
CRS Report for Congress

Received through the CRS Web

Budget Enforcement Act of 1997: Summary and Legislative History

October 8, 1997

Robert Keith
Specialist in American National Government
Government Division

Budget Enforcement Act of 1997: Summary and Legislative History

Summary

In July 1997, Congress completed action on two reconciliation bills: (1) the Balanced Budget Act of 1997, which reduced mandatory spending; and (2) the Taxpayer Relief Act of 1997, which reduced revenues, but included partially offsetting revenue increases. President Clinton signed the measures into law on August 5, as P.L. 105-33 and P.L. 105-34, respectively. Together, the two reconciliation bills implemented most of the deficit reduction and tax relief policies underlying the bipartisan budget agreement between President Clinton and congressional leaