

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

11
rev.

**AMENDMENT TO H.R. 3973, AS REPORTED
OFFERED BY MR. HENSARLING OF TEXAS**

Page 2, after line 3, insert the following:

1 **TITLE I—EXTENSION OF DISCRE-**
2 **TIONARY SPENDING LIMITS**
3 **AND PAY-AS-YOU-GO RE-**
4 **QUIREMENTS**

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

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

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

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

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

15 “(a) CAP ON GROWTH OF ENTITLEMENTS.—Effec-
16 tive for fiscal year 2005 and for each ensuing fiscal year,
17 the total level of direct spending for all direct spending
18 programs, projects, and activities (excluding social secu-

1 rity) for any such fiscal year shall not exceed the total
2 level of spending for all such programs, projects, and ac-
3 tivities for the previous fiscal year after the direct spend-
4 ing for each such program, project, or activity is increased
5 by the higher of the change in the Consumer Price Index
6 for All Urban Consumers or the inflator (if any) applicable
7 to that program, project, or activity and the growth in
8 eligible population for such, project, or activity.

9 “(b) SEQUESTRATION.—Within 15 days after Con-
10 gress adjourns to end a session (other than of the second
11 session of the One Hundred Eighth Congress), and on the
12 same day as a sequestration (if any) under section 251,
13 there shall be a sequestration to reduce the amount of di-
14 rect spending for the fiscal year beginning in the year the
15 Congress adjourns by any amount necessary to reduce
16 such spending to the level set forth in subsection (a) un-
17 less that amount is less than \$250,000,000.

18 “(c) UNIFORM REDUCTIONS; LIMITATIONS.—The
19 amount required to be sequestered for the fiscal year
20 under subsection (a) shall be obtained from nonexempt di-
21 rect spending accounts by actions taken in the following
22 order:

23 “(1) FIRST.—The reductions in the programs
24 specified in section 256(a) (National Wool Act and
25 special milk), section 256(b) (student loans), and

1 section 256(c) (foster care and adoption assistance)
2 shall be made.

3 “(2) SECOND.—Any additional reductions that
4 may be required shall be achieved by reducing each
5 remaining nonexempt direct spending account by the
6 uniform percentage necessary to achieve those addi-
7 tional reductions, except that—

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

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

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

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

24 “(d) EXCLUSION OF MEDICARE PRESCRIPTION
25 DRUG PROGRAM UNTIL FULLY OPERATIONAL.—For pur-

1 poses of this section with respect to the limitation under
2 subsection (a) for a fiscal year before fiscal year 2008,
3 direct spending programs and direct spending shall not
4 be construed to include part D of title XVIII of the Social
5 Security Act (or spending under part C of such title that
6 is attributable to such part D).”.

7 (b) TABLE OF CONTENTS AMENDMENT.—The table
8 of contents set forth in 250(c) of the Balanced Budget
9 and Emergency Deficit Control Act of 1985 is amended
10 by adding after the item relating to section 252 the fol-
11 lowing new item:

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

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

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

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

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

24 “(2) Payments made under part A of title XVIII (re-
25 lating to part A medicare hospital insurance benefits) of

1 the Social Security Act and payments made under part
2 C of such title (relating to the Medicare Advantage pro-
3 gram) insofar as they are attributable to part A of such
4 title shall be exempt from reduction under any order
5 issued under this part.

6 “(b) DESCRIPTIONS AND LISTS.—The following
7 budget accounts or activities shall be exempt from seques-
8 tration:

9 “(1) net interest;

10 “(2) all payments to trust funds from excise
11 taxes or other receipts or collections properly cred-
12 itable to those trust funds;

13 “(3) all payments from one Federal direct
14 spending budget account to another Federal budget
15 account; and all intragovernmental funds including
16 those from which funding is derived primarily from
17 other Government accounts, except to the extent
18 that such funds are augmented by direct appropria-
19 tions for the fiscal year for which the order is in ef-
20 fect;

21 “(4) activities resulting from private donations,
22 bequests, or voluntary contributions to the Govern-
23 ment;

24 “(5) payments from any revolving fund or
25 trust-revolving fund (or similar activity) that pro-

1 vides deposit insurance or other Government insur-
2 ance, Government guarantees, or any other form of
3 contingent liability, to the extent those payments re-
4 sult from contractual or other legally binding com-
5 mitments of the Government at the time of any se-
6 questration;

7 “(6) credit liquidating and financing accounts;

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

11 “Administration of Territories, Northern
12 Mariana Islands Covenant grants (14-0412-0-
13 1-806);

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

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

18 “Bureau of Indian Affairs, miscellaneous
19 trust funds, tribal trust funds (14-9973-0-7-
20 999);

21 “Claims, defense;

22 “Claims, judgments, and relief act (20-
23 185-0-1-806);

1 “Compact of Free Association, economic
2 assistance pursuant to Public Law 99 (14-
3 0414-0-1-806);

4 “Compensation of the President (11-
5 0001-0-1-802);

6 “Customs Service, miscellaneous perma-
7 nent appropriations (20-9992-0-2-852);

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

10 “Farm Credit Administration, Limitation
11 on Administration Expenses (78-4131-0-3-
12 351);

13 “Farm Credit System Financial Assistance
14 Corporation, interest payments (20-1850-0-1-
15 351);

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

18 “Panama Canal Commission, operating ex-
19 penses and capital outlay (95-5190-0-2-403);

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

22 “Payments to copyright owners (03-5175-
23 0-2-376);

24 “Payments to health care trust funds (75-
25 0580-0-1-571);

1 “Payments to social security trust funds
2 (75-0404-0-1-651);

3 “Payments to the United States terri-
4 tories, fiscal assistance (14-0418-0-1-801);

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

8 “Pension Benefit Guaranty Corporation
9 Fund (16-4204-0-3-601);

10 “Salaries of Article III judges;

11 “Washington Metropolitan Area Transit
12 Authority, interest payments (46-0300-0-1-
13 401);

14 “(8) the following noncredit special, revolving,
15 or trust-revolving funds:

16 “Coinage profit fund (20-5811-0-2-803);

17 “Comptroller of the Currency;

18 “Director of the Office of Thrift Super-
19 vision;

20 “Exchange Stabilization Fund (20-4444-
21 0-3-155);

22 “Federal Housing Finance Board;

23 “Foreign Military Sales trust fund (11-
24 82232-0-7-155);

1 “National Credit Union Administration,
2 central liquidating facility (25-4470-0-3-373);

3 “National Credit Union Administration,
4 credit union insurance fund (25-4468-0-3-
5 373);

6 “National Credit Union Administration op-
7 erating fund (25-4056-0-3-373); and

8 “Resolution Trust Corporation Revolving
9 Fund (22-4055-0-3-373);

10 “(9) Thrift Savings Fund;

11 “(10) appropriations for the District of Colum-
12 bia to the extent they are appropriations of locally
13 raised funds;

14 “(11)(A) any amount paid as regular unemploy-
15 ment compensation by a State from its account in
16 the Unemployment Trust Fund (established by sec-
17 tion 904(a) of the Social Security Act);

18 “(B) any advance made to a State from the
19 Federal unemployment account (established by sec-
20 tion 904(g) of such Act) under title XII of such Act
21 and any advance appropriated to the Federal unem-
22 ployment account pursuant to section 1203 of such
23 Act; and

24 “(C) any payment made from the Federal Em-
25 ployees Compensation Account (as established under

1 section 909 of such Act) for the purpose of carrying
2 out chapter 85 of title 5, United States Code, and
3 funds appropriated or transferred to or otherwise
4 deposited in such Account; and

5 “(12)(A) FDIC, Bank Insurance Fund (51-
6 4064-0-3-373);

7 “(B) FDIC, FSLIC Resolution Fund (51-
8 4065-0-3-373); and

9 “(C) FDIC, Savings Association Insurance
10 Fund (51-4066-0-3-373);

11 “(c) FEDERAL RETIREMENT AND DISABILITY AC-
12 COUNTS.—The following Federal retirement and disability
13 accounts shall be exempt from reduction under any order
14 issued under this part:

15 “Civil service retirement and disability fund
16 (24-8135-0-7-602).

17 “Black Lung Disability Trust Fund (20-8144-
18 0-7-601).

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

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

23 “Judicial Survivors’ Annuities Fund (10-8110-
24 0-7-602).

1 “Payments to the Railroad Retirement Ac-
2 counts (60-0113-0-1-601).

