

111TH CONGRESS
1ST SESSION

H. R. 2920

AN ACT

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

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

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

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

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

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

6 **SEC. 2. PURPOSE.**

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

10 **SEC. 3. DEFINITIONS.**

11 As used in this Act—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (d) OMB PAYGO SCORECARDS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (3) the AMT; and

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

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

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

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

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

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

13 (b) MEDICARE PAYMENTS TO PHYSICIANS.—

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

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

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

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

5 (c) ESTATE AND GIFT TAX.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 For purposes of this Act—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 “(B) in the case of parts C and D, to
12 monthly payments under contracts under such
13 parts for the same one-year period;
14 such that the reduction made in payments under
15 that order shall achieve the required total percentage
16 reduction in those payments for that period.”;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 “(g) OTHER PROGRAMS AND ACTIVITIES.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 “Salaries of Article III judges.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 “Credit liquidating accounts.

19 “Credit reestimates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 “Office of Financial Stability (20–0128–0–1–
2 376).

3 “Special Inspector General for the Troubled
4 Asset Relief Program (20–0133–0–1–376).

5 “Troubled Asset Relief Program Account (20–
6 0132–0–1–376).

7 “Troubled Asset Relief Program Equity Pur-
8 chase Program (20–0134–0–1–376).

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

Passed the House of Representatives July 22, 2009.

Attest:

Clerk.

111TH CONGRESS
1ST SESSION

H. R. 2920

AN ACT

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