Congressional Budget Office shall include any other information in this report that it deems useful for a full understanding of the current fiscal position of the Government. The reports mandated by this subsection shall be transmitted by the Director to the Senate and House Committees on the Budget, and the Congressional Budget Office shall make such reports available to any interested party upon request.”.

(j) COMPLETION OF HOUSE ACTION ON REGULAR APPROPRIATION BILLS.—Section 309 of such Act (2 U.S.C. 640) is amended—

(1) by striking “It” and inserting “Except whenever section 300(b) is applicable, it”;

(2) by inserting “of any odd-numbered calendar year” after “July”;

(3) by striking “annual” and inserting “biennial”; and

(4) by striking “fiscal year” and inserting “biennium”.

(k) RECONCILIATION PROCESS.—Section 310 of such Act (2 U.S.C. 641) is amended—

(1) in subsection (a), in the matter preceding paragraph (1), by striking “any fiscal year” and inserting “any biennium”;

(2) in subsection (a)(1), by striking “such fiscal year” each place it appears and inserting “any fiscal year covered by such resolution”; and

(3) by striking subsection (f) and redesignating subsection (g) as subsection (f).

(l) SECTION 311 POINT OF ORDER.—

(1) IN THE HOUSE.—Section 311(a)(1) of such Act (2 U.S.C. 642(a)) is amended—

(A) by striking “for a fiscal year” and inserting “for a biennium”;

(B) by striking “the first fiscal year” each place it appears and inserting “either fiscal year of the biennium”; and

(C) by striking “that first fiscal year” and inserting “each fiscal year in the biennium”.

(2) IN THE SENATE.—Section 311(a)(2) of such Act is amended—

(A) in subparagraph (A), by striking “for the first fiscal year” and inserting “for either fiscal year of the biennium”; and

(B) in subparagraph (B)—

(i) by striking “that first fiscal year” the first place it appears and inserting “each fiscal year in the biennium”; and

(ii) by striking “that first fiscal year and the ensuing fiscal years” and inserting “all fiscal years”.

(3) SOCIAL SECURITY LEVELS.—Section 311(a)(3) of such Act is amended by—

(A) striking “for the first fiscal year” and inserting “each fiscal year in the biennium”; and  
 (B) striking “that fiscal year and the ensuing fiscal years” and inserting “all fiscal years”.  
 (m) MAXIMUM DEFICIT AMOUNT POINT OF ORDER.—Section 312(c) of the Congressional Budget Act of 1974 (2 U.S.C. 643) is amended—

- (1) by striking “for a fiscal year” and inserting “for a biennium”;
- (2) in paragraph (1), by striking “first fiscal year” and inserting “either fiscal year in the biennium”;
- (3) in paragraph (2), by striking “that fiscal year” and inserting “either fiscal year in the biennium”; and
- (4) in the matter following paragraph (2), by striking “that fiscal year” and inserting “the applicable fiscal year”.

**SEC. 124. AMENDMENTS TO RULES OF HOUSE OF REPRESENTATIVES.**

(a) Clause 4(a)(1)(A) of rule X of the Rules of the House of Representatives is amended by inserting “odd-numbered” after “each”.

(b) Clause 4(a)(4) of rule X of the Rules of the House of Representatives is amended by striking “fiscal year” and inserting “biennium”.

(c) Clause 4(b)(2) of rule X of the Rules of the House of Representatives is amended by striking “each fiscal year” and inserting “the biennium”.

(d) Clause 4(b) of rule X of the Rules of the House of Representatives is amended by striking “and” at the end of subparagraph (5), by striking the period and inserting “; and” at the end of subparagraph (6), and by adding at the end the following new subparagraph:

“(7) use the second session of each Congress to study issues with long-term budgetary and economic implications, which would include—

“(A) hold hearings to receive testimony from committees of jurisdiction to identify problem areas and to report on the results of oversight; and

“(B) by January 1 of each odd-number year, issuing a report to the Speaker which identifies the key issues facing the Congress in the next biennium.”.

(e) Clause 4(e) of rule X of the Rules of the House of Representatives is amended by striking “annually” each place it appears and inserting “biennially” and by striking “annual” and inserting “biennial”.

(f) Clause 4(f) of rule X of the Rules of the House of Representatives is amended—

(1) by inserting “during each odd-numbered year” after “submits his budget”;

(2) by striking “fiscal year” the first place it appears and inserting “biennium”; and

(3) by striking “that fiscal year” and inserting “each fiscal year in such ensuing biennium”.

(g) Clause 11(i) of rule X of the Rules of the House of Representatives is amended by striking “during the same or preceding fiscal year”.

(h) Clause 3(d)(2)(A) of rule XIII of the Rules of the House of Representatives is amended by striking “five” both places it appears and inserting “six”.

(i) Clause 5(a)(1) of rule XIII of the Rules of the House of Representatives is amended by striking “fiscal year after September 15 in the preceding fiscal year” and inserting “biennium after September 15 of the calendar year in which such biennium begins”.

**SEC. 125. AMENDMENTS TO TITLE 31, UNITED STATES CODE.**

(a) DEFINITION.—Section 1101 of title 31, United States Code, is amended by adding at the end the following new paragraph:

“(3) ‘biennium’ has the meaning given to such term in paragraph (13) of section 3 of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622(13)).”.

(b) BUDGET CONTENTS AND SUBMISSION TO THE CONGRESS.—

(1) SCHEDULE.—The matter preceding paragraph (1) in section 1105(a) of title 31, United States Code, is amended to read as follows:

“(a) On or before the first Monday in February of each odd-numbered year (or, if applicable, as provided by section 300(b) of the Congressional Budget Act of 1974), beginning with the One Hundred Tenth Congress or a subsequent Congress (as applicable), the President shall submit to the Congress the budget for the biennium beginning on October 1 of such calendar year. The budget transmitted under this subsection shall include a budget message and summary and supporting information. The President shall include in each budget the following:”.

(2) EXPENDITURES.—Section 1105(a)(5) of title 31, United States Code, is amended by striking “the fiscal year for which the budget is submitted and the 4 fiscal years after that year” and inserting “each fiscal year in the biennium for which the budget is submitted and in the succeeding 4 years”.

(3) RECEIPTS.—Section 1105(a)(6) of title 31, United States Code, is amended by striking “the fiscal year for which the budget is submitted and the 4 fiscal years after that year” and inserting “each fiscal year in the biennium for which the budget is submitted and in the succeeding 4 years”.

(4) BALANCE STATEMENTS.—Section 1105(a)(9)(C) of title 31, United States Code, is amended by striking “the fiscal year” and inserting “each fiscal year in the biennium”.

(5) GOVERNMENT FUNCTIONS AND ACTIVITIES.—Section 1105(a)(12) of title 31, United States Code, is amended in subparagraph (A), by striking “the fiscal year” and inserting “each fiscal year in the biennium”.

(6) ALLOWANCES.—Section 1105(a)(13) of title 31, United States Code, is amended by striking “the fiscal year” and inserting “each fiscal year in the biennium”.

(7) ALLOWANCES FOR UNANTICIPATED AND UNCONTROLLABLE EXPENDITURES.—Section 1105(a)(14) of title 31, United States Code, is amended by striking “that year” and inserting “each fiscal year in the biennium for which the budget is submitted”.

(8) TAX EXPENDITURES.—Section 1105(a)(16) of title 31, United States Code, is amended by striking “the fiscal year” and inserting “each fiscal year in the biennium”.

(9) ESTIMATES FOR FUTURE YEARS.—Section 1105(a)(17) of title 31, United States Code, is amended—

- (A) by striking “the fiscal year following the fiscal year” and inserting “each fiscal year in the biennium following the biennium”;
  - (B) by striking “that following fiscal year” and inserting “each such fiscal year”; and
  - (C) by striking “fiscal year before the fiscal year” and inserting “biennium before the biennium”.
- (10) PRIOR YEAR OUTLAYS.—Section 1105(a)(18) of title 31, United States Code, is amended—
- (A) by striking “the prior fiscal year,” and inserting “each of the 2 most recently completed fiscal years,”;
  - (B) by striking “for that year” and inserting “with respect to those fiscal years”; and
  - (C) by striking “in that year” and inserting “in those fiscal years”.
- (11) PRIOR YEAR RECEIPTS.—Section 1105(a)(19) of title 31, United States Code, is amended—
- (A) by striking “the prior fiscal year” and inserting “each of the 2 most recently completed fiscal years,”;
  - (B) by striking “for that year” and inserting “with respect to those fiscal years”; and
  - (C) by striking “in that year” each place it appears and inserting “in those fiscal years”.
- (c) ESTIMATED EXPENDITURES OF LEGISLATIVE AND JUDICIAL BRANCHES.—Section 1105(b) of title 31, United States Code, is amended by striking “each year” and inserting “each even-numbered year”.
- (d) RECOMMENDATIONS TO MEET ESTIMATED DEFICIENCIES.—Section 1105(c) of title 31, United States Code, is amended—
- (1) by striking “the fiscal year for” the first place it appears and inserting “each fiscal year in the biennium for”;
  - (2) by striking “the fiscal year for” the second place it appears and inserting “each fiscal year of the biennium, as the case may be,”; and
  - (3) by striking “that year” and inserting “for each year of the biennium”.
- (e) CAPITAL INVESTMENT ANALYSIS.—Section 1105(e)(1) of title 31, United States Code, is amended by striking “ensuing fiscal year” and inserting “biennium to which such budget relates”.
- (f) SUPPLEMENTAL BUDGET ESTIMATES AND CHANGES.—
- (1) IN GENERAL.—Section 1106(a) of title 31, United States Code, is amended—
- (A) in the matter preceding paragraph (1), by—
    - (i) inserting “and before February 15 of each even-numbered year” after “Before July 16 of each year”; and
    - (ii) striking “fiscal year” and inserting “biennium”;
  - (B) in paragraph (1), by striking “that fiscal year” and inserting “each fiscal year in such biennium”;
  - (C) in paragraph (2), by striking “4 fiscal years following the fiscal year” and inserting “4 fiscal years following the biennium”; and
  - (D) in paragraph (3), by striking “fiscal year” and inserting “biennium”.

(2) CHANGES.—Section 1106(b) of title 31, United States Code, is amended by—

(A) striking “the fiscal year” and inserting “each fiscal year in the biennium”; and

(B) inserting “and before February 15 of each even-numbered year” after “Before July 16 of each year”.

(g) CURRENT PROGRAMS AND ACTIVITIES ESTIMATES.—

(1) THE PRESIDENT.—Section 1109(a) of title 31, United States Code, is amended—

(A) by striking “On or before the first Monday after January 3 of each year (on or before February 5 in 1986)” and inserting “At the same time the budget required by section 1105 is submitted for a biennium”; and

(B) by striking “the following fiscal year” and inserting “each fiscal year of such period”.

(2) JOINT ECONOMIC COMMITTEE.—Section 1109(b) of title 31, United States Code, is amended by striking “March 1 of each year” and inserting “within 6 weeks of the President’s budget submission for each odd-numbered year (or, if applicable, as provided by section 300(b) of the Congressional Budget Act of 1974)”.

(h) YEAR-AHEAD REQUESTS FOR AUTHORIZING LEGISLATION.—Section 1110 of title 31, United States Code, is amended by—

(1) striking “May 16” and inserting “March 31”; and

(2) striking “year before the year in which the fiscal year begins” and inserting “calendar year preceding the calendar year in which the biennium begins”.

**SEC. 126. TWO-YEAR APPROPRIATIONS; TITLE AND STYLE OF APPROPRIATION ACTS.**

Section 105 of title 1, United States Code, is amended to read as follows:

**“§ 105. Title and style of appropriations Acts**

“(a) The style and title of all Acts making appropriations for the support of the Government shall be as follows: ‘An Act making appropriations (here insert the object) for each fiscal year in the biennium of fiscal years (here insert the fiscal years of the biennium).’.

“(b) All Acts making regular appropriations for the support of the Government shall be enacted for a biennium and shall specify the amount of appropriations provided for each fiscal year in such period.

“(c) For purposes of this section, the term ‘biennium’ has the same meaning as in section 3(13) of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622(13)).”.

**SEC. 127. MULTIYEAR AUTHORIZATIONS.**

(a) IN GENERAL.—Title III of the Congressional Budget Act of 1974 (as amended by section 116(a)) is further amended by adding at the end the following new section:

**“MULTIYEAR AUTHORIZATIONS OF APPROPRIATIONS**

“SEC. 318. (a) It shall not be in order in the House of Representatives or the Senate to consider any measure that contains a specific authorization of appropriations for any purpose unless the measure includes such a specific authorization of appropriations for that



purpose for not less than each fiscal year in one or more bienniums.

“(b)(1) For purposes of this section, a specific authorization of appropriations is an authorization for the enactment of an amount of appropriations or amounts not to exceed an amount of appropriations (whether stated as a sum certain, as a limit, or as such sums as may be necessary) for any purpose for a fiscal year.

“(2) Subsection (a) does not apply with respect to an authorization of appropriations for a single fiscal year for any program, project, or activity if the measure containing that authorization includes a provision expressly stating the following: ‘Congress finds that no authorization of appropriation will be required for [Insert name of applicable program, project, or activity] for any subsequent fiscal year.’.

“(c) For purposes of this section, the term ‘measure’ means a bill, joint resolution, amendment, motion, or conference report.”.

(b) AMENDMENT TO TABLE OF CONTENTS.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding after the item relating to section 317 the following new item:

“Sec. 318. Multiyear authorizations of appropriations.”.

**SEC. 128. GOVERNMENT STRATEGIC AND PERFORMANCE PLANS ON A BIENNIAL BASIS.**

(a) STRATEGIC PLANS.—Section 306 of title 5, United States Code, is amended—

(1) in subsection (a), by striking “September 30, 1997” and inserting “September 30, 2007”;

(2) in subsection (b)—

(A) by striking “at least every three years” and all that follows thereafter and inserting “at least every 4 years, except that strategic plans submitted by September 30, 2007, shall be updated and revised by September 30, 2010”; and

(B) by striking “five years forward” and inserting “six years forward”; and

(3) in subsection (c), by inserting a comma after “section” the second place it appears and adding “including a strategic plan submitted by September 30, 2007, meeting the requirements of subsection (a)”.

(b) BUDGET CONTENTS AND SUBMISSION TO CONGRESS.—Paragraph (28) of section 1105(a) of title 31, United States Code, is amended by striking “beginning with fiscal year 1999, a” and inserting “beginning with fiscal year 2010, a biennial”.

(c) PERFORMANCE PLANS.—Section 1115 of title 31, United States Code, is amended—

(1) in subsection (a)—

(A) in the matter before paragraph (1)—

(i) by striking “section 1105(a)(29)” and inserting “section 1105(a)(28)”; and

(ii) by striking “an annual” and inserting “a biennial”;

(B) in paragraph (1) by inserting after “program activity” the following: “for both years 1 and 2 of the biennial plan”;

(C) in paragraph (5) by striking “and” after the semicolon;

- (D) in paragraph (6) by striking the period and inserting a semicolon; and inserting “and” after the inserted semicolon; and
- (E) by adding after paragraph (6) the following:  
 “(7) cover each fiscal year of the biennium beginning with the first fiscal year of the next biennial budget cycle.”;
- (2) in subsection (d) by striking “annual” and inserting “biennial”; and
- (3) in paragraph (6) of subsection (f) by striking “annual” and inserting “biennial”.
- (d) MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY.—Section 9703 of title 31, United States Code, relating to managerial accountability, is amended—
  - (1) in subsection (a)—
    - (A) in the first sentence by striking “annual”; and
    - (B) by striking “section 1105(a)(29)” and inserting “section 1105(a)(28)”;
  - (2) in subsection (e)—
    - (A) in the first sentence by striking “one or” before “two years”;
    - (B) in the second sentence by striking “a subsequent year” and inserting “for a subsequent 2-year period”; and
    - (C) in the third sentence by striking “three” and inserting “four”.
- (e) STRATEGIC PLANS.—Section 2802 of title 39, United States Code, is amended—
  - (1) in subsection (a), by striking “September 30, 1997” and inserting “September 30, 2007”;
  - (2) in subsection (b), by striking “at least every three years” and inserting “at least every 4 years except that strategic plans submitted by September 30, 2007, shall be updated and revised by September 30, 2010”;
  - (3) in subsection (b), by striking “five years forward” and inserting “six years forward”; and
  - (4) in subsection (c), by inserting a comma after “section” the second place it appears and inserting “including a strategic plan submitted by September 30, 2007, meeting the requirements of subsection (a)”.
- (f) PERFORMANCE PLANS.—Section 2803(a) of title 39, United States Code, is amended—
  - (1) in the matter before paragraph (1), by striking “an annual” and inserting “a biennial”;
  - (2) in paragraph (1), by inserting after “program activity” the following: “for both years 1 and 2 of the biennial plan”;
  - (3) in paragraph (5), by striking “and” after the semicolon;
  - (4) in paragraph (6), by striking the period and inserting “; and”; and
  - (5) by adding after paragraph (6) the following:  
 “(7) cover each fiscal year of the biennium beginning with the first fiscal year of the next biennial budget cycle.”.
- (g) COMMITTEE VIEWS OF PLANS AND REPORTS.—Section 301(d) of the Congressional Budget Act (2 U.S.C. 632(d)) is amended by adding at the end “Each committee of the Senate or the House of Representatives shall review the strategic plans, performance plans, and performance reports, required under section 306 of title 5,

United States Code, and sections 1115 and 1116 of title 31, United States Code, of all agencies under the jurisdiction of the committee. Each committee may provide its views on such plans or reports to the Committee on the Budget of the applicable House.”.

**SEC. 129. BIENNIAL APPROPRIATION BILLS.**

(a) IN THE HOUSE OF REPRESENTATIVES.—Clause 2(a) of rule XXI of the Rules of the House of Representatives is amended by adding at the end the following new subparagraph:

“(3)(A) Except as provided by subdivision (B), an appropriation may not be reported in a general appropriation bill (other than a supplemental appropriation bill), and may not be in order as an amendment thereto, unless it provides new budget authority or establishes a level of obligations under contract authority for each fiscal year of a biennium.

“(B) Subdivision (A) does not apply with respect to an appropriation for a single fiscal year for any program, project, or activity if the bill or amendment thereto containing that appropriation includes a provision expressly stating the following: ‘Congress finds that no additional funding beyond one fiscal year will be required and the [Insert name of applicable program, project, or activity] will be completed or terminated after the amount provided has been expended.’.

“(C) For purposes of paragraph (b), the statement set forth in subdivision (B) with respect to an appropriation for a single fiscal year for any program, project, or activity may be included in a general appropriation bill or amendment thereto.”.

(b) CONFORMING AMENDMENT.—Clause 5(b)(1) of rule XXII of the House of Representatives is amended by striking “or (c)” and inserting “or (3) or 2(c)”.

**SEC. 130. ASSISTANCE BY FEDERAL AGENCIES TO STANDING COMMITTEES OF THE SENATE AND THE HOUSE OF REPRESENTATIVES.**

(a) INFORMATION REGARDING AGENCY APPROPRIATIONS REQUESTS.—To assist each standing committee of the House of Representatives and the Senate in carrying out its responsibilities, the head of each Federal agency which administers the laws or parts of laws under the jurisdiction of such committee shall provide to such committee such studies, information, analyses, reports, and assistance as may be requested by the chairman and ranking minority member of the committee.

(b) INFORMATION REGARDING AGENCY PROGRAM ADMINISTRATION.—To assist each standing committee of the House of Representatives and the Senate in carrying out its responsibilities, the head of any agency shall furnish to such committee documentation, containing information received, compiled, or maintained by the agency as part of the operation or administration of a program, or specifically compiled pursuant to a request in support of a review of a program, as may be requested by the chairman and ranking minority member of such committee.

(c) SUMMARIES BY COMPTROLLER GENERAL.—Within thirty days after the receipt of a request from a chairman and ranking minority member of a standing committee having jurisdiction over a program being reviewed and studied by such committee under this section, the Comptroller General of the United States shall furnish to such committee summaries of any audits or reviews of such pro-

gram which the Comptroller General has completed during the preceding six years.

(d) CONGRESSIONAL ASSISTANCE.—Consistent with their duties and functions under law, the Comptroller General of the United States, the Director of the Congressional Budget Office, and the Director of the Congressional Research Service shall continue to furnish (consistent with established protocols) to each standing committee of the House of Representatives or the Senate such information, studies, analyses, and reports as the chairman and ranking minority member may request to assist the committee in conducting reviews and studies of programs under this section.

## **Subtitle D—Prevention of Government Shutdown**

### **SEC. 141. AMENDMENT TO TITLE 31.**

(a) IN GENERAL.—Chapter 13 of title 31, United States Code, is amended by inserting after section 1310 the following new section:

#### **“§ 1311. Continuing appropriations**

“(a)(1) If any regular appropriation bill for a fiscal year (or, if applicable, for each fiscal year in a biennium) does not become law before the beginning of such fiscal year or a joint resolution making continuing appropriations is not in effect, there are appropriated, out of any money in the Treasury not otherwise appropriated, and out of applicable corporate or other revenues, receipts, and funds, such sums as may be necessary to continue any project or activity for which funds were provided in the preceding fiscal year—

“(A) in the corresponding regular appropriation Act for such preceding fiscal year; or

“(B) if the corresponding regular appropriation bill for such preceding fiscal year did not become law, then in a joint resolution making continuing appropriations for such preceding fiscal year.

“(2) Appropriations and funds made available, and authority granted, for a project or activity for any fiscal year pursuant to this section shall be at a rate of operations not in excess of the lower of—

“(A) the rate of operations provided for in the regular appropriation Act providing for such project or activity for the preceding fiscal year;

“(B) in the absence of such an Act, the rate of operations provided for such project or activity pursuant to a joint resolution making continuing appropriations for such preceding fiscal year;

“(C) the rate of operations provided for in the regular appropriation bill as passed by the House of Representatives or the Senate for the fiscal year in question, except that the lower of these two versions shall be ignored for any project or activity for which there is a budget request if no funding is provided for that project or activity in either version; or

“(D) the annualized rate of operations provided for in the most recently enacted joint resolution making continuing ap-

appropriations for part of that fiscal year or any funding levels established under the provisions of this Act.

“(3) Appropriations and funds made available, and authority granted, for any fiscal year pursuant to this section for a project or activity shall be available for the period beginning with the first day of a lapse in appropriations and ending with the earlier of—

“(A) the date on which the applicable regular appropriation bill for such fiscal year becomes law (whether or not such law provides for such project or activity) or a continuing resolution making appropriations becomes law, as the case may be; or

“(B) the last day of such fiscal year.

“(b) An appropriation or funds made available, or authority granted, for a project or activity for any fiscal year pursuant to this section shall be subject to the terms and conditions imposed with respect to the appropriation made or funds made available for the preceding fiscal year, or authority granted for such project or activity under current law.

“(c) Appropriations and funds made available, and authority granted, for any project or activity for any fiscal year pursuant to this section shall cover all obligations or expenditures incurred for such project or activity during the portion of such fiscal year for which this section applies to such project or activity.

“(d) Expenditures made for a project or activity for any fiscal year pursuant to this section shall be charged to the applicable appropriation, fund, or authorization whenever a regular appropriation bill or a joint resolution making continuing appropriations until the end of a fiscal year providing for such project or activity for such period becomes law.

“(e) This section shall not apply to a project or activity during a fiscal year if any other provision of law (other than an authorization of appropriations)—

“(1) makes an appropriation, makes funds available, or grants authority for such project or activity to continue for such period; or

“(2) specifically provides that no appropriation shall be made, no funds shall be made available, or no authority shall be granted for such project or activity to continue for such period.

“(f) For purposes of this section, the term ‘regular appropriation bill’ means any annual appropriation bill making appropriations, otherwise making funds available, or granting authority, for any of the following categories of projects and activities:

“(1) Agriculture, rural development, Food and Drug Administration, and related agencies programs.

“(2) The Departments of Commerce, Justice, and State, the Judiciary, and related agencies.

“(3) The Department of Defense.

“(4) The government of the District of Columbia and other activities chargeable in whole or in part against the revenues of the District.

“(5) Energy and water development.

“(6) Foreign operations, export financing, and related programs.

“(7) The Department of Homeland Security.

“(8) The Department of the Interior and related agencies.

“(9) The Departments of Labor, Health and Human Services, and Education, and related agencies.

“(10) The Legislative Branch.

“(11) Military construction, family housing, and base realignment and closure for the Department of Defense.

“(12) The Departments of Transportation and Treasury, and independent agencies.

“(13) The Departments of Veterans Affairs and Housing and Urban Development, and sundry independent agencies, boards, commissions, corporations, and offices.”.

(b) CLERICAL AMENDMENT.—The analysis of chapter 13 of title 31, United States Code, is amended by inserting after the item relating to section 1310 the following new item:

“1311. Continuing appropriations.”.

## **Subtitle E—The Baseline**

### **SEC. 151. ELIMINATION OF INFLATION ADJUSTMENT.**

Section 257(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in paragraph (1) by striking “for inflation as specified in paragraph (5),”; and

(2) by striking paragraph (5) and redesignating paragraph (6) as paragraph (5).

### **SEC. 152. THE PRESIDENT’S BUDGET.**

(a) Paragraph (5) of section 1105(a) of title 31, United States Code, is amended to read as follows:

“(5) except as provided in subsection (b) of this section, estimated expenditures and appropriations for the current year and estimated expenditures and proposed appropriations the President decides are necessary to support the Government in the fiscal year for which the budget is submitted and the 4 fiscal years following that year, and, except for detailed budget estimates, the percentage change from the current year to the fiscal year for which the budget is submitted for estimated expenditures and for appropriations.”.

(b) Section 1105(a)(6) of title 31, United States Code, is amended to read as follows:

“(6) estimated receipts of the Government in the current year and the fiscal year for which the budget is submitted and the 4 fiscal years after that year under—

“(A) laws in effect when the budget is submitted; and

“(B) proposals in the budget to increase revenues, and the percentage change (in the case of each category referred to in subparagraphs (A) and (B)) between the current year and the fiscal year for which the budget is submitted and between the current year and each of the 9 fiscal years after the fiscal year for which the budget is submitted.”.

(c) Section 1105(a)(12) of title 31, United States Code, is amended to read as follows:

“(12) for each proposal in the budget for legislation that would establish or expand a Government activity or function, a table showing—

“(A) the amount proposed in the budget for appropriation and for expenditure because of the proposal in the fiscal year for which the budget is submitted;

“(B) the estimated appropriation required because of the proposal for each of the 4 fiscal years after that year that the proposal will be in effect; and

“(C) the estimated amount for the same activity or function, if any, in the current fiscal year,

and, except for detailed budget estimates, the percentage change (in the case of each category referred to in subparagraphs (A), (B), and (C)) between the current year and the fiscal year for which the budget is submitted.”.

(d) Section 1105(a)(18) of title 31, United States Code, is amended by inserting “new budget authority and” before “budget outlays”.

(e) Section 1105(a) of title 31, United States Code, is amended by adding at the end the following new paragraphs:

“(35) a comparison of levels of estimated expenditures and proposed appropriations for each function and subfunction in the current fiscal year and the fiscal year for which the budget is submitted, along with the proposed increase or decrease of spending in percentage terms for each function and subfunction.

“(36) a table on sources of growth in total direct spending under current law and as proposed in this budget submission for the budget year and the ensuing 9 fiscal years, which shall include changes in outlays attributable to the following: cost-of-living adjustments; changes in the number of program recipients; increases in medical care prices, utilization and intensity of medical care; and residual factors.”.

(f) Section 1109(a) of title 31, United States Code, is amended by inserting after the first sentence the following new sentence: “For discretionary spending, these estimates shall assume the levels set forth in the discretionary spending limits under section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, as adjusted, for the appropriate fiscal years (and if no such limits are in effect, these estimates shall assume the adjusted levels for the most recent fiscal year for which such levels were in effect).”.

#### **SEC. 153. THE CONGRESSIONAL BUDGET.**

Section 301(e) of the Congressional Budget Act of 1974 (as amended by section 103) is further amended—

(1) in paragraph (1), by inserting at the end the following: “The basis of deliberations in developing such joint resolution shall be the estimated budgetary levels for the preceding fiscal year. Any budgetary levels pending before the committee and the text of the joint resolution shall be accompanied by a document comparing such levels or such text to the estimated levels of the prior fiscal year. Any amendment offered in the committee that changes a budgetary level and is based upon a specific policy assumption for a program, project, or activity shall be accompanied by a document indicating the estimated amount for such program, project, or activity in the current year.”; and

(2) in paragraph (2), by striking “and” at the end of subparagraph (H) (as redesignated), by striking the period and insert-

ing “; and” at the end of subparagraph (I) (as redesignated), and by adding at the end the following new subparagraph:

“(J) a comparison of levels for the current fiscal year with proposed spending and revenue levels for the subsequent fiscal years along with the proposed increase or decrease of spending in percentage terms for each function.”.

**SEC. 154. CONGRESSIONAL BUDGET OFFICE REPORTS TO COMMITTEES.**

(a) The first sentence of section 202(e)(1) of the Congressional Budget Act of 1974 is amended by inserting “compared to comparable levels for the current year” before the comma at the end of subparagraph (A) and before the comma at the end of subparagraph (B).

(b) Section 202(e)(1) of the Congressional Budget Act of 1974 is amended by inserting after the first sentence the following new sentence: “Such report shall also include a table on sources of spending growth in total direct spending for the budget year and the ensuing 4 fiscal years, which shall include changes in outlays attributable to the following: cost-of-living adjustments; changes in the number of program recipients; increases in medical care prices, utilization and intensity of medical care; and residual factors.”.

(c) Section 308(a)(1)(B) of the Congressional Budget Act of 1974 is amended by inserting “and shall include a comparison of those levels to comparable levels for the current fiscal year” before “if timely submitted”.

**SEC. 155. TREATMENT OF EMERGENCIES.**

Section 257(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by section 151) is further amended by adding at the end the following new paragraph:

“(7) EMERGENCIES.—Budgetary resources for emergencies shall be at the level provided in the reserve fund for emergencies for that fiscal year pursuant to section 301(a)(4) of the Congressional Budget Act of 1974.”.

## **TITLE II—PUTTING A LID ON THE FEDERAL BUDGET**

### **Subtitle A—Spending Safeguards on the Growth of Entitlements and Mandatories**

**SEC. 201. SPENDING CAPS ON GROWTH OF ENTITLEMENTS AND MANDATORIES.**

(a) CONTROL OF ENTITLEMENTS AND MANDATORIES.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after section 252 the following new section:

**“SEC. 252A. ENFORCING CONTROLS ON DIRECT SPENDING.**

“(a) CAP ON GROWTH OF ENTITLEMENTS.—Effective for fiscal year 2005 and for each ensuing fiscal year, the total level of direct spending for all direct spending programs, projects, and activities (excluding social security) for any such fiscal year shall not exceed the total level of spending for all such programs, projects, and activities for the previous fiscal year after the direct spending for



each such program, project, or activity is increased by the higher of the change in the Consumer Price Index for All Urban Consumers or the inflator (if any) applicable to that program, project, or activity and the growth in eligible population for such, project, or activity.

“(b) SEQUESTRATION.—Within 15 days after Congress adjourns to end a session (other than of the second session of the One Hundred Eighth Congress), and on the same day as a sequestration (if any) under section 251, there shall be a sequestration to reduce the amount of direct spending for the fiscal year beginning in the year the Congress adjourns by any amount necessary to reduce such spending to the level set forth in subsection (a) unless that amount is less than \$250,000,000.

“(c) UNIFORM REDUCTIONS; LIMITATIONS.—The amount required to be sequestered for the fiscal year under subsection (a) shall be obtained from nonexempt direct spending accounts by actions taken in the following order:

“(1) FIRST.—The reductions in the programs specified in section 256(a) (National Wool Act and special milk), section 256(b) (student loans), and section 256(c) (foster care and adoption assistance) shall be made.

“(2) SECOND.—Any additional reductions that may be required shall be achieved by reducing each remaining non-exempt direct spending account by the uniform percentage necessary to achieve those additional reductions, except that—

“(A) the low-income programs specified in section 256(d) shall not be reduced by more than 2 percent;

“(B) the retirement and veterans benefits specified in sections 256(f), (g), and (h) shall not be reduced by more than 2 percent in the manner specified in that section; and

“(C) the medicare programs shall not be reduced by more than 2 percent in the manner specified in section 256(i).

The limitations set forth in subparagraphs (A), (B), and (C) shall be applied iteratively, and after each iteration the uniform percentage applicable to all other programs under this paragraph shall be increased (if necessary) to a level sufficient to achieve the reductions required by this paragraph.

“(d) EXCLUSION OF MEDICARE PRESCRIPTION DRUG PROGRAM UNTIL FULLY OPERATIONAL.—For purposes of this section with respect to the limitation under subsection (a) for a fiscal year before fiscal year 2008, direct spending programs and direct spending shall not be construed to include part D of title XVIII of the Social Security Act (or spending under part C of such title that is attributable to such part D).”.

(b) TABLE OF CONTENTS AMENDMENT.—The table of contents set forth in 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after the item relating to section 252 the following new item:

“Sec. 252A. Enforcing controls on direct spending.”.

#### **SEC. 202. EXEMPT PROGRAMS AND ACTIVITIES.**

Section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

**“SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.**

“(a) SOCIAL SECURITY BENEFITS; TIER I RAILROAD RETIREMENT BENEFITS; AND CERTAIN MEDICARE BENEFITS.—(1) Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act, and benefits payable under section 3(a), 3(f)(3), 4(a), or 4(f) of the Railroad Retirement Act of 1974, shall be exempt from reduction under any order issued under this part.

“(2) Payments made under part A of title XVIII (relating to part A medicare hospital insurance benefits) of the Social Security Act and payments made under part C of such title (relating to the Medicare Advantage program) insofar as they are attributable to part A of such title shall be exempt from reduction under any order issued under this part.

“(b) DESCRIPTIONS AND LISTS.—The following budget accounts or activities shall be exempt from sequestration:

“(1) net interest;

“(2) all payments to trust funds from excise taxes or other receipts or collections properly creditable to those trust funds;

“(3) all payments from one Federal direct spending budget account to another Federal budget account; and all intragovernmental funds including those from which funding is derived primarily from other Government accounts, except to the extent that such funds are augmented by direct appropriations for the fiscal year for which the order is in effect;

“(4) activities resulting from private donations, bequests, or voluntary contributions to the Government;

“(5) payments from any revolving fund or trust-revolving fund (or similar activity) that provides deposit insurance or other Government insurance, Government guarantees, or any other form of contingent liability, to the extent those payments result from contractual or other legally binding commitments of the Government at the time of any sequestration;

“(6) credit liquidating and financing accounts;

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

“Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-806);

“Armed Forces Retirement Home Trust Fund, payment of claims (84-8930-0-7-705);

“Bureau of Indian Affairs, miscellaneous payments to Indians (14-2303-0-1-452);

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

“Claims, defense;

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

“Compact of Free Association, economic assistance pursuant to Public Law 99-658 (14-0415-0-1-806);

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

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

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

- “Farm Credit Administration, Limitation on Administration Expenses (78-4131-0-3-351);
- “Farm Credit System Financial Assistance Corporation, interest payments (20-1850-0-1-351);
- “Internal Revenue collections of Puerto Rico (20-5737-0-2-852);
- “Panama Canal Commission, operating expenses and capital outlay (95-5190-0-2-403);
- “Payments of Vietnam and USS Pueblo prisoner-of-war claims (15-0104-0-1-153);
- “Payments to copyright owners (03-5175-0-2-376);
- “Payments to health care trust funds (75-0580-0-1-571);
- “Payments to social security trust funds (75-0404-0-1-651);
- “Payments to the United States territories, fiscal assistance (14-0418-0-1-801);
- “Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801);
- “Pension Benefit Guaranty Corporation Fund (16-4204-0-3-601);
- “Salaries of Article III judges;
- “Washington Metropolitan Area Transit Authority, interest payments (46-0300-0-1-401);
- “(8) the following noncredit special, revolving, or trust-revolving funds:
  - “Coinage profit fund (20-5811-0-2-803);
  - “Comptroller of the Currency;
  - “Director of the Office of Thrift Supervision;
  - “Exchange Stabilization Fund (20-4444-0-3-155);
  - “Federal Housing Finance Board;
  - “Foreign Military Sales trust fund (11-82232-0-7-155);
  - “National Credit Union Administration, central liquidating facility (25-4470-0-3-373);
  - “National Credit Union Administration, credit union insurance fund (25-4468-0-3-373);
  - “National Credit Union Administration operating fund (25-4056-0-3-373); and
  - “Resolution Trust Corporation Revolving Fund (22-4055-0-3-373);
- “(9) Thrift Savings Fund;
- “(10) appropriations for the District of Columbia to the extent they are appropriations of locally raised funds;
- “(11)(A) any amount paid as regular unemployment compensation by a State from its account in the Unemployment Trust Fund (established by section 904(a) of the Social Security Act);
- “(B) any advance made to a State from the Federal unemployment account (established by section 904(g) of such Act) under title XII of such Act and any advance appropriated to the Federal unemployment account pursuant to section 1203 of such Act; and
- “(C) any payment made from the Federal Employees Compensation Account (as established under section 909 of such Act) for the purpose of carrying out chapter 85 of title 5,

United States Code, and funds appropriated or transferred to or otherwise deposited in such Account; and

“(12)(A) FDIC, Bank Insurance Fund (51-4064-0-3-373);

“(B) FDIC, FSLIC Resolution Fund (51-4065-0-3-373); and

“(C) FDIC, Savings Association Insurance Fund (51-4066-0-3-373).

“(c) FEDERAL RETIREMENT AND DISABILITY ACCOUNTS.—The following Federal retirement and disability accounts shall be exempt from reduction under any order issued under this part:

“Civil service retirement and disability fund (24-8135-0-7-602).

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

“Foreign Service Retirement and Disability Fund (19-8186-0-7-602).

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

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

“Payments to the Railroad Retirement Accounts (60-0113-0-1-601).

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

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

“(d) FEDERAL ADMINISTRATIVE EXPENSES.—

“(1) Notwithstanding any provision of law other than paragraph (3), administrative expenses incurred by the departments and agencies, including independent agencies, of the Government in connection with any program, project, activity, or account shall be subject to reduction pursuant to any sequestration order, without regard to any exemption, exception, limitation, or special rule otherwise applicable with respect to such program, project, activity, or account, and regardless of whether the program, project, activity, or account is self-supporting and does not receive appropriations.

“(2) Payments made by the Government to reimburse or match administrative costs incurred by a State or political subdivision under or in connection with any program, project, activity, or account shall not be considered administrative expenses of the Government for purposes of this section, and shall be subject to sequestration to the extent (and only to the extent) that other payments made by the Government under or in connection with that program, project, activity, or account are subject to that reduction or sequestration; except that Federal payments made to a State as reimbursement of administrative costs incurred by that State under or in connection with the unemployment compensation programs specified in subsection (a)(11) shall be subject to reduction or sequestration under this part notwithstanding the exemption otherwise granted to such programs under that subsection.

“(3) Notwithstanding any other provision of law, the administrative expenses of the following programs shall be exempt from sequestration:

“(A) Comptroller of the Currency.

“(B) Federal Deposit Insurance Corporation.

“(C) Office of Thrift Supervision.

“(D) National Credit Union Administration.

- “(E) National Credit Union Administration, central liquidity facility.
- “(F) Federal Retirement Thrift Investment Board.
- “(G) Resolution Funding Corporation.
- “(H) Resolution Trust Corporation.
- “(I) Board of Governors of the Federal Reserve System.
- “(e) VETERANS’ PROGRAMS.—The following programs shall be exempt from reduction under any order issued under this part:
  - “General Post Funds (36-8180-0-7-705).
  - “Veterans Insurance and Indemnities (36-0120-0-1-701).
  - “Service-Disabled Veterans Insurance Funds (36-4012-0-3-701).
  - “Veterans Reopened Insurance Fund (36-4010-0-3-701).
  - “Servicemembers’ Group Life Insurance Fund (36-4009-0-3-701).
  - “Post-Vietnam Era Veterans Education Account (36-8133-0-7-702).
  - “National Service Life Insurance Fund (36-8132-0-7-701).
  - “United States Government Life Insurance Fund (36-8150-0-7-701).
  - “Veterans Special Life Insurance Fund (36-8455-0-8-701).
- “(f) OPTIONAL EXEMPTION OF DEFENSE AND HOMELAND SECURITY ACCOUNTS.—
  - “(1) IN GENERAL.—The President may, with respect to any defense or homeland security account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.
  - “(2) LIMITATION.—The President may not use the authority provided by paragraph (1) unless the President notifies the Congress of the manner in which such authority will be exercised on or before the date specified in section 254(a) for the budget year.”.

**SEC. 203. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

(a) IN GENERAL.—Section 256 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

**“SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

“(a) NATIONAL WOOL ACT AND THE SPECIAL MILK PROGRAM.—Automatic spending increases are increases in outlays due to changes in indexes in the following programs:

- “(1) National Wool Act; and
- “(2) Special milk program.

In those programs all amounts other than the automatic spending increases shall be exempt from reduction under any sequestration order.

“(b) STUDENT LOANS.—For all student loans under part B or D of title IV of the Higher Education Act of 1965 made during the period when a sequestration order under section 254 is in effect as required by section 252 or 253, origination fees under sections 438(c)(2) and 455(c) of that Act shall each be increased by 0.50 percentage point.

“(c) FOSTER CARE AND ADOPTION ASSISTANCE PROGRAMS.—Any sequestration order shall make the reduction otherwise required under the foster care and adoption assistance programs (established by part E of title IV of the Social Security Act) only with re-

spect to payments and expenditures made by States in which increases in foster care maintenance payment rates or adoption assistance payment rates (or both) are to take effect during the fiscal year involved, and only to the extent that the required reduction can be accomplished by applying a uniform percentage reduction to the Federal matching payments that each such State would otherwise receive under section 474 of that Act (for such fiscal year) for that portion of the State's payments attributable to the increases taking effect during that year. No State's matching payments from the Government for foster care maintenance payments or for adoption assistance maintenance payments may be reduced by a percentage exceeding the applicable domestic sequestration percentage. No State may, after the date of the enactment of this Act, make any change in the timetable for making payments under a State plan approved under part E of title IV of the Social Security Act which has the effect of changing the fiscal year in which expenditures under such part are made.

“(d) LOW-INCOME PROGRAMS.—(1) Benefit payments or payments to States or other entities for the programs listed in paragraph (2) shall not be reduced by more than 2 percent under any sequestration order. When reduced under an end-of-session sequestration order, those benefit reductions shall occur starting with the payment made at the start of January. When reduced under a within-session sequestration order, those benefit reductions shall occur starting with the next periodic payment.

“(2) The programs referred to in paragraph (1) are the following:

“Child Nutrition (12-3539-0-1-605).

“Food Stamp Programs (12-3505-0-1-605).

“Grants to States for Medicaid (75-0512-0-1-551).

“State Children's Health Insurance Fund (75-0515-0-1-551).

“Supplemental Security Income Program (75-0406-0-1-609).

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

“Special supplemental nutrition program for women, infants, and children (WIC) (12-3510-0-1-605).

“(e) VETERANS' MEDICAL CARE.—The maximum permissible reduction in budget authority for Veterans' medical care (36-0160-0-1-703) for any fiscal year, pursuant to an order issued under section 254, shall be 2 percent.

“(f) FEDERAL RETIREMENT PROGRAMS.—

“(1) For each of the programs listed in paragraph (2) and except as provided in paragraph (3), monthly (or other periodic) benefit payments shall be reduced by the uniform percentage applicable to direct spending sequestrations for such programs, which shall in no case exceed 2 percent under any sequestration order. When reduced under an end-of-session sequestration order, those benefit reductions shall occur starting with the payment made at the start of January or 7 weeks after the order is issued, whichever is later. When reduced under a within-session sequestration order, those benefit reductions shall occur starting with the next periodic payment.

“(2) The programs subject to paragraph (1) are:

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

“Comptrollers General Retirement System (05-0107-0-1-801) Payments to the Foreign Service Retirement and Disability Fund (72-1036-0-1-153).

“Judicial Officer’ Retirement Fund (10-8122-0-7-602).

“Claims Judges’ Retirement Fund (10-8124-0-7-602).

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

“National Oceanic and Atmospheric Administration Retirement (13-1450-0-1-306).

“Railroad Industry Pension Fund (60-8011-0-7-601).

“Retired pay, Coast Guard (70-0602-0-1-403).

“Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551).

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

“Payments to the Foreign Service Retirement and Disability Fund (72-1036-0-1-153)

“Payments to Judiciary Trust Funds (10-0941-0-1-752).

“(g) VETERANS PROGRAMS.—To achieve the total percentage reduction required by any order issued under this part, the percentage reduction that shall apply to payments under the following programs shall in no event exceed 2 percent:

“Canteen Service Revolving Fund (36-4014-0-3-705).

“Medical Center Research Organizations (36-4026-0-3-703).

“Disability Compensation Benefits (36-0102-0-1-701).

“Education Benefits (36-0137-0-1-702).

“Vocational Rehabilitation and Employment Benefits (36-0135-0-1-702).

“Pensions Benefits (36-0154-0-1-701).

“Burial Benefits (36-0139-0-1-701).

“Guaranteed Transitional Housing Loans For Homeless Veterans Program Account (36-1119-0-1-704).

“Housing Direct Loan Financing Account (36-4127-0-1-704).

“Housing Guaranteed Loan Financing Account (36-4129-0-3-704).

“Vocational Rehabilitation and Education Direct Loan Financing Account (36-4259-0-3-702).

“(h) MILITARY HEALTH AND RETIREMENT.—To achieve the total percentage reduction in military retirement required by any order issued under this part, the percentage reduction that shall apply to payments under the Military retirement fund (97-8097-0-7-602), payments to the military retirement fund (97-0040-0-1-054), and the Defense Health Program (97-0130-0-1-051) shall in no event exceed 2 percent.

“(i) MEDICARE PROGRAM.—

“(1) CALCULATION OF REDUCTION IN INDIVIDUAL PAYMENT AMOUNTS.—To achieve the total percentage reduction in those programs required by any order issued under this part, the percentage reduction that shall apply to payments under the health insurance programs under title XVIII of the Social Security Act (other than payments described in section 255(a)(2)) that are subject to such order for services furnished after any sequestration order is issued shall be such that the reduction made in payments under that order shall achieve the required total percentage reduction in those payments for that fiscal year as determined on a 12-month basis. However, the percent-

age reduction under any such program shall in no case exceed 2 percent under any sequestration order.

“(2) TIMING OF APPLICATION OF REDUCTIONS.—If a reduction is made under paragraph (1) in payment amounts pursuant to a sequestration order, the reduction shall be applied to payment for services furnished after the effective date of the order.

“(3) NO INCREASE IN BENEFICIARY CHARGES IN ASSIGNMENT-RELATED CASES.—If a reduction in payment amounts is made under paragraph (1) for services for which payment under part B of title XVIII of the Social Security Act is made on the basis of an assignment described in section 1842(b)(3)(B)(ii), in accordance with section 1842(b)(6)(B), or under the procedure described in section 1870(f)(1) of such Act, the person furnishing the services shall be considered to have accepted payment of the reasonable charge for the services, less any reduction in payment amount made pursuant to a sequestration order, as payment in full.

“(4) APPLICATION TO PARTS C AND D.—The reductions otherwise required under parts C and D of title XVIII of the Social Security Act with respect to a fiscal year shall be applied to the calendar year that begins after the end of the fiscal year to which the applicable sequestration order applies.

“(j) FEDERAL PAY.—

“(1) IN GENERAL.—For purposes of any order issued under section 254, new budget authority to pay Federal personnel shall be reduced by the applicable uniform percentage, but no sequestration order may reduce or have the effect of reducing the rate of pay to which any individual is entitled under any statutory pay system (as increased by any amount payable under section 5304 of title 5, United States Code, or section 302 of the Federal Employees Pay Comparability Act of 1990) or the rate of any element of military pay to which any individual is entitled under title 37, United States Code, or any increase in rates of pay which is scheduled to take effect under section 5303 of title 5, United States Code, section 1009 of title 37, United States Code, or any other provision of law.

“(2) DEFINITIONS.—For purposes of this subsection:

“(A) The term ‘statutory pay system’ shall have the meaning given that term in section 5302(1) of title 5, United States Code.

“(B) The term ‘elements of military pay’ means—

“(i) the elements of compensation of members of the uniformed services specified in section 1009 of title 37, United States Code,

“(ii) allowances provided members of the uniformed services under sections 403a and 405 of such title, and

“(iii) cadet pay and midshipman pay under section 203(c) of such title.

“(C) The term ‘uniformed services’ shall have the meaning given that term in section 101(3) of title 37, United States Code.

“(k) CHILD SUPPORT ENFORCEMENT PROGRAM.—Any sequestration order shall accomplish the full amount of any required reduction in expenditures under sections 455 and 458 of the Social Security Act by reducing the Federal matching rate for State adminis-



trative costs under such program, as specified (for the fiscal year involved) in section 455(a) of such Act, to the extent necessary to reduce such expenditures by that amount.

“(1) EXTENDED UNEMPLOYMENT COMPENSATION.—(1) A State may reduce each weekly benefit payment made under the Federal-State Extended Unemployment Compensation Act of 1970 for any week of unemployment occurring during any period with respect to which payments are reduced under an order issued under this title by a percentage not to exceed the percentage by which the Federal payment to the State under section 204 of such Act is to be reduced for such week as a result of such order.

“(2) A reduction by a State in accordance with subparagraph (A) shall not be considered as a failure to fulfill the requirements of section 3304(a)(11) of the Internal Revenue Code of 1954.

“(m) COMMODITY CREDIT CORPORATION.—

“(1) POWERS AND AUTHORITIES OF THE COMMODITY CREDIT CORPORATION.—This title shall not restrict the Commodity Credit Corporation in the discharge of its authority and responsibility as a corporation to buy and sell commodities in world trade, to use the proceeds as a revolving fund to meet other obligations and otherwise operate as a corporation, the purpose for which it was created.

“(2) REDUCTION IN PAYMENTS MADE UNDER CONTRACTS.—(A) Payments and loan eligibility under any contract entered into with a person by the Commodity Credit Corporation prior to the time any sequestration order has been issued shall not be reduced by an order subsequently issued. Subject to subparagraph (B), after any sequestration order is issued for a fiscal year, any cash payments made by the Commodity Credit Corporation—

“(i) under the terms of any one-year contract entered into in or after such fiscal year and after the issuance of the order; and

“(ii) out of an entitlement account, to any person (including any producer, lender, or guarantee entity) shall be subject to reduction under the order.

“(B) Each contract entered into with producers or producer cooperatives with respect to a particular crop of a commodity and subject to reduction under subparagraph (A) shall be reduced in accordance with the same terms and conditions. If some, but not all, contracts applicable to a crop of a commodity have been entered into prior to the issuance of any sequestration order, the order shall provide that the necessary reduction in payments under contracts applicable to the commodity be uniformly applied to all contracts for succeeding crops of the commodity, under the authority provided in paragraph (3).

“(3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this title, if any sequestration order is issued with respect to a fiscal year, any reduction under the order applicable to contracts described in paragraph (2) may provide for reductions in outlays for the account involved to occur in the fiscal years following the fiscal year to which the order applies.

“(4) UNIFORM PERCENTAGE RATE OF REDUCTION AND OTHER LIMITATIONS.—All reductions described in paragraph (2) that

are required to be made in connection with any sequestration order with respect to a fiscal year—

“(A) shall be made so as to ensure that outlays for each program, project, activity, or account involved are reduced by a percentage rate that is uniform for all such programs, projects, activities, and accounts, and may not be made so as to achieve a percentage rate of reduction in any such item exceeding the rate specified in the order; and

“(B) with respect to commodity price support and income protection programs, shall be made in such manner and under such procedures as will attempt to ensure that—

“(i) uncertainty as to the scope of benefits under any such program is minimized;

“(ii) any instability in market prices for agricultural commodities resulting from the reduction is minimized; and

“(iii) normal production and marketing relationships among agricultural commodities (including both contract and non-contract commodities) are not distorted.

In meeting the criterion set out in clause (iii) of subparagraph (B) of the preceding sentence, the President shall take into consideration that reductions under an order may apply to programs for two or more agricultural commodities that use the same type of production or marketing resources or that are alternative commodities among which a producer could choose in making annual production decisions.

“(5) CERTAIN AUTHORITY NOT TO BE LIMITED.—Nothing in this title shall limit or reduce in any way any appropriation that provides the Commodity Credit Corporation with funds to cover the Corporation’s net realized losses.

“(n) POSTAL SERVICE FUND.—Notwithstanding any other provision of law, any sequestration of the Postal Service Fund shall be accomplished by a payment from that Fund to the General Fund of the Treasury, and the Postmaster General of the United States shall make the full amount of that payment during the fiscal year to which the presidential sequestration order applies.

“(o) EFFECTS OF SEQUESTRATION.—The effects of sequestration shall be as follows:

“(1) Budgetary resources sequestered from any account other than an entitlement trust, special, or revolving fund account shall revert to the Treasury and be permanently canceled.

“(2) Except as otherwise provided, the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President’s budget).

“(3) Administrative regulations or similar actions implementing a sequestration shall be made within 120 days of the sequestration order. To the extent that formula allocations differ at different levels of budgetary resources within an account, program, project, or activity, the sequestration shall be interpreted as producing a lower total appropriation, with that

lower appropriation being obligated as though it had been the pre-sequestration appropriation and no sequestration had occurred.

“(4) Except as otherwise provided, obligations in sequestered direct spending accounts shall be reduced in the fiscal year in which a sequestration occurs and in all succeeding fiscal years.

“(5) If an automatic spending increase is sequestered, the increase (in the applicable index) that was disregarded as a result of that sequestration shall not be taken into account in any subsequent fiscal year.

“(6) Except as otherwise provided, sequestration in accounts for which obligations are indefinite shall be taken in a manner to ensure that obligations in the fiscal year of a sequestration and succeeding fiscal years are reduced, from the level that would actually have occurred, by the applicable sequestration percentage.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by amending the item relating to section 256 to read as follows:

“Sec. 256. Exceptions, limitations, and special rules.”.

#### **SEC. 204. POINT OF ORDER.**

(a) ENTITLEMENT POINT OF ORDER.—Section 312 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(g) ENTITLEMENT POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, or conference report that—

“(1) increases aggregate level of direct spending for any ensuing fiscal year or

“(2) includes any provision that has the effect of modifying the application of section 252A of the Balanced Budget and Emergency Deficit Control Act of 1985 to any entitlement program subject to sequestration or exempt from sequestration under such Act.”.

#### **SEC. 205. TECHNICAL AND CONFORMING AMENDMENTS.**

The Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Section 251(a)(1) is amended by inserting “, section 252A,” after “section 252”.

(2) Section 254(c)(4)(B) is amended by inserting “or section 252A” after “section 252”.

(3) Section 254(c) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) DIRECT SPENDING CONTROL SEQUESTRATION REPORTS.—The preview reports shall set forth, for the current year and the budget year, estimates for each of the following:

“(A) The total level of direct spending for all programs, projects, and activities (excluding social security).

“(B) The sequestration percentage or (if the required sequestration percentage is greater than the maximum allowable percentage for medicare) percentages necessary to comply with section 252A.”.

(4) Section 254(f) is amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6) and by inserting after paragraph (3) the following new paragraph:

“(4) DIRECT SPENDING CONTROL SEQUESTRATION REPORTS.—The final reports shall contain all the information required in the direct spending control sequestration preview reports. In addition, these reports shall contain, for the budget year, for each account to be sequestered, estimates of the baseline level of sequesterable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions. The reports shall also contain estimates of the effects on outlays of the sequestration in each out-year for direct spending programs.”.

(5) Section 258C(a)(1) is amended by inserting “, 252A,” after “section 252”.

**SEC. 206. ESTABLISHMENT OF FAMILY BUDGET PROTECTION MANDATORY ACCOUNT.**

(a) BUDGET PROTECTION MANDATORY ACCOUNT.—Title III of the Congressional Budget Act of 1974 (as amended by section 521) is further amended by adding at the end the following new sections:

“BUDGET PROTECTION MANDATORY ACCOUNT

“SEC. 320. (a) ESTABLISHMENT OF ACCOUNT.—The chairman of the Committee on the Budget of the House of Representatives and of the Senate shall each maintain an account to be known as the ‘Budget Protection Mandatory Account’. The Account shall be divided into entries corresponding to the House or Senate committees, as applicable, that received allocations under section 302(a) in the most recently adopted concurrent resolution on the budget, except that it shall not include the Committee on Appropriations of that House and each entry shall consist of the ‘First Year Budget Protection Balance’ and the ‘Five Year Budget Protection Balance’.

“(b) COMPONENTS.—Each entry shall consist only of amounts credited to it under subsection (c). No entry of a negative amount shall be made.

“(c) CREDITING OF AMOUNTS TO ACCOUNT.—(1) Whenever a Member or Senator, as the case may be, offers an amendment to a bill that reduces the amount of mandatory budget authority provided either under current law or proposed to be provided by the bill under consideration, that Member or Senator may state the portion of such reduction achieved in the first year covered by the most recently adopted concurrent resolution on the budget and in addition the portion of such reduction achieved in the first five years covered by the most recently adopted concurrent resolution on the budget that shall be—

“(A) credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance in the House or Senate, as applicable;

“(B) used to offset an increase in other new budget authority;

“(C) allowed to remain within the applicable section 302(a) allocation; or

“(D) used to offset a decrease in receipts.

If no such statement is made, the amount of reduction in new budget authority resulting from the amendment shall be credited to the First Year Budget Protection Balance and the Five Year

Budget Protection Balance, as applicable, if the amendment is agreed to.

“(2) Except as provided by paragraph (3), the chairman of the Committee on the Budget of the House or Senate, as applicable, shall, upon the engrossment of any bill, other than an appropriation bill, by the House or Senate, as applicable, credit to the applicable entry balances amounts of new budget authority and outlays equal to the net amounts of reductions in budget authority and in outlays resulting from amendments agreed to by that House to that bill.

“(3) When computing the net amounts of reductions in budget authority and in outlays resulting from amendments agreed to by the House or Senate, as applicable, to a bill, the chairman of the Committee on the Budget of that House shall only count those portions of such amendments agreed to that were so designated by the Members or Senators offering such amendments as amounts to be credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance, or that fall within the last sentence of paragraph (1).

“(4) The chairman of the Committee on the Budget of the House and of the Senate shall each maintain a running tally of the amendments adopted reflecting increases and decreases of budget authority in the bill as reported to its House. This tally shall be available to Members or Senators during consideration of any bill by that House.

“(d) CALCULATION OF LOCK-BOX SAVINGS IN HOUSE AND SENATE.—For the purposes of enforcing section 302(a), upon the engrossment of any bill, other than an appropriation bill, by the House or Senate, as applicable, the amount of budget authority and outlays calculated pursuant to subsection (c)(3) shall be counted against the 302(a) allocation provided to the applicable committee or committees of that House which reported the bill as if the amount calculated pursuant to subsection (c)(3) was included in the bill just engrossed.

“(e) DEFINITION.—As used in this section, the term ‘appropriation bill’ means any general or special appropriation bill, and any bill or joint resolution making supplemental, deficiency, or continuing appropriations through the end of fiscal year 2005 or any subsequent fiscal year, as the case may be.”.

## **Subtitle B—Discretionary Spending Limits**

### **SEC. 211. ENFORCING DISCRETIONARY SPENDING LIMITS.**

(a) DISCRETIONARY SPENDING LIMITS.—Sections 251(b) and (c) of the Balanced Budget and Emergency Deficit Control of Act of 1985 are amended to read as follows:

“(b) DISCRETIONARY SPENDING LIMIT.—As used in this part, the term ‘discretionary spending limit’ means—

“(1) with respect to fiscal year 2005—

“(A) \$864,261,000,000 in new budget authority of which no more than \$400,625,000,000 shall be for the nondefense category; and

“(B) \$850,495,800,000 in outlays of which no more than \$433,158,400,000 shall be for the nondefense category;

- “(2) with respect to fiscal year 2006—
  - “(A) \$838,669,000,000 in new budget authority of which no more than \$409,038,100,000 shall be for the nondefense category; and
  - “(B) \$872,471,400,000 in outlays of which no more than \$448,440,900,000 shall be for the nondefense category;
- “(3) with respect to fiscal year 2007—
  - “(A) \$856,281,000,000 in new budget authority of which no more than \$417,627,900,000 shall be for the nondefense category; and
  - “(B) \$886,373,800,000 in outlays of which no more than \$458,828,900,000 shall be for the nondefense category;
- “(4) with respect to fiscal year 2008—
  - “(A) \$874,263,000,000 in new budget authority of which no more than \$426,398,100,000 shall be for the nondefense category; and
  - “(B) \$907,923,200,000 in outlays of which no more than \$466,518,700,000 shall be for the nondefense category;
- “(5) with respect to fiscal year 2009—
  - “(A) \$892,622,000,000 in new budget authority of which no more than \$435,352,500,000 shall be for the nondefense category; and
  - “(B) \$922,436,600,000 in outlays of which no more than \$472,403,700,000 shall be for the nondefense category;
- “(6) with respect to fiscal year 2010—
  - “(A) \$911,367,000,000 in new budget authority of which no more than \$444,494,900,000 shall be for the nondefense category; and
  - “(B) \$942,949,400,000 in outlays of which no more than \$483,388,200,000 shall be for the nondefense category;
- “(7) with respect to fiscal year 2011—
  - “(A) \$930,506,000,000 in new budget authority of which no more than \$453,829,300,000 shall be for the nondefense category; and
  - “(B) \$966,467,600,000 in outlays of which no more than \$492,649,700,000 shall be for the nondefense category;
- “(8) with respect to fiscal year 2012—
  - “(A) \$950,047,000,000 in new budget authority of which no more than \$463,359,700,000 shall be for the nondefense category; and
  - “(B) \$977,831,100,000 in outlays of which no more than \$502,049,800,000 shall be for the nondefense category;
- “(9) with respect to fiscal year 2013—
  - “(A) \$969,998,000,000 in new budget authority of which no more than \$473,090,200,000 shall be for the nondefense category; and
  - “(B) \$1,001,230,000,000 in outlays of which no more than \$511,597,600,000 shall be for the nondefense category;
- “(10) with respect to fiscal year 2014—
  - “(A) \$990,368,000,000 in new budget authority of which no more than \$483,025,100,000 shall be for the nondefense category; and

“(B) \$1,020,567,000,000 in outlays of which no more than \$521,375,000,000 shall be for the nondefense category;”.

(b) DISCRETIONARY SPENDING LIMIT POINT OF ORDER.—Section 312 of the Congressional Budget Act of 1974 (as amended by section 214(a)) is further amended by adding at the end the following new subsection:

“(h) DISCRETIONARY SPENDING LIMIT POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, or conference report that—

“(1) increases the discretionary spending limits for any ensuing fiscal year after the budget year; or

“(2) would cause the discretionary spending limits for the budget year to be breached.”.

(c) ADVANCE APPROPRIATION POINT OF ORDER.—Section 312 of the Congressional Budget Act of 1974 (as amended by this section) is further amended by adding at the end the following new subsection:

“(i) ADVANCE APPROPRIATION POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any appropriation bill or joint resolution, or amendment thereto or conference report thereon, that provides advance discretionary new budget authority that first becomes available for any fiscal year after the budget year at an amount for any program, project, or activity above the amount of appropriations for fiscal year 2004 for such program, project, or activity.”.

**SEC. 212. ESTABLISHMENT OF FAMILY BUDGET PROTECTION DISCRETIONARY ACCOUNT.**

(a) BUDGET PROTECTION MANDATORY ACCOUNT.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

**“BUDGET PROTECTION MANDATORY ACCOUNT**

**“SEC. 321. (a) ESTABLISHMENT OF ACCOUNT.**—The chairman of the Committee on the Budget of the House of Representatives and of the Senate shall each maintain an account to be known as the ‘Budget Protection Mandatory Account’. The Account shall be divided into entries corresponding to the House or Senate committees, as applicable, that received allocations under section 302(a) in the most recently adopted concurrent resolution on the budget, except that it shall not include the Committee on Appropriations of that House and each entry shall consist of the ‘First Year Budget Protection Balance’ and the ‘Five Year Budget Protection Balance’.

**“(b) COMPONENTS.**—Each entry shall consist only of amounts credited to it under subsection (c). No entry of a negative amount shall be made.

**“(c) CREDITING OF AMOUNTS TO ACCOUNT.**—(1) Whenever a Member or Senator, as the case may be, offers an amendment to a bill that reduces the amount of mandatory budget authority provided either under current law or proposed to be provided by the bill under consideration, that Member or Senator may state the portion of such reduction achieved in the first year covered by the most recently adopted concurrent resolution on the budget and in addition the portion of such reduction achieved in the first five years cov-

ered by the most recently adopted concurrent resolution on the budget that shall be—

“(A) credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance in the House or Senate, as applicable;

“(B) used to offset an increase in other new budget authority;

“(C) allowed to remain within the applicable section 302(a) allocation; or

“(D) used to offset a decrease in receipts.

If no such statement is made, the amount of reduction in new budget authority resulting from the amendment shall be credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance, as applicable, if the amendment is agreed to.

“(2) Except as provided by paragraph (3), the chairman of the Committee on the Budget of the House or Senate, as applicable, shall, upon the engrossment of any bill, other than an appropriation bill, by the House or Senate, as applicable, credit to the applicable entry balances amounts of new budget authority and outlays equal to the net amounts of reductions in budget authority and in outlays resulting from amendments agreed to by that House to that bill.

“(3) When computing the net amounts of reductions in budget authority and in outlays resulting from amendments agreed to by the House or Senate, as applicable, to a bill, the chairman of the Committee on the Budget of that House shall only count those portions of such amendments agreed to that were so designated by the Members or Senators offering such amendments as amounts to be credited to the First Year Budget Protection Balance and the Five Year Budget Protection Balance, or that fall within the last sentence of paragraph (1).

“(4) The chairman of the Committee on the Budget of the House and of the Senate shall each maintain a running tally of the amendments adopted reflecting increases and decreases of budget authority in the bill as reported to its House. This tally shall be available to Members or Senators during consideration of any bill by that House.

“(d) CALCULATION OF LOCK-BOX SAVINGS IN HOUSE AND SENATE.—For the purposes of enforcing section 302(a), upon the engrossment of any bill, other than an appropriation bill, by the House or Senate, as applicable, the amount of budget authority and outlays calculated pursuant to subsection (c)(3) shall be counted against the 302(a) allocation provided to the applicable committee or committees of that House which reported the bill as if the amount calculated pursuant to subsection (c)(3) was included in the bill just engrossed.

“(e) DEFINITION.—As used in this section, the term ‘appropriation bill’ means any general or special appropriation bill, and any bill or joint resolution making supplemental, deficiency, or continuing appropriations through the end of fiscal year 2005 or any subsequent fiscal year, as the case may be.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 319 the following new items:



“Sec. 320. Family budget protection mandatory account.

“Sec. 321. Family budget protection discretionary account.”.

**SEC. 213. REVENUE ADJUSTMENT.**

If an amendment is designated to be used to offset a decrease in receipts for a fiscal year pursuant to section 320(c)(1)(D) or section 321(c)(1)(D) of the Congressional Budget Act of 1974, then the applicable level of revenues for such fiscal year for purposes of section 311(a) of such Act shall be reduced by the amount of such amendment.

## **Subtitle C—Long-term Unfunded Obligations**

**SEC. 221. LONG-TERM UNFUNDED OBLIGATIONS.**

(a) IN GENERAL.—Title IV of the Congressional Budget Act of 1974 is amended by adding at the end the following:

### **PART C—LONG-TERM UNFUNDED OBLIGATIONS**

**“SEC. 441. ANALYSIS OF LONG-TERM UNFUNDED OBLIGATIONS.**

“Beginning in fiscal year 2006, the President’s budget shall include an analysis of long-term unfunded obligations. This analysis shall include:

“(1) An analysis of the impact of long-term unfunded obligations in applicable entitlement programs on the long-term level of unified budget outlays and the unified budget surplus or deficit, in relation to the projected level of the Gross Domestic Product.

“(2) A report on the impact of legislation enacted during the previous session of Congress that increases the long-term unfunded obligation in any applicable group of entitlement program.

“(3) An analysis of the impact of legislation proposed in the President’s budget on the long-term unfunded obligation in any applicable entitlement program.

**“SEC. 442. POINT OF ORDER AGAINST LEGISLATION INCREASING LONG-TERM UNFUNDED OBLIGATIONS.**

“It shall not be in order in the House of Representatives or in the Senate to consider any bill, joint resolution, motion, amendment, or conference report that would increase the long-term unfunded obligation in any applicable group of entitlement programs.

**“SEC. 443. STANDARD FOR DETERMINING INCREASE IN LONG-TERM UNFUNDED OBLIGATION.**

“For the purpose of this part, legislation shall be considered to increase the long-term unfunded obligation of an applicable group of entitlement programs if it either—

“(1) increases the excess of the discounted present value of the expenditures of programs in the group above the discounted present value of the dedicated receipts of programs in the group over a long-term estimating period by more than an applicable threshold; or

“(2) increases the dollar level of the expenditures of programs in the group above the dedicated receipts of programs in the group above the dedicated receipts of programs in the group in the last year of the estimating period by more than the applicable threshold.

**“SEC. 444. LONG-TERM UNFUNDED OBLIGATION ANALYSES BY CONGRESSIONAL BUDGET OFFICE.**

The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

“(1) an estimate of any increase of the long-term unfunded obligation of any applicable entitlement program which would be incurred in carrying out such bill or resolution as measured by the increase of the excess of the discounted present value of the expenditures of such program above the discounted present value of the dedicated receipts of such program over a long-term estimating period by more than an applicable threshold; and

“(2) an estimate of any increase in the dollar level of the expenditures of such program above the dedicated receipts of such program above the dedicated receipts of such program in the last year of the estimating period by more than the applicable threshold.

The estimates and description so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

**“SEC. 445. DEFINITIONS.**

“As used in this part—

“(1) the term ‘applicable entitlement program’ shall be defined as any one of the following programs:

“(A) Old Age, Survivors, and Disability Insurance.

“(B) Medicare (combined hospital insurance and supplemental medical insurance).

“(C) Civilian retirement and disability (combined Civil Service Retirement System and Federal Employees Retirement System).