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

5 “Employees Life Insurance Fund (24-8424-0-
6 8-602).

7 “(d) FEDERAL ADMINISTRATIVE EXPENSES.—

8 “(1) Notwithstanding any provision of law
9 other than paragraph (3), administrative expenses
10 incurred by the departments and agencies, including
11 independent agencies, of the Government in connec-
12 tion with any program, project, activity, or account
13 shall be subject to reduction pursuant to any seques-
14 tration order, without regard to any exemption, ex-
15 ception, limitation, or special rule otherwise applica-
16 ble with respect to such program, project, activity,
17 or account, and regardless of whether the program,
18 project, activity, or account is self-supporting and
19 does not receive appropriations.

20 “(2) Payments made by the Government to re-
21 imburse or match administrative costs incurred by a
22 State or political subdivision under or in connection
23 with any program, project, activity, or account shall
24 not be considered administrative expenses of the
25 Government for purposes of this section, and shall

1 be subject to sequestration to the extent (and only
2 to the extent) that other payments made by the Gov-
3 ernment under or in connection with that program,
4 project, activity, or account are subject to that re-
5 duction or sequestration; except that Federal pay-
6 ments made to a State as reimbursement of admin-
7 istrative costs incurred by that State under or in
8 connection with the unemployment compensation
9 programs specified in subsection (a)(11) shall be
10 subject to reduction or sequestration under this part
11 notwithstanding the exemption otherwise granted to
12 such programs under that subsection.

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

16 “(A) Comptroller of the Currency.

17 “(B) Federal Deposit Insurance Corpora-
18 tion.

19 “(C) Office of Thrift Supervision.

20 “(D) National Credit Union Administra-
21 tion.

22 “(E) National Credit Union Administra-
23 tion, central liquidity facility.

24 “(F) Federal Retirement Thrift Invest-
25 ment Board.

1 “(G) Resolution Funding Corporation.

2 “(H) Resolution Trust Corporation.

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

5 “(e) VETERANS’ PROGRAMS.—The following pro-
6 grams shall be exempt from reduction under any order
7 issued under this part:

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

9 “Veterans Insurance and Indemnities (36-
10 0120-0-1-701).

11 “Service-Disabled Veterans Insurance Funds
12 (36-4012-0-3-701).

13 “Veterans Reopened Insurance Fund (36-
14 4010-0-3-701).

15 “Servicemembers’ Group Life Insurance Fund
16 (36-4009-0-3-701).

17 “Post-Vietnam Era Veterans Education Ac-
18 count (36-8133-0-7-702).

19 “National Service Life Insurance Fund (36-
20 8132-0-7-701).

21 “United States Government Life Insurance
22 Fund (36-8150-0-7-701).

23 “Veterans Special Life Insurance Fund (36-
24 8455-0-8-701).

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

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

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

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

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

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

20 “(a) NATIONAL WOOL ACT AND THE SPECIAL MILK
21 PROGRAM.—Automatic spending increases are increases
22 in outlays due to changes in indexes in the following pro-
23 grams:

24 “(1) National Wool Act; and

25 “(2) Special milk program.

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

4 “(b) STUDENT LOANS.—For all student loans under
5 part B or D of title IV of the Higher Education Act of
6 1965 made during the period when a sequestration order
7 under section 254 is in effect as required by section 252
8 or 253, origination fees under sections 438(c)(2) and
9 455(c) of that Act shall each be increased by 0.50 percent-
10 age point.

11 “(c) FOSTER CARE AND ADOPTION ASSISTANCE
12 PROGRAMS.—Any sequestration order shall make the re-
13 duction otherwise required under the foster care and adop-
14 tion assistance programs (established by part E of title
15 IV of the Social Security Act) only with respect to pay-
16 ments and expenditures made by States in which increases
17 in foster care maintenance payment rates or adoption as-
18 sistance payment rates (or both) are to take effect during
19 the fiscal year involved, and only to the extent that the
20 required reduction can be accomplished by applying a uni-
21 form percentage reduction to the Federal matching pay-
22 ments that each such State would otherwise receive under
23 section 474 of that Act (for such fiscal year) for that por-
24 tion of the State’s payments attributable to the increases
25 taking effect during that year. No State’s matching pay-

1 ments from the Government for foster care maintenance
2 payments or for adoption assistance maintenance pay-
3 ments may be reduced by a percentage exceeding the ap-
4 plicable domestic sequestration percentage. No State may,
5 after the date of the enactment of this Act, make any
6 change in the timetable for making payments under a
7 State plan approved under part E of title IV of the Social
8 Security Act which has the effect of changing the fiscal
9 year in which expenditures under such part are made.

10 “(d) LOW-INCOME PROGRAMS.—(1) Benefit pay-
11 ments or payments to States or other entities for the pro-
12 grams listed in paragraph (2) shall not be reduced by
13 more than 2 percent under any sequestration order. When
14 reduced under an end-of-session sequestration order, those
15 benefit reductions shall occur starting with the payment
16 made at the start of January. When reduced under a with-
17 in-session sequestration order, those benefit reductions
18 shall occur starting with the next periodic payment.

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

21 “Child Nutrition (12-3539-0-1-605).

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

23 “Grants to States for Medicaid (75-0512-0-1-
24 551).

1 “State Children’s Health Insurance Fund (75–
2 0515–0–1–551).

3 “Supplemental Security Income Program (75–
4 0406–0–1–609).

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

7 “Special supplemental nutrition program for
8 women, infants, and children (WIC) (12–3510–0–1–
9 605).

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

15 “(f) FEDERAL RETIREMENT PROGRAMS.—

16 “(1) For each of the programs listed in para-
17 graph (2) and except as provided in paragraph (3),
18 monthly (or other periodic) benefit payments shall
19 be reduced by the uniform percentage applicable to
20 direct spending sequestrations for such programs,
21 which shall in no case exceed 2 percent under any
22 sequestration order. When reduced under an end-of-
23 session sequestration order, those benefit reductions
24 shall occur starting with the payment made at the
25 start of January or 7 weeks after the order is

1 issued, whichever is later. When reduced under a
2 within-session sequestration order, those benefit re-
3 ductions shall occur starting with the next periodic
4 payment.

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

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

9 “Comptrollers General Retirement System
10 (05-0107-0-1-801).

11 “Judicial Officer’ Retirement Fund (10-
12 8122-0-7-602).

13 “Claims Judges’ Retirement Fund (10-
14 8124-0-7-602).

15 “Pensions for former Presidents (47-
16 0105-0-1-802).

17 “National Oceanic and Atmospheric Ad-
18 ministration Retirement (13-1450-0-1-306).

19 “Railroad Industry Pension Fund (60-
20 8011-0-7-601).

21 “Retired pay, Coast Guard (70-0602-0-1-
22 403).

23 “Retirement pay and medical benefits for
24 commissioned officers, Public Health Service
25 (75-0379-0-1-551).

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

3 “Payments to the Foreign Service Retire-
4 ment and Disability Fund (72-1036-0-1-153).

5 “Payments to Judiciary Trust Funds (10-
6 0941-0-1-752).

7 “(g) VETERANS PROGRAMS.—To achieve the total
8 percentage reduction required by any order issued under
9 this part, the percentage reduction that shall apply to pay-
10 ments under the following programs shall in no event ex-
11 ceed 2 percent:

12 “Canteen Service Revolving Fund (36-4014-0-
13 3-705).

14 “Medical Center Research Organizations (36-
15 4026-0-3-703).

16 “Disability Compensation Benefits (36-0102-
17 0-1-701).

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

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

21 “Pensions Benefits (36-0154-0-1-701).

22 “Burial Benefits (36-0139-0-1-701).

23 “Guaranteed Transitional Housing Loans For
24 Homeless Veterans Program Account (36-1119-0-
25 1-704).

1 “Housing Direct Loan Financing Account (36-
2 4127-0-1-704).

3 “Housing Guaranteed Loan Financing Account
4 (36-4129-0-3-704).

5 “Vocational Rehabilitation and Education Di-
6 rect Loan Financing Account (36-4259-0-3-702).

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

15 “(i) MEDICARE PROGRAM.—

16 “(1) CALCULATION OF REDUCTION IN INDI-
17 VIDUAL PAYMENT AMOUNTS.—To achieve the total
18 percentage reduction in those programs required by
19 any order issued under this part, the percentage re-
20 duction that shall apply to payments under the
21 health insurance programs under title XVIII of the
22 Social Security Act (other than payments described
23 in section 255(a)(2)) that are subject to such order
24 for services furnished after any sequestration order
25 is issued shall be such that the reduction made in

1 payments under that order shall achieve the required
2 total percentage reduction in those payments for
3 that fiscal year as determined on a 12-month basis.
4 However, the percentage reduction under any such
5 program shall in no case exceed 2 percent under any
6 sequestration order.