“(D) Foreign Service Retirement and Disability (combined Foreign Service Retirement and Disability System and Foreign Service Pension System).

“(E) Retired Employees Health Benefits.

“(F) Military Retirement System.

“(G) Uniformed Services Retiree Health Care System.

“(H) Railroad Retirement System (combined Rail Industry Pension Fund, Social Security Equivalent Benefit Account, and National Railroad Retirement Investment Trust).

“(I) Supplemental Security Income (SSI).

“(J) For estimates made on or after January 1, 2006, veterans disability compensation.

“(K) Any other entitlement program with regularly available long-term estimates.

“(2) The term ‘entitlement program with regularly available long-term estimates’ means a program for which the Director of the Congressional Budget Office, in consultation with the Committees on the Budget of the House of Representatives and the Senate and the Director of the Office of Management and Budget, has determined that it is feasible to make long-term estimates of expenditures and dedicated receipts based on explicit demographic, economic, and other estimating assumptions. The Director shall notify the House and Senate Committees on the Budget in writing, whenever he or she makes such a determination.

“(3) The term ‘applicable group of entitlement programs’ shall be defined as any of the following:

“(A) Old Age, Survivors, and Disability Insurance.

“(B) All applicable entitlement programs except Old Age, Survivors, and Disability Insurance.

“(4) The term ‘long-term estimating period’ shall be defined as 75 years, starting with the current year, for all applicable entitlement programs except for Old Age, Survivors, and Disability Insurance. For Old Age, Survivors, and Disability Insurance, the term shall be defined as the infinite period of years utilized in the most recent annual report of the Board of Trustees provided pursuant to section 201(c)(2) of the Social Security Act.

“(5) The term ‘last year of the estimating period’ shall be defined as the 75th year of the long-term estimating period.

“(6) The term ‘dedicated receipts’ shall be defined, for all applicable entitlement programs other than Medicare, as taxes and fees received from the public, payments received from Federal agencies on behalf of Federal agency employees who are participants in the program, transfers received by the program under section 7(c)(2) of the Railroad Retirement Act of 1974 (45 U.S.C. 231f(c)(2)), and transfers from the general fund of amounts equivalent to income tax receipts under section 86 of the Internal Revenue Code. Dedicated receipts shall not include payments from the general fund to amortize a program’s unfunded liability or payments of interest on a program’s trust fund holdings. For Medicare, ‘dedicated receipts’ shall be defined according to section 801(c)(3) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

“(7) The term ‘expenditures’ shall be defined, for all applicable entitlement programs other than Medicare, to include benefit payments, administrative expenses to the extent paid from a dedicated fund, and transfers to other programs made under section 7(c)(2) of the Railroad Retirement Act of 1974 (45 U.S.C. 231f(c)(2)). For Medicare, ‘expenditures’ shall be defined according to section 801(c)(4) of the Medicare prescription Drug, Improvement, and Modernization Act of 2003.

“(8) The term ‘applicable threshold’ shall be defined as:

“(A) For a group of applicable entitlement programs over a long-term estimating period—

“(i) 0.02 percent of the present value of the taxable payroll of the group of programs over the estimating period, for legislation affecting Old Age, Survivors, and Disability Insurance or Medicare; and

“(ii) 1 percent of the present value of the expenditures over the estimating period of the programs in the group that are affected by the legislation.

“(B) For a group of applicable entitlement programs in the last year of the estimating period—

“(i) 0.02 percent of the taxable payroll of the group of programs in that year, for legislation affecting Old Age, Survivors, and Disability Insurance or Medicare;

“(ii) 0.01 percent of Gross Domestic Product in that year; or

“(iii) 1 percent of the expenditures in that year of the programs in the group that are affected by the legislation.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding after the item relating to section 428 the following:

#### PART C—LONG-TERM UNFUNDED OBLIGATIONS

“Sec. 441. Analysis of long-term unfunded obligations.

“Sec. 442. Point of order against legislation increasing long-term unfunded obligations.

“Sec. 443. Standard for determining increase in long-term unfunded obligation.

“Sec. 444. Long-term unfunded obligation analyses by congressional budget office.

“Sec. 445. Definitions.

#### SEC. 222. POINTS OF ORDER.

Section 904 of the Congressional Budget Act of 1974 is amended as follows:

(1) Subsection (c)(1) is amended by adding “442,” after “310(d)(2), 313,”.

(2) Subsection (d)(2) is amended by adding “442,” after “310(d)(2), 313,”.

#### SEC. 223. SOCIAL SECURITY.

Section 13302(a) of subtitle C of the Budget Enforcement Act of 1990 is amended to read as follows:

“(a) IN GENERAL.—It shall be not be in order in the House of Representatives to consider any bill, or joint resolution, as reported, or any amendment thereto or conference report thereon, if, upon enactment, such legislation under consideration would increase the long-term unfunded obligation of the OASDI program, as defined in section 443 of the Congressional Budget Act of 1974.”.

## TITLE III—COMBATING WASTE, FRAUD, AND ABUSE.

### Subtitle A—Sunsetting

#### SEC. 301. REAUTHORIZATION OF DISCRETIONARY PROGRAMS AND UNEARNED ENTITLEMENTS.

(a) FISCAL YEAR 2008.—Effective October 1, 2007, spending authority for each unearned entitlement and high-cost discretionary spending program is frozen at then current levels unless such

spending authority is reauthorized after the date of enactment of this Act.

(b) FISCAL YEAR 2009.—Effective October 1, 2008, spending authority for each discretionary spending program (not including high-cost discretionary spending programs) is frozen at then current levels unless such spending authority is reauthorized after the date of enactment of this Act.

(c) DEFINITIONS.—For purposes of this title—

(1) the term “unearned entitlement” means an entitlement not earned by service or paid for in total or in part by assessments or contributions such as Social Security, veterans’ benefits, retirement programs, and medicare; and

(2) the term “high-cost discretionary program” means the most expensive one-third of discretionary program within each budget function account.

**SEC. 302. POINT OF ORDER.**

(a) IN GENERAL.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, or conference report that includes any provision that appropriates funds above current levels unless such appropriation has been previously authorized by law.

(b) WAIVER OR SUSPENSION.—This section may be waived or suspended in the House of Representatives or the Senate only by the affirmative vote of two-thirds of the Members, duly chosen and sworn.

**SEC. 303. DECENNIAL SUNSETTING.**

(a) FIRST DECENNIAL CENSUS YEAR.—Effective on the first day of the fiscal year beginning in the first decennial census year after the year 2010 and each 10 years thereafter, the spending authority described in section 301(a) is terminated unless such spending authority is reauthorized after the last date the spending authority was required to be reauthorized under this title.

(b) FIRST DECENNIAL CENSUS YEAR.—Effective on the first day of the fiscal year beginning in the year after the first decennial census year after the year 2010 and each 10 years thereafter, the spending authority described in section 301(b) is terminated unless such spending authority is reauthorized after the last date the spending authority was required to be reauthorized under this title.

## **Subtitle B—Enhanced Rescissions of Budget Authority Identified by the President as Wasteful Spending**

**SEC. 311. ENHANCED CONSIDERATION OF CERTAIN PROPOSED RESCISSIONS.**

(a) IN GENERAL.—Part B of title X of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 681 et seq.) is amended by redesignating sections 1013 through 1017 as sections 1014 through 1018, respectively, and by inserting after section 1012 the following new section:

“ENHANCED CONSIDERATION OF CERTAIN PROPOSED RESCISSIONS

“SEC. 1013. (a) PROPOSED RESCISSION OF BUDGET AUTHORITY IDENTIFIED AS WASTEFUL SPENDING.—The President may propose, at the time and in the manner provided in subsection (b), the rescission of any budget authority provided in an appropriation Act that he identifies as wasteful spending. If the President proposes a rescission of budget authority, he may also propose to reduce the appropriate discretionary spending limits for new budget authority and outlays flowing therefrom set forth in section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 by an amount that does not exceed the amount of the proposed rescission. Funds made available for obligation under this procedure may not be proposed for rescission again under this section.

“(b) TRANSMITTAL OF SPECIAL MESSAGE.—

“(1) The President may transmit to Congress a special message proposing to rescind amounts of budget authority and include with that special message a draft bill that, if enacted, would only rescind that budget authority unless the President also proposes a reduction in the appropriate discretionary spending limits set forth in section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985. That bill shall clearly identify the amount of budget authority that is proposed to be rescinded for each program, project, or activity to which that budget authority relates.

“(2) In the case of an appropriation Act that includes accounts within the jurisdiction of more than one subcommittee of the Committee on Appropriations, the President in proposing to rescind budget authority under this section shall send a separate special message and accompanying draft bill for accounts within the jurisdiction of each subcommittee.

“(3) Each special message shall specify, with respect to the budget authority proposed to be rescinded, the following:

“(A) The amount of budget authority which he proposes to be rescinded.

“(B) Any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific project or governmental functions involved.

“(C) The reasons why the budget authority should be rescinded, including why he considers it to be wasteful spending.

“(D) To the maximum extent practicable, the estimated fiscal, economic, and budgetary effect (including the effect on outlays and receipts in each fiscal year) of the proposed rescission.

“(E) All facts, circumstances, and considerations relating to or bearing upon the proposed rescission and the decision to effect the proposed rescission, and to the maximum extent practicable, the estimated effect of the proposed rescission upon the objects, purposes, and programs for which the budget authority is provided.

“(F) A reduction in the appropriate discretionary spending limits set forth in section 251(b) of the Balanced Budg-

et and Emergency Deficit Control Act of 1985, if proposed by the President.

“(c) PROCEDURES FOR EXPEDITED CONSIDERATION.—

“(1)(A) Before the close of the second legislative day of the House of Representatives after the date of receipt of a special message transmitted to Congress under subsection (b), the majority leader or minority leader of the House of Representatives shall introduce (by request) the draft bill accompanying that special message. If the bill is not introduced as provided in the preceding sentence, then, on the third legislative day of the House of Representatives after the date of receipt of that special message, any Member of that House may introduce the bill.

“(B) The bill shall be referred to the Committee on Appropriations. The committee shall report the bill without substantive revision and with or without recommendation. The bill shall be reported not later than the seventh legislative day of that House after the date of receipt of that special message. If that committee fails to report the bill within that period, that committee shall be automatically discharged from consideration of the bill, and the bill shall be placed on the appropriate calendar.

“(C) A vote on final passage of the bill shall be taken in the House of Representatives on or before the close of the 10th legislative day of that House after the date of the introduction of the bill in that House. If the bill is passed, the Clerk of the House of Representatives shall cause the bill to be engrossed, certified, and transmitted to the Senate within one calendar day of the day on which the bill is passed.

“(2)(A) A motion in the House of Representatives to proceed to the consideration of a bill under this section shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

“(B) Debate in the House of Representatives on a bill under this section shall not exceed 4 hours, which shall be divided equally between those favoring and those opposing the bill. A motion to further limit debate shall not be debatable. It shall not be in order to move to recommit a bill under this section or to move to reconsider the vote by which the bill is agreed to or disagreed to.

“(C) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to a bill under this section shall be decided without debate.

“(D) Except to the extent specifically provided in the preceding provisions of this subsection, consideration of a bill under this section shall be governed by the Rules of the House of Representatives. It shall not be in order in the House of Representatives to consider any rescission bill introduced pursuant to the provisions of this section under a suspension of the rules or under a special rule.

“(3) A bill transmitted to the Senate pursuant to paragraph (1)(D) shall be referred to its Committee on Appropriations.

That committee shall report the bill without substantive revision and with or without recommendation. The bill shall be reported not later than the seventh legislative day of the Senate after it receives the bill. A committee failing to report the bill within such period shall be automatically discharged from consideration of the bill, and the bill shall be placed upon the appropriate calendar.

“(4)(A) A motion in the Senate to proceed to the consideration of a bill under this section shall be privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

“(B) Debate in the Senate on a bill under this section, and all debatable motions and appeals in connection therewith (including debate pursuant to subparagraph (C)), shall not exceed 10 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

“(C) Debate in the Senate or any debatable motion or appeal in connection with a bill under this section shall be limited to not more than 1 hour, to be equally divided between, and controlled by, the mover and the manager of the bill, except that in the event the manager of the bill is in favor of any such motion or appeal, the time in opposition thereto, shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from time under their control of the passage of a bill, allot additional time to any Senator during the consideration of any debatable motion or appeal.

“(D) A motion in the Senate to further limit debate on a bill under this section is not debatable. A motion to recommit a bill under this section is not in order.

“(d) AMENDMENT AND DIVISIONS PROHIBITED.—No amendment to a bill considered under this section shall be in order in either the House of Representatives or the Senate. It shall not be in order to demand a division of the question in the House of Representatives (or in a Committee of the Whole) or in the Senate. No motion to suspend the application of this subsection shall be in order in either House, nor shall it be in order in either House to suspend the application of this subsection by unanimous consent.

“(e) REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.—Any amount of budget authority proposed to be rescinded in a special message transmitted to Congress under subsection (b) shall be made available for obligation on the day after the date on which either House rejects the bill transmitted with that special message.

“(f) DEFINITIONS.—For purposes of this section:

“(1) The term ‘appropriation Act’ means any general or special appropriation Act, and any Act or joint resolution making supplemental, deficiency, or continuing appropriations.

“(2) The term ‘legislative day’ means, with respect to either House of Congress, any day of session.

“(3) The term ‘rescind’ means, with respect to an appropriation Act, to reduce the amount of budget authority appropriated in that Act, and reducing budget authority shall include reducing obligation limitations set forth in that Act.”.



(b) EXERCISE OF RULEMAKING POWERS.—Section 904 of the Congressional Budget Act of 1974 (2 U.S.C. 621 note) is amended—

(1) in subsection (a), by striking “and 1017” and inserting “1012, and 1017”; and

(2) in subsection (d), by striking “section 1017” and inserting “sections 1012 and 1017”.

(c) CONFORMING AMENDMENTS.—

(1) Section 1011 of the Congressional Budget Act of 1974 (2 U.S.C. 682(5)) is amended by repealing paragraphs (3) and (5) and by redesignating paragraph (4) as paragraph (3).

(2) Section 1014 of such Act (2 U.S.C. 685) is amended—

(A) in subsection (b)(1), by striking “or the reservation”; and

(B) in subsection (e)(1), by striking “or a reservation” and by striking “or each such reservation”.

(3) Section 1015(a) of such Act (2 U.S.C. 686) is amended by striking “is to establish a reserve or”, by striking “the establishment of such a reserve or”, and by striking “reserve or” each other place it appears.

(4) Section 1017 of such Act (2 U.S.C. 687) is amended—

(A) in subsection (a), by striking “rescission bill introduced with respect to a special message or”;

(B) in subsection (b)(1), by striking “rescission bill or”, by striking “bill or” the second place it appears, by striking “rescission bill with respect to the same special message or”, and by striking “, and the case may be,”;

(C) in subsection (b)(2), by striking “bill or” each place it appears;

(D) in subsection (c), by striking “rescission” each place it appears and by striking “bill or” each place it appears;

(E) in subsection (d)(1), by striking “rescission bill or” and by striking “, and all amendments thereto (in the case of a rescission bill)”;

(F) in subsection (d)(2)—

(i) by striking the first sentence;

(ii) by amending the second sentence to read as follows: “Debate on any debatable motion or appeal in connection with an impoundment resolution shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, except that in the event that the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee.”;

(iii) by striking the third sentence; and

(iv) in the fourth sentence, by striking “rescission bill or” and by striking “amendment, debatable motion,” and by inserting “debateable motion”;

(G) in paragraph (d)(3), by striking the second and third sentences; and

(H) by striking paragraphs (4), (5), (6), and (7) of paragraph (d).

(d) CLERICAL AMENDMENTS.—The table of sections for subpart B of title X of the Congressional Budget and Impoundment Control Act of 1974 is amended by redesignating the item relating to sec-

tions 1014 through 1018 as items 1015 through 1019, respectively, and by inserting after the item relating to section 1012 the following new item:

“Sec. 1013. Enhanced consideration of certain proposed rescissions.”.

### **Subtitle C—Commission to Eliminate Waste, Fraud, and Abuse**

#### **SEC. 331. ESTABLISHMENT OF COMMISSION.**

(a) ESTABLISHMENT.—There is established the Commission to Eliminate Waste, Fraud, and Abuse (hereafter in this subtitle referred to as the “Commission”).

(b) MEMBERSHIP.—

(1) IN GENERAL.—The Commission shall consist of 12 members, all of whom shall be appointed by the President not later than 90 days after the date of enactment of this Act.

(2) CHAIRPERSON AND VICE CHAIRPERSON.—The President shall designate a chairperson and vice chairperson from among the members of the Commission.

(c) PERIOD OF APPOINTMENT; VACANCIES.—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(d) MEETINGS.—

(1) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its first meeting.

(2) SUBSEQUENT MEETINGS.—The Commission shall meet at the call of the chairperson.

(e) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

#### **SEC. 332. DUTIES OF THE COMMISSION.**

(a) DEFINITIONS.—In this section, the following definitions shall apply:

(1) AGENCY.—The term “agency” has the meaning given the term “Executive agency” under section 105 of title 5, United States Code.

(2) PROGRAM.—The term “program” means any activity or function of an agency.

(b) IN GENERAL.—The Commission shall—

(1) evaluate all agencies and programs within those agencies, using the criteria under subsection (c); and

(2) submit to Congress—

(A) a plan with recommendations of the agencies and programs that should be realigned or eliminated; and

(B) proposed legislation to implement the plan described under subparagraph (A).

(c) CRITERIA.—

(1) DUPLICATIVE.—If 2 or more agencies or programs are performing the same essential function and the function can be consolidated or streamlined into a single agency or program, the Commission shall recommend that the agency or program be realigned.

(2) WASTEFUL OR INEFFICIENT.—The Commission shall recommend the realignment or elimination of any agency or program that has wasted Federal funds by—

- (A) egregious spending;
- (B) mismanagement of resources and personnel; or
- (C) use of such funds for personal benefit or the benefit of a special interest group.

(3) OUTDATED, IRRELEVANT, OR FAILED.—The Commission shall recommend the elimination of any agency or program that—

- (A) has completed its intended purpose;
- (B) has become irrelevant; or
- (C) has failed to meet its objectives.

(d) SYSTEMATIC ASSESSMENT OF PROGRAMS.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the President shall—

- (A) establish a systematic method for assessing the effectiveness and accountability of agency programs; and
- (B) submit, to the Commission, assessments of not less than ½ of all programs covered under subsection (b)(1) that use the method established under subparagraph (A).

(2) METHOD OBJECTIVES.—The method established under paragraph (1) shall—

- (A) recognize different types of federal programs;
- (B) assess programs based primarily on the achievement of performance goals (as defined under section 1115(f)(4) of title 31, United States Code); and
- (C) assess programs based in part on the adequacy of the program's performance measures, financial management, and other factors determined by the President.

(3) DEVELOPMENT.—The method established under paragraph (1) shall not be implemented until it has been reviewed and accepted by the Commission.

(4) CONSIDERATION OF ASSESSMENTS.—The Commission shall consider assessments submitted under this subsection when evaluating programs under subsection (b)(1).

(e) COMMON PERFORMANCE MEASURES.—Not later than 1 year after the date of enactment of this Act, the President shall identify common performance measures for programs covered in subsection (b)(1) that have similar functions and, to the extent feasible, provide the Commission with data on such performance measures.

(f) REPORT.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Commission shall submit to the President and Congress a report that includes—

- (A) the plan described under subsection (b)(2)(A), with supporting documentation for all recommendations; and
- (B) the proposed legislation described under subsection (b)(2)(B).

(2) RELOCATION OF FEDERAL EMPLOYEES.—The proposed legislation under paragraph (1)(B) shall provide that if the position of an employee of an agency is eliminated as a result of the implementation of the plan under paragraph (1)(A), the affected agency shall make reasonable efforts to relocate such

employee to another position within the agency or within another Federal agency.

**SEC. 333. POWERS OF THE COMMISSION.**

(a) **HEARINGS.**—The Commission or, at its direction, any subcommittee or member of the Commission, may, for the purpose of carrying out this subtitle—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and administer such oaths as any member of the Commission considers advisable;

(2) require, by subpoena or otherwise, the attendance and testimony of such witnesses as any member of the Commission considers advisable; and

(3) require, by subpoena or otherwise, the production of such books, records, correspondence, memoranda, papers, documents, tapes, and other evidentiary materials relating to any matter under investigation by the Commission.

(b) **SUBPOENAS.**—

(1) **ISSUANCE.**—Subpoenas issued under subsection (a) shall bear the signature of the chairperson of the Commission and shall be served by any person or class of persons designated by the chairperson for that purpose.

(2) **ENFORCEMENT.**—In the case of contumacy or failure to obey a subpoena issued under subsection (a), the United States district court for the judicial district in which the subpoenaed person resides, is served, or may be found, may issue an order requiring such person to appear at any designated place to testify or to produce documentary or other evidence. Any failure to obey the order of the court may be punished by the court as a contempt of that court.

(c) **INFORMATION FROM FEDERAL AGENCIES.**—The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out this Act. Upon request of the chairperson of the Commission, the head of such department or agency shall furnish such information to the Commission.

(d) **POSTAL SERVICES.**—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Government.

(e) **GIFTS.**—The Commission may accept, use, and dispose of gifts or donations of services or property.

**SEC. 334. COMMISSION PERSONNEL MATTERS.**

(a) **COMPENSATION OF MEMBERS.**—

(1) **NON-FEDERAL MEMBERS.**—Except as provided under subsection (b), each member of the Commission who is not an officer or employee of the Government shall not be compensated.

(2) **FEDERAL OFFICERS OR EMPLOYEES.**—All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(b) **TRAVEL EXPENSES.**—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their

homes or regular places of business in the performance of services for the Commission.

(c) STAFF.—

(1) IN GENERAL.—The chairperson of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director shall be subject to confirmation by the Commission.

(2) COMPENSATION.—Upon the approval of the chairperson, the executive director may fix the compensation of the executive director and other personnel without regard to chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the maximum rate payable for a position at GS-15 of the General Schedule under section 5332 of such title.

(3) PERSONNEL AS FEDERAL EMPLOYEES.—

(A) IN GENERAL.—The executive director and any personnel of the Commission who are employees shall be employees under section 2105 of title 5, United States Code, for purposes of chapters 63, 81, 83, 84, 85, 87, 89, and 90 of that title.

(B) MEMBERS OF COMMISSION.—Subparagraph (A) shall not be construed to apply to members of the Commission.

(d) DETAIL OF GOVERNMENT EMPLOYEES.—Any Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(e) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The chairperson of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

**SEC. 335. TERMINATION OF THE COMMISSION.**

The Commission shall terminate 90 days after the date on which the Commission submits the report under section 232(f).

**SEC. 336. CONGRESSIONAL CONSIDERATION OF REFORM PROPOSALS.**

(a) DEFINITIONS.—In this section:

(1) IMPLEMENTATION BILL.—The term “implementation bill” means only a bill which is introduced as provided under subsection (b), and contains the proposed legislation included in the report submitted to Congress under section 232, without modification.

(2) CALENDAR DAY.—The term “calendar day” means a calendar day other than 1 on which either House is not in session because of an adjournment of more than 3 days to a date certain.

(b) INTRODUCTION; REFERRAL; AND REPORT OR DISCHARGE.—

(1) INTRODUCTION.—On the first calendar day on which both Houses are in session, on or immediately following the date on

which the report is submitted to Congress under section 232, a single implementation bill shall be introduced (by request)—

(A) in the Senate by the Majority Leader of the Senate, for himself and the Minority Leader of the Senate, or by Members of the Senate designated by the Majority Leader and Minority Leader of the Senate; and

(B) in the House of Representatives by the Speaker of the House of Representatives, for himself and the Minority Leader of the House of Representatives, or by Members of the House of Representatives designated by the Speaker and Minority Leader of the House of Representatives.

(2) REFERRAL.—The implementation bills introduced under paragraph (1) shall be referred to any appropriate committee of jurisdiction in the Senate and any appropriate committee of jurisdiction in the House of Representatives. A committee to which an implementation bill is referred under this paragraph may report such bill to the respective House without amendment.

(3) REPORT OR DISCHARGE.—If a committee to which an implementation bill is referred has not reported such bill by the end of the 15th calendar day after the date of the introduction of such bill, such committee shall be immediately discharged from further consideration of such bill, and upon being reported or discharged from the committee, such bill shall be placed on the appropriate calendar.

(c) FLOOR CONSIDERATION.—

(1) IN GENERAL.—When the committee to which an implementation bill is referred has reported, or has been discharged under subsection (b)(3), it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) for any Member of the respective House to move to proceed to the consideration of the implementation bill, and all points of order against the implementation bill (and against consideration of the implementation bill) are waived. The motion is highly privileged in the House of Representatives and is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the implementation bill is agreed to, the implementation bill shall remain the unfinished business of the respective House until disposed of.

(2) AMENDMENTS.—An implementation bill may not be amended in the Senate or the House of Representatives.

(3) DEBATE.—Debate on the implementation bill, and on all debatable motions and appeals in connection therewith, shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is in order and not debatable. An amendment to, or a motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the implementation bill is not in order. A motion to reconsider the vote by which the implementation bill is agreed to or disagreed to is not in order.

(4) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on an implementation bill, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the appropriate House, the vote on final passage of the implementation bill shall occur.

(5) RULINGS OF THE CHAIR ON PROCEDURE.—Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to an implementation bill shall be decided without debate.

(d) COORDINATION WITH ACTION BY OTHER HOUSE.—If, before the passage by 1 House of an implementation bill of that House, that House receives from the other House an implementation bill, then the following procedures shall apply:

(1) NONREFERRAL.—The implementation bill of the other House shall not be referred to a committee.

(2) VOTE ON BILL OF OTHER HOUSE.—With respect to an implementation bill of the House receiving the implementation bill—

(A) the procedure in that House shall be the same as if no implementation bill had been received from the other House; but

(B) the vote on final passage shall be on the implementation bill of the other House.

(e) RULES OF SENATE AND HOUSE OF REPRESENTATIVES.—This section is enacted by Congress—

(1) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of an implementation bill described in subsection (a), and it supersedes other rules only to the extent that it is inconsistent with such rules; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

#### **SEC. 337. AUTHORIZATION OF APPROPRIATIONS.**

There are authorized to be appropriated such sums as may be necessary for carrying out this subtitle for each of the fiscal years 2006 through 2008.

## **TITLE IV—TRUTH IN ACCOUNTING**

### **Subtitle A—Accrual Funding of Pensions and Retirement Pay for Federal Employees and Uniformed Services Personnel**

#### **SEC. 401. CIVIL SERVICE RETIREMENT SYSTEM.**

(a) CIVIL SERVICE RETIREMENT AND DISABILITY FUND.—Chapter 83 of title 5, United States Code, is amended—

(1) in section 8331—

(A) in paragraph (17)—

(i) by striking “normal cost” and inserting “normal cost percentage”; and

(ii) by inserting “and standards (using dynamic assumptions)” after “practice”;

(B) by amending paragraph (18) to read as follows:

“(18) ‘Fund balance’ means the current net assets of the Fund available for payment of benefits, as determined by the Office in accordance with appropriate accounting standards, but does not include any amount attributable to—

“(A) the Federal Employees’ Retirement System; or

“(B) contributions made under the Federal Employees’ Retirement Contribution Temporary Adjustment Act of 1983 by or on behalf of any individual who became subject to the Federal Employees’ Retirement System;”

(C) by amending paragraph (19) to read as follows:

“(19) ‘accrued liability’ means the estimated excess of the present value of all benefits payable from the Fund to employees and Members, and former employees and Members, subject to this subchapter, and their survivors, over the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf;”

(D) in paragraph (27) by striking “and” at the end;

(E) in paragraph (28) by striking the period at the end and inserting a semicolon; and

(F) by adding at the end the following paragraphs:

“(29) ‘dynamic assumptions’ means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

“(A) investment yields;

“(B) increases in rates of basic pay; and

“(C) rates of price inflation; and

“(30) ‘unfunded liability’ means the estimated excess of—

“(A) the actuarial present value of all future benefits payable from the Fund under this subchapter based on the service of current or former employees or Members, over

“(B) the sum of—

“(i) the actuarial present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this chapter pursuant to section 8334;

“(ii) the actuarial present value of the future contributions to be made pursuant to section 8334 with respect to employees and Members currently subject to this subchapter;

“(iii) the Fund balance, as defined in paragraph (18), as of the date the unfunded liability is determined; and

“(iv) any other appropriate amount, as determined by the Office of Personnel Management in accordance with generally accepted actuarial practices and principles.”;

(2) in section 8334—

(A) in subsection (a)(1)—



- (i) by striking the last two sentences;
- (ii) by redesignating that subsection, as so amended, as (a)(1)(A); and
- (iii) by adding at the end the following new subparagraphs:

“(B) Except as provided in subparagraph (E), each employing agency having any employees or Members subject to subparagraph (A) shall contribute from amounts available for salaries and expenses an amount equal to the sum of—

“(i) the product of—

“(I) the normal cost percentage, as determined for employees (other than employees covered by clause (ii)), multiplied by

“(II) the aggregate amount of basic pay payable by the agency, for the period involved, to employees (under subclause (I)) who are within such agency; and

“(ii) the product of—

“(I) the normal cost percentage, as determined for Members, Congressional employees, law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, Court of Federal Claims judges, United States magistrates, judges of the United States Court of Appeals for the Armed Forces, members of the Capitol Police, nuclear materials couriers, and members of the Supreme Court Police, multiplied by

“(II) the aggregate amount of basic pay payable by the agency for the period involved, to employees and Members (under subclause (I)) who are within such agency.

“(C) In determining the normal cost percentage to be applied under subparagraph (B), amounts provided for under subparagraph (A) shall be taken into account.

“(D) Contributions under this paragraph shall be paid—

“(i) in the case of law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, Court of Federal Claims judges, United States magistrates, judges of the United States Court of Appeals for the Armed Forces, members of the Supreme Court Police, nuclear materials couriers and other employees, from the appropriations or fund used to pay such law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, Court of Federal Claims judges, United States magistrates, judges of the United States Court of Appeals for the Armed Forces, members of the Supreme Court Police, nuclear materials couriers and other employees, respectively;

“(ii) in the case of elected officials, from an appropriation or fund available for payment of other salaries of the same office or establishment; and

“(iii) in the case of employees of the legislative branch paid by the Clerk of the House of Representatives, from the contingent fund of the House.

“(E) In the case of the United States Postal Service, the Metropolitan Washington Airports Authority, and the government of the District of Columbia, an amount equal to that withheld under subparagraph (A) shall be contributed from the appropriation or fund used to pay the employee.”; and

(B) in subsection (k)—

(i) in paragraph (1)—

(I) in subparagraph (A) by striking “the first sentence of subsection (a)(1) of this section” and inserting “subsection (a)(1)(A)”; and

(II) by amending subparagraph (B) to read as follows:

“(B) the amount of the contribution under subsection (a)(1)(B) shall be the amount which would have been contributed under such subsection if this subsection had not been enacted.”; and

(ii) in paragraph (2)(C)(iii) by striking “the first sentence of subsection (a)(1)” and inserting “subsection (a)(1)(A)”; and

(3) in section 8348—

(A) by repealing subsection (f);

(B) by amending subsection (g) to read as follows:

“(g)(1)(A) Not later than June 30, 2005, the Office of the Actuary shall determine the unfunded liability of the Fund, as of September 30, 2004, attributable to benefits payable under this chapter and make recommendations regarding its liquidation. After considering such recommendations, the Office shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(B) The Office shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(C) The Office shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(D) Amortization schedules established under this paragraph shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent valuation of the Civil Service Retirement System.

“(2) At the beginning of each fiscal year, beginning on October 1, 2005, the Office shall notify the Secretary of the Treasury of the amount of the first installment under the most recent amortization schedule established under paragraph (1). The Secretary shall credit that amount to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated.

“(3) For the purpose of carrying out paragraph (1) with respect to any fiscal year, the Office may—

“(A) require the Board of Actuaries of the Civil Service Retirement System to make actuarial determinations and valuations, make recommendations, and maintain records in accordance with section 8347(f); and

“(B) use the latest actuarial determinations and valuations made by such Board of Actuaries.”;

(C) in subsections (h), (i), and (m) by striking “unfunded” and inserting “accrued” each place it appears; and

(D) by adding at the end the following new subsection:

“(n) Under regulations prescribed by the Office, the head of an agency may request reconsideration of any amount determined to be payable with respect to such agency under section 8334(a)(1)(B)–(D). Any such request shall be referred to the Board of Actuaries of the Civil Service Retirement System. The Board of Actuaries shall review the computations of the Office and may make any adjustment with respect to any such amount which the Board determines appropriate. A determination by the Board of Actuaries under this subsection shall be final.”.

(b) GOVERNMENT CONTRIBUTIONS.—Section 8423 of title 5, United States Code, is amended—

(1) in subsection (a)(2) by striking “section 8422” and inserting “section 8422(a)”;

(2) in subsection (b)(2) by striking “equal annual installments” and inserting “annual installments set in accordance with generally accepted actuarial practices and principles”.

**SEC. 402. CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.**

(a) Section 101 of the Central Intelligence Agency Retirement Act (50 U.S.C. 2001) is amended—

(1) in paragraph (5), to read as follows:

“(5) UNFUNDED LIABILITY.—The term ‘unfunded liability’ means the estimated excess of—

“(A) the actuarial present value of all future benefits payable from the Fund under title II of this Act based on the service of current or former participants, over

“(B) the sum of—

“(i) the actuarial present value of deductions to be withheld from the future basic pay of participants currently subject to title II of this Act pursuant to section 211;

“(ii) the actuarial present value of the future contributions to be made pursuant to section 211 with respect to participants currently subject to title II of this Act;

“(iii) the Fund balance, as defined in paragraph (4), as of the date the unfunded liability is determined; and

“(iv) any other appropriate amount, as determined by the Director in accordance with generally accepted actuarial practices and principles.”;

(2) in paragraph (6)—

(A) by striking “‘normal cost’” and inserting “‘normal cost percentage’”; and

(B) by inserting “and standards (using dynamic assumptions)” after “practice”; and

(3) by adding at the end the following paragraph:

“(10) DYNAMIC ASSUMPTIONS.—The term ‘dynamic assumptions’ means economic assumptions that are used in deter-

mining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

“(A) investment yields;

“(B) increases in rates of basic pay; and

“(C) rates of price inflation.”;

(b) Section 202 of such Act (50 U.S.C. 2012) is amended by adding at the end the following: “The Fund is appropriated for the payment of benefits as provided by this title.”.

(c) Section 211(a)(2) of such Act (50 U.S.C. 2021(a)(2)) is amended to read as follows:

“(2) AGENCY CONTRIBUTIONS.—The Agency shall contribute to the Fund the amount computed in a manner similar to that used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Central Intelligence Agency Retirement and Disability System by the Director. Contributions under this paragraph shall be paid from amounts available for salaries and expenses.”; and

(d) Section 261 of such Act (50 U.S.C. 2091) is amended—

(1) by striking subsections (c), (d), and (e); and

(2) by inserting after subsection (b) the following new subsections:

“(c)(1) Not later than June 30, 2005, the Director shall cause to be made actuarial valuations of the Fund that determine the unfunded liability of the Fund, as of September 30, 2004, attributable to benefits payable under this title and make recommendations regarding its liquidation. After considering such recommendations, the Director shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(2) The Director shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(3) The Director shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(4) Amortization schedules established under this subsection shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent valuation of the Civil Service Retirement and Disability System.