7 “(2) TIMING OF APPLICATION OF REDUC-
8 TIONS.—If a reduction is made under paragraph (1)
9 in payment amounts pursuant to a sequestration
10 order, the reduction shall be applied to payment for
11 services furnished after the effective date of the
12 order.

13 “(3) NO INCREASE IN BENEFICIARY CHARGES
14 IN ASSIGNMENT-RELATED CASES.—If a reduction in
15 payment amounts is made under paragraph (1) for
16 services for which payment under part B of title
17 XVIII of the Social Security Act is made on the
18 basis of an assignment described in section
19 1842(b)(3)(B)(ii), in accordance with section
20 1842(b)(6)(B), or under the procedure described in
21 section 1870(f)(1) of such Act, the person furnishing
22 the services shall be considered to have accepted
23 payment of the reasonable charge for the services,
24 less any reduction in payment amount made pursu-
25 ant to a sequestration order, as payment in full.

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

7 “(j) FEDERAL PAY.—

8 “(1) IN GENERAL.—For purposes of any order
9 issued under section 254, new budget authority to
10 pay Federal personnel shall be reduced by the appli-
11 cable uniform percentage, but no sequestration order
12 may reduce or have the effect of reducing the rate
13 of pay to which any individual is entitled under any
14 statutory pay system (as increased by any amount
15 payable under section 5304 of title 5, United States
16 Code, or section 302 of the Federal Employees Pay
17 Comparability Act of 1990) or the rate of any ele-
18 ment of military pay to which any individual is enti-
19 tled under title 37, United States Code, or any in-
20 crease in rates of pay which is scheduled to take ef-
21 fect under section 5303 of title 5, United States
22 Code, section 1009 of title 37, United States Code,
23 or any other provision of law.

24 “(2) DEFINITIONS.—For purposes of this sub-
25 section:

1 “(A) The term ‘statutory pay system’ shall
2 have the meaning given that term in section
3 5302(1) of title 5, United States Code.

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

6 “(i) the elements of compensation of
7 members of the uniformed services speci-
8 fied in section 1009 of title 37, United
9 States Code,

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

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

15 “(C) The term ‘uniformed services’ shall
16 have the meaning given that term in section
17 101(3) of title 37, United States Code.

18 “(k) CHILD SUPPORT ENFORCEMENT PROGRAM.—
19 Any sequestration order shall accomplish the full amount
20 of any required reduction in expenditures under sections
21 455 and 458 of the Social Security Act by reducing the
22 Federal matching rate for State administrative costs
23 under such program, as specified (for the fiscal year in-
24 volved) in section 455(a) of such Act, to the extent nec-
25 essary to reduce such expenditures by that amount.

1 “(1) EXTENDED UNEMPLOYMENT COMPENSATION.—

2 (1) A State may reduce each weekly benefit payment made
3 under the Federal-State Extended Unemployment Com-
4 pensation Act of 1970 for any week of unemployment oc-
5 ccurring during any period with respect to which payments
6 are reduced under an order issued under this title by a
7 percentage not to exceed the percentage by which the Fed-
8 eral payment to the State under section 204 of such Act
9 is to be reduced for such week as a result of such order.

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

14 “(m) COMMODITY CREDIT CORPORATION.—

15 “(1) POWERS AND AUTHORITIES OF THE COM-
16 MODITY CREDIT CORPORATION.—This title shall not
17 restrict the Commodity Credit Corporation in the
18 discharge of its authority and responsibility as a cor-
19 poration to buy and sell commodities in world trade,
20 to use the proceeds as a revolving fund to meet
21 other obligations and otherwise operate as a corpora-
22 tion, the purpose for which it was created.

23 “(2) REDUCTION IN PAYMENTS MADE UNDER
24 CONTRACTS.—(A) Payments and loan eligibility
25 under any contract entered into with a person by the

1 Commodity Credit Corporation prior to the time any
2 sequestration order has been issued shall not be re-
3 duced by an order subsequently issued. Subject to
4 subparagraph (B), after any sequestration order is
5 issued for a fiscal year, any cash payments made by
6 the Commodity Credit Corporation—

7 “(i) under the terms of any one-year con-
8 tract entered into in or after such fiscal year
9 and after the issuance of the order; and

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

14 “(B) Each contract entered into with producers
15 or producer cooperatives with respect to a particular
16 crop of a commodity and subject to reduction under
17 subparagraph (A) shall be reduced in accordance
18 with the same terms and conditions. If some, but
19 not all, contracts applicable to a crop of a com-
20 modity have been entered into prior to the issuance
21 of any sequestration order, the order shall provide
22 that the necessary reduction in payments under con-
23 tracts applicable to the commodity be uniformly ap-
24 plied to all contracts for succeeding crops of the

1 commodity, under the authority provided in para-
2 graph (3).

3 “(3) DELAYED REDUCTION IN OUTLAYS PER-
4 MISSIBLE.—Notwithstanding any other provision of
5 this title, if any sequestration order is issued with
6 respect to a fiscal year, any reduction under the
7 order applicable to contracts described in paragraph
8 (2) may provide for reductions in outlays for the ac-
9 count involved to occur in the fiscal years following
10 the fiscal year to which the order applies.

11 “(4) UNIFORM PERCENTAGE RATE OF REDUC-
12 TION AND OTHER LIMITATIONS.—All reductions de-
13 scribed in paragraph (2) that are required to be
14 made in connection with any sequestration order
15 with respect to a fiscal year—

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

24 “(B) with respect to commodity price sup-
25 port and income protection programs, shall be

1 made in such manner and under such proce-
2 dures as will attempt to ensure that—

3 “(i) uncertainty as to the scope of
4 benefits under any such program is mini-
5 mized;

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

9 “(iii) normal production and mar-
10 keting relationships among agricultural
11 commodities (including both contract and
12 non-contract commodities) are not dis-
13 torted.

14 In meeting the criterion set out in clause (iii)
15 of subparagraph (B) of the preceding sentence,
16 the President shall take into consideration that
17 reductions under an order may apply to pro-
18 grams for two or more agricultural commodities
19 that use the same type of production or mar-
20 keting resources or that are alternative com-
21 modities among which a producer could choose
22 in making annual production decisions.

23 “(5) CERTAIN AUTHORITY NOT TO BE LIM-
24 ITED.—Nothing in this title shall limit or reduce in
25 any way any appropriation that provides the Com-

1 modity Credit Corporation with funds to cover the
2 Corporation's net realized losses.

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

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

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

16 “(2) Except as otherwise provided, the same
17 percentage sequestration shall apply to all programs,
18 projects, and activities within a budget account (with
19 programs, projects, and activities as delineated in
20 the appropriation Act or accompanying report for
21 the relevant fiscal year covering that account, or for
22 accounts not included in appropriation Acts, as de-
23 lined in the most recently submitted President's
24 budget).

1 “(3) Administrative regulations or similar ac-
2 tions implementing a sequestration shall be made
3 within 120 days of the sequestration order. To the
4 extent that formula allocations differ at different
5 levels of budgetary resources within an account, pro-
6 gram, project, or activity, the sequestration shall be
7 interpreted as producing a lower total appropriation,
8 with that lower appropriation being obligated as
9 though it had been the pre-sequestration appropria-
10 tion and no sequestration had occurred.

11 “(4) Except as otherwise provided, obligations
12 in sequestered direct spending accounts shall be re-
13 duced in the fiscal year in which a sequestration oc-
14 curs and in all succeeding fiscal years.

15 “(5) If an automatic spending increase is se-
16 questered, the increase (in the applicable index) that
17 was disregarded as a result of that sequestration
18 shall not be taken into account in any subsequent
19 fiscal year.

20 “(6) Except as otherwise provided, sequestra-
21 tion in accounts for which obligations are indefinite
22 shall be taken in a manner to ensure that obliga-
23 tions in the fiscal year of a sequestration and suc-
24 ceeding fiscal years are reduced, from the level that

1 would actually have occurred, by the applicable se-
2 questration percentage.”.