“(d) At the beginning of each fiscal year, beginning on October 1, 2005, the Director shall notify the Secretary of the Treasury of the amount of the first installment under the most recent amortization schedule established under subsection (c). The Secretary shall credit that amount to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated. For the purposes of Section 504 of the National Security Act of 1947, this amount shall be considered authorized.”.

(e)(1) Title III of such Act (50 U.S.C. 2151 et seq.) is amended by adding at the end the following new section:

**“SEC. 308. FULL FUNDING OF RETIREE COSTS FOR EMPLOYEES DESIGNATED UNDER SECTION 302.**

“(a) In addition to other government contributions required by law, the Agency shall contribute to the Civil Service Retirement and Disability fund (hereinafter in this section referred to as the ‘Fund’) amounts calculated in accordance with section 8423 of title 5, United States Code, based on the projected number of employees to be designated pursuant to section 302 of this Act. In addition, the Agency, in a manner similar to that established for employee contributions to the Fund by section 8422 of title 5, United States Code, will contribute an amount equal to the difference between that which would be contributed by the number of employees projected to be designated under section 302 and the amounts that are actually being deducted and contributed from the basic pay of an equal number of employees pursuant to section 8422. The amounts of the Agency’s contributions under this subsection shall be determined by the Director of the Office of Personnel Management, in consultation with the Director, and shall be paid by the Agency from funds available for salaries and expenses. Agency employees designated pursuant to section 302 of this Act shall, commencing with such designation, have deducted from their basic pay the full amount required by section 8422 of title 5, United States Code, and such deductions shall be contributed to the Fund.

“(b)(1) The Director of the Office of Personnel Management, in consultation with the Director, shall determine the total amount of unpaid contributions (government and employee contributions) and interest attributable to the number of individuals employed with the Agency on September 30, 2005, who are projected to be designated under section 302 of this Act, but are not yet designated under that section as of that date. The amount shall be referred to as the section 302 unfunded liability.

“(2) Not later than June 30, 2006, the Director of the Office of Personnel Management, in consultation with the Director, shall establish an amortization schedule, setting forth a series of annual installments commencing September 30, 2006, which provides for the liquidation of the section 302 unfunded liability by September 30, 2013.

“(3) At the end of each fiscal year, beginning on September 30, 2006, the Director shall notify the Secretary of the Treasury of the amount of the annual installment under the amortization schedule established under paragraph (2) of this subsection. Before closing the accounts for that fiscal year, the Secretary shall credit that amount to the Fund, out of any money in the Treasury of the United States not otherwise appropriated.

“(c) Amounts paid by the Agency pursuant to this section are deemed to be specifically authorized by the Congress for the purposes of section 504 of the National Security Act of 1947.”.

(2) The table of contents of such Act is amended by inserting after the item relating to section 307 the following new item:

“Sec. 308. Full funding of retiree costs for employees designated under section 302.”.

**SEC. 403. FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.**

(a) Chapter 8 of Title I of the Foreign Service Act of 1980, Public Law 96-465, (22 U.S.C. 4041 et seq.) 94 Stat. 2071, as amended, is further amended in section 804 (22 U.S.C. 4044)—

(1) by amending paragraph (5) to read as follows:

“(5) ‘normal cost percentage’ means the entry-age normal cost computed in accordance with generally accepted actuarial practice and standards (using dynamic assumptions) and expressed as a level percentage of aggregate basic pay;”;

(2) by amending paragraph (14) to read as follows:

“(14) ‘unfunded liability’ means the estimated excess of—

“(A) the actuarial present value of all future benefits payable from the Fund under this part based on the service of current or former participants, over

“(B) the sum of—

“(i) the actuarial present value of deductions to be withheld from the future basic pay of participants currently subject to this part pursuant to section 805;

“(ii) the actuarial present value of the future contributions to be made pursuant to section 805 with respect to participants currently subject to this part;

“(iii) the Fund balance, as defined in paragraph (7), as of the date the unfunded liability is determined, excluding any amount attributable to the Foreign Service Pension System, or contributions made under the Federal Employees’ Retirement Contribution Temporary Adjustment Act of 1983 by or on behalf of any individual who became subject to the Foreign Service Pension System; and

“(iv) any other appropriate amount, as determined by the Secretary of the Treasury in accordance with generally accepted actuarial practices and principles.”; and

(3)(A) by striking the period at the end of paragraph (15) and inserting “; and”; and

(B) by adding at the end the following new paragraph:

“(16) ‘dynamic assumptions’ means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

“(A) investment yields;

“(B) increases in rates of basic pay; and

“(C) rates of price inflation.”;

(b) in section 852 (22 U.S.C. 4071a)—

(1) in paragraph (4)—

(A) by striking “normal cost” and inserting “normal cost percentage”; and

(B) by striking “by the Secretary of State”;

(2) in paragraph (7)—

(A) by striking “supplemental” and inserting “unfunded”;

(B) in subparagraph (B)(i) by striking “(I)” and “and (II) contributions for past civilian and military service”; and

(C) in subparagraph (B)(ii) by inserting before the semicolon “with respect to participants currently subject to this part”; and

(3)(A) at the end of paragraph (8) by striking “and”;  
 (B) at the end of paragraph (9) by striking the period and inserting “; and”; and

(C) by adding at the end the following new paragraph:

“(10) ‘dynamic assumptions’ means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

“(A) investment yields;

“(B) increases in rates of basic pay; and

“(C) rates of price inflation.”;

(c) in section 805(a)(1) (22 U.S.C. 4045(a)(i))—

(1) by striking the second sentence;

(2) (by redesignating that subsection, as so amended, as (a)(1)(A);

(3) by redesignating the last sentence of that subsection, as so amended as (a)(1)(C);

(4) by inserting after subparagraph (A) the following new subparagraph:

“(B) Each employing agency having participants shall contribute to the Fund the amount computed in a manner similar to that used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Foreign Service Retirement and Disability System. Contributions under this subparagraph shall be paid from the appropriations or fund used for payment of the salary of the participant.”;

(5) in subsection (a)(2)(A) by striking “An equal amount shall be contributed by the Department” and inserting in its place “Each employing agency having participants shall contribute to the Fund the amount computed in a manner similar to that used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Foreign Service Retirement and Disability System”; and

(6) in subsection (a)(2)(B) by striking “An equal amount shall be contributed by the Department” and inserting in its place “Each employing agency having participants shall contribute to the Fund from amounts available for salaries and expenses the amount computed in a manner similar to that used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Foreign Service Retirement and Disability System”;

(d) by repealing sections 821 and 822 (22 U.S.C. 4061 and 4062) and by adding the following new section:

“SEC. 821. UNFUNDED LIABILITY.—(a)(1) Not later than June 30, 2005, the Secretary of State shall cause to be made actuarial valuations of the Fund that determine the unfunded liability of the Fund, as of September 30, 2004, attributable to benefits payable under this subchapter and make recommendations regarding its liquidation. After considering such recommendations, the Secretary of State shall establish an amortization schedule, including a series of annual installments commencing October 1, 2004, which provides for the liquidation of such liability by October 1, 2044.

“(2) The Secretary of State shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year

beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(3) The Secretary of State shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(4) Amortization schedules established under this subsection shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent valuation of the Foreign Service Retirement and Disability System.

“(b) At the beginning of each fiscal year, beginning on October 1, 2005, the Secretary of State shall notify the Secretary of the Treasury of the amount of the first installment under the most recent amortization schedule established under paragraph (1). The Secretary of the Treasury shall credit that amount to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated.”;

(e) in section 857(b)(1) (22 U.S.C. 4071f(b)(1)) by striking “equal annual installments” and inserting “annual installments set in accordance with generally accepted actuarial practices and principles”;

(f) in section 859 (22 U.S.C. 4071h) by adding “percentage” after “normal cost”;

(g) in section 802 (22 U.S.C. 4042) by adding at the end the following: “The Fund is appropriated for the payment of benefits as provided by this subchapter.”; and

(h) in section 818 (22 U.S.C. 4058) by striking “System” and inserting “Systems under this subchapter”.

**SEC. 404. PUBLIC HEALTH SERVICE COMMISSIONED CORPS RETIREMENT SYSTEM.**

(a) IN GENERAL.—Title II of the Public Health Service Act (42 U.S.C. 202 et seq.) is amended by adding at the end the following new part:

**“PART C—PUBLIC HEALTH SERVICE  
COMMISSIONED CORPS RETIREMENT SYSTEM**

**“ESTABLISHMENT AND PURPOSE OF FUND**

“SEC. 251. There is established on the books of the Treasury a fund to be known as the Public Health Service Commissioned Corps Retirement Fund (hereinafter in this part referred to as the ‘Fund’), which shall be administered by the Secretary. The Fund shall be used for the accumulation of funds in order to finance on an actuarially sound basis liabilities of the Department of Health and Human Services for benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of this title.



“ASSETS OF THE FUND

“SEC. 252. There shall be deposited into the Fund the following, which shall constitute the assets of the Fund:

- “(1) Amounts paid into the Fund under section 255.
- “(2) Any return on investment of the assets of the Fund.
- “(3) Amounts transferred into the Fund pursuant to section 404(c) of the Family Budget Protection Act of 2004.

“PAYMENT FROM THE FUND

“SEC. 253. There shall be paid from the Fund benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of this title.

“DETERMINATION OF CONTRIBUTIONS TO THE FUND

“SEC. 254. (a)(1) Not later than June 30, 2005, the Secretary shall determine the unfunded liability of the Fund attributable to service performed as of September 30, 2004, which is ‘active service’ for the purpose of section 212. The Secretary shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(2) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(3) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over 5 years.

“(b) The Secretary shall determine each fiscal year, in sufficient time for inclusion in the budget request for the following fiscal year, the total amount of Department of Health and Human Services contributions to be made to the Fund during the fiscal year under section 255(a). That amount shall be the sum of—

“(1) the product of—

“(A) the current estimate of the value of the single level percentage of basic pay to be determined under subsection (c)(1) at the time of the most recent actuarial valuation under subsection (c); and

“(B) the total amount of basic pay expected to be paid during that fiscal year to commissioned officers of the Public Health Service on active duty (other than active duty for training); and

“(2) the product of—

“(A) the current estimate of the value of the single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) to be de-

terminated under subsection (c)(2) at the time of the most recent actuarial valuation under subsection (c); and

“(B) the total amount of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) expected to be paid during the fiscal year to commissioned officers of the Reserve Corps of the Public Health Service (other than officers on full-time duty other than for training) who are not otherwise described in subparagraph (A).

“(c) Not less often than every four years thereafter (or by the fiscal year end prior to the effective date of any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors), the Secretary shall carry out an actuarial valuation of benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of this title. Each such actuarial valuation shall be signed by an enrolled Actuary and shall include—

“(1) a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay for commissioned officers of the Public Health Service on active duty (other than active duty for training); and

“(2) a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) of commissioned officers of the Reserve Corps of the Public Health Service (other than officers on full time duty other than for training) who are not otherwise described in paragraph (1).

“(d) All determinations under this section shall be in accordance with generally accepted actuarial principles and practices and, where appropriate, shall follow the general pattern of methods and assumptions approved by the Department of Defense Retirement Board of Actuaries.

“(e) The Secretary shall provide for the keeping of such records as are necessary for determining the actuarial status of the Fund.

#### “PAYMENTS INTO THE FUND

“SEC. 255. (a) From amounts available to the Department of Health and Human Services for salaries and expenses, the Secretary shall pay into the Fund at the end of each month the amount that is the sum of—

“(1) the product of—

“(A) the level percentage of basic pay determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under sections 254(c)(1) (except that any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors that is effective after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay accrued for that month by commissioned officers of the Public Health Service on active duty (other than active duty for training); and

“(2) the product of—

“(A) the level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under section 254(c)(2) (except that any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors that is effective after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determinations); and

“(B) the total amount of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) accrued for that month by commissioned officers of the Reserve Corps of the Public Health Service (other than officers on full-time duty other than for training).

“(b) At the beginning of each fiscal year, beginning on October 1, 2005, the Secretary shall certify to the Secretary of the Treasury the amount of the first installment under the most recent amortization schedule established under section 254(a). The Secretary of the Treasury shall pay into the Fund from the General Fund of the Treasury the amount so certified. Such payment shall be the contribution to the Fund for that fiscal year.

#### “INVESTMENTS OF ASSETS OF FUND

“SEC. 256. The Secretary may request the Secretary of the Treasury to invest such portion of the Fund as is not, in the judgment of the Secretary, required to meet the current needs of the Fund. Such investments shall be made by the Secretary of the Treasury in public debt securities with maturities suitable to the needs of the Fund, as determined by the Secretary, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. The income on such investments shall be credited to and form a part of the Fund.

#### “IMPLEMENTATION YEAR EXCEPTIONS

“SEC. 257. (a) To avoid funding shortfalls in the first year should formal actuarial determinations not be available in time for budget preparation, the amounts used in the first year in sections 255(a)(1)(A) and 255(a)(2)(A) shall be set equal to those estimates in sections 254(b)(1)(A) and 254(b)(2)(A) if final determinations are not available. The original unfunded liability as defined in section 254(a) shall include an adjustment to correct for this difference between the formal actuarial determinations and the estimates in sections 254(b)(1)(A) and 254(b)(2)(A).”.

(b) CONFORMING AMENDMENTS.—

(1) CONDITION OF DETAIL.—Section 214 of the Public Health Service Act (42 U.S.C. 215) is amended by adding at the end the following new subsection:

“(e) The Secretary shall condition any detail under subsection (a), (b), or (c) upon the agreement of the executive department, State, subdivision, Committee of the Congress, or institution concerned to pay to the Department of Health and Human Services, in advance

or by way of reimbursement, for the full cost of the detail including that portion of the contributions under section 255(a) that is attributable to the detailed personnel.”.

(2) SEQUESTRATION RULE.—Section 256(f) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(f)) is amended—

(A) by inserting after the item relating to “payment to the foreign service retirement and disability fund” the following item: “Payment to the Public Health Service Commissioned Corps Retirement Fund (75-0380-0-1-551);”; and

(B) by inserting after the item relating to the “Pensions for former Presidents” the following item: “Public Health Service Commissioned Corps Retirement Fund (75-8274-0-7-602);”.

(c) TRANSFER OF APPROPRIATIONS.—There shall be transferred on October 1, 2006, into the fund established under section 251 of the Public Health Service Act, as added by subsection (a), any obligated or unobligated balances of appropriations made to the Department of Health and Human Services that are currently available for benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of title II of the Public Health Service Act, and amounts so transferred shall be part of the assets of the Fund.

**SEC. 405. NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION COMMISSIONED OFFICER CORPS RETIREMENT SYSTEM.**

(a) IN GENERAL.—The National Oceanic and Atmospheric Administration Commissioned Officer Corps Act of 2002 (title II of Public Law 107-372) is amended by inserting after section 246 (33 U.S.C. 3046) the following new section:

“SEC. 246A. (a) ESTABLISHMENT AND PURPOSE OF NOAA COMMISSIONED OFFICER CORPS RETIREMENT FUND.—(1) There is established on the books of the Treasury a fund to be known as the National Oceanic and Atmospheric Administration Commissioned Officer Corps Retirement Fund (hereinafter in this section referred to as the ‘Fund’), which shall be administered by the Secretary. The Fund shall be used for the accumulation of funds in order to finance on an actuarially sound basis liabilities of the Department of Commerce under military retirement and survivor benefit programs for the commissioned officers corps.

“(2) The term ‘military retirement and survivor benefit program’ means—

“(A) the provisions of this title and title 10, United States Code, creating entitlement to, or determining, the amount of retired pay;

“(B) the programs under the jurisdiction of the Department of Defense providing annuities for survivors and members and former members of the Armed Forces, including chapter 73 of title 10, section 4 of Public Law 92-425, and section 5 of Public Law 96-202, as made applicable to the commissioned officer corps by section 261.

“(b) ASSETS OF THE FUND.—There shall be deposited into the Fund the following, which shall constitute the assets of the Fund:

“(1) Amounts paid into the Fund under subsection (e).

“(2) Any return on investment of the assets of the Fund.

“(3) Amounts transferred into the Fund pursuant to section 405(c) of the Family Budget Protection Act of 2004.

“(c) PAYMENTS FROM THE FUND.—There shall be paid from the Fund benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the commissioned officer corps and their survivors.

“(d) DETERMINATION OF CONTRIBUTIONS TO THE FUND.—(1)(A) Not later than June 30, 2004, the Secretary shall determine the unfunded liability of the Fund attributable to service performed as of September 30, 2004, which is ‘active service’ for the purpose of this title. The Secretary shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(B) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on September 30 of the subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(C) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new authorization schedule, including series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over 5 years.

“(2) The Secretary shall determine each fiscal year, in sufficient time for inclusion in the budget request for the following fiscal year, the total amount of Department of Commerce contributions to be made to the Fund during that fiscal year under (e). The amount shall be the product of—

“(A) the current estimate of the value of the single level percentage of basic pay to be determined under subsection (e) at the time of the most recent actuarial valuation under paragraph (3); and

“(B) the total amount of basic pay expected to be paid during that fiscal year to commissioned officers of NOAA on active duty.

“(3) Not less often than every four years (or by the fiscal year end before the effective date of any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors), the Secretary shall carry out an actuarial valuation of benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the Administration and to their survivors. Each such actuarial valuation shall be signed by an enrolled Actuary and shall include a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay for commissioned officers on active duty.

“(4) All determinations under this section shall be in accordance with generally accepted actuarial principles and practices, and, where appropriate, shall follow the general pattern of methods and

assumptions approved by the Department of Defense Retirement Board of Actuaries.

“(5) The Secretary shall provide for the keeping of such records as are necessary for determining the actuarial status of the Fund.

“(e) PAYMENTS INTO THE FUND.—(1) From amounts appropriated to the National Oceanic Atmospheric Administration for salaries and expenses, the Secretary shall pay into the Fund at the end of each month the amount that is the product of—

“(A) the level percentage of basic pay determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under subsection (d) (except that any statutory change affecting benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the Administration and to their survivors that is effective date after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay accrued for that month by commissioned officers on active duty.

“(2)(A) At the beginning of each fiscal year, the Secretary shall determine the sum of—

“(i) the amount of the payment for that year under the amortization of the original unfunded liability of the Fund;

“(ii) the amount (including any negative amount) for that year under the most recent amortization schedule determined by the Secretary for the amortization of any cumulative actuarial gain or loss to the Fund, resulting from changes in benefits; and

“(iii) the amount (including any negative amount) for that year under the most recent amortization schedule determined by the Secretary for the amortization or any cumulative actuarial gain or loss to the Fund resulting from changes in actuarial assumptions and from experience different from the assumed since the last valuation.

The Secretary shall promptly certify the amount of the sum to the Secretary of the Treasury.

“(B) Upon receiving the certification pursuant to paragraph (1), the Secretary of the Treasury shall promptly pay into the Fund from the General Fund of the Treasury the amount so certified. Such payment shall be the contribution to the Fund for that fiscal year.

“(f) INVESTMENT OF ASSETS OF THE FUND.—The Secretary may request the Secretary of the Treasury to invest such portion of the Fund as is not, in the judgment of the Secretary, required to meet the current needs of the Fund. Such investments shall be made by the Secretary of the Treasury in public debt securities with maturities suitable to the needs of the Fund, as determined by the Secretary, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. The income of such investments shall be credited to and form a part of the Fund.

“(g) IMPLEMENTATION YEAR EXCEPTIONS.—(1) To avoid funding shortfalls in the first year should formal actuarial determinations not be available in time for budget preparation, the amounts used

in the first year in subsection (e)(1)(A) shall be set equal to the estimate in subsection (d)(2)(A) if final determinations are not available. The original unfunded liability as determined in subsection (d)(1) shall include an adjustment to correct for this difference between the formal actuarial determinations and the estimates in subsection (d)(2)(A).”.

(b) SEQUESTRATION RULE.—Section 256(f) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(f)) is amended by striking “National Oceanic and Atmospheric Administration retirement (13–1450–0–1–306);” and inserting “National Oceanic and Atmospheric Administration Commissioned Officer Corps Retirement Fund;”.

(c) TRANSFER OF APPROPRIATIONS.—There shall be transferred on October 1, 2006, into the fund established under section 246A(a) of the National Oceanic and Atmospheric Administration Commissioned Officer Corps Act of 2002 (title II of Public Law 107–372, as added by subsection (a)), any obligated and unobligated balance of appropriations made to the Department of Commerce that are available as of the date of the enactment of this Act for benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the NOAA Commissioned Officer Corps and to their survivors, and amounts so transferred shall be part of the assets of the Fund, effective October 1, 2006.

(d) EFFECTIVE DATE.—Subsection (c) (relating to payments from the Fund) and (e) (relating to payments into the Fund) of section 246A of the National Oceanic and Atmospheric Administration Commissioned Officer Corps Act of 2002 (title II of Public Law 107–372, as added by subsection (a)), shall take effect on October 1, 2006.

#### **SEC. 406. COAST GUARD MILITARY RETIREMENT SYSTEM.**

(a) ACCRUAL FUNDING FOR COAST GUARD RETIREMENT.—

(1) IN GENERAL.—Chapter 11 of title 14, United States Code, is amended by adding at the end the following new subchapter:

#### **“SUBCHAPTER V—COAST GUARD MILITARY RETIREMENT FUND**

##### **“§ 441. Establishment and purpose of Fund; definitions**

“(a) ESTABLISHMENT OF FUND; PURPOSE.—There is established on the books of the Treasury a fund to be known as the Coast Guard Military Retirement Fund (hereinafter in this subchapter referred to as the ‘Fund’), which shall be administered by the Secretary. The Fund shall be used for the accumulations of funds in order to finance on an actuarially sound basis liabilities of the Coast Guard under military retirement and survivor benefit programs.

“(b) MILITARY RETIREMENT AND SURVIVOR BENEFIT PROGRAMS DEFINED.—In this subchapter, the term ‘military retirement and survivor benefit programs’ means—

“(1) the provisions of this title and title 10 creating entitlement to, or determining the amount of, retired pay;

“(2) the programs providing annuities for survivors of members and former members of the armed forces, including chapter 73 of title 10, section 4 of Public Law 92–425, and section 5 of Public Law 96–402; and

“(3) the authority provided in section 1048(h) of title 10.

“(c) SECRETARY DEFINED.—In this subchapter, the term ‘Secretary’ means the Secretary of Homeland Security when the Coast Guard is not operating as a service in the Navy and the Secretary of Defense when the Coast Guard is operating as a service in the Navy.

**“§ 442. Assets of the Fund**

“There shall be deposited into the Fund the following, which shall constitute the assets of the Fund:

“(1) Amounts paid into the Fund under section 445 of this title.

“(2) Any return on investment of the assets of the Fund.

“(3) Amounts transferred into the Fund pursuant to section 406(d) of the Family Budget Protection Act of 2004.

**“§ 443. Payments from the Fund**

“(a) IN GENERAL.—There shall be paid from the Fund the following:

“(1) Retired pay payable to persons on the retired list of the Coast Guard.

“(2) Retired pay payable under chapter 1223 of title 10 to former members of the Coast Guard and the former United States Lighthouse Service.

“(3) Benefits payable under programs that provide annuities for survivors of members and former members of the armed forces, including chapter 73 of title 10, section 4 of Public Law 92–425, and section 5 of Public Law 96–402.

“(4) Amounts payable under section 1048(h) of title 10.

“(b) AVAILABILITY OF ASSETS OF THE FUND.—The assets of the Fund are hereby made available for payments under subsection (a).

**“§ 444. Determination of contributions to the Fund**

“(a) INITIAL UNFUNDED LIABILITY.—(1) Not later than June 30, 2005, the Secretary shall determine the unfunded liability of the Fund attributable to service performed as of September 30, 2004, which is ‘active service’ for the purposes of section 212. The Secretary shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(2) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(3) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(b) ANNUAL CONTRIBUTIONS FOR CURRENT SERVICES.—(1) The Secretary shall determine each fiscal year, in sufficient time for inclusion in the budget request for the following fiscal year, the total



amount of Department of Homeland Security, or Department of Defense, contributions to be made to the Fund during that fiscal year under section 445(a) of this title. That amount shall be the sum of the following:

“(A) The product of—

“(i) the current estimate of the value of the single level percentage of basic pay to be determined under subsection (c)(1)(A) at the time of the most recent actuarial valuation under subsection (c); and

“(ii) the total amount of basic pay expected to be paid during that fiscal year to members of the Coast Guard on active duty (other than active duty for training).

“(B) The product of—

“(i) the current estimate of the value of the single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37) to be determined under subsection (c)(1)(B) at the time of the most recent actuarial valuation under subsection (c); and

“(ii) the total amount of basic pay and compensation (paid pursuant to section 206 of title 37) expected to be paid during that fiscal year to members of the Coast Guard Ready Reserve (other than members on full-time Reserve duty other than for training) who are not otherwise described in subparagraph (A)(ii).

“(2) The amount determined under paragraph (1) for any fiscal year is the amount needed to be appropriated to the Department of Homeland Security for that fiscal year for payments to be made to the Fund during that year under section 445(a) of this title. The President shall include not less than the full amount so determined in the budget transmitted to Congress for that fiscal year under section 1105 of title 31. The President may comment and make recommendations concerning any such amount.

“(c) PERIODIC ACTUARIAL VALUATIONS.—(1) Not less often than every four years (or before the effective date of any statutory change affecting benefits payable on account of retirement, disability, or death to members of the Coast Guard or their survivors), the Secretary shall carry out an actuarial valuation of the Coast Guard military retirement and survivor benefit programs. Each actuarial valuation of such programs shall be signed by an enrolled actuary and shall include—

“(A) a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay for members of the Coast Guard on active duty (other than active duty for training); and

“(B) a determination (using the aggregate entry-age normal cost method) of single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37) for members of the Ready Reserve of the Coast Guard (other than members on full-time Reserve duty other than for training) who are not otherwise described in subparagraph (A).

“(2) Such single level percentages shall be used for the purposes of subsection (b) and section 445(a) of this title.

“(d) USE OF GENERALLY ACCEPTED ACTUARIAL PRINCIPLES AND PRACTICES.—All determinations under this section shall be in accordance with generally accepted actuarial principles and practices

and, where appropriate, shall follow the general pattern of methods and assumptions approved by the Department of Defense Retirement Board of Actuaries.

“(e) RECORDS.—The Secretary shall provide for the keeping of such records as are necessary for determining the actuarial status of the Fund.

**“§ 445. Payments into the Fund**

“(a) MONTHLY ACCRUAL CHARGE FOR CURRENT SERVICES.—From amounts appropriated to the Coast Guard for salaries and expenses, the Secretary shall pay into the Fund at the end of each month as the Department of Homeland Security, or Department of Defense, contribution to the Fund for that month the amount that is the sum of the following:

“(1) The product of—

“(A) the level percentage of basic pay determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under section 444(c)(1)(A) of this title (except that any statutory change in the military retirement and survivor benefit systems that is effective after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay accrued for that month by members of the Coast Guard on active duty (other than active duty for training).

“(2) The product of—

“(A) the level percentage of basic pay and compensation (accrued pursuant to section 206 of title 37) determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under section 444(c)(1)(B) of this title (except that any statutory change in the military retirement and survivor benefit systems that is effective after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay and of compensation (paid pursuant to section 206 of title 37) accrued for that month by members of the Ready Reserve (other than members of full-time Reserve duty other than for training) who are not otherwise described in paragraph (1)(B).

“(b) ANNUAL PAYMENT FOR UNFUNDED LIABILITIES.—(1) At the beginning of each fiscal year, beginning on October 1, 2005, the Secretary shall certify to the Secretary of the Treasury the amount of the first installment under the most recent amortization schedule established under section 254(a). The Secretary of the Treasury shall promptly pay into the Fund from the General Fund of the Treasury the amount so certified. Such payment shall be the contribution to the Fund for that fiscal year.

**“§ 446. Investment of assets of the Fund**

“The Secretary may request the Secretary of the Treasury to invest such portion of the Fund as is not, in the judgment of the Secretary, required to meet the current needs of the Fund. Such in-

vestments shall be made by the Secretary of the Treasury in public debt securities with maturities suitable to the needs of the Fund, as determined by the Secretary, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. The income on such investments shall be credited to and form a part of the Fund.”.

(2) TECHNICAL AMENDMENTS.—Such chapter is further amended—

(A) by amending the center heading after the table of sections to read as follows:

“SUBCHAPTER I—OFFICERS”;

(B) by amending the center heading after section 336 to read as follows:

“SUBCHAPTER II—ENLISTED MEMBERS”;

(C) by amending the center heading after section 373 to read as follows:

“SUBCHAPTER III—GENERAL PROVISIONS”;

and

(D) by amending the center heading after section 425 to read as follows:

“SUBCHAPTER IV—SPECIAL PROVISIONS”.

(3) CLERICAL AMENDMENTS.—The table of sections at the beginning of such chapter is amended—

(A) by striking “OFFICERS” at the beginning of the table and inserting “SUBCHAPTER I—OFFICERS”;

(B) by striking “ENLISTED MEMBERS” after the item relating to section 336 and inserting “SUBCHAPTER II—ENLISTED MEMBERS”;

(C) by striking “GENERAL PROVISIONS” after the item relating to section 373 and inserting “SUBCHAPTER III—GENERAL PROVISIONS”;

(D) by striking “SPECIAL PROVISIONS” after the item relating to section 425 and inserting “SUBCHAPTER IV—SPECIAL PROVISIONS”; and

(E) by adding at the end the following:

“SUBCHAPTER V—COAST GUARD MILITARY RETIREMENT FUND

“441. Establishment and purpose of Fund; definitions.

“442. Assets of the Fund.

“443. Payments from the Fund.

“444. Determination of contributions to the Fund.

“445. Payments into the Fund.

“446. Investment of assets of the Fund.”.

(b) IMPLEMENTATION YEAR EXCEPTIONS.—To avoid funding shortfalls in the first year of implementation of subchapter V of chapter 11 of title 14, United States Code, as added by subsection (a), if formal actuarial determinations are not available in time for budget preparation, the amounts used in the first year under sections 445(a)(1)(A) and 445(a)(2)(A) of such title shall be set equal to those

estimates in sections 444(b)(1)(A)(i) and 444(b)(1)(B)(i), respectively, of such title if final determinations are not available. The original unfunded liability, as defined in section 444(a) of such title, shall include an adjustment to correct for this difference between the formal actuarial determinations and the estimates in sections 444(b)(1)(A)(i) and 444(b)(1)(B)(i) of such title.

(c) CONFORMING AMENDMENT.—Section 256(f) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(f)) is amended by striking “Retired Pay, Coast Guard (69–0241–0–1–403)” and inserting “Coast Guard Military Retirement Fund (69–0241–01–403)”.

(d) TRANSFER OF EXISTING BALANCES.—

(1) TRANSFER.—There shall be transferred into the Fund on October 1, 2005, any obligated and unobligated balances of appropriations made to the Department of Homeland Security that are currently available for retired pay, and amounts so transferred shall be part of the assets of the Fund.

(2) FUND DEFINED.—For purposes of paragraph (1), the term “Fund” means the Coast Guard Military Retirement Fund established under section 441 of title 14, United States Code, as added by subsection (a).

(e) EFFECTIVE DATE.—Sections 443 (relating to payments from the Fund) and 445 (relating to payments into the Fund) of title 14, United States Code, as added by subsection (a), shall take effect on October 1, 2005.

## **Subtitle B—Accrual Funding of Post-Retirement Health Benefits Costs for Federal Employees**

### **SEC. 411. FEDERAL EMPLOYEES HEALTH BENEFITS FUND.**

(a) Section 8906 of title 5, United States Code, is amended—

(1) by redesignating subsection (c) as subsection (c)(1) and by adding at the end the following new paragraphs:

“(2) In addition to Government contributions required by subsection (b) and paragraph (1), each employing agency shall contribute amounts as determined by the Office to be necessary to prefund the accruing actuarial cost of post-retirement health benefits for each of the agency’s current employees who are eligible for Government contributions under this section. Amounts under this paragraph shall be paid by the employing agency separate from other contributions under this section, from the appropriations or fund used for payment of the salary of the employee, on a schedule to be determined by the Office.

“(3) Paragraph (2) shall not apply to the United States Postal Service or the government of the District of Columbia.”; and

(2) by amending subsection (g)(1) to read as follows:

“(g)(1) Except as provided in paragraphs (2) and (3), all Government contributions authorized by this section for health benefits for an annuitant shall be paid from the Employees Health Benefits Fund to the extent that funds are available in accordance with section 8909(h)(6) and, if necessary, from annual appropriations which are authorized to be made for that purpose and which may be made available until expended.”.

(b) Section 8909 of title 5, United States Code, is amended by adding at the end the following new subsection:

“(h)(1) Not later than June 30, 2006, the Office shall determine the existing liability of the Fund for post-retirement health benefits, excluding the liability of the United States Postal Service for service under section 8906(g)(2), under this chapter as of September 30, 2006. The Office shall establish an amortization schedule, including a series of annual installments commencing September 30, 2006, which provides for the liquidation of such liability by September 30, 2043.

“(2) At the close of each fiscal year, for fiscal years beginning after September 30, 2005, the Office shall determine the supplemental liability of the Fund for post-retirement health benefits, excluding the liability attributable to the United States Postal Service for service subject to section 8906(g)(2), and shall establish an amortization schedule, including a series of annual installments commencing on September 30 of the subsequent fiscal year, which provides for liquidation of such supplemental liability over 30 years.

“(3) Amortization schedules established under this paragraph shall be set in accordance with generally accepted actuarial practices and principles.

“(4) At the end of each fiscal year on and after September 30, 2006, the Office shall notify the Secretary of the Treasury of the amounts of the next installments under the most recent amortization schedules established under paragraphs (1) and (2). Before closing the accounts for the fiscal year, the Secretary shall credit the sum of these amounts (including in that sum any negative amount for the amortization of the supplemental liability) to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated.

“(5) For the purpose of carrying out paragraphs (1) and (2), the Office shall perform or arrange for actuarial determinations and valuations and shall prescribe retention of such records as it considers necessary for making periodic actuarial valuations of the Fund.

“(6) Notwithstanding subsection (b), the amounts deposited into the Fund pursuant to this subsection and section 8906(c)(2) to prefund post-retirement health benefits costs shall be segregated within the Fund so that such amounts, as well as earnings and proceeds under subsection (c) attributable to them, may be used exclusively for the purpose of paying Government contributions for post-retirement health benefits costs. When such amounts are used in combination with amounts withheld from annuitants to pay for health benefits, a portion of the contributions shall then be set aside in the Fund as described in subsection (b).

“(7) Under this subsection, ‘supplemental liability’ means—

“(A) the actuarial present value for future post-retirement health benefits that are the liability of the Fund, less

“(B) the sum of—

“(i) the actuarial present value of all future contributions by agencies and annuitants to the Fund toward those benefits pursuant to section 8906;

“(ii) the present value of all scheduled amortization payments to the Fund pursuant to paragraphs (1) and (2);

“(iii) the Fund balance as of the date the supplemental liability is determined, to the extent that such balance is attributable to post-retirement benefits; and

“(iv) any other appropriate amount, as determined by the Office in accordance with generally accepted actuarial practices and principles.”.