3 (b) CONFORMING AMENDMENT.—The table of con-
4 tents set forth in 250(c) of the Balanced Budget and
5 Emergency Deficit Control Act of 1985 is amended by
6 amending the item relating to section 256 to read as fol-
7 lows:

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

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

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

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

13 (2) Section 254(c)(4)(B) is amended by insert-
14 ing “or section 252A” after “section 252”.

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

18 “(5) DIRECT SPENDING CONTROL SEQUESTRA-
19 TION REPORTS.—The preview reports shall set forth,
20 for the current year and the budget year, estimates
21 for each of the following:

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

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

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

10 “(4) DIRECT SPENDING CONTROL SEQUESTRA-
11 TION REPORTS.—The final reports shall contain all
12 the information required in the direct spending con-
13 trol sequestration preview reports. In addition, these
14 reports shall contain, for the budget year, for each
15 account to be sequestered, estimates of the baseline
16 level of sequesterable budgetary resources and re-
17 sulting outlays and the amount of budgetary re-
18 sources to be sequestered and resulting outlay reduc-
19 tions. The reports shall also contain estimates of the
20 effects on outlays of the sequestration in each out-
21 year for direct spending programs.”.

22 (5) Section 258C(a)(1) is amended by inserting
23 “, 252A,” after “section 252”.

1 **TITLE III—LONG-TERM UN-**
2 **FUNDED OBLIGATIONS AND**
3 **OTHER AMENDMENTS**

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

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

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

9 **“SEC. 441. ANALYSIS OF LONG-TERM UNFUNDED OBLIGA-**
10 **TIONS.**

11 “Beginning in fiscal year 2006, the President’s budg-
12 et shall include an analysis of long-term unfunded obliga-
13 tions. This analysis shall include:

14 “(1) An analysis of the impact of long-term un-
15 funded obligations in applicable entitlement pro-
16 grams on the long-term level of unified budget out-
17 lays and the unified budget surplus or deficit, in re-
18 lation to the projected level of the Gross Domestic
19 Product.

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

24 “(3) An analysis of the impact of legislation
25 proposed in the President’s budget on the long-term

1 unfunded obligation in any applicable entitlement
2 program.

3 **"SEC. 442. STANDARD FOR DETERMINING INCREASE IN**
4 **LONG-TERM UNFUNDED OBLIGATION.**

5 "For the purpose of this part, legislation shall be con-
6 sidered to increase the long-term unfunded obligation of
7 an applicable group of entitlement programs if it either—

8 "(1) increases the excess of the discounted
9 present value of the expenditures of programs in the
10 group above the discounted present value of the
11 dedicated receipts of programs in the group over a
12 long-term estimating period by more than an appli-
13 cable threshold; or

14 "(2) increases the dollar level of the expendi-
15 tures of programs in the group above the dedicated
16 receipts of programs in the group above the dedi-
17 cated receipts of programs in the group in the last
18 year of the estimating period by more than the ap-
19 plicable threshold.

20 **"SEC. 443. LONG-TERM UNFUNDED OBLIGATION ANALYSES**
21 **BY CONGRESSIONAL BUDGET OFFICE.**

22 The Director of the Congressional Budget Office
23 shall, to the extent practicable, prepare for each bill or
24 resolution of a public character reported by any committee
25 of the House of Representatives or the Senate (except the

1 Committee on Appropriations of each House), and submit
2 to such committee—

3 “(1) an estimate of any increase of the long-
4 term unfunded obligation of any applicable entitle-
5 ment program which would be incurred in carrying
6 out such bill or resolution as measured by the in-
7 crease of the excess of the discounted present value
8 of the expenditures of such program above the dis-
9 counted present value of the dedicated receipts of
10 such program over a long-term estimating period by
11 more than an applicable threshold; and

12 “(2) an estimate of any increase in the dollar
13 level of the expenditures of such program above the
14 dedicated receipts of such program above the dedi-
15 cated receipts of such program in the last year of
16 the estimating period by more than the applicable
17 threshold.

18 The estimates and description so submitted shall be in-
19 cluded in the report accompanying such bill or resolution
20 if timely submitted to such committee before such report
21 is filed.

22 **“SEC. 444. DEFINITIONS.**

23 “As used in this part—

1 “(1) the term ‘applicable entitlement program’
2 shall be defined as any one of the following pro-
3 grams:

4 “(A) Old Age, Survivors, and Disability In-
5 surance.

6 “(B) Medicare (combined hospital insur-
7 ance and supplemental medical insurance).

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

11 “(D) Foreign Service Retirement and Dis-
12 ability (combined Foreign Service Retirement
13 and Disability System and Foreign Service Pen-
14 sion System).

15 “(E) Retired Employees Health Benefits.

16 “(F) Military Retirement System.

17 “(G) Uniformed Services Retiree Health
18 Care System.

19 “(H) Railroad Retirement System (com-
20 bined Rail Industry Pension Fund, Social Secu-
21 rity Equivalent Benefit Account, and National
22 Railroad Retirement Investment Trust).

23 “(I) Supplemental Security Income (SSI).

24 “(J) For estimates made on or after Janu-
25 ary 1, 2006, veterans disability compensation.

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

3 “(2) The term ‘entitlement program with regu-
4 larly available long-term estimates’ means a program
5 for which the Director of the Congressional Budget
6 Office, in consultation with the Committees on the
7 Budget of the House of Representatives and the
8 Senate and the Director of the Office of Manage-
9 ment and Budget, has determined that it is feasible
10 to make long-term estimates of expenditures and
11 dedicated receipts based on explicit demographic,
12 economic, and other estimating assumptions. The
13 Director shall notify the House and Senate Commit-
14 tees on the Budget in writing, whenever he or she
15 makes such a determination.

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

18 “(A) Old Age, Survivors, and Disability In-
19 surance.

20 “(B) All applicable entitlement programs
21 except Old Age, Survivors, and Disability Insur-
22 ance.

23 “(4) The term ‘long-term estimating period’
24 shall be defined as 75 years, starting with the cur-
25 rent year, for all applicable entitlement programs ex-

1 cept for Old Age, Survivors, and Disability Insur-
2 ance. For Old Age, Survivors, and Disability Insur-
3 ance, the term shall be defined as the infinite period
4 of years utilized in the most recent annual report of
5 the Board of Trustees provided pursuant to section
6 201(c)(2) of the Social Security Act.

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

10 “(6) The term ‘dedicated receipts’ shall be de-
11 fined, for all applicable entitlement programs other
12 than Medicare, as taxes and fees received from the
13 public, payments received from Federal agencies on
14 behalf of Federal agency employees who are partici-
15 pants in the program, transfers received by the pro-
16 gram under section 7(c)(2) of the Railroad Retire-
17 ment Act of 1974 (45 U.S.C. 231f(e)(2)), and trans-
18 fers from the general fund of amounts equivalent to
19 income tax receipts under section 86 of the Internal
20 Revenue Code. Dedicated receipts shall not include
21 payments from the general fund to amortize a pro-
22 gram’s unfunded liability or payments of interest on
23 a program’s trust fund holdings. For Medicare,
24 ‘dedicated receipts’ shall be defined according to sec-

1 tion 801(c)(3) of the Medicare Prescription Drug,
2 Improvement, and Modernization Act of 2003.

3 “(7) The term ‘expenditures’ shall be defined,
4 for all applicable entitlement programs other than
5 Medicare, to include benefit payments, administra-
6 tive expenses to the extent paid from a dedicated
7 fund, and transfers to other programs made under
8 section 7(e)(2) of the Railroad Retirement Act of
9 1974 (45 U.S.C. 231f(c)(2)). For Medicare, ‘expend-
10 itures’ shall be defined according to section
11 801(c)(4) of the Medicare prescription Drug, Im-
12 provement, and Modernization Act of 2003.

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

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

17 “(i) 0.02 percent of the present value
18 of the taxable payroll of the group of pro-
19 grams over the estimating period, for legis-
20 lation affecting Old Age, Survivors, and
21 Disability Insurance or Medicare; and

22 “(ii) 1 percent of the present value of
23 the expenditures over the estimating period
24 of the programs in the group that are af-
25 fected by the legislation.

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

4 “(i) 0.02 percent of the taxable pay-
5 roll of the group of programs in that year,
6 for legislation affecting Old Age, Survivors,
7 and Disability Insurance or Medicare;

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

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

13 (b) CONFORMING AMENDMENT.—The table of con-
14 tents set forth in section 1(b) of the Congressional Budget
15 and Impoundment Control Act of 1974 is amended by
16 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 of-
fice.

“Sec. 444. Definitions.