**SEC. 412. FUNDING UNIFORMED SERVICES HEALTH BENEFITS FOR ALL RETIREES.**

Title 10, United States Code, is amended—

(1) in the title of chapter 56, by striking “**DEPARTMENT OF DEFENSE MEDICARE-ELIGIBLE**” and inserting “**UNIFORMED SERVICES**”;

(2) in section 1111—

(A) in subsection (a)—

(i) by striking “Department of Defense Medicare-Eligible” and inserting “Uniformed Services”;

(ii) by striking “Department of Defense under”; and

(iii) by striking “for medicare-eligible beneficiaries”;

(B) in subsection (c)—

(i) by striking “The Secretary of Defense may” and inserting “The Secretary of Defense shall”;

(ii) by striking “with any other” and inserting “with each”;

(iii) by striking “Any such agreement” and inserting “Such agreements”; and

(iv) by striking “administering Secretary may” and inserting “administrative Secretary shall”;

(3) in section 1113—

(A) in subsection (a)—

(i) by striking “and are medicare eligible”;

(ii) by striking “who are medicare eligible”; and

(iii) by adding at the end the following new sentence: “For the fiscal year starting October 1, 2004, only, the payments will be solely for the costs of members or former members of a uniformed service who are entitled to retired or retainer pay and are medicare-eligible, and eligible dependents or survivors who are medicare-eligible.”;

(B) in subsection (c)(1), by striking “who are medicare-eligible”;

(C) in subsection (d), by striking “who are medicare-eligible”; and

(D) in subsection (f), by striking “If” and inserting “When”;

(4) in section 1114, in subsection (a)(1), by striking “Department of Defense Medicare-Eligible” and inserting “Uniformed Services”;

(5) in section 1115—

(A) in subsection (b)(2), by striking “The amount determined under paragraph (1) for any fiscal year is the amount needed to be appropriated to the Department of Defense (or to the other executive department having jurisdiction over the participating uniformed service)” and inserting “The amount determined under paragraph (1), or the amount determined under section 1111(c) for a partici-

pating uniformed service, for any fiscal year, is the amount needed to be appropriated to the Department of Defense (or to any other executive department having jurisdiction over a participating uniformed service)";

(B) in subsection (c)(2), by striking "for medicare eligible beneficiaries"; and

(C) by adding at the end the following new subsection:  
 "(f) For the fiscal year starting October 1, 2004, only, the amounts in this section shall be based solely on the costs of medicare-eligible benefits of beneficiaries and the costs for their eligible dependents or survivors who are medicare-eligible, and shall be recalculated thereafter to reflect the cost of beneficiaries defined in section 1111."; and

(6) in section 1116—

(A) in subsection (a)(1)(A), by striking "for medicare-eligible beneficiaries";

(B) in subsection (a)(2)(A), by striking "for medicare-eligible beneficiaries"; and

(C) in subsection (c), by striking "subsection (a) shall be paid from funds available for the health care programs" and inserting "subsection (a) and section 1111(c) shall be paid from funds available for the pay of members of the participating uniformed services under the jurisdiction of the respective administering secretaries".

**SEC. 413. EFFECTIVE DATE.**

Except as otherwise provided, this title shall take effect upon enactment with respect to fiscal years beginning after 2005.

## **Subtitle C—Limit on the Public Debt**

**SEC. 421. FINDINGS.**

The Congress finds the following:

(1) Since 1997, Congress has paid down and retired approximately \$450,000,000,000 of the Government's debt which was previously held by the public.

(2) This reduction in the Government's debt to the public should permit a lowering of the statutory debt ceiling. However, the statutory definition mingles both the public debt and intragovernment liabilities, the latter of which do not represent resource withdrawals for the economy.

(3) Intragovernment accounts such as the social security trust funds, the Civil Service Retirement and Disability Fund, the Department of Defense Military Retirement Fund, and the Unemployment Trust Fund constitute accrued liabilities of the Government which will be paid from future receipts, taxes, or borrowing. If the Government issues debt to the public to fund such liabilities in the future, that debt will properly be subject to the debt ceiling.

(4) Properly defining the debt of the Government would permit lowering the debt ceiling to take account of, and lock in, the fiscal progress that has been made.

**SEC. 422. PURPOSE.**

It is the purpose of this subtitle to properly define the public debt to exclude intragovernment obligations.

**SEC. 423. LIMIT ON PUBLIC DEBT.**

Section 3101 of title 31, United States Code, is amended to read as follows:

**“§ 3101. Public debt limit**

“(a) In this section, the current redemption value of an obligation issued on a discount basis and redeemable before maturity at the option of its holder is deemed to be the face amount of the obligation.

“(b) The face amount of obligations issued under this chapter and the face amount of obligations whose principal and interest are guaranteed by the United States Government (except guaranteed obligations held by the Secretary of the Treasury and intragovernmental holdings) may not be more than \$4,393,000,000,000 outstanding at one time, subject to changes periodically made in that amount as provided by law.

“(c) For purposes of this section, the face amount, for any month, of any obligation issued on a discount basis that is not redeemable before maturity at the option of the holder of the obligation is an amount equal to the sum of—

“(1) the original issue price of the obligation, plus

“(2) the portion of the discount on the obligation attributable to periods before the beginning of such month (as determined under the principles of section 1272(a) of the Internal Revenue Code of 1986 without regard to any exceptions contained in paragraph (2) of such section).

“(d) For purposes of this section, the term ‘intragovernment holding’ is any obligation issued by the Secretary of the Treasury to any Federal trust fund or Government account, whether in respect of public money, money otherwise required to be deposited in the Treasury, or amounts appropriated.”.

## **Subtitle D—Risk-assumed Budgeting**

**SEC. 431. FEDERAL INSURANCE PROGRAMS.**

(a) IN GENERAL.—The Congressional Budget Act of 1974 is amended by adding after title V the following new title:

### **“TITLE VI—BUDGETARY TREATMENT OF FEDERAL INSURANCE PROGRAMS**

**“SEC. 602. BUDGETARY TREATMENT.**

“(a) PRESIDENT’S BUDGET.—Beginning with fiscal year 2011, the budget of the Government pursuant to section 1105(a) of title 31, United States Code, shall be based on the risk-assumed cost of Federal insurance programs.

“(b) BUDGET ACCOUNTING.—For any Federal insurance program—

“(1) the program account shall—

“(A) pay the risk-assumed cost borne by the taxpayer to the financing account, and

“(B) pay actual insurance program administrative costs;

“(2) the financing account shall—



“(A) receive premiums and other income,

“(B) pay all claims for insurance and receive all recoveries,

“(C) transfer to the program account on not less than an annual basis amounts necessary to pay insurance program administrative costs;

“(3) a negative risk-assumed cost shall be transferred from the financing account to the program account, and shall be transferred from the program account to the general fund; and

“(4) all payments by or receipts of the financing accounts shall be treated in the budget as a means of financing.

“(c) APPROPRIATIONS REQUIRED.—(1) Notwithstanding any other provision of law, insurance commitments may be made for fiscal year 2011 and thereafter only to the extent that new budget authority to cover their risk-assumed cost is provided in advance in an appropriation Act.

“(2) An outstanding insurance commitment shall not be modified in a manner that increases its risk-assumed cost unless budget authority for the additional cost has been provided in advance.

“(3) Paragraph (1) shall not apply to Federal insurance programs that constitute entitlements.

“(d) REESTIMATES.—The risk-assumed cost for a fiscal year shall be reestimated in each subsequent year. Such reestimate can equal zero. In the case of a positive reestimate, the amount of the reestimate shall be paid from the program account to the financing account. In the case of a negative reestimate, the amount of the reestimate shall be paid from the financing account to the program account, and shall be transferred from the program account to the general fund. Reestimates shall be displayed as a distinct and separately identified subaccount in the program account.

“(e) ADMINISTRATIVE EXPENSES.—All funding for an agency’s administration of a Federal insurance program shall be displayed as a distinct and separately identified subaccount in the program account.

**“SEC. 603. TIMETABLE FOR IMPLEMENTATION OF ACCRUAL BUDGETING FOR FEDERAL INSURANCE PROGRAMS.**

“(a) AGENCY REQUIREMENTS.—Agencies with responsibility for Federal insurance programs shall develop models to estimate their risk-assumed cost by year through the budget horizon and shall submit those models, all relevant data, a justification for critical assumptions, and the annual projected risk-assumed costs to OMB with their budget requests each year starting with the request for fiscal year 2007. Agencies will likewise provide OMB with annual estimates of modifications, if any, and reestimates of program costs.

“(b) DISCLOSURE.—When the President submits a budget of the Government pursuant to section 1105(a) of title 31, United States Code, for fiscal year 2007, OMB shall publish a notice in the Federal Register advising interested persons of the availability of information describing the models, data (including sources), and critical assumptions (including explicit or implicit discount rate assumptions) that it or other executive branch entities would use to estimate the risk-assumed cost of Federal insurance programs and giving such persons an opportunity to submit comments. At the same time, the chairman of the Committee on the Budget shall publish

a notice for CBO in the Federal Register advising interested persons of the availability of information describing the models, data (including sources), and critical assumptions (including explicit or implicit discount rate assumptions) that it would use to estimate the risk-assumed cost of Federal insurance programs and giving such interested persons an opportunity to submit comments.

“(c) REVISION.—(1) After consideration of comments pursuant to subsection (b), and in consultation with the Committees on the Budget of the House of Representatives and the Senate, OMB and CBO shall revise the models, data, and major assumptions they would use to estimate the risk-assumed cost of Federal insurance programs.

“(2) When the President submits a budget of the Government pursuant to section 1105(a) of title 31, United States Code, for fiscal year 2008, OMB shall publish a notice in the Federal Register advising interested persons of the availability of information describing the models, data (including sources), and critical assumptions (including explicit or implicit discount rate assumptions) that it or other executive branch entities used to estimate the risk-assumed cost of Federal insurance programs.

“(d) DISPLAY.—

“(1) IN GENERAL.—For fiscal years 2008, 2009, and 2010 the budget submissions of the President pursuant to section 1105(a) of title 31, United States Code, and CBO’s reports on the economic and budget outlook pursuant to section 202(e)(1) and the President’s budgets, shall for display purposes only, estimate the risk-assumed cost of existing or proposed Federal insurance programs.

“(2) OMB.—The display in the budget submissions of the President for fiscal years 2008, 2009, and 2010 shall include—

“(A) a presentation for each Federal insurance program in budget-account level detail of estimates of risk-assumed cost;

“(B) a summary table of the risk-assumed costs of Federal insurance programs; and

“(C) an alternate summary table of budget functions and aggregates using risk-assumed rather than cash-based cost estimates for Federal insurance programs.

“(3) CBO.—In the second session of the 109th Congress and the 110th Congress, CBO shall include in its estimates under section 308, for display purposes only, the risk-assumed cost of existing Federal insurance programs, or legislation that CBO, in consultation with the Committees on the Budget of the House of Representatives and the Senate, determines would create a new Federal insurance program.

“(e) OMB, CBO, AND GAO EVALUATIONS.—(1) Not later than 6 months after the budget submission of the President pursuant to section 1105(a) of title 31, United States Code, for fiscal year 2010, OMB, CBO, and GAO shall each submit to the Committees on the Budget of the House of Representatives and the Senate a report that evaluates the advisability and appropriate implementation of this title.

“(2) Each report made pursuant to paragraph (1) shall address the following:

“(A) The adequacy of risk-assumed estimation models used and alternative modeling methods.

“(B) The availability and reliability of data or information necessary to carry out this title.

“(C) The appropriateness of the explicit or implicit discount rate used in the various risk-assumed estimation models.

“(D) The advisability of specifying a statutory discount rate (such as the Treasury rate) for use in risk-assumed estimation models.

“(E) The ability of OMB, CBO, or GAO, as applicable, to secure any data or information directly from any Federal agency necessary to enable it to carry out this title.

“(F) The relationship between risk-assumed accrual budgeting for Federal insurance programs and the specific requirements of the Balanced Budget and Emergency Deficit Control Act of 1985.

“(G) Whether Federal budgeting is improved by the inclusion of risk-assumed cost estimates for Federal insurance programs.

“(H) The advisability of including each of the programs currently estimated on a risk-assumed cost basis in the Federal budget on that basis.

**“SEC. 604. DEFINITIONS.**

“For purposes of this title:

“(1) The term ‘Federal insurance program’ means a program that makes insurance commitments and includes the list of such programs included in the joint explanatory statement of managers accompanying the conference report on the Comprehensive Budget Process Reform Act of 1999.

“(2) The term ‘insurance commitment’ means an agreement in advance by a Federal agency to indemnify a nonfederal entity against specified losses. This term does not include loan guarantees as defined in title V or benefit programs such as social security, medicare, and similar existing social insurance programs.

“(3)(A) The term ‘risk-assumed cost’ means the net present value of the estimated cash flows to and from the Government resulting from an insurance commitment or modification thereof.

“(B) The cash flows associated with an insurance commitment include—

“(i) expected claims payments inherent in the Government’s commitment;

“(ii) net premiums (expected premium collections received from or on behalf of the insured less expected administrative expenses);

“(iii) expected recoveries; and

“(iv) expected changes in claims, premiums, or recoveries resulting from the exercise by the insured of any option included in the insurance commitment.

“(C) The cost of a modification is the difference between the current estimate of the net present value of the remaining cash flows under the terms of the insurance commitment, and the current estimate of the net present value of the remaining cash flows under the terms of the insurance commitment as modified.

“(D) The cost of a reestimate is the difference between the net present value of the amount currently required by the financing account to pay estimated claims and other expenditures and the amount currently available in the financing account. The cost of a reestimate shall be accounted for in the current year in the budget of the Government pursuant to section 1105(a) of title 31, United States Code.

“(E) For purposes of this definition, expected administrative expenses shall be construed as the amount estimated to be necessary for the proper administration of the insurance program. This amount may differ from amounts actually appropriated or otherwise made available for the administration of the program.

“(4) The term ‘program account’ means the budget account for the risk-assumed cost, and for paying all costs of administering the insurance program, and is the account from which the risk-assumed cost is disbursed to the financing account.

“(5) The term ‘financing account’ means the nonbudget account that is associated with each program account which receives payments from or makes payments to the program account, receives premiums and other payments from the public, pays insurance claims, and holds balances.

“(6) The term ‘modification’ means any Government action that alters the risk-assumed cost of an existing insurance commitment from the current estimate of cash flows. This includes any action resulting from new legislation, or from the exercise of administrative discretion under existing law, that directly or indirectly alters the estimated cost of existing insurance commitments.

“(7) The term ‘model’ means any actuarial, financial, econometric, probabilistic, or other methodology used to estimate the expected frequency and magnitude of loss-producing events, expected premiums or collections from or on behalf of the insured, expected recoveries, and administrative expenses.

“(8) The term ‘current’ has the same meaning as in section 250(c)(9) of the Balanced Budget and Emergency Deficit Control Act of 1985.

“(9) The term ‘OMB’ means the Director of the Office of Management and Budget.

“(10) The term ‘CBO’ means the Director of the Congressional Budget Office.

“(11) The term ‘GAO’ means the Comptroller General of the United States.

**“SEC. 605. AUTHORIZATIONS TO ENTER INTO CONTRACTS; ACTUARIAL COST ACCOUNT.**

“(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated \$600,000 for each of fiscal years 2005 through 2010 to the Director of the Office of Management and Budget and each agency responsible for administering a Federal program to carry out this title.

“(b) TREASURY TRANSACTIONS WITH THE FINANCING ACCOUNTS.—The Secretary of the Treasury shall borrow from, receive from, lend to, or pay the insurance financing accounts such amounts as may be appropriate. The Secretary of the Treasury may prescribe forms and denominations, maturities, and terms and conditions for the

transactions described above. The authorities described above shall not be construed to supersede or override the authority of the head of a Federal agency to administer and operate an insurance program. All the transactions provided in this subsection shall be subject to the provisions of subchapter II of chapter 15 of title 31, United States Code. Cash balances of the financing accounts in excess of current requirements shall be maintained in a form of uninvested funds, and the Secretary of the Treasury shall pay interest on these funds.

“(c) APPROPRIATION OF AMOUNT NECESSARY TO COVER RISK-ASSUMED COST OF INSURANCE COMMITMENTS AT TRANSITION DATE.—

(1) A financing account is established on September 30, 2010, for each Federal insurance program.

“(2) There is appropriated to each financing account the amount of the risk-assumed cost of Federal insurance commitments outstanding for that program as of the close of September 30, 2010.

“(3) These financing accounts shall be used in implementing the budget accounting required by this title.

“SEC. 606. EFFECTIVE DATE.

“(a) IN GENERAL.—This title shall take effect immediately and shall expire on September 30, 2012.

“(b) SPECIAL RULE.—If this title is not reauthorized by September 30, 2012, then the accounting structure and budgetary treatment of Federal insurance programs shall revert to the accounting structure and budgetary treatment in effect immediately before the date of enactment of this title.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 507 the following new items:

“TITLE VI—BUDGETARY TREATMENT OF FEDERAL INSURANCE PROGRAMS

“Sec. 601. Short title.

“Sec. 602. Budgetary treatment.

“Sec. 603. Timetable for implementation of accrual budgeting for Federal insurance programs.

“Sec. 604. Definitions.

“Sec. 605. Authorizations to enter into contracts; actuarial cost account.

“Sec. 606. Effective date.”.

## **TITLE V—MAINTAINING A COMMITMENT TO THE FAMILY BUDGET**

### **Subtitle A—Further Enforcement Amendments**

#### **SEC. 501. SUPER-MAJORITY POINTS OF ORDER IN THE HOUSE OF REPRESENTATIVES AND THE SENATE.**

(a) Section 904 of the Congressional Budget Act of 1974 is amended as follows:

(1) In subsection 904(c)(1), insert “312(g), (h), (i), and (j),” before “313,” and insert “316, 318,” before “904(c),”.

(2) In subsection (c) strike “three-fifths” each place it appears and insert “two-thirds”.

(3)(A) In subsection (d)(2), insert “312(g), (h), (i), and (j),” before “313,” and insert “316, 318,” before “904(c),”.

(B) In subsection (d), strike “three-fifths” each place it appears and insert “two-thirds”.

(4)(A) In subsections (c)(2) and (d)(3), strike “311(a),”.

(B) In subsections (c)(1) and (d)(2) insert “311(a),” after “310(d)(2),”.

(5) In subsections (c)(1), (c)(2), (d)(2), and (d)(3) by inserting “or the House of Representatives” after “Senate” each place it appears.

(6) In subsection (e), strike “2002” and insert “2010”.

**SEC. 502. BUDGET RESOLUTION ENFORCEMENT POINT OF ORDER.**

(a) ENTITLEMENT POINT OF ORDER.—Section 312 of the Congressional Budget Act of 1974 (as amended by section 221(d)) is further amended by adding at the end the following new subsection:

“(j) BUDGET RESOLUTION ENFORCEMENT POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any joint resolution on the budget for a fiscal year, or amendment thereto or conference report thereon, that—

“(1) is not consistent with the discretionary spending limits set forth in section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985; or

“(2) provides for an increase in the aggregate level of direct spending for the fiscal year of the resolution or any ensuing fiscal year included in such resolution.”.

**SEC. 503. POINT OF ORDER WAIVER PROTECTION.**

Rule XIII of the Rules of the House of Representatives is amended by adding at the end the following new clause:

“8. (a) It shall not be in order to consider a rule or order that would waive the provisions of any section of the Congressional Budget Act of 1974 referred to in section 904(c)(1) of such Act or of section 302 of the Family Budget Protection Act of 2004.

“(b) As disposition of a point of order under paragraph (a), the Chair shall put the question of consideration with respect to the proposition that is the subject of the point of order. A question of consideration under this clause shall be debatable for 10 minutes by the Member initiating the point of order and for 10 minutes by an opponent of the point of order, but shall otherwise be decided without intervening motion except one that the House adjourn or that the Committee of the Whole rise, as the case may be.

“(c) The disposition of the question of consideration under this clause with respect to a bill or joint resolution shall be considered also to determine the question of consideration under this clause with respect to an amendment made in order as original text.”.

## **Subtitle B—The Byrd Rule**

**SEC. 511. LIMITATION ON BYRD RULE.**

(a) PROTECTION OF CONFERENCE REPORTS.—Section 313 of the Congressional Budget Act of 1974 is amended—

(1) in subsection (b)(1), by striking subparagraph (E) through the semicolon at the end thereof and by redesignating subparagraph (F) as subparagraph (E);

(2) in subsection (c), by striking “and again upon the submission of a conference report on such a reconciliation bill or resolution,”;

- (3) by striking subsection (d);
- (4) by redesignating subsection (e) as subsection (d); and
- (5) in subsection (e), as redesignated—
  - (A) by striking “, motion, or conference report” the first place it appears and inserting “, or motion”; and
  - (B) by striking “, motion, or conference report” the second and third places it appears and inserting “or motion”.
- (b) CONFORMING AMENDMENT.—The first sentence of section 312(e) of the Congressional Budget Act of 1974 is amended by inserting “, except for section 313,” after “Act”.

## **Subtitle C—Treatment of Extraneous Appropriations in Omnibus Appropriation Measures**

### **SEC. 521. TREATMENT OF EXTRANEOUS APPROPRIATIONS.**

(a) IN GENERAL.—Title III of the Congressional Budget Act of 1974 (as amended by section 127(a)) is further amended by adding at the end the following new section:

#### “TREATMENT OF EXTRANEOUS APPROPRIATIONS IN OMNIBUS APPROPRIATION MEASURES

“SEC. 319. (a) POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider an omnibus appropriation measure, or any amendment thereto or conference report thereon, that appropriates funds for any program, project, or activity that is not within the subject-matter jurisdiction of any subcommittee of the Committee on Appropriations of the House of Representatives or Senate, as applicable, with jurisdiction over any regular appropriation bill contained in such measure.

“(b) DEFINITIONS.—As used in this section:

“(1) The term ‘omnibus appropriation measure’ means any bill or joint resolution making continuing appropriations for a fiscal year and that is comprised of more than one regular appropriation bills.

“(2) The term ‘regular appropriation bill’ means any annual appropriation bill making appropriations, otherwise making funds available, or granting authority, for any of the following categories of projects and activities:

“(A) Agriculture, rural development, Food and Drug Administration, and related agencies programs.

“(B) The Departments of Commerce, Justice, and State, the Judiciary, and related agencies.

“(C) The Department of Defense.

“(D) The government of the District of Columbia and other activities chargeable in whole or in part against the revenues of the District.

“(E) Energy and water development.

“(F) Foreign operations, export financing, and related programs.

“(G) The Department of Homeland Security.

“(H) The Department of the Interior and related agencies.

“(I) The Departments of Labor, Health and Human Services, and Education, and related agencies.

“(J) The Legislative Branch.

“(K) Military construction, family housing, and base realignment and closure for the Department of Defense.

“(L) The Departments of Transportation and Treasury, and independent agencies.

“(M) The Departments of Veterans Affairs and Housing and Urban Development, and sundry independent agencies, boards, commissions, corporations, and offices.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 318 the following new item:

“Sec. 319. Treatment of extraneous appropriations in omnibus appropriation measures.”.

# 17. AN AMENDMENT IN THE NATURE OF A SUBSTITUTE TO BE OFFERED BY REPRESENTATIVE KIRK OF ILLINOIS, OR HIS DESIGNEE, DEBATABLE FOR 30 MINUTES

Strike all after the enacting clause and insert the following:

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

(a) SHORT TITLE.—This Act may be cited as the “Deficit Control Act of 2004”.

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

Sec. 2. Effective date.

Sec. 3. Protection of social security and medicare benefits.

## TITLE I—A SIMPLIFIED BUDGET

### Subtitle A—Rainy Day Fund for Emergencies

Sec. 101. Purpose.

Sec. 102. Repeal of adjustments for emergencies.

Sec. 103. OMB emergency criteria.

Sec. 104. Development of guidelines for application of emergency definition.

Sec. 105. Reserve fund for emergencies in President’s budget.

Sec. 106. Adjustments and reserve fund for emergencies in concurrent budget resolutions.

Sec. 107. Up-to-date tabulations.

Sec. 108. Prohibition on amendments to emergency reserve fund.

Sec. 109. Content of budget resolutions.

### Subtitle B—The Baseline

Sec. 111. Elimination of inflation adjustment.

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## TITLE II—IMPLEMENTING FEDERAL SPENDING DISCIPLINE

### Subtitle A—Spending Safeguards on the Growth of Entitlements and Mandatories

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Subtitle B—Discretionary Spending Limits

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TITLE III—COMBATING WASTE, FRAUD, AND ABUSE.

Subtitle A—Enhanced Rescissions of Budget Authority Identified by the President as Wasteful Spending

- Sec. 301. Enhanced consideration of certain proposed rescissions.

Subtitle B—Commission to Eliminate Waste, Fraud, and Abuse

- Sec. 311. Establishment of Commission.
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TITLE IV—TRUTH IN ACCOUNTING

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- Sec. 401. Civil Service Retirement System.
- Sec. 402. Central Intelligence Agency Retirement and Disability System.
- Sec. 403. Foreign Service Retirement and Disability System.
- Sec. 404. Public Health Service Commissioned Corps Retirement System.
- Sec. 405. National Oceanic and Atmospheric Administration Commissioned Officer Corps Retirement System.
- Sec. 406. Coast Guard Military Retirement System.

Subtitle B—Accrual Funding of Post-Retirement Health Benefits Costs for Federal Employees

- Sec. 411. Federal employees health benefits fund.
- Sec. 412. Funding uniformed services health benefits for all retirees.
- Sec. 413. Effective date.

Subtitle C—Limit on the Public Debt

- Sec. 421. Limit on public debt.

TITLE V—PAYGO EXTENSION

- Sec. 501. PAYGO extension.

**SEC. 2. EFFECTIVE DATE.**

Except as otherwise specifically provided, this Act and the amendments made by this Act shall become effective on the date of enactment of this Act and shall apply with respect to fiscal years beginning after September 30, 2005.

**SEC. 3. PROTECTION OF SOCIAL SECURITY AND MEDICARE BENEFITS.**

Notwithstanding any other provision in law, nothing in titles I through V shall be construed to reduce benefits entitled to Americans through social security and medicare.

## **TITLE I—A SIMPLIFIED BUDGET**

### **Subtitle A—Rainy Day Fund for Emergencies**

**SEC. 101. PURPOSE.**

The purposes of this subtitle are to—

- (1) develop budgetary and fiscal procedures for emergencies;

(2) subject spending for emergencies to budgetary procedures and controls; and

(3) establish criteria for determining compliance with emergency requirements.

**SEC. 102. REPEAL OF ADJUSTMENTS FOR EMERGENCIES.**

(a) ELIMINATION OF EMERGENCY DESIGNATION.—Sections 252(e) and 252(d)(4)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985 are repealed.

(b) ELIMINATION OF ADJUSTMENTS.—Section 314 of the Congressional Budget Act of 1974 is repealed.

(c) CONFORMING AMENDMENT.—Clause 2 of rule XXI of the Rules of the House of Representatives is amended by repealing paragraph (e) and by redesignating paragraph (f) as paragraph (e).

**SEC. 103. OMB EMERGENCY CRITERIA.**

(a) DEFINITION OF EMERGENCY.—Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding at the end the following new paragraph:

“(11)(A) The term ‘emergency’ means a situation that—

“(i) requires new budget authority and outlays (or new budget authority and the outlays flowing therefrom) for the prevention or mitigation of, or response to, loss of life or property, or a threat to national security; and

“(ii) is unanticipated.

“(B) As used in subparagraph (A), the term ‘unanticipated’ means that the situation is—

“(i) sudden, which means quickly coming into being or not building up over time;

“(ii) urgent, which means a pressing and compelling need requiring immediate action;

“(iii) unforeseen, which means not predicted or anticipated as an emerging need; and

“(iv) temporary, which means not of a permanent duration.”.

(b) CONFORMING AMENDMENT.—Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new paragraph:

“(20) The term ‘emergency’ has the meaning given to such term in section 3 of the Congressional Budget and Impoundment Control Act of 1974.”.

**SEC. 104. DEVELOPMENT OF GUIDELINES FOR APPLICATION OF EMERGENCY DEFINITION.**

Not later than 5 months after the date of enactment of this Act, the chairmen of the Committees on the Budget (in consultation with the President) shall, after consulting with the chairmen of the Committees on Appropriations and applicable authorizing committees of their respective Houses and the Directors of the Congressional Budget Office and the Office of Management and Budget, jointly publish in the Congressional Record guidelines for application of the definition of emergency set forth in section 3(11) of the Congressional Budget and Impoundment Control Act of 1974.

**SEC. 105. RESERVE FUND FOR EMERGENCIES IN PRESIDENT'S BUDGET.**

Section 1105(f) of title 31, United States Code is amended by adding at the end the following new sentences: “Such budget sub-

mission shall also comply with the requirements of section 316(b) of the Congressional Budget Act of 1974 and, in the case of any budget authority requested for an emergency, such submission shall include a detailed justification of why such emergency is an emergency within the meaning of section 3(11) of the Congressional Budget Act of 1974.”.

**SEC. 106. ADJUSTMENTS AND RESERVE FUND FOR EMERGENCIES IN CONCURRENT BUDGET RESOLUTIONS.**

(a) EMERGENCIES.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

“EMERGENCIES

“SEC. 316. (a) ADJUSTMENTS.—

“(1) IN GENERAL.—After the reporting of a bill or joint resolution or the submission of a conference report thereon that provides budget authority for any emergency as identified pursuant to subsection (d) that is not covered by subsection (c)—

“(A) the chairman of the Committee on the Budget of the House of Representatives or the Senate shall determine and certify, pursuant to the guidelines referred to in section 104 of the Deficit Control Act of 2004, the portion (if any) of the amount so specified that is for an emergency within the meaning of section 3(11); and

“(B) such chairman shall make the adjustment set forth in paragraph (2) for the amount of new budget authority (or outlays) in that measure and the outlays flowing from that budget authority.

“(2) MATTERS TO BE ADJUSTED.—The adjustments referred to in paragraph (1) are to be made to the allocations made pursuant to the appropriate concurrent resolution on the budget pursuant to section 302(a) and shall be in an amount not to exceed the amount reserved for emergencies pursuant to the requirements of subsection (b).

“(b) RESERVE FUND FOR EMERGENCIES.—

“(1) AMOUNTS.—The amount set forth in the reserve fund for emergencies (other than those covered by subsection (c)) for budget authority and outlays for a fiscal year pursuant to section 301(a)(4) shall equal—

“(A) the average of the enacted levels of budget authority for emergencies (other than those covered by subsection (c)) in the 5 fiscal years preceding the current year; and

“(B) the average of the levels of outlays for emergencies in the 5 fiscal years preceding the current year flowing from the budget authority referred to in subparagraph (A), but only in the fiscal year for which such budget authority first becomes available for obligation.

“(2) AVERAGE LEVELS.—For purposes of paragraph (1), the amount used for a fiscal year to calculate the average of the enacted levels when one or more of such 5 preceding fiscal years is any of fiscal years 2000 through 2004 is as follows: the amount of enacted levels of budget authority and the amount of new outlays flowing therefrom for emergencies, but only in the fiscal year for which such budget authority first becomes available for obligation for each of such 5 fiscal years, which shall be determined by the Committees on the Budget of the

House of Representatives and the Senate after receipt of a report on such matter transmitted to such committees by the Director of the Congressional Budget Office 6 months after the date of enactment of this section and thereafter in February of each calendar year.

“(c) TREATMENT OF EMERGENCIES TO FUND CERTAIN MILITARY OPERATIONS AND OTHER EXTRAORDINARY AND CRITICAL NEEDS.—Whenever the Committee on Appropriations reports any bill or joint resolution that provides budget authority for any emergency that is a threat to national security and the funding of which carries out a military operation authorized by a declaration of war or a joint resolution authorizing the use of military force, or for any other emergency designated by the President and the Congress as relating to extraordinary and critical needs, and the report accompanying that bill or joint resolution, pursuant to subsection (d), identifies any provision that increases outlays or provides budget authority (and the outlays flowing therefrom) for such emergency, the enactment of which would cause the total amount of budget authority or outlays provided for emergencies for the budget year in the concurrent resolution on the budget (pursuant to section 301(a)(4)) to be exceeded, such bill or joint resolution may be considered in the House or the Senate, as the case may be.

“(d) COMMITTEE NOTIFICATION OF EMERGENCY LEGISLATION.—Whenever the Committee on Appropriations or any other committee of either House (including a committee of conference) reports any bill or joint resolution that provides budget authority for any emergency, the report accompanying that bill or joint resolution (or the joint explanatory statement of managers in the case of a conference report on any such bill or joint resolution) shall identify all provisions that provide budget authority and the outlays flowing therefrom for such emergency and include a statement of the reasons why such budget authority meets the definition of an emergency pursuant to the guidelines referred to in section 104 of the Deficit Control Act of 2004.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 315 the following new item:

“Sec. 316. Emergencies.”.

#### **SEC. 107. UP-TO-DATE TABULATIONS.**

Section 308(b)(2) of the Congressional Budget Act of 1974 is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “; and”, and by adding at the end the following new subparagraph:

“(D) shall include an up-to-date tabulation of amounts remaining in the reserve fund for emergencies.”.

#### **SEC. 108. PROHIBITION ON AMENDMENTS TO EMERGENCY RESERVE FUND.**

(a) POINT OF ORDER.—Section 305 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(e) POINT OF ORDER REGARDING EMERGENCY RESERVE FUND.—It shall not be in order in the House of Representatives or in the Senate to consider an amendment to a concurrent resolution on the

budget which changes the amount of budget authority and outlays set forth in section 301(a)(4) for emergency reserve fund.”.

(b) TECHNICAL AMENDMENT.—(1) Section 904(c)(1) of the Congressional Budget Act of 1974 is amended by inserting “305(e),” after “305(c)(4),”.

(2) Section 904(d)(2) of the Congressional Budget Act of 1974 is amended by inserting “305(e),” after “305(c)(4),”.

**SEC. 109. CONTENT OF BUDGET RESOLUTIONS.**

Section 301(a)(4) of the Congressional Budget Act of 1974 is amended by inserting before the semicolon at the end the following: “, and for emergencies (for the reserve fund in section 316(b) and for military operations in section 316(c))”.

## **Subtitle B—The Baseline**

**SEC. 111. ELIMINATION OF INFLATION ADJUSTMENT.**

Section 257(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in paragraph (1) by striking “for inflation as specified in paragraph (5),”; and

(2) by striking paragraph (5) and redesignating paragraph (6) as paragraph (5).

**SEC. 112. THE PRESIDENT'S BUDGET.**

(a) Paragraph (5) of section 1105(a) of title 31, United States Code, is amended to read as follows:

“(5) except as provided in subsection (b) of this section, estimated expenditures and appropriations for the current year and estimated expenditures and proposed appropriations the President decides are necessary to support the Government in the fiscal year for which the budget is submitted and the 4 fiscal years following that year, and, except for detailed budget estimates, the percentage change from the current year to the fiscal year for which the budget is submitted for estimated expenditures and for appropriations.”.

(b) Section 1105(a)(6) of title 31, United States Code, is amended to read as follows:

“(6) estimated receipts of the Government in the current year and the fiscal year for which the budget is submitted and the 4 fiscal years after that year under—

“(A) laws in effect when the budget is submitted; and

“(B) proposals in the budget to increase revenues, and the percentage change (in the case of each category referred to in subparagraphs (A) and (B)) between the current year and the fiscal year for which the budget is submitted and between the current year and each of the 9 fiscal years after the fiscal year for which the budget is submitted.”.

(c) Section 1105(a)(12) of title 31, United States Code, is amended to read as follows:

“(12) for each proposal in the budget for legislation that would establish or expand a Government activity or function, a table showing—

“(A) the amount proposed in the budget for appropriation and for expenditure because of the proposal in the fiscal year for which the budget is submitted;

“(B) the estimated appropriation required because of the proposal for each of the 4 fiscal years after that year that the proposal will be in effect; and

“(C) the estimated amount for the same activity or function, if any, in the current fiscal year, and, except for detailed budget estimates, the percentage change (in the case of each category referred to in subparagraphs (A), (B), and (C)) between the current year and the fiscal year for which the budget is submitted.”.

(d) Section 1105(a)(18) of title 31, United States Code, is amended by inserting “new budget authority and” before “budget outlays”.

(e) Section 1105(a) of title 31, United States Code, is amended by adding at the end the following new paragraphs:

“(35) a comparison of levels of estimated expenditures and proposed appropriations for each function and subfunction in the current fiscal year and the fiscal year for which the budget is submitted, along with the proposed increase or decrease of spending in percentage terms for each function and subfunction.

“(36) a table on sources of growth in total direct spending under current law and as proposed in this budget submission for the budget year and the ensuing 9 fiscal years, which shall include changes in outlays attributable to the following: cost-of-living adjustments; changes in the number of program recipients; increases in medical care prices, utilization and intensity of medical care; and residual factors.”.

(f) Section 1109(a) of title 31, United States Code, is amended by inserting after the first sentence the following new sentence: “For discretionary spending, these estimates shall assume the levels set forth in the discretionary spending limits under section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, as adjusted, for the appropriate fiscal years (and if no such limits are in effect, these estimates shall assume the adjusted levels for the most recent fiscal year for which such levels were in effect).”.

#### **SEC. 113. THE CONGRESSIONAL BUDGET.**

Section 301(e) of the Congressional Budget Act of 1974 (as amended by section 103) is further amended—

(1) in paragraph (1), by inserting at the end the following: “The basis of deliberations in developing such concurrent resolution shall be the estimated budgetary levels for the preceding fiscal year. Any budgetary levels pending before the committee and the text of the concurrent resolution shall be accompanied by a document comparing such levels or such text to the estimated levels of the prior fiscal year. Any amendment offered in the committee that changes a budgetary level and is based upon a specific policy assumption for a program, project, or activity shall be accompanied by a document indicating the estimated amount for such program, project, or activity in the current year.”; and

(2) in paragraph (2), by striking “and” at the end of subparagraph (H) (as redesignated), by striking the period and inserting “; and” at the end of subparagraph (I) (as redesignated), and by adding at the end the following new subparagraph:

“(J) a comparison of levels for the current fiscal year with proposed spending and revenue levels for the subse-

quent fiscal years along with the proposed increase or decrease of spending in percentage terms for each function.”.

**SEC. 114. CONGRESSIONAL BUDGET OFFICE REPORTS TO COMMITTEES.**

(a) The first sentence of section 202(e)(1) of the Congressional Budget Act of 1974 is amended by inserting “compared to comparable levels for the current year” before the comma at the end of subparagraph (A) and before the comma at the end of subparagraph (B).

(b) Section 202(e)(1) of the Congressional Budget Act of 1974 is amended by inserting after the first sentence the following new sentence: “Such report shall also include a table on sources of spending growth in total direct spending for the budget year and the ensuing 4 fiscal years, which shall include changes in outlays attributable to the following: cost-of-living adjustments; changes in the number of program recipients; increases in medical care prices, utilization and intensity of medical care; and residual factors.”.

(c) Section 308(a)(1)(B) of the Congressional Budget Act of 1974 is amended by inserting “and shall include a comparison of those levels to comparable levels for the current fiscal year” before “if timely submitted”.

(d) Section 202(e) of the Congressional Budget Act of 1974 is amended by adding at the end the following new paragraph:

“(4) On or before February 15 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate, a report for the fiscal year ending on September 30 of the preceding year, with respect to entitlement spending, including (A) a comparison of actual spending for entitlements, on an account by account basis, with projected spending for such entitlements assumed in the concurrent resolution of the budget for that fiscal year and (B) an identification of those entitlements for which the actual spending exceeded the projected spending.”.

**SEC. 115. TREATMENT OF EMERGENCIES.**

Section 257(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by section 111) is further amended by adding at the end the following new paragraph:

“(6) EMERGENCIES.—Budgetary resources for emergencies shall be at the level provided in the reserve fund for emergencies for that fiscal year pursuant to section 301(a)(4) of the Congressional Budget Act of 1974.”.

## **TITLE II—IMPLEMENTING FEDERAL SPENDING DISCIPLINE**

### **Subtitle A—Spending Safeguards on the Growth of Entitlements and Mandatories**

**SEC. 201. SPENDING CAPS ON GROWTH OF ENTITLEMENTS AND MANDATORIES.**

(a) CONTROL OF ENTITLEMENTS AND MANDATORIES.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after section 252 the following new section:

**“SEC. 252A. ENFORCING CONTROLS ON DIRECT SPENDING.**

“(a) CAP ON GROWTH OF ENTITLEMENTS.—Effective for fiscal year 2006 and for each ensuing fiscal year, the total level of direct spending for all direct spending programs, projects, and activities (excluding social security, medicare, and net interest spending) for any such fiscal year shall not exceed the total level of spending for all such programs, projects, and activities for the previous fiscal year after the direct spending for each such program, project, or activity is increased by—

“(1) the higher of the change in the Consumer Price Index for All Urban Consumers or the inflator (if any) applicable to that program, project, or activity; and

“(2) the growth in eligible population for such program, project, or activity.

“(b) SEQUESTRATION.—Within 15 days after Congress adjourns to end a session (other than of the second session of the One Hundred Eighth Congress), and on the same day as a sequestration (if any) under section 251, there shall be a sequestration to reduce the amount of direct spending for the fiscal year beginning in the year the Congress adjourns by any amount necessary to reduce such spending to the level set forth in subsection (a) unless that amount is less than \$250,000,000.

“(c) UNIFORM REDUCTIONS; LIMITATIONS.—The amount required to be sequestered for the fiscal year under subsection (a) shall be obtained from nonexempt direct spending accounts by actions taken in the following order:

“(1) FIRST.—The reductions in the programs specified in section 256(a) (National Wool Act and special milk), section 256(b) (guaranteed student loans), and section 256(c) (foster care and adoption assistance) shall be made.

“(2) SECOND.—Any additional reductions that may be required shall be achieved by reducing each remaining non-exempt direct spending account by the uniform percentage necessary to achieve those additional reductions, except that—

“(A) the low-income programs specified in section 256(d) shall not be reduced by more than 2 percent; and

“(B) the retirement and veterans benefits specified in sections 256(f), (g), and (h) shall not be reduced by more than 2 percent in the manner specified in that section.

The limitations set forth in subparagraphs (A) and (B) shall be applied iteratively, and after each iteration the uniform percentage applicable to all other programs under this paragraph shall be increased (if necessary) to a level sufficient to achieve the reductions required by this paragraph.”.

(b) TABLE OF CONTENTS AMENDMENT.—The table of contents set forth in 250(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding after the item relating to section 252 the following new item:

“Sec. 252A. Enforcing controls on direct spending.”.

**SEC. 202. EXEMPT PROGRAMS AND ACTIVITIES.**

Section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:



**“SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.**

“(a) SOCIAL SECURITY BENEFITS; TIER I RAILROAD RETIREMENT BENEFITS; AND MEDICARE BENEFITS.—(1) Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act, and benefits payable under section 3(a), 3(f)(3), 4(a), or 4(f) of the Railroad Retirement Act of 1974, shall be exempt from reduction under any order issued under this part.

“(2) Payments made under title XVIII (relating to medicare of the Social Security Act shall be exempt from reduction under any order issued under this part.

“(b) DESCRIPTIONS AND LISTS.—The following budget accounts or activities shall be exempt from sequestration:

“(1) net interest;

“(2) all payments to trust funds from excise taxes or other receipts or collections properly creditable to those trust funds;

“(3) all payments from one Federal direct spending budget account to another Federal budget account; and all intragovernmental funds including those from which funding is derived primarily from other Government accounts, except to the extent that such funds are augmented by direct appropriations for the fiscal year for which the order is in effect;

“(4) activities resulting from private donations, bequests, or voluntary contributions to the Government;

“(5) payments from any revolving fund or trust-revolving fund (or similar activity) that provides deposit insurance or other Government insurance, Government guarantees, or any other form of contingent liability, to the extent those payments result from contractual or other legally binding commitments of the Government at the time of any sequestration;

“(6) credit liquidating and financing accounts;

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

“Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-806);

“Armed Forces Retirement Home Trust Fund, payment of claims (84-8930-0-7-705);

“Bureau of Indian Affairs, miscellaneous payments to Indians (14-2303-0-1-452);

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

“Claims, defense;

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

“Compact of Free Association, economic assistance pursuant to Public Law 99-658 (14-0415-0-1-806);

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

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

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

“Farm Credit Administration, Limitation on Administration Expenses (78-4131-0-3-351);

“Farm Credit System Financial Assistance Corporation, interest payments (20-1850-0-1-351);

- “Internal Revenue collections of Puerto Rico (20-5737-0-2-852);
- “Panama Canal Commission, operating expenses and capital outlay (95-5190-0-2-403);
- “Payments of Vietnam and USS Pueblo prisoner-of-war claims (15-0104-0-1-153);
- “Payments to copyright owners (03-5175-0-2-376);
- “Payments to health care trust funds (75-0580-0-1-571);
- “Payments to social security trust funds (75-0404-0-1-651);
- “Payments to the United States territories, fiscal assistance (14-0418-0-1-801);
- “Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801);
- “Pension Benefit Guaranty Corporation Fund (16-4204-0-3-601);
- “Salaries of Article III judges;
- “Washington Metropolitan Area Transit Authority, interest payments (46-0300-0-1-401);
- “(8) the following noncredit special, revolving, or trust-revolving funds:
  - “Coinage profit fund (20-5811-0-2-803);
  - “Comptroller of the Currency;
  - “Director of the Office of Thrift Supervision;
  - “Exchange Stabilization Fund (20-4444-0-3-155);
  - “Federal Housing Finance Board;
  - “Foreign Military Sales trust fund (11-82232-0-7-155);
  - “National Credit Union Administration, central liquidating facility (25-4470-0-3-373);
  - “National Credit Union Administration, credit union insurance fund (25-4468-0-3-373);
  - “National Credit Union Administration operating fund (25-4056-0-3-373); and
  - “Resolution Trust Corporation Revolving Fund (22-4055-0-3-373);
- “(9) Thrift Savings Fund;
- “(10) appropriations for the District of Columbia to the extent they are appropriations of locally raised funds;
- “(11)(A) any amount paid as regular unemployment compensation by a State from its account in the Unemployment Trust Fund (established by section 904(a) of the Social Security Act);
- “(B) any advance made to a State from the Federal unemployment account (established by section 904(g) of such Act) under title XII of such Act and any advance appropriated to the Federal unemployment account pursuant to section 1203 of such Act; and
- “(C) any payment made from the Federal Employees Compensation Account (as established under section 909 of such Act) for the purpose of carrying out chapter 85 of title 5, United States Code, and funds appropriated or transferred to or otherwise deposited in such Account;
- “(12)(A) FDIC, Bank Insurance Fund (51-4064-0-3-373);
- “(B) FDIC, FSLIC Resolution Fund (51-4065-0-3-373); and

“(C) FDIC, Savings Association Insurance Fund (51-4066-0-3-373); and

“(13) Food Stamp Programs (12-3505-0-1-605).

“(c) FEDERAL RETIREMENT AND DISABILITY ACCOUNTS.—The following Federal retirement and disability accounts shall be exempt from reduction under any order issued under this part:

“Civil service retirement and disability fund (24-8135-0-7-602).

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

“Foreign Service Retirement and Disability Fund (19-8186-0-7-602).

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

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

“Payments to the Railroad Retirement Accounts (60-0113-0-1-601).

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

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

“(d) FEDERAL ADMINISTRATIVE EXPENSES.—

“(1) Notwithstanding any provision of law other than paragraph (3), administrative expenses incurred by the departments and agencies, including independent agencies, of the Government in connection with any program, project, activity, or account shall be subject to reduction pursuant to any sequestration order, without regard to any exemption, exception, limitation, or special rule otherwise applicable with respect to such program, project, activity, or account, and regardless of whether the program, project, activity, or account is self-supporting and does not receive appropriations.

“(2) Payments made by the Government to reimburse or match administrative costs incurred by a State or political subdivision under or in connection with any program, project, activity, or account shall not be considered administrative expenses of the Government for purposes of this section, and shall be subject to sequestration to the extent (and only to the extent) that other payments made by the Government under or in connection with that program, project, activity, or account are subject to that reduction or sequestration; except that Federal payments made to a State as reimbursement of administrative costs incurred by that State under or in connection with the unemployment compensation programs specified in subsection (a)(11) shall be subject to reduction or sequestration under this part notwithstanding the exemption otherwise granted to such programs under that subsection.

“(3) Notwithstanding any other provision of law, the administrative expenses of the following programs shall be exempt from sequestration:

“(A) Comptroller of the Currency.

“(B) Federal Deposit Insurance Corporation.

“(C) Office of Thrift Supervision.

“(D) National Credit Union Administration.

“(E) National Credit Union Administration, central liquidity facility.

“(F) Federal Retirement Thrift Investment Board.

“(G) Resolution Funding Corporation.

“(H) Resolution Trust Corporation.

“(I) Board of Governors of the Federal Reserve System.

“(e) VETERANS’ PROGRAMS.—The following programs shall be exempt from reduction under any order issued under this part:

“General Post Funds (36–8180–0–7–705).

“Veterans Insurance and Indemnities (36–0120–0–1–701).

“Service-Disabled Veterans Insurance Funds (36–4012–0–701).

“Veterans Reopened Insurance Fund (36–4010–0–3–701).

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

“Post-Vietnam Era Veterans Education Account (36–8133–0–7–702).

“National Service Life Insurance Fund (36–8132–0–7–701).

“United States Government Life Insurance Fund (36–8150–0–7–701).

“Veterans Special Life Insurance Fund (36–8455–0–8–701).

“(f) OPTIONAL EXEMPTION OF DEFENSE AND HOMELAND SECURITY ACCOUNTS.—

“(1) IN GENERAL.—The President may, with respect to any defense or homeland security account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

“(2) LIMITATION.—The President may not use the authority provided by paragraph (1) unless the President notifies the Congress of the manner in which such authority will be exercised on or before the date specified in section 254(a) for the budget year.”.

#### **SEC. 203. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

(a) IN GENERAL.—Section 256 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

#### **“SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

“(a) NATIONAL WOOL ACT AND THE SPECIAL MILK PROGRAM.—Automatic spending increases are increases in outlays due to changes in indexes in the following programs:

“(1) National Wool Act; and

“(2) Special milk program.

In those programs all amounts other than the automatic spending increases shall be exempt from reduction under any sequestration order.

“(b) THE GUARANTEED STUDENT LOAN PROGRAM.—(1) Any reductions which are required to be achieved from the student loan programs operated pursuant to part B of title IV of the Higher Education Act of 1965 under any sequestration order shall be achieved only from loans described in paragraphs (2) and (3) by the application of the measures described in such paragraphs.

“(2) For any loan made during the period beginning on the date that a sequestration order takes effect with respect to a fiscal year, the rate used in computing the special allowance payment pursuant to section 438(b)(2)(A)(iii) of such Act for each of the first four special allowance payments for such loan shall be adjusted by reducing such rate by the lesser of—

“(A) 0.40 percent, or

“(B) the percentage by which the rate specified in such section exceeds 3 percent.

“(3) For any loan made during the period beginning on the date that a sequestration order takes effect with respect to a fiscal year, the origination fee which is authorized to be collected pursuant to section 438(c)(2) of such Act shall be increased by 0.50 percent.

“(c) FOSTER CARE AND ADOPTION ASSISTANCE PROGRAMS.—Any sequestration order shall make the reduction otherwise required under the foster care and adoption assistance programs (established by part E of title IV of the Social Security Act) only with respect to payments and expenditures made by States in which increases in foster care maintenance payment rates or adoption assistance payment rates (or both) are to take effect during the fiscal year involved, and only to the extent that the required reduction can be accomplished by applying a uniform percentage reduction to the Federal matching payments that each such State would otherwise receive under section 474 of that Act (for such fiscal year) for that portion of the State’s payments attributable to the increases taking effect during that year. No State’s matching payments from the Government for foster care maintenance payments or for adoption assistance maintenance payments may be reduced by a percentage exceeding the applicable domestic sequestration percentage. No State may, after the date of the enactment of this Act, make any change in the timetable for making payments under a State plan approved under part E of title IV of the Social Security Act which has the effect of changing the fiscal year in which expenditures under such part are made.

“(d) LOW-INCOME PROGRAMS.—(1) Benefit payments or payments to States or other entities for the programs listed in paragraph (2) shall not be reduced by more than 2 percent under any sequestration order. When reduced under an end-of-session sequestration order, those benefit reductions shall occur starting with the payment made at the start of January. When reduced under a within-session sequestration order, those benefit reductions shall occur starting with the next periodic payment.

“(2) The programs referred to in paragraph (1) are the following:

“Child Nutrition (12–3539–0–1–605).

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

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

“Supplemental Security Income Program (75–0406–0–1–609).

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

“Special supplemental nutrition program for women, infants, and children (WIC) (12–3510–0–1–605).

“(e) VETERANS’ MEDICAL CARE.—The maximum permissible reduction in budget authority for Veterans’ medical care (36–0160–0–1–703) for any fiscal year, pursuant to an order issued under section 254, shall be 2 percent.

“(f) FEDERAL RETIREMENT PROGRAMS.—

“(1) For each of the programs listed in paragraph (2) and except as provided in paragraph (3), monthly (or other periodic) benefit payments shall be reduced by the uniform percentage applicable to direct spending sequestrations for such programs, which shall in no case exceed 2 percent under any sequestra-

tion order. When reduced under an end-of-session sequestration order, those benefit reductions shall occur starting with the payment made at the start of January or 7 weeks after the order is issued, whichever is later. When reduced under a within-session sequestration order, those benefit reductions shall occur starting with the next periodic payment.

“(2) The programs subject to paragraph (1) are:

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

“Comptrollers General Retirement System (05-0107-0-1-801)

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

“Claims Judges’ Retirement Fund (10-8124-0-7-602).

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

“National Oceanic and Atmospheric Administration Retirement (13-1450-0-1-306).

“Railroad Industry Pension Fund (60-8011-0-7-601).

“Retired pay, Coast Guard (70-0602-0-1-403).

“Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551).

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

“Payments to the Foreign Service Retirement and Disability Fund (72-1036-0-1-153)

“Payments to Judiciary Trust Funds (10-0941-0-1-752).

“(g) VETERANS PROGRAMS.—To achieve the total percentage reduction required by any order issued under this part, the percentage reduction that shall apply to payments under the following programs shall in no event exceed 2 percent:

“Canteen Service Revolving Fund (36-4014-0-3-705).

“Medical Center Research Organizations (36-4026-0-3-703).

“Disability Compensation Benefits (36-0102-0-1-701).

“Education Benefits (36-0137-0-1-702).

“Vocational Rehabilitation and Employment Benefits (36-0135-0-1-702).

“Pensions Benefits (36-0154-0-1-701).

“Burial Benefits (36-0139-0-1-701).

“Guaranteed Transitional Housing Loans For Homeless Veterans Program Account (36-1119-0-1-704).

“Housing Direct Loan Financing Account (36-4127-0-1-704).

“Housing Guaranteed Loan Financing Account (36-4129-0-3-704).

“Vocational Rehabilitation and Education Direct Loan Financing Account (36-4259-0-3-702).

“(h) MILITARY RETIREMENT.—To achieve the total percentage reduction in military retirement required by any order issued under this part, the percentage reduction that shall apply to payments under the military retirement fund (97-8097-0-7-602) and payments to the military retirement fund (97-0040-0-1-054) shall in no event exceed 2 percent.

“(i) FEDERAL PAY.—

“(1) IN GENERAL.—For purposes of any order issued under section 254, new budget authority to pay Federal personnel shall be reduced by the applicable uniform percentage, but no sequestration order may reduce or have the effect of reducing

the rate of pay to which any individual is entitled under any statutory pay system (as increased by any amount payable under section 5304 of title 5, United States Code, or section 302 of the Federal Employees Pay Comparability Act of 1990) or the rate of any element of military pay to which any individual is entitled under title 37, United States Code, or any increase in rates of pay which is scheduled to take effect under section 5303 of title 5, United States Code, section 1009 of title 37, United States Code, or any other provision of law.

“(2) DEFINITIONS.—For purposes of this subsection:

“(A) The term ‘statutory pay system’ shall have the meaning given that term in section 5302(1) of title 5, United States Code.

“(B) The term ‘elements of military pay’ means—

“(i) the elements of compensation of members of the uniformed services specified in section 1009 of title 37, United States Code,

“(ii) allowances provided members of the uniformed services under sections 403a and 405 of such title, and

“(iii) cadet pay and midshipman pay under section 203(c) of such title.

“(C) The term ‘uniformed services’ shall have the meaning given that term in section 101(3) of title 37, United States Code.

“(j) CHILD SUPPORT ENFORCEMENT PROGRAM.—Any sequestration order shall accomplish the full amount of any required reduction in expenditures under sections 455 and 458 of the Social Security Act by reducing the Federal matching rate for State administrative costs under such program, as specified (for the fiscal year involved) in section 455(a) of such Act, to the extent necessary to reduce such expenditures by that amount.

“(k) EXTENDED UNEMPLOYMENT COMPENSATION.—(1) A State may reduce each weekly benefit payment made under the Federal-State Extended Unemployment Compensation Act of 1970 for any week of unemployment occurring during any period with respect to which payments are reduced under an order issued under this title by a percentage not to exceed the percentage by which the Federal payment to the State under section 204 of such Act is to be reduced for such week as a result of such order.

“(2) A reduction by a State in accordance with subparagraph (A) shall not be considered as a failure to fulfill the requirements of section 3304(a)(11) of the Internal Revenue Code of 1954.

“(l) COMMODITY CREDIT CORPORATION.—

“(1) POWERS AND AUTHORITIES OF THE COMMODITY CREDIT CORPORATION.—This title shall not restrict the Commodity Credit Corporation in the discharge of its authority and responsibility as a corporation to buy and sell commodities in world trade, to use the proceeds as a revolving fund to meet other obligations and otherwise operate as a corporation, the purpose for which it was created.

“(2) REDUCTION IN PAYMENTS MADE UNDER CONTRACTS.—(A) Payments and loan eligibility under any contract entered into with a person by the Commodity Credit Corporation prior to the time any sequestration order has been issued shall not be reduced by an order subsequently issued. Subject to subpara-

graph (B), after any sequestration order is issued for a fiscal year, any cash payments made by the Commodity Credit Corporation—

“(i) under the terms of any one-year contract entered into in or after such fiscal year and after the issuance of the order; and

“(ii) out of an entitlement account, to any person (including any producer, lender, or guarantee entity) shall be subject to reduction under the order.

“(B) Each contract entered into with producers or producer cooperatives with respect to a particular crop of a commodity and subject to reduction under subparagraph (A) shall be reduced in accordance with the same terms and conditions. If some, but not all, contracts applicable to a crop of a commodity have been entered into prior to the issuance of any sequestration order, the order shall provide that the necessary reduction in payments under contracts applicable to the commodity be uniformly applied to all contracts for succeeding crops of the commodity, under the authority provided in paragraph (3).

“(3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this title, if any sequestration order is issued with respect to a fiscal year, any reduction under the order applicable to contracts described in paragraph (2) may provide for reductions in outlays for the account involved to occur in the fiscal years following the fiscal year to which the order applies.

“(4) UNIFORM PERCENTAGE RATE OF REDUCTION AND OTHER LIMITATIONS.—All reductions described in paragraph (2) that are required to be made in connection with any sequestration order with respect to a fiscal year—

“(A) shall be made so as to ensure that outlays for each program, project, activity, or account involved are reduced by a percentage rate that is uniform for all such programs, projects, activities, and accounts, and may not be made so as to achieve a percentage rate of reduction in any such item exceeding the rate specified in the order; and

“(B) with respect to commodity price support and income protection programs, shall be made in such manner and under such procedures as will attempt to ensure that—

“(i) uncertainty as to the scope of benefits under any such program is minimized;

“(ii) any instability in market prices for agricultural commodities resulting from the reduction is minimized; and

“(iii) normal production and marketing relationships among agricultural commodities (including both contract and non-contract commodities) are not distorted.

In meeting the criterion set out in clause (iii) of subparagraph (B) of the preceding sentence, the President shall take into consideration that reductions under an order may apply to programs for two or more agricultural commodities that use the same type of production or marketing resources or that are alternative commodities among which a producer could choose in making annual production decisions.



“(5) CERTAIN AUTHORITY NOT TO BE LIMITED.—Nothing in this title shall limit or reduce in any way any appropriation that provides the Commodity Credit Corporation with funds to cover the Corporation’s net realized losses.

“(m) POSTAL SERVICE FUND.—Notwithstanding any other provision of law, any sequestration of the Postal Service Fund shall be accomplished by a payment from that Fund to the General Fund of the Treasury, and the Postmaster General of the United States shall make the full amount of that payment during the fiscal year to which the presidential sequestration order applies.

“(n) EFFECTS OF SEQUESTRATION.—The effects of sequestration shall be as follows:

“(1) Budgetary resources sequestered from any account other than an entitlement trust, special, or revolving fund account shall revert to the Treasury and be permanently canceled.

“(2) Except as otherwise provided, the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President’s budget).

“(3) Administrative regulations or similar actions implementing a sequestration shall be made within 120 days of the sequestration order. To the extent that formula allocations differ at different levels of budgetary resources within an account, program, project, or activity, the sequestration shall be interpreted as producing a lower total appropriation, with that lower appropriation being obligated as though it had been the pre-sequestration appropriation and no sequestration had occurred.

“(4) Except as otherwise provided, obligations in sequestered direct spending accounts shall be reduced in the fiscal year in which a sequestration occurs and in all succeeding fiscal years.

“(5) If an automatic spending increase is sequestered, the increase (in the applicable index) that was disregarded as a result of that sequestration shall not be taken into account in any subsequent fiscal year.

“(6) Except as otherwise provided, sequestration in accounts for which obligations are indefinite shall be taken in a manner to ensure that obligations in the fiscal year of a sequestration and succeeding fiscal years are reduced, from the level that would actually have occurred, by the applicable sequestration percentage.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in 250(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by amending the item relating to section 256 to read as follows:

“Sec. 256. Exceptions, limitations, and special rules.”.

#### **SEC. 204. POINT OF ORDER.**

(a) ENTITLEMENT POINT OF ORDER.—Section 312 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(g) ENTITLEMENT POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, or conference report that—

“(1) increases aggregate level of direct spending for any ensuing fiscal year or

“(2) includes any provision that has the effect of modifying the application of section 252A of the Balanced Budget and Emergency Deficit Control Act of 1985 to any entitlement program subject to sequestration or exempt from sequestration under such Act.”.

#### **SEC. 205. TECHNICAL AND CONFORMING AMENDMENTS.**

The Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Section 251(a)(1) is amended by inserting “, section 252A,” after “section 252”.

(2) Section 254(c)(4)(B) is amended by inserting “or section 252A” after “section 252”.

(3) Section 254(c) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) DIRECT SPENDING CONTROL SEQUESTRATION REPORTS.—The preview reports shall set forth, for the current year and the budget year, estimates for each of the following:

“(A) The total level of direct spending for all programs, projects, and activities (excluding social security).

“(B) The sequestration percentage or (if the required sequestration percentage is greater than the maximum allowable percentage for medicare) percentages necessary to comply with section 252A.”.

(4) Section 254(f) is amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6) and by inserting after paragraph (3) the following new paragraph:

“(4) DIRECT SPENDING CONTROL SEQUESTRATION REPORTS.—The final reports shall contain all the information required in the direct spending control sequestration preview reports. In addition, these reports shall contain, for the budget year, for each account to be sequestered, estimates of the baseline level of sequesterable budgetary resources and resulting outlays and the amount of budgetary resources to be sequestered and resulting outlay reductions. The reports shall also contain estimates of the effects on outlays of the sequestration in each out-year for direct spending programs.”.

(5) Section 258C(a)(1) is amended by inserting “, 252A,” after “section 252”.

## **Subtitle B—Discretionary Spending Limits**

#### **SEC. 211. ENFORCING DISCRETIONARY SPENDING LIMITS.**

(a) DISCRETIONARY SPENDING LIMITS.—Sections 251(b) and (c) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended to read as follows:

“(b) DISCRETIONARY SPENDING LIMIT.—As used in this part, the term ‘discretionary spending limit’ means with respect to fiscal

year 2005: \$818,736,000,000 in new budget authority and \$901,816,000,000 in outlays.”.

(b) DISCRETIONARY SPENDING LIMIT POINT OF ORDER.—Section 312 of the Congressional Budget Act of 1974 (as amended by section 204(a)) is further amended by adding at the end the following new subsection:

“(h) DISCRETIONARY SPENDING LIMIT POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, or conference report that—

“(1) increases the discretionary spending limits for any ensuing fiscal year after the budget year; or

“(2) would cause the discretionary spending limits for the budget year to be breached.”.

**SEC. 212. ANNUAL JOINT RESOLUTION ESTABLISHING DISCRETIONARY SPENDING LIMITS.**

(a) IN GENERAL.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

**“ANNUAL JOINT RESOLUTION ESTABLISHING DISCRETIONARY SPENDING LIMITS**

**“SEC. 317. (a) INTRODUCTION.**—Before the close of the second legislative day of the House of Representatives after the date of House passage of a concurrent resolution on the budget, the chairman of the Committee on the Budget of the House shall introduce a joint resolution that amends section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 to establish a discretionary spending limit for the fiscal year of the concurrent resolution.

**“(b) EXPEDITED CONSIDERATION.**—For purposes of the consideration of a joint resolution introduced pursuant to subsection (a), the provisions of subsections (c) and (d) of section 1013 (other than subsection (c)(1)(A)) shall be applied by substituting ‘joint resolution’ and ‘Committee on the Budget’ for ‘bill’ and ‘Committee on Appropriations’, respectively.”.

**(b) CONFORMING AMENDMENT.**—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 316 the following new item:

“Sec. 317. Annual joint resolution establishing discretionary spending limits.”.

**TITLE III—COMBATING WASTE, FRAUD, AND ABUSE.**

**Subtitle A—Enhanced Rescissions of Budget Authority Identified by the President as Wasteful Spending**

**SEC. 301. ENHANCED CONSIDERATION OF CERTAIN PROPOSED RESCISSIONS.**

(a) IN GENERAL.—Part B of title X of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 681 et seq.) is amended by redesignating sections 1013 through 1017 as sections

1014 through 1018, respectively, and by inserting after section 1012 the following new section:

“ENHANCED CONSIDERATION OF CERTAIN PROPOSED RESCISSIONS

“SEC. 1013. (a) PROPOSED RESCISSION OF BUDGET AUTHORITY IDENTIFIED AS WASTEFUL SPENDING.—The President may propose, at the time and in the manner provided in subsection (b), the rescission of any budget authority provided in an appropriation Act that he identifies as wasteful spending. If the President proposes a rescission of budget authority, he may also propose to reduce the appropriate discretionary spending limits for new budget authority and outlays flowing therefrom set forth in section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 by an amount that does not exceed the amount of the proposed rescission. Funds made available for obligation under this procedure may not be proposed for rescission again under this section.

“(b) TRANSMITTAL OF SPECIAL MESSAGE.—

“(1) The President may transmit to Congress a special message proposing to rescind amounts of budget authority and include with that special message a draft bill that, if enacted, would only rescind that budget authority unless the President also proposes a reduction in the appropriate discretionary spending limits set forth in section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985. That bill shall clearly identify the amount of budget authority that is proposed to be rescinded for each program, project, or activity to which that budget authority relates.

“(2) In the case of an appropriation Act that includes accounts within the jurisdiction of more than one subcommittee of the Committee on Appropriations, the President in proposing to rescind budget authority under this section shall send a separate special message and accompanying draft bill for accounts within the jurisdiction of each subcommittee.

“(3) Each special message shall specify, with respect to the budget authority proposed to be rescinded, the following:

“(A) The amount of budget authority which he proposes to be rescinded.

“(B) Any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific project or governmental functions involved.

“(C) The reasons why the budget authority should be rescinded, including why he considers it to be wasteful spending.

“(D) To the maximum extent practicable, the estimated fiscal, economic, and budgetary effect (including the effect on outlays and receipts in each fiscal year) of the proposed rescission.

“(E) All facts, circumstances, and considerations relating to or bearing upon the proposed rescission and the decision to effect the proposed rescission, and to the maximum extent practicable, the estimated effect of the proposed rescission upon the objects, purposes, and programs for which the budget authority is provided.

“(F) A reduction in the appropriate discretionary spending limits set forth in section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, if proposed by the President.

“(c) PROCEDURES FOR EXPEDITED CONSIDERATION.—

“(1)(A) Before the close of the second legislative day of the House of Representatives after the date of receipt of a special message transmitted to Congress under subsection (b), the majority leader or minority leader of the House of Representatives shall introduce (by request) the draft bill accompanying that special message. If the bill is not introduced as provided in the preceding sentence, then, on the third legislative day of the House of Representatives after the date of receipt of that special message, any Member of that House may introduce the bill.

“(B) The bill shall be referred to the Committee on Appropriations. The bill shall be reported not later than the seventh legislative day of that House after the date of receipt of that special message. If that committee fails to report the bill within that period, that committee shall be automatically discharged from consideration of the bill, and the bill shall be placed on the appropriate calendar.

“(C) A vote on final passage of the bill shall be taken in the House of Representatives on or before the close of the 10th legislative day of that House after the date of the introduction of the bill in that House. If the bill is passed, the Clerk of the House of Representatives shall cause the bill to be engrossed, certified, and transmitted to the Senate within one calendar day of the day on which the bill is passed.

“(2)(A) A motion in the House of Representatives to proceed to the consideration of a bill under this section shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

“(B) Debate in the House of Representatives on a bill under this section shall not exceed 4 hours, which shall be divided equally between those favoring and those opposing the bill. A motion to further limit debate shall not be debatable. It shall not be in order to move to recommit a bill under this section or to move to reconsider the vote by which the bill is agreed to or disagreed to.

“(C) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to a bill under this section shall be decided without debate.

“(D) Except to the extent specifically provided in the preceding provisions of this subsection, consideration of a bill under this section shall be governed by the Rules of the House of Representatives. It shall not be in order in the House of Representatives to consider any rescission bill introduced pursuant to the provisions of this section under a suspension of the rules or under a special rule.

“(3) A bill transmitted to the Senate pursuant to paragraph (1)(D) shall be referred to its Committee on Appropriations.

That committee shall report the bill without substantive revision and with or without recommendation. The bill shall be reported not later than the seventh legislative day of the Senate after it receives the bill. A committee failing to report the bill within such period shall be automatically discharged from consideration of the bill, and the bill shall be placed upon the appropriate calendar.

“(4)(A) A motion in the Senate to proceed to the consideration of a bill under this section shall be privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

“(B) Debate in the Senate on a bill under this section, and all debatable motions and appeals in connection therewith (including debate pursuant to subparagraph (C)), shall not exceed 10 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

“(C) Debate in the Senate or any debatable motion or appeal in connection with a bill under this section shall be limited to not more than 1 hour, to be equally divided between, and controlled by, the mover and the manager of the bill, except that in the event the manager of the bill is in favor of any such motion or appeal, the time in opposition thereto, shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from time under their control of the passage of a bill, allot additional time to any Senator during the consideration of any debatable motion or appeal.

“(D) A motion in the Senate to further limit debate on a bill under this section is not debatable. A motion to recommit a bill under this section is not in order.

“(d) AMENDMENT AND DIVISIONS PROHIBITED.—No amendment to a bill considered under this section shall be in order in either the House of Representatives or the Senate. It shall not be in order to demand a division of the question in the House of Representatives (or in a Committee of the Whole) or in the Senate. No motion to suspend the application of this subsection shall be in order in either House, nor shall it be in order in either House to suspend the application of this subsection by unanimous consent.

“(e) REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.—Any amount of budget authority proposed to be rescinded in a special message transmitted to Congress under subsection (b) shall be made available for obligation on the day after the date on which either House rejects the bill transmitted with that special message.

“(f) DEFINITIONS.—For purposes of this section:

“(1) The term ‘appropriation Act’ means any general or special appropriation Act, and any Act or joint resolution making supplemental, deficiency, or continuing appropriations.

“(2) The term ‘legislative day’ means, with respect to either House of Congress, any day of session.

“(3) The term ‘rescind’ means, with respect to an appropriation Act, to reduce the amount of budget authority appropriated in that Act, and reducing budget authority shall include reducing obligation limitations set forth in that Act.”.

(b) EXERCISE OF RULEMAKING POWERS.—Section 904 of the Congressional Budget Act of 1974 (2 U.S.C. 621 note) is amended—

(1) in subsection (a), by striking “and 1017” and inserting “1012, and 1017”; and

(2) in subsection (d), by striking “section 1017” and inserting “sections 1012 and 1017”.

(c) CONFORMING AMENDMENTS.—

(1) Section 1011 of the Congressional Budget Act of 1974 (2 U.S.C. 682(5)) is amended by repealing paragraphs (3) and (5) and by redesignating paragraph (4) as paragraph (3).

(2) Section 1014 of such Act (2 U.S.C. 685) is amended—

(A) in subsection (b)(1), by striking “or the reservation”; and

(B) in subsection (e)(1), by striking “or a reservation” and by striking “or each such reservation”.

(3) Section 1015(a) of such Act (2 U.S.C. 686) is amended by striking “is to establish a reserve or”, by striking “the establishment of such a reserve or”, and by striking “reserve or” each other place it appears.

(4) Section 1017 of such Act (2 U.S.C. 687) is amended—

(A) in subsection (a), by striking “rescission bill introduced with respect to a special message or”;

(B) in subsection (b)(1), by striking “rescission bill or”, by striking “bill or” the second place it appears, by striking “rescission bill with respect to the same special message or”, and by striking “, and the case may be,”;

(C) in subsection (b)(2), by striking “bill or” each place it appears;

(D) in subsection (c), by striking “rescission” each place it appears and by striking “bill or” each place it appears;

(E) in subsection (d)(1), by striking “rescission bill or” and by striking “, and all amendments thereto (in the case of a rescission bill)”;

(F) in subsection (d)(2)—

(i) by striking the first sentence;

(ii) by amending the second sentence to read as follows: “Debate on any debatable motion or appeal in connection with an impoundment resolution shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, except that in the event that the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee.”;

(iii) by striking the third sentence; and

(iv) in the fourth sentence, by striking “rescission bill or” and by striking “amendment, debatable motion,” and by inserting “debateable motion”;

(G) in paragraph (d)(3), by striking the second and third sentences; and

(H) by striking paragraphs (4), (5), (6), and (7) of paragraph (d).

(d) CLERICAL AMENDMENTS.—The table of sections for subpart B of title X of the Congressional Budget and Impoundment Control Act of 1974 is amended by redesignating the item relating to sec-

tions 1014 through 1018 as items 1015 through 1019, respectively, and by inserting after the item relating to section 1012 the following new item:

“Sec. 1013. Enhanced consideration of certain proposed rescissions.”.

## **Subtitle B—Commission to Eliminate Waste, Fraud, and Abuse**

### **SEC. 311. ESTABLISHMENT OF COMMISSION.**

(a) **ESTABLISHMENT.**—There is established the Commission to Eliminate Waste, Fraud, and Abuse (hereafter in this subtitle referred to as the “Commission”).

(b) **MEMBERSHIP.**—

(1) **IN GENERAL.**—The Commission shall consist of 12 members, all of whom shall be appointed by the President not later than 90 days after the date of enactment of this Act.

(2) **CHAIRPERSON AND VICE CHAIRPERSON.**—The President shall designate a chairperson and vice chairperson from among the members of the Commission.

(c) **PERIOD OF APPOINTMENT; VACANCIES.**—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(d) **MEETINGS.**—

(1) **INITIAL MEETING.**—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its first meeting.

(2) **SUBSEQUENT MEETINGS.**—The Commission shall meet at the call of the chairperson.

(e) **QUORUM.**—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

### **SEC. 312. DUTIES OF THE COMMISSION.**

(a) **DEFINITIONS.**—In this section, the following definitions shall apply:

(1) **AGENCY.**—The term “agency” has the meaning given the term “Executive agency” under section 105 of title 5, United States Code.

(2) **PROGRAM.**—The term “program” means any activity or function of an agency.

(b) **IN GENERAL.**—The Commission shall—

(1) evaluate all agencies and programs within those agencies, using the criteria under subsection (c); and

(2) submit to Congress a plan with recommendations of the agencies and programs that should be realigned or eliminated.

(c) **CRITERIA.**—

(1) **DUPLICATIVE.**—If 2 or more agencies or programs are performing the same essential function and the function can be consolidated or streamlined into a single agency or program, the Commission shall recommend that the agency or program be realigned.

(2) **WASTEFUL OR INEFFICIENT.**—The Commission shall recommend the realignment or elimination of any agency or program that has wasted Federal funds by—



- (A) egregious spending;
- (B) mismanagement of resources and personnel; or
- (C) use of such funds for personal benefit or the benefit of a special interest group.
- (3) OUTDATED, IRRELEVANT, OR FAILED.—The Commission shall recommend the elimination of any agency or program that—
  - (A) has completed its intended purpose;
  - (B) has become irrelevant; or
  - (C) has failed to meet its objectives.
- (d) SYSTEMATIC ASSESSMENT OF PROGRAMS.—
  - (1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the President shall—
    - (A) establish a systematic method for assessing the effectiveness and accountability of agency programs; and
    - (B) submit, to the Commission, assessments of not less than  $\frac{1}{2}$  of all programs covered under subsection (b)(1) that use the method established under subparagraph (A).
  - (2) METHOD OBJECTIVES.—The method established under paragraph (1) shall—
    - (A) recognize different types of federal programs;
    - (B) assess programs based primarily on the achievement of performance goals (as defined under section 1115(f)(4) of title 31, United States Code); and
    - (C) assess programs based in part on the adequacy of the program's performance measures, financial management, and other factors determined by the President.
  - (3) DEVELOPMENT.—The method established under paragraph (1) shall not be implemented until it has been reviewed and accepted by the Commission.
  - (4) CONSIDERATION OF ASSESSMENTS.—The Commission shall consider assessments submitted under this subsection when evaluating programs under subsection (b)(1).
- (e) COMMON PERFORMANCE MEASURES.—Not later than 1 year after the date of enactment of this Act, the President shall identify common performance measures for programs covered in subsection (b)(1) that have similar functions and, to the extent feasible, provide the Commission with data on such performance measures.
- (f) REPORT.—Not later than 2 years after the date of enactment of this Act, the Commission shall submit to the President and Congress a report that includes the plan described under subsection (b)(2), with supporting documentation for all recommendations.

**SEC. 313. POWERS OF THE COMMISSION.**

- (a) HEARINGS.—The Commission or, at its direction, any subcommittee or member of the Commission, may, for the purpose of carrying out this subtitle—
  - (1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and administer such oaths as any member of the Commission considers advisable;
  - (2) require, by subpoena or otherwise, the attendance and testimony of such witnesses as any member of the Commission considers advisable; and
  - (3) require, by subpoena or otherwise, the production of such books, records, correspondence, memoranda, papers, docu-

ments, tapes, and other evidentiary materials relating to any matter under investigation by the Commission.

(b) SUBPOENAS.—

(1) ISSUANCE.—Subpoenas issued under subsection (a) shall bear the signature of the chairperson of the Commission and shall be served by any person or class of persons designated by the chairperson for that purpose.

(2) ENFORCEMENT.—In the case of contumacy or failure to obey a subpoena issued under subsection (a), the United States district court for the judicial district in which the subpoenaed person resides, is served, or may be found, may issue an order requiring such person to appear at any designated place to testify or to produce documentary or other evidence. Any failure to obey the order of the court may be punished by the court as a contempt of that court.

(c) INFORMATION FROM FEDERAL AGENCIES.—The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out this Act. Upon request of the chairperson of the Commission, the head of such department or agency shall furnish such information to the Commission.

(d) POSTAL SERVICES.—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Government.

(e) GIFTS.—The Commission may accept, use, and dispose of gifts or donations of services or property.

**SEC. 314. COMMISSION PERSONNEL MATTERS.**

(a) COMPENSATION OF MEMBERS.—

(1) NON-FEDERAL MEMBERS.—Except as provided under subsection (b), each member of the Commission who is not an officer or employee of the Government shall not be compensated.

(2) FEDERAL OFFICERS OR EMPLOYEES.—All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(b) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(c) STAFF.—

(1) IN GENERAL.—The chairperson of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director shall be subject to confirmation by the Commission.

(2) COMPENSATION.—Upon the approval of the chairperson, the executive director may fix the compensation of the executive director and other personnel without regard to chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the maximum rate payable for

a position at GS-15 of the General Schedule under section 5332 of such title.

**(3) PERSONNEL AS FEDERAL EMPLOYEES.—**

(A) **IN GENERAL.**—The executive director and any personnel of the Commission who are employees shall be employees under section 2105 of title 5, United States Code, for purposes of chapters 63, 81, 83, 84, 85, 87, 89, and 90 of that title.

(B) **MEMBERS OF COMMISSION.**—Subparagraph (A) shall not be construed to apply to members of the Commission.

(d) **DETAIL OF GOVERNMENT EMPLOYEES.**—Any Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(e) **PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.**—The chairperson of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

**SEC. 315. TERMINATION OF THE COMMISSION.**

The Commission shall terminate 90 days after the date on which the Commission submits its report.

**SEC. 316. AUTHORIZATION OF APPROPRIATIONS.**

There are authorized to be appropriated such sums as may be necessary for carrying out this subtitle for each of the fiscal years 2006 through 2008.

## **TITLE IV—TRUTH IN ACCOUNTING**

### **Subtitle A—Accrual Funding of Pensions and Retirement Pay for Federal Employees and Uniformed Services Personnel**

**SEC. 401. CIVIL SERVICE RETIREMENT SYSTEM.**

(a) **CIVIL SERVICE RETIREMENT AND DISABILITY FUND.**—Chapter 83 of title 5, United States Code, is amended—

(1) in section 8331—

(A) in paragraph (17)—

(i) by striking “normal cost” and inserting “normal cost percentage”; and

(ii) by inserting “and standards (using dynamic assumptions)” after “practice”;

(B) by amending paragraph (18) to read as follows:

“(18) ‘Fund balance’ means the current net assets of the Fund available for payment of benefits, as determined by the Office in accordance with appropriate accounting standards, but does not include any amount attributable to—

“(A) the Federal Employees’ Retirement System; or

“(B) contributions made under the Federal Employees’ Retirement Contribution Temporary Adjustment Act of

1983 by or on behalf of any individual who became subject to the Federal Employees' Retirement System;"

(C) by amending paragraph (19) to read as follows:

"(19) 'accrued liability' means the estimated excess of the present value of all benefits payable from the Fund to employees and Members, and former employees and Members, subject to this subchapter, and their survivors, over the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf;"

(D) in paragraph (27) by striking "and" at the end;

(E) in paragraph (28) by striking the period at the end and inserting a semicolon; and

(F) by adding at the end the following paragraphs:

"(29) 'dynamic assumptions' means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

"(A) investment yields;

"(B) increases in rates of basic pay; and

"(C) rates of price inflation; and

"(30) 'unfunded liability' means the estimated excess of—

"(A) the actuarial present value of all future benefits payable from the Fund under this subchapter based on the service of current or former employees or Members, over

"(B) the sum of—

"(i) the actuarial present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this chapter pursuant to section 8334;

"(ii) the actuarial present value of the future contributions to be made pursuant to section 8334 with respect to employees and Members currently subject to this subchapter;

"(iii) the Fund balance, as defined in paragraph (18), as of the date the unfunded liability is determined; and

"(iv) any other appropriate amount, as determined by the Office of Personnel Management in accordance with generally accepted actuarial practices and principles.";

(2) in section 8334—

(A) in subsection (a)(1)—

(i) by striking the last two sentences;

(ii) by redesignating that subsection, as so amended, as (a)(1)(A); and

(iii) by adding at the end the following new subparagraphs:

"(B) Except as provided in subparagraph (E), each employing agency having any employees or Members subject to subparagraph (A) shall contribute from amounts available for salaries and expenses an amount equal to the sum of—

"(i) the product of—

“(I) the normal cost percentage, as determined for employees (other than employees covered by clause (ii)), multiplied by

“(II) the aggregate amount of basic pay payable by the agency, for the period involved, to employees (under subclause (I)) who are within such agency; and

“(ii) the product of—

“(I) the normal cost percentage, as determined for Members, Congressional employees, law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, Court of Federal Claims judges, United States magistrates, judges of the United States Court of Appeals for the Armed Forces, members of the Capitol Police, nuclear materials couriers, and members of the Supreme Court Police, multiplied by

“(II) the aggregate amount of basic pay payable by the agency for the period involved, to employees and Members (under subclause (I)) who are within such agency.

“(C) In determining the normal cost percentage to be applied under subparagraph (B), amounts provided for under subparagraph (A) shall be taken into account.

“(D) Contributions under this paragraph shall be paid—

“(i) in the case of law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, Court of Federal Claims judges, United States magistrates, judges of the United States Court of Appeals for the Armed Forces, members of the Supreme Court Police, nuclear materials couriers and other employees, from the appropriations or fund used to pay such law enforcement officers, firefighters, air traffic controllers, bankruptcy judges, Court of Federal Claims judges, United States magistrates, judges of the United States Court of Appeals for the Armed Forces, members of the Supreme Court Police, nuclear materials couriers and other employees, respectively;

“(ii) in the case of elected officials, from an appropriation or fund available for payment of other salaries of the same office or establishment; and

“(iii) in the case of employees of the legislative branch paid by the Clerk of the House of Representatives, from the contingent fund of the House.

“(E) In the case of the United States Postal Service, the Metropolitan Washington Airports Authority, and the government of the District of Columbia, an amount equal to that withheld under subparagraph (A) shall be contributed from the appropriation or fund used to pay the employee.”; and

(B) in subsection (k)—

(i) in paragraph (1)—

(I) in subparagraph (A) by striking “the first sentence of subsection (a)(1) of this section” and inserting “subsection (a)(1)(A)”; and

(II) by amending subparagraph (B) to read as follows:

“(B) the amount of the contribution under subsection (a)(1)(B) shall be the amount which would have been contributed under such subsection if this subsection had not been enacted.”; and

(ii) in paragraph (2)(C)(iii) by striking “the first sentence of subsection (a)(1)” and inserting “subsection (a)(1)(A)”; and

(3) in section 8348—

(A) by repealing subsection (f);

(B) by amending subsection (g) to read as follows:

“(g)(1)(A) Not later than June 30, 2005, the Office of the Actuary shall determine the unfunded liability of the Fund, as of September 30, 2004, attributable to benefits payable under this chapter and make recommendations regarding its liquidation. After considering such recommendations, the Office shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(B) The Office shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(C) The Office shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(D) Amortization schedules established under this paragraph shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent valuation of the Civil Service Retirement System.

“(2) At the beginning of each fiscal year, beginning on October 1, 2005, the Office shall notify the Secretary of the Treasury of the amount of the first installment under the most recent amortization schedule established under paragraph (1). The Secretary shall credit that amount to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated.

“(3) For the purpose of carrying out paragraph (1) with respect to any fiscal year, the Office may—

“(A) require the Board of Actuaries of the Civil Service Retirement System to make actuarial determinations and valuations, make recommendations, and maintain records in accordance with section 8347(f); and

“(B) use the latest actuarial determinations and valuations made by such Board of Actuaries.”;

(C) in subsections (h), (i), and (m) by striking “unfunded” and inserting “accrued” each place it appears; and

(D) by adding at the end the following new subsection:

“(n) Under regulations prescribed by the Office, the head of an agency may request reconsideration of any amount determined to be payable with respect to such agency under section 8334(a)(1)(B)–(D). Any such request shall be referred to the Board of Actuaries of the Civil Service Retirement System. The Board of Actuaries shall review the computations of the Office and may make any ad-

justment with respect to any such amount which the Board determines appropriate. A determination by the Board of Actuaries under this subsection shall be final.”.

(b) GOVERNMENT CONTRIBUTIONS.—Section 8423 of title 5, United States Code, is amended—

(1) in subsection (a)(2) by striking “section 8422” and inserting “section 8422(a)”; and

(2) in subsection (b)(2) by striking “equal annual installments” and inserting “annual installments set in accordance with generally accepted actuarial practices and principles”.

**SEC. 402. CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM.**

(a) Section 101 of the Central Intelligence Agency Retirement Act (50 U.S.C. 2001) is amended—

(1) in paragraph (5), to read as follows:

“(5) UNFUNDED LIABILITY.—The term ‘unfunded liability’ means the estimated excess of—

“(A) the actuarial present value of all future benefits payable from the Fund under title II of this Act based on the service of current or former participants, over

“(B) the sum of—

“(i) the actuarial present value of deductions to be withheld from the future basic pay of participants currently subject to title II of this Act pursuant to section 211;

“(ii) the actuarial present value of the future contributions to be made pursuant to section 211 with respect to participants currently subject to title II of this Act;

“(iii) the Fund balance, as defined in paragraph (4), as of the date the unfunded liability is determined; and

“(iv) any other appropriate amount, as determined by the Director in accordance with generally accepted actuarial practices and principles.”;

(2) in paragraph (6)—

(A) by striking “‘normal cost’” and inserting “‘normal cost percentage’”; and

(B) by inserting “and standards (using dynamic assumptions)” after “practice”; and

(3) by adding at the end the following paragraph:

“(10) DYNAMIC ASSUMPTIONS.—The term ‘dynamic assumptions’ means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

“(A) investment yields;

“(B) increases in rates of basic pay; and

“(C) rates of price inflation.”.

(b) Section 202 of such Act (50 U.S.C. 2012) is amended by adding at the end the following: “The Fund is appropriated for the payment of benefits as provided by this title.”.

(c) Section 211(a)(2) of such Act (50 U.S.C. 2021(a)(2)) is amended to read as follows:

“(2) AGENCY CONTRIBUTIONS.—The Agency shall contribute to the Fund the amount computed in a manner similar to that

used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Central Intelligence Agency Retirement and Disability System by the Director. Contributions under this paragraph shall be paid from amounts available for salaries and expenses.”.

(d) Section 261 of such Act (50 U.S.C. 2091) is amended—

(1) by striking subsections (c), (d), and (e); and

(2) by inserting after subsection (b) the following new subsections:

“(c)(1) Not later than June 30, 2005, the Director shall cause to be made actuarial valuations of the Fund that determine the unfunded liability of the Fund, as of September 30, 2004, attributable to benefits payable under this title and make recommendations regarding its liquidation. After considering such recommendations, the Director shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(2) The Director shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(3) The Director shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(4) Amortization schedules established under this subsection shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent valuation of the Civil Service Retirement and Disability System.

“(d) At the beginning of each fiscal year, beginning on October 1, 2005, the Director shall notify the Secretary of the Treasury of the amount of the first installment under the most recent amortization schedule established under subsection (c). The Secretary shall credit that amount to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated. For the purposes of Section 504 of the National Security Act of 1947, this amount shall be considered authorized.”.

(e)(1) Title III of such Act (50 U.S.C. 2151 et seq.) is amended by adding at the end the following new section:

**“SEC. 308. FULL FUNDING OF RETIREE COSTS FOR EMPLOYEES DESIGNATED UNDER SECTION 302.**

“(a) In addition to other government contributions required by law, the Agency shall contribute to the Civil Service Retirement and Disability fund (hereinafter in this section referred to as the ‘Fund’) amounts calculated in accordance with section 8423 of title 5, United States Code, based on the projected number of employees to be designated pursuant to section 302 of this Act. In addition, the Agency, in a manner similar to that established for employee contributions to the Fund by section 8422 of title 5, United States



Code, will contribute an amount equal to the difference between that which would be contributed by the number of employees projected to be designated under section 302 and the amounts that are actually being deducted and contributed from the basic pay of an equal number of employees pursuant to section 8422. The amounts of the Agency's contributions under this subsection shall be determined by the Director of the Office of Personnel Management, in consultation with the Director, and shall be paid by the Agency from funds available for salaries and expenses. Agency employees designated pursuant to section 302 of this Act shall, commencing with such designation, have deducted from their basic pay the full amount required by section 8422 of title 5, United States Code, and such deductions shall be contributed to the Fund.

"(b)(1) The Director of the Office of Personnel Management, in consultation with the Director, shall determine the total amount of unpaid contributions (government and employee contributions) and interest attributable to the number of individuals employed with the Agency on September 30, 2005, who are projected to be designated under section 302 of this Act, but are not yet designated under that section as of that date. The amount shall be referred to as the section 302 unfunded liability.

"(2) Not later than June 30, 2006, the Director of the Office of Personnel Management, in consultation with the Director, shall establish an amortization schedule, setting forth a series of annual installments commencing September 30, 2006, which provides for the liquidation of the section 302 unfunded liability by September 30, 2013.

"(3) At the end of each fiscal year, beginning on September 30, 2006, the Director shall notify the Secretary of the Treasury of the amount of the annual installment under the amortization schedule established under paragraph (2) of this subsection. Before closing the accounts for that fiscal year, the Secretary shall credit that amount to the Fund, out of any money in the Treasury of the United States not otherwise appropriated.

"(c) Amounts paid by the Agency pursuant to this section are deemed to be specifically authorized by the Congress for the purposes of section 504 of the National Security Act of 1947."

(2) The table of contents of such Act is amended by inserting after the item relating to section 307 the following new item:

"Sec. 308. Full funding of retiree costs for employees designated under section 302."

**SEC. 403. FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM.**

Chapter 8 of title I of the Foreign Service Act of 1980, Public Law 96-465 (22 U.S.C. 4041 et seq.) 94 Stat. 2071, as amended, is further amended—

(1) in section 804 (22 U.S.C. 4044)—

(A) by amending paragraph (5) to read as follows:

"(5) 'normal cost percentage' means the entry-age normal cost computed in accordance with generally accepted actuarial practice and standards (using dynamic assumptions) and expressed as a level percentage of aggregate basic pay;"

(B) by amending paragraph (14) to read as follows:

"(14) 'unfunded liability' means the estimated excess of—

“(A) the actuarial present value of all future benefits payable from the Fund under this part based on the service of current or former participants, over

“(B) the sum of—

“(i) the actuarial present value of deductions to be withheld from the future basic pay of participants currently subject to this part pursuant to section 805;

“(ii) the actuarial present value of the future contributions to be made pursuant to section 805 with respect to participants currently subject to this part;

“(iii) the Fund balance, as defined in paragraph (7), as of the date the unfunded liability is determined, excluding any amount attributable to the Foreign Service Pension System, or contributions made under the Federal Employees’ Retirement Contribution Temporary Adjustment Act of 1983 by or on behalf of any individual who became subject to the Foreign Service Pension System; and

“(iv) any other appropriate amount, as determined by the Secretary of the Treasury in accordance with generally accepted actuarial practices and principles.”; and

(C)(i) by striking the period at the end of paragraph (15) and inserting “; and”; and

(ii) by adding at the end the following new paragraph:

“(16) ‘dynamic assumptions’ means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

“(A) investment yields;

“(B) increases in rates of basic pay; and

“(C) rates of price inflation.”;

(2) in section 852 (22 U.S.C. 4071a)—

(A) in paragraph (4)—

(i) by striking “normal cost” and inserting “normal cost percentage”; and

(ii) by striking “by the Secretary of State”;

(B) in paragraph (7)—

(i) by striking “supplemental” and inserting “unfunded”;

(ii) in subparagraph (B)(i) by striking “(I)” and “and (II) contributions for past civilian and military service”; and

(iii) in subparagraph (B)(ii) by inserting before the semicolon “with respect to participants currently subject to this part”; and

(C)(i) at the end of paragraph (8) by striking “and”;

(ii) at the end of paragraph (9) by striking the period and inserting “; and”; and

(iii) by adding at the end the following new paragraph:

“(10) ‘dynamic assumptions’ means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

“(A) investment yields;

- “(B) increases in rates of basic pay; and  
“(C) rates of price inflation.”;
- (3) in section 805(a)(1) (22 U.S.C. 4045(a)(i))—  
(A) by striking the second sentence;  
(B) by redesignating that subsection, as so amended, as (a)(1)(A);  
(C) by redesignating the last sentence of that subsection, as so amended as (a)(1)(C);  
(D) by inserting after subparagraph (A) the following new subparagraph:  
“(B) Each employing agency having participants shall contribute to the Fund the amount computed in a manner similar to that used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Foreign Service Retirement and Disability System. Contributions under this subparagraph shall be paid from the appropriations or fund used for payment of the salary of the participant.”;
- (E) in subsection (a)(2)(A) by striking “An equal amount shall be contributed by the Department” and inserting in its place “Each employing agency having participants shall contribute to the Fund the amount computed in a manner similar to that used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Foreign Service Retirement and Disability System”; and
- (F) in subsection (a)(2)(B) by striking “An equal amount shall be contributed by the Department” and inserting in its place “Each employing agency having participants shall contribute to the Fund from amounts available for salaries and expenses the amount computed in a manner similar to that used under section 8334(a) of title 5, United States Code, pursuant to determinations of the normal cost percentage of the Foreign Service Retirement and Disability System”;
- (4) by repealing sections 821 and 822 (22 U.S.C. 4061 and 4062) and by adding the following new section:  
“SEC. 821. UNFUNDED LIABILITY.—(a)(1) Not later than June 30, 2005, the Secretary of State shall cause to be made actuarial valuations of the Fund that determine the unfunded liability of the Fund, as of September 30, 2004, attributable to benefits payable under this subchapter and make recommendations regarding its liquidation. After considering such recommendations, the Secretary of State shall establish an amortization schedule, including a series of annual installments commencing October 1, 2004, which provides for the liquidation of such liability by October 1, 2044.  
“(2) The Secretary of State shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.  
“(3) The Secretary of State shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year

beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(4) Amortization schedules established under this subsection shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent valuation of the Foreign Service Retirement and Disability System.

“(b) At the beginning of each fiscal year, beginning on October 1, 2005, the Secretary of State shall notify the Secretary of the Treasury of the amount of the first installment under the most recent amortization schedule established under paragraph (1). The Secretary of the Treasury shall credit that amount to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated.”;

(5) in section 857(b)(1) (22 U.S.C. 4071f(b)(1)) by striking “equal annual installments” and inserting “annual installments set in accordance with generally accepted actuarial practices and principles”;

(6) in section 859 (22 U.S.C. 4071h) by adding “percentage” after “normal cost”;

(7) in section 802 (22 U.S.C. 4042) by adding at the end the following: “The Fund is appropriated for the payment of benefits as provided by this subchapter.”; and

(8) in section 818 (22 U.S.C. 4058) by striking “System” and inserting “Systems under this subchapter”.

**SEC. 404. PUBLIC HEALTH SERVICE COMMISSIONED CORPS RETIREMENT SYSTEM.**

(a) IN GENERAL.—Title II of the Public Health Service Act (42 U.S.C. 202 et seq.) is amended by adding at the end the following new part:

**“PART C—PUBLIC HEALTH SERVICE  
COMMISSIONED CORPS RETIREMENT SYSTEM**

**“ESTABLISHMENT AND PURPOSE OF FUND**

“SEC. 251. There is established on the books of the Treasury a fund to be known as the Public Health Service Commissioned Corps Retirement Fund (hereinafter in this part referred to as the ‘Fund’), which shall be administered by the Secretary. The Fund shall be used for the accumulation of funds in order to finance on an actuarially sound basis liabilities of the Department of Health and Human Services for benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of this title.

**“ASSETS OF THE FUND**

“SEC. 252. There shall be deposited into the Fund the following, which shall constitute the assets of the Fund:

“(1) Amounts paid into the Fund under section 255.

“(2) Any return on investment of the assets of the Fund.

“(3) Amounts transferred into the Fund pursuant to section 404(c) of the Deficit Control Act of 2004.

“PAYMENT FROM THE FUND

“SEC. 253. There shall be paid from the Fund benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of this title.

“DETERMINATION OF CONTRIBUTIONS TO THE FUND

“SEC. 254. (a)(1) Not later than June 30, 2005, the Secretary shall determine the unfunded liability of the Fund attributable to service performed as of September 30, 2004, which is ‘active service’ for the purpose of section 212. The Secretary shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(2) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(3) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over 5 years.

“(b) The Secretary shall determine each fiscal year, in sufficient time for inclusion in the budget request for the following fiscal year, the total amount of Department of Health and Human Services contributions to be made to the Fund during the fiscal year under section 255(a). That amount shall be the sum of—

“(1) the product of—

“(A) the current estimate of the value of the single level percentage of basic pay to be determined under subsection (c)(1) at the time of the most recent actuarial valuation under subsection (c); and

“(B) the total amount of basic pay expected to be paid during that fiscal year to commissioned officers of the Public Health Service on active duty (other than active duty for training); and

“(2) the product of—

“(A) the current estimate of the value of the single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) to be determined under subsection (c)(2) at the time of the most recent actuarial valuation under subsection (c); and

“(B) the total amount of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) expected to be paid during the fiscal year to commissioned officers of the Reserve Corps of the Public Health Service (other than officers on full-time duty other than for training) who are not otherwise described in subparagraph (A).

“(c) Not less often than every four years thereafter (or by the fiscal year end prior to the effective date of any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors), the Secretary shall carry out an actuarial valuation of benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of this title. Each such actuarial valuation shall be signed by an enrolled Actuary and shall include—

“(1) a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay for commissioned officers of the Public Health Service on active duty (other than active duty for training); and

“(2) a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) of commissioned officers of the Reserve Corps of the Public Health Service (other than officers on full time duty other than for training) who are not otherwise described in paragraph (1).

“(d) All determinations under this section shall be in accordance with generally accepted actuarial principles and practices and, where appropriate, shall follow the general pattern of methods and assumptions approved by the Department of Defense Retirement Board of Actuaries.

“(e) The Secretary shall provide for the keeping of such records as are necessary for determining the actuarial status of the Fund.

#### “PAYMENTS INTO THE FUND

“SEC. 255. (a) From amounts available to the Department of Health and Human Services for salaries and expenses, the Secretary shall pay into the Fund at the end of each month the amount that is the sum of—

“(1) the product of—

“(A) the level percentage of basic pay determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under sections 254(c)(1) (except that any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors that is effective after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay accrued for that month by commissioned officers of the Public Health Service on active duty (other than active duty for training); and

“(2) the product of—

“(A) the level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under section 254(c)(2) (except that any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors that is effective after

the date of that valuation and on or before the first day of the current fiscal year shall be used in such determinations); and

“(B) the total amount of basic pay and of compensation (paid pursuant to section 206 of title 37, United States Code) accrued for that month by commissioned officers of the Reserve Corps of the Public Health Service (other than officers on full-time duty other than for training).

“(b) At the beginning of each fiscal year, beginning on October 1, 2005, the Secretary shall certify to the Secretary of the Treasury the amount of the first installment under the most recent amortization schedule established under section 254(a). The Secretary of the Treasury shall pay into the Fund from the General Fund of the Treasury the amount so certified. Such payment shall be the contribution to the Fund for that fiscal year.

#### “INVESTMENTS OF ASSETS OF FUND

“SEC. 256. The Secretary may request the Secretary of the Treasury to invest such portion of the Fund as is not, in the judgment of the Secretary, required to meet the current needs of the Fund. Such investments shall be made by the Secretary of the Treasury in public debt securities with maturities suitable to the needs of the Fund, as determined by the Secretary, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. The income on such investments shall be credited to and form a part of the Fund.

#### “IMPLEMENTATION YEAR EXCEPTIONS

“SEC. 257. (a) To avoid funding shortfalls in the first year should formal actuarial determinations not be available in time for budget preparation, the amounts used in the first year in sections 255(a)(1)(A) and 255(a)(2)(A) shall be set equal to those estimates in sections 254(b)(1)(A) and 254(b)(2)(A) if final determinations are not available. The original unfunded liability as defined in section 254(a) shall include an adjustment to correct for this difference between the formal actuarial determinations and the estimates in sections 254(b)(1)(A) and 254(b)(2)(A).”.

(b) CONFORMING AMENDMENTS.—

(1) CONDITION OF DETAIL.—Section 214 of the Public Health Service Act (42 U.S.C. 215) is amended by adding at the end the following new subsection:

“(e) The Secretary shall condition any detail under subsection (a), (b), or (c) upon the agreement of the executive department, State, subdivision, Committee of the Congress, or institution concerned to pay to the Department of Health and Human Services, in advance or by way of reimbursement, for the full cost of the detail including that portion of the contributions under section 255(a) that is attributable to the detailed personnel.”.

(2) EXEMPTION FROM SEQUESTRATION.—Section 255(g)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)) is amended—

(A) in subparagraph (A), by inserting after the item relating to “payment to the foreign service retirement and disability fund” the following item: “Payment to the Public

Health Service Commissioned Corps Retirement Fund (75–0380–0–1–551);” and

(B) in subparagraph (B), by inserting after the item relating to the “Pensions for former Presidents” the following item: “Public Health Service Commissioned Corps Retirement Fund (75–8274–0–7–602);”.

(c) **TRANSFER OF APPROPRIATIONS.**—There shall be transferred on October 1, 2006, into the fund established under section 251 of the Public Health Service Act, as added by subsection (a), any obligated or unobligated balances of appropriations made to the Department of Health and Human Services that are currently available for benefits payable on account of retirement, disability, or death to commissioned officers of the Public Health Service and to their survivors pursuant to part A of title II of the Public Health Service Act, and amounts so transferred shall be part of the assets of the Fund.

**SEC. 405. NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION COMMISSIONED OFFICER CORPS RETIREMENT SYSTEM.**

(a) **IN GENERAL.**—The National Oceanic and Atmospheric Administration Commissioned Officer Corps Act of 2002 (title II of Public Law 107–372) is amended by inserting after section 246 (33 U.S.C. 3046) the following new section:

“SEC. 246A. (a) **ESTABLISHMENT AND PURPOSE OF NOAA COMMISSIONED OFFICER CORPS RETIREMENT FUND.**—(1) There is established on the books of the Treasury a fund to be known as the National Oceanic and Atmospheric Administration Commissioned Officer Corps Retirement Fund (hereinafter in this section referred to as the ‘Fund’), which shall be administered by the Secretary. The Fund shall be used for the accumulation of funds in order to finance on an actuarially sound basis liabilities of the Department of Commerce under military retirement and survivor benefit programs for the commissioned officers corps.

“(2) The term ‘military retirement and survivor benefit program’ means—

“(A) the provisions of this title and title 10, United States Code, creating entitlement to, or determining, the amount of retired pay;

“(B) the programs under the jurisdiction of the Department of Defense providing annuities for survivors and members and former members of the Armed Forces, including chapter 73 of title 10, section 4 of Public Law 92–425, and section 5 of Public Law 96–202, as made applicable to the commissioned officer corps by section 261.

“(b) **ASSETS OF THE FUND.**—There shall be deposited into the Fund the following, which shall constitute the assets of the Fund:

“(1) Amounts paid into the Fund under subsection (e).

“(2) Any return on investment of the assets of the Fund.

“(3) Amounts transferred into the Fund pursuant to section 405(c) of the Deficit Control Act of 2004.

“(c) **PAYMENTS FROM THE FUND.**—There shall be paid from the Fund benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the commissioned officer corps and their survivors.

“(d) **DETERMINATION OF CONTRIBUTIONS TO THE FUND.**—(1)(A) Not later than June 30, 2004, the Secretary shall determine the



unfunded liability of the Fund attributable to service performed as of September 30, 2004, which is 'active service' for the purpose of this title. The Secretary shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

"(B) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each fiscal year beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on September 30 of the subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

"(C) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new authorization schedule, including series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over 5 years.

"(2) The Secretary shall determine each fiscal year, in sufficient time for inclusion in the budget request for the following fiscal year, the total amount of Department of Commerce contributions to be made to the Fund during that fiscal year under (e). The amount shall be the product of—

"(A) the current estimate of the value of the single level percentage of basic pay to be determined under subsection (e) at the time of the most recent actuarial valuation under paragraph (3); and

"(B) the total amount of basic pay expected to be paid during that fiscal year to commissioned officers of NOAA on active duty.

"(3) Not less often than every four years (or by the fiscal year end before the effective date of any statutory change affecting benefits payable on account of retirement, disability, or death to commissioned officers or their survivors), the Secretary shall carry out an actuarial valuation of benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the Administration and to their survivors. Each such actuarial valuation shall be signed by an enrolled Actuary and shall include a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay for commissioned officers on active duty.

"(4) All determinations under this section shall be in accordance with generally accepted actuarial principles and practices, and, where appropriate, shall follow the general pattern of methods and assumptions approved by the Department of Defense Retirement Board of Actuaries.

"(5) The Secretary shall provide for the keeping of such records as are necessary for determining the actuarial status of the Fund.

"(e) PAYMENTS INTO THE FUND.—(1) From amounts appropriated to the National Oceanic Atmospheric Administration for salaries and expenses, the Secretary shall pay into the Fund at the end of each month the amount that is the product of—

"(A) the level percentage of basic pay determined using all the methods and assumptions approved for the most recent (as

of the first day of the current fiscal year) actuarial valuation under subsection (d) (except that any statutory change affecting benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the Administration and to their survivors that is effective date after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay accrued for that month by commissioned officers on active duty.

“(2)(A) At the beginning of each fiscal year, the Secretary shall determine the sum of—

“(i) the amount of the payment for that year under the amortization of the original unfunded liability of the Fund;

“(ii) the amount (including any negative amount) for that year under the most recent amortization schedule determined by the Secretary for the amortization of any cumulative actuarial gain or loss to the Fund, resulting from changes in benefits; and

“(iii) the amount (including any negative amount) for that year under the most recent amortization schedule determined by the Secretary for the amortization or any cumulative actuarial gain or loss to the Fund resulting from changes in actuarial assumptions and from experience different from the assumed since the last valuation.

The Secretary shall promptly certify the amount of the sum to the Secretary of the Treasury.

“(B) Upon receiving the certification pursuant to paragraph (1), the Secretary of the Treasury shall promptly pay into the Fund from the General Fund of the Treasury the amount so certified. Such payment shall be the contribution to the Fund for that fiscal year.

“(f) INVESTMENT OF ASSETS OF THE FUND.—The Secretary may request the Secretary of the Treasury to invest such portion of the Fund as is not, in the judgment of the Secretary, required to meet the current needs of the Fund. Such investments shall be made by the Secretary of the Treasury in public debt securities with maturities suitable to the needs of the Fund, as determined by the Secretary, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. The income of such investments shall be credited to and form a part of the Fund.

“(g) IMPLEMENTATION YEAR EXCEPTIONS.—(1) To avoid funding shortfalls in the first year should formal actuarial determinations not be available in time for budget preparation, the amounts used in the first year in subsection (e)(1)(A) shall be set equal to the estimate in subsection (d)(2)(A) if final determinations are not available. The original unfunded liability as determined in subsection (d)(1) shall include an adjustment to correct for this difference between the formal actuarial determinations and the estimates in subsection (d)(2)(A).”

(b) EXEMPTION FROM SEQUESTRATION.—Section 255(g)(1)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)(B)) is amended by striking “National Oceanic and Atmospheric Administration retirement (13–1450–0–1–306);” and

inserting “National Oceanic and Atmospheric Administration Commissioned Officer Corps Retirement Fund;”.

(c) TRANSFER OF APPROPRIATIONS.—There shall be transferred on October 1, 2006, into the fund established under section 246A(a) of the National Oceanic and Atmospheric Administration Commissioned Officer Corps Act of 2002 (title II of Public Law 107–372, as added by subsection (a)), any obligated and unobligated balance of appropriations made to the Department of Commerce that are available as of the date of the enactment of this Act for benefits payable on account of military retirement and survivor benefit programs to commissioned officers of the NOAA Commissioned Officer Corps and to their survivors, and amounts so transferred shall be part of the assets of the Fund, effective October 1, 2006.

(d) EFFECTIVE DATE.—Subsection (c) (relating to payments from the Fund) and (e) (relating to payments into the Fund) of section 246A of the National Oceanic and Atmospheric Administration Commissioned Officer Corps Act of 2002 (title II of Public Law 107–372, as added by subsection (a)), shall take effect on October 1, 2006.

**SEC. 406. COAST GUARD MILITARY RETIREMENT SYSTEM.**

(a) ACCRUAL FUNDING FOR COAST GUARD RETIREMENT.—

(1) IN GENERAL.—Chapter 11 of title 14, United States Code, is amended by adding at the end the following new subchapter:

**“SUBCHAPTER V—COAST GUARD MILITARY RETIREMENT FUND**

**“§ 441. Establishment and purpose of Fund; definitions**

“(a) ESTABLISHMENT OF FUND; PURPOSE.—There is established on the books of the Treasury a fund to be known as the Coast Guard Military Retirement Fund (hereinafter in this subchapter referred to as the ‘Fund’), which shall be administered by the Secretary. The Fund shall be used for the accumulations of funds in order to finance on an actuarially sound basis liabilities of the Coast Guard under military retirement and survivor benefit programs.

“(b) MILITARY RETIREMENT AND SURVIVOR BENEFIT PROGRAMS DEFINED.—In this subchapter, the term ‘military retirement and survivor benefit programs’ means—

“(1) the provisions of this title and title 10 creating entitlement to, or determining the amount of, retired pay;

“(2) the programs providing annuities for survivors of members and former members of the armed forces, including chapter 73 of title 10, section 4 of Public Law 92–425, and section 5 of Public Law 96–402; and

“(3) the authority provided in section 1048(h) of title 10.

“(c) SECRETARY DEFINED.—In this subchapter, the term ‘Secretary’ means the Secretary of Homeland Security when the Coast Guard is not operating as a service in the Navy and the Secretary of Defense when the Coast Guard is operating as a service in the Navy.

**“§ 442. Assets of the Fund**

“There shall be deposited into the Fund the following, which shall constitute the assets of the Fund:

“(1) Amounts paid into the Fund under section 445 of this title.

“(2) Any return on investment of the assets of the Fund.

“(3) Amounts transferred into the Fund pursuant to section 406(d) of the Deficit Control Act of 2004.

**“§ 443. Payments from the Fund**

“(a) IN GENERAL.—There shall be paid from the Fund the following:

“(1) Retired pay payable to persons on the retired list of the Coast Guard.

“(2) Retired pay payable under chapter 1223 of title 10 to former members of the Coast Guard and the former United States Lighthouse Service.

“(3) Benefits payable under programs that provide annuities for survivors of members and former members of the armed forces, including chapter 73 of title 10, section 4 of Public Law 92–425, and section 5 of Public Law 96–402.

“(4) Amounts payable under section 1048(h) of title 10.

“(b) AVAILABILITY OF ASSETS OF THE FUND.—The assets of the Fund are hereby made available for payments under subsection (a).

**“§ 444. Determination of contributions to the Fund**

“(a) INITIAL UNFUNDED LIABILITY.—(1) Not later than June 30, 2005, the Secretary shall determine the unfunded liability of the Fund attributable to service performed as of September 30, 2004, which is ‘active service’ for the purposes of section 212. The Secretary shall establish an amortization schedule, including a series of annual installments commencing October 1, 2005, which provides for the liquidation of such liability by October 1, 2044.

“(2) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year, for each beginning after September 30, 2004, through the fiscal year ending September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability by October 1, 2044.

“(3) The Secretary shall redetermine the unfunded liability of the Fund as of the close of the fiscal year for each fiscal year beginning after September 30, 2039, and shall establish a new amortization schedule, including a series of annual installments commencing on October 1 of the second subsequent fiscal year, which provides for the liquidation of such liability over five years.

“(b) ANNUAL CONTRIBUTIONS FOR CURRENT SERVICES.—(1) The Secretary shall determine each fiscal year, in sufficient time for inclusion in the budget request for the following fiscal year, the total amount of Department of Homeland Security, or Department of Defense, contributions to be made to the Fund during that fiscal year under section 445(a) of this title. That amount shall be the sum of the following:

“(A) The product of—

“(i) the current estimate of the value of the single level percentage of basic pay to be determined under subsection (c)(1)(A) at the time of the most recent actuarial valuation under subsection (c); and

“(ii) the total amount of basic pay expected to be paid during that fiscal year to members of the Coast Guard on active duty (other than active duty for training).  
 “(B) The product of—

“(i) the current estimate of the value of the single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37) to be determined under subsection (c)(1)(B) at the time of the most recent actuarial valuation under subsection (c); and

“(ii) the total amount of basic pay and compensation (paid pursuant to section 206 of title 37) expected to be paid during that fiscal year to members of the Coast Guard Ready Reserve (other than members on full-time Reserve duty other than for training) who are not otherwise described in subparagraph (A)(ii).

“(2) The amount determined under paragraph (1) for any fiscal year is the amount needed to be appropriated to the Department of Homeland Security for that fiscal year for payments to be made to the Fund during that year under section 445(a) of this title. The President shall include not less than the full amount so determined in the budget transmitted to Congress for that fiscal year under section 1105 of title 31. The President may comment and make recommendations concerning any such amount.

“(c) PERIODIC ACTUARIAL VALUATIONS.—(1) Not less often than every four years (or before the effective date of any statutory change affecting benefits payable on account of retirement, disability, or death to members of the Coast Guard or their survivors), the Secretary shall carry out an actuarial valuation of the Coast Guard military retirement and survivor benefit programs. Each actuarial valuation of such programs shall be signed by an enrolled actuary and shall include—

“(A) a determination (using the aggregate entry-age normal cost method) of a single level percentage of basic pay for members of the Coast Guard on active duty (other than active duty for training); and

“(B) a determination (using the aggregate entry-age normal cost method) of single level percentage of basic pay and of compensation (paid pursuant to section 206 of title 37) for members of the Ready Reserve of the Coast Guard (other than members on full-time Reserve duty other than for training) who are not otherwise described in subparagraph (A).

“(2) Such single level percentages shall be used for the purposes of subsection (b) and section 445(a) of this title.

“(d) USE OF GENERALLY ACCEPTED ACTUARIAL PRINCIPLES AND PRACTICES.—All determinations under this section shall be in accordance with generally accepted actuarial principles and practices and, where appropriate, shall follow the general pattern of methods and assumptions approved by the Department of Defense Retirement Board of Actuaries.

“(e) RECORDS.—The Secretary shall provide for the keeping of such records as are necessary for determining the actuarial status of the Fund.

**“§ 445. Payments into the Fund**

“(a) MONTHLY ACCRUAL CHARGE FOR CURRENT SERVICES.—From amounts appropriated to the Coast Guard for salaries and expenses, the Secretary shall pay into the Fund at the end of each month as the Department of Homeland Security, or Department of Defense, contribution to the Fund for that month the amount that is the sum of the following:

“(1) The product of—

“(A) the level percentage of basic pay determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under section 444(c)(1)(A) of this title (except that any statutory change in the military retirement and survivor benefit systems that is effective after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay accrued for that month by members of the Coast Guard on active duty (other than active duty for training).

“(2) The product of—

“(A) the level percentage of basic pay and compensation (accrued pursuant to section 206 of title 37) determined using all the methods and assumptions approved for the most recent (as of the first day of the current fiscal year) actuarial valuation under section 444(c)(1)(B) of this title (except that any statutory change in the military retirement and survivor benefit systems that is effective after the date of that valuation and on or before the first day of the current fiscal year shall be used in such determination); and

“(B) the total amount of basic pay and of compensation (paid pursuant to section 206 of title 37) accrued for that month by members of the Ready Reserve (other than members of full-time Reserve duty other than for training) who are not otherwise described in paragraph (1)(B).

“(b) ANNUAL PAYMENT FOR UNFUNDED LIABILITIES.—(1) At the beginning of each fiscal year, beginning on October 1, 2005, the Secretary shall certify to the Secretary of the Treasury the amount of the first installment under the most recent amortization schedule established under section 254(a). The Secretary of the Treasury shall promptly pay into the Fund from the General Fund of the Treasury the amount so certified. Such payment shall be the contribution to the Fund for that fiscal year.

**“§ 446. Investment of assets of the Fund**

“The Secretary may request the Secretary of the Treasury to invest such portion of the Fund as is not, in the judgment of the Secretary, required to meet the current needs of the Fund. Such investments shall be made by the Secretary of the Treasury in public debt securities with maturities suitable to the needs of the Fund, as determined by the Secretary, and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. The income on such investments shall be credited to and form a part of the Fund.”.

(2) TECHNICAL AMENDMENTS.—Such chapter is further amended—

(A) by amending the center heading after the table of sections to read as follows:

“SUBCHAPTER I—OFFICERS”;

(B) by amending the center heading after section 336 to read as follows:

“SUBCHAPTER II—ENLISTED MEMBERS”;

(C) by amending the center heading after section 373 to read as follows:

“SUBCHAPTER III—GENERAL PROVISIONS”;

and

(D) by amending the center heading after section 425 to read as follows:

“SUBCHAPTER IV—SPECIAL PROVISIONS”.

(3) CLERICAL AMENDMENTS.—The table of sections at the beginning of such chapter is amended—

(A) by striking “OFFICERS” at the beginning of the table and inserting “SUBCHAPTER I—OFFICERS”;

(B) by striking “ENLISTED MEMBERS” after the item relating to section 336 and inserting “SUBCHAPTER II—ENLISTED MEMBERS”;

(C) by striking “GENERAL PROVISIONS” after the item relating to section 373 and inserting “SUBCHAPTER III—GENERAL PROVISIONS”;

(D) by striking “SPECIAL PROVISIONS” after the item relating to section 425 and inserting “SUBCHAPTER IV—SPECIAL PROVISIONS”; and

(E) by adding at the end the following:

“SUBCHAPTER V—COAST GUARD MILITARY RETIREMENT FUND

“441. Establishment and purpose of Fund; definitions.

“442. Assets of the Fund.

“443. Payments from the Fund.

“444. Determination of contributions to the Fund.

“445. Payments into the Fund.

“446. Investment of assets of the Fund.”.

(b) IMPLEMENTATION YEAR EXCEPTIONS.—To avoid funding shortfalls in the first year of implementation of subchapter V of chapter 11 of title 14, United States Code, as added by subsection (a), if formal actuarial determinations are not available in time for budget preparation, the amounts used in the first year under sections 445(a)(1)(A) and 445(a)(2)(A) of such title shall be set equal to those estimates in sections 444(b)(1)(A)(i) and 444(b)(1)(B)(i), respectively, of such title if final determinations are not available. The original unfunded liability, as defined in section 444(a) of such title, shall include an adjustment to correct for this difference between the formal actuarial determinations and the estimates in sections 444(b)(1)(A)(i) and 444(b)(1)(B)(i) of such title.

(c) CONFORMING AMENDMENT.—Subparagraph (B) of section 255(g)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)) is amended by striking “Retired Pay, Coast Guard (69–0241–0–1–403)” and inserting “Coast Guard Military Retirement Fund (69–0241–01–403)”.

(d) TRANSFER OF EXISTING BALANCES.—

(1) TRANSFER.—There shall be transferred into the Fund on October 1, 2005, any obligated and unobligated balances of appropriations made to the Department of Homeland Security that are currently available for retired pay, and amounts so transferred shall be part of the assets of the Fund.

(2) FUND DEFINED.—For purposes of paragraph (1), the term “Fund” means the Coast Guard Military Retirement Fund established under section 441 of title 14, United States Code, as added by subsection (a).

(e) EFFECTIVE DATE.—Sections 443 (relating to payments from the Fund) and 445 (relating to payments into the Fund) of title 14, United States Code, as added by subsection (a), shall take effect on October 1, 2005.

## **Subtitle B—Accrual Funding of Post-Retirement Health Benefits Costs for Federal Employees**

### **SEC. 411. FEDERAL EMPLOYEES HEALTH BENEFITS FUND.**

(a) Section 8906 of title 5, United States Code, is amended—

(1) by redesignating subsection (c) as subsection (c)(1) and by adding at the end the following new paragraphs:

“(2) In addition to Government contributions required by subsection (b) and paragraph (1), each employing agency shall contribute amounts as determined by the Office to be necessary to prefund the accruing actuarial cost of post-retirement health benefits for each of the agency’s current employees who are eligible for Government contributions under this section. Amounts under this paragraph shall be paid by the employing agency separate from other contributions under this section, from the appropriations or fund used for payment of the salary of the employee, on a schedule to be determined by the Office.

“(3) Paragraph (2) shall not apply to the United States Postal Service or the government of the District of Columbia.”; and

(2) by amending subsection (g)(1) to read as follows:

“(g)(1) Except as provided in paragraphs (2) and (3), all Government contributions authorized by this section for health benefits for an annuitant shall be paid from the Employees Health Benefits Fund to the extent that funds are available in accordance with section 8909(h)(6) and, if necessary, from annual appropriations which are authorized to be made for that purpose and which may be made available until expended.”.

(b) Section 8909 of title 5, United States Code, is amended by adding at the end the following new subsection:

“(h)(1) Not later than June 30, 2006, the Office shall determine the existing liability of the Fund for post-retirement health benefits, excluding the liability of the United States Postal Service for service under section 8906(g)(2), under this chapter as of Sep-



tember 30, 2006. The Office shall establish an amortization schedule, including a series of annual installments commencing September 30, 2006, which provides for the liquidation of such liability by September 30, 2043.

“(2) At the close of each fiscal year, for fiscal years beginning after September 30, 2005, the Office shall determine the supplemental liability of the Fund for post-retirement health benefits, excluding the liability attributable to the United States Postal Service for service subject to section 8906(g)(2), and shall establish an amortization schedule, including a series of annual installments commencing on September 30 of the subsequent fiscal year, which provides for liquidation of such supplemental liability over 30 years.

“(3) Amortization schedules established under this paragraph shall be set in accordance with generally accepted actuarial practices and principles.

“(4) At the end of each fiscal year on and after September 30, 2006, the Office shall notify the Secretary of the Treasury of the amounts of the next installments under the most recent amortization schedules established under paragraphs (1) and (2). Before closing the accounts for the fiscal year, the Secretary shall credit the sum of these amounts (including in that sum any negative amount for the amortization of the supplemental liability) to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated.

“(5) For the purpose of carrying out paragraphs (1) and (2), the Office shall perform or arrange for actuarial determinations and valuations and shall prescribe retention of such records as it considers necessary for making periodic actuarial valuations of the Fund.

“(6) Notwithstanding subsection (b), the amounts deposited into the Fund pursuant to this subsection and section 8906(c)(2) to prefund post-retirement health benefits costs shall be segregated within the Fund so that such amounts, as well as earnings and proceeds under subsection (c) attributable to them, may be used exclusively for the purpose of paying Government contributions for post-retirement health benefits costs. When such amounts are used in combination with amounts withheld from annuitants to pay for health benefits, a portion of the contributions shall then be set aside in the Fund as described in subsection (b).

“(7) Under this subsection, ‘supplemental liability’ means—

“(A) the actuarial present value for future post-retirement health benefits that are the liability of the Fund, less

“(B) the sum of—

“(i) the actuarial present value of all future contributions by agencies and annuitants to the Fund toward those benefits pursuant to section 8906;

“(ii) the present value of all scheduled amortization payments to the Fund pursuant to paragraphs (1) and (2);

“(iii) the Fund balance as of the date the supplemental liability is determined, to the extent that such balance is attributable to post-retirement benefits; and

“(iv) any other appropriate amount, as determined by the Office in accordance with generally accepted actuarial practices and principles.”.

**SEC. 412. FUNDING UNIFORMED SERVICES HEALTH BENEFITS FOR ALL RETIREES.**

Title 10, United States Code, is amended—

(1) in the title of chapter 56, by striking “**DEPARTMENT OF DEFENSE MEDICARE-ELIGIBLE**” and inserting “**UNIFORMED SERVICES**”;

(2) in section 1111—

(A) in subsection (a)—

(i) by striking “Department of Defense Medicare-Eligible” and inserting “Uniformed Services”;

(ii) by striking “Department of Defense under”; and

(iii) by striking “for medicare-eligible beneficiaries”;

(B) in subsection (c)—

(i) by striking “The Secretary of Defense may” and inserting “The Secretary of Defense shall”;

(ii) by striking “with any other” and inserting “with each”;

(iii) by striking “Any such agreement” and inserting “Such agreements”; and

(iv) by striking “administering Secretary may” and inserting “administrative Secretary shall”;

(3) in section 1113—

(A) in subsection (a)—

(i) by striking “and are medicare eligible”;

(ii) by striking “who are medicare eligible”; and

(iii) by adding at the end the following new sentence: “For the fiscal year starting October 1, 2004, only, the payments will be solely for the costs of members or former members of a uniformed service who are entitled to retired or retainer pay and are medicare-eligible, and eligible dependents or survivors who are medicare-eligible.”;

(B) in subsection (c)(1), by striking “who are medicare-eligible”;

(C) in subsection (d), by striking “who are medicare-eligible”; and

(D) in subsection (f), by striking “If” and inserting “When”;

(4) in section 1114, in subsection (a)(1), by striking “Department of Defense Medicare-Eligible” and inserting “Uniformed Services”;

(5) in section 1115—

(A) in subsection (b)(2), by striking “The amount determined under paragraph (1) for any fiscal year is the amount needed to be appropriated to the Department of Defense (or to the other executive department having jurisdiction over the participating uniformed service)” and inserting “The amount determined under paragraph (1), or the amount determined under section 1111(c) for a participating uniformed service, for any fiscal year, is the amount needed to be appropriated to the Department of Defense (or to any other executive department having jurisdiction over a participating uniformed service)”;

(B) in subsection (c)(2), by striking “for medicare eligible beneficiaries”; and

(C) by adding at the end the following new subsection:  
 “(f) For the fiscal year starting October 1, 2004, only, the amounts in this section shall be based solely on the costs of medicare-eligible benefits of beneficiaries and the costs for their eligible dependents or survivors who are medicare-eligible, and shall be recalculated thereafter to reflect the cost of beneficiaries defined in section 1111.”; and

(6) in section 1116—

(A) in subsection (a)(1)(A), by striking “for medicare-eligible beneficiaries”;

(B) in subsection (a)(2)(A), by striking “for medicare-eligible beneficiaries”; and

(C) in subsection (c), by striking “subsection (a) shall be paid from funds available for the health care programs” and inserting “subsection (a) and section 1111(c) shall be paid from funds available for the pay of members of the participating uniformed services under the jurisdiction of the respective administering secretaries”.

#### **SEC. 413. EFFECTIVE DATE.**

Except as otherwise provided, this title shall take effect upon enactment with respect to fiscal years beginning after 2005.

“Sec. 601. Short title.

“Sec. 602. Budgetary treatment.

“Sec. 603. Timetable for implementation of accrual budgeting for Federal insurance programs.

“Sec. 604. Definitions.

“Sec. 605. Authorizations to enter into contracts; actuarial cost account.

“Sec. 606. Effective date.”.

### **Subtitle C—Limit on the Public Debt**

#### **SEC. 421. LIMIT ON PUBLIC DEBT.**

Section 3101 of title 31, United States Code, is amended to read as follows:

##### **“§ 3101. Public debt limit**

“(a) In this section, the current redemption value of an obligation issued on a discount basis and redeemable before maturity at the option of its holder is deemed to be the face amount of the obligation.

“(b) The face amount of obligations issued under this chapter and the face amount of obligations whose principal and interest are guaranteed by the United States Government (except guaranteed obligations held by the Secretary of the Treasury and intragovernmental holdings) may not be more than \$4,393,000,000,000 outstanding at one time, subject to changes periodically made in that amount as provided by law.

“(c) For purposes of this section, the face amount, for any month, of any obligation issued on a discount basis that is not redeemable before maturity at the option of the holder of the obligation is an amount equal to the sum of—

“(1) the original issue price of the obligation, plus

“(2) the portion of the discount on the obligation attributable to periods before the beginning of such month (as determined under the principles of section 1272(a) of the Internal Revenue

Code of 1986 without regard to any exceptions contained in paragraph (2) of such section).

“(d) For purposes of this section, the term ‘intragovernment holding’ is any obligation issued by the Secretary of the Treasury to any Federal trust fund or Government account, whether in respect of public money, money otherwise required to be deposited in the Treasury, or amounts appropriated.”.

## **TITLE V—PAYGO EXTENSION**

### **SEC. 501. EXTENSION OF PAY-AS-YOU-GO REQUIREMENT.**

(a) PURPOSE.—Section 252(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

“(a) PURPOSE.—The purpose of this section is to assure that any legislation that is enacted before October 1, 2007, that causes a net increase in direct spending will trigger an offsetting sequestration.”.

(b) TIMING.—Section 252(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking “any net deficit increase” and all that follows through “2002,” and by inserting “any net increase in direct spending enacted before October 1, 2007,”.

(c) CALCULATION OF DIRECT SPENDING INCREASE.—Section 252(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking “deficit” the first place it appears and inserting “direct spending”;

(2) in subparagraph (A) by striking “and receipts”;

(3) in subparagraph (C) by striking “and receipts”; and

(4) by amending the heading to read as follows: “CALCULATION OF DIRECT SPENDING INCREASE.—”.

(d) CONFORMING AMENDMENTS.—(1) The heading of section 252(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows: “ELIMINATING A DIRECT SPENDING INCREASE.—”.

(2) Paragraphs (1), (2), and (4) of section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended by striking “or receipts” each place it appears.

(3) Section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking “or receipts” and by striking “, outlays, and receipts” and inserting “and outlays”.

(4) Section 254(c)(3) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(A) in subparagraph (A) by striking “net deficit increase or decrease” and by inserting “net increase or decrease in direct spending”;

(B) in subparagraph (B) by striking “amount of deficit increase or decrease” and by inserting “increase or decrease in direct spending”; and

(C) in subparagraph (C) by striking “a deficit increase” and by inserting “an increase in direct spending”.

18. AN AMENDMENT IN THE NATURE OF A SUBSTITUTE TO BE OFFERED BY REPRESENTATIVE YOUNG OF FLORIDA, OR HIS DESIGNEE, DEBATABLE FOR 30 MINUTES

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Spending Control Act of 2004".

**SEC. 2. EXTENSION OF DIRECT SPENDING CONTROLS.**

(a) PURPOSE.—Section 252(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(a) PURPOSE.—The purpose of this section is to assure that any legislation that causes a net increase in direct spending will trigger an offsetting sequestration."

(b) TIMING.—Section 252(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "any net deficit increase" and all that follows through "2002," and by inserting "any net increase in direct spending,".

(c) CALCULATION OF DIRECT SPENDING INCREASE.—(1) Section 252(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(2) CALCULATION OF DIRECT SPENDING INCREASE.—OMB shall calculate the amount of increase or decrease in direct spending. If, in the President's budget submission pursuant to section 1105(a) of title 31, United States Code, baseline estimates for direct spending for the current year exceed the direct spending baseline estimates for the current year assumed in the previous year's budget as a result of legislation enacted since the previous budget, that shall be treated as an increase in direct spending for purposes of this section."

(2) CONFORMING AMENDMENT.—Section 1105(a) of title 31, United States Code, is amended by adding at the end the following new paragraph:

"(35) a separate statement identifying the changes in direct spending baseline estimates for the current year resulting from economic factors, technical factors, or enacted legislation."

(d) CONFORMING AMENDMENTS.—(1) The heading of section 252(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows: "ELIMINATING A DIRECT SPENDING INCREASE.—".

(2) Paragraphs (1), (2), and (4) of section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended by striking "or receipts" each place it appears.

(3) Section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "or receipts" and by striking ", outlays, and receipts" and inserting "and outlays".

(4) Section 254(c)(3) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(A) in subparagraph (A) by striking "net deficit increase or decrease" and by inserting "net increase or decrease in direct spending";

(B) in subparagraph (B) by striking "amount of deficit increase or decrease" and by inserting "increase or decrease in direct spending"; and

(C) in subparagraph (C) by striking "a deficit increase" and by inserting "an increase in direct spending".

**SEC. 3. PROJECTIONS UNDER SECTION 257.**

Section 257(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting after paragraph (6) the following new paragraph:

“(7) EMERGENCIES.—New budgetary resources designated under section 251(b)(2)(A) or 251(b)(2)(I) shall not be assumed beyond the fiscal year for which they have been enacted.”.

**SEC. 4. EXCEPTION FOR OUTLAY COMPONENTS OF EXPIRING RECEIPTS LEGISLATION.**

Section 252(d)(4) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking “and” at the end of subparagraph (A), by striking the period and inserting “; and” at the end of subparagraph (B), and by adding at the end the following new subparagraph:

“(C) extending provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 or provisions in sections 101 through 104, section 202, or sections 301 and 302 of the Jobs and Growth Tax Relief Reconciliation Act of 2003.”.

**SEC. 5. TECHNICAL CORRECTIONS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.**

Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) In section 250(a), strike “SEC. 256. GENERAL AND SPECIAL SEQUESTRATION RULES” and insert “Sec. 256. General and special sequestration rules” in the item relating to section 256.

(2) In subparagraphs (F), (G), (H), (I), (J), and (K) of section 250(c)(4), insert “subparagraph” after “described in” each place it appears.

(3) In section 250(c)(18), insert “of” after “expenses”.

(4) In section 251(b)(1)(A), strike “committees” the first place it appears and insert “Committees”.

(5) In section 251(b)(1)(C)(i), strike “fiscal years” and insert “fiscal year”.

(6) In section 251(b)(1)(D)(ii), strike “fiscal years” and insert “fiscal year”.

(7) In section 252(b)(2)(B), insert “the” before “budget year”.

(8) In section 252(c)(1)(C)(i), strike “paragraph (1)” and insert “subsection (b)”.

(9) In section 254(c)(3)(A), strike “subsection” and insert “section”.

(10) In section 254(f)(4), strike “subsection” and insert “section” and strike “sequesterable” and insert “sequestrable”.

(11) In section 255(g)(1)(B), move the fourteenth undesignated clause 2 ems to the right.

(12) In section 255(g)(2), insert “and” after the semicolon at the end of the next-to-last undesignated clause.

(13) In section 255(h)—

(A) strike “and” after the semicolon in the ninth undesignated clause;

(B) insert “and” after the semicolon at the end of the tenth undesignated clause; and

(C) strike the semicolon at the end and insert a period.

(14) In section 256(k)(1), strike “paragraph (5)” and insert “paragraph (6)”.

(15) In section 257(b)(2)(A)(i), strike “differenes” and insert “differences”.

**SEC. 6. CHANGE OF FISCAL YEAR.**

(a) FISCAL YEAR TO BEGIN NOVEMBER 1.—Section 1102 of title 31, United States Code, is amended by striking “October 1” and inserting “November 1” and by striking “September 30” and inserting “October 31”.

(b) TITLE OF APPROPRIATION ACTS.—Section 105 of title 1, United States Code, is amended by striking “September 30” and inserting “October 31”.

(c) TRANSITION TO NEW FISCAL YEAR.—(1) As soon as practicable, the President shall prepare and submit to the Congress—

(A) after consultation with the Committees on Appropriations of the House of Representatives and the Senate, budget estimates for the United States Government for the period commencing October 1, 2005, and ending October 31, 2005, in such form and detail as he may determine; and

(B) propose legislation he considers appropriate with respect to changes in law necessary to provide authorizations of appropriations for that period.

(2) The Director of the Office of Management and Budget shall provide, by regulation or otherwise, for the orderly transition of all departments, agencies, and instrumentalities of the United States Government and the government of the District of Columbia from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new fiscal year prescribed by section 1102 of title 31, United States Code, (as amended by subsection (a)). The Director shall prepare and submit to the Congress such additional proposed legislation as he considers necessary to accomplish this objective.

(d) EFFECTIVE DATE.—This section and the amendments made by it (except for subsection (c)) apply to fiscal year 2006 and subsequent fiscal years.

**SEC. 7. SUNSETTING OF DISCRETIONARY PROGRAMS AND UNEARNED ENTITLEMENTS.**

(a) FISCAL YEAR 2007.—Effective October 1, 2006, authorizations for all programs (except earned entitlements) shall terminate unless such programs are reauthorized after the date of enactment of this Act and before October 1, 2006.

(b) DEFINITIONS.—For purposes of subsection (a), the term “earned entitlement” means an entitlement earned by service or paid for in total or in part by assessments or contributions such as social security, veterans’ benefits, retirement programs, and medicare.

**SEC. 8. SPECIAL RULE FOR FISCAL YEAR 2005.**

For purposes of ensuring the full funding of the transportation guarantees in fiscal year 2005, the amounts provided for fiscal year 2005 for discretionary new budget authority and outlays allocated to the House Committee on Appropriations as though under section 302(a) of the Congressional Budget Act of 1974 shall be increased

by not less than \$2,057,000,000 in budget authority and \$634,000,000 in outlays.

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19. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE YOUNG OF  
FLORIDA, OR HIS DESIGNEE, DEBATABLE FOR 10 MINUTES

Strike any provision that establishes, extends, or enforces discretionary spending limits whether by amending section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 or otherwise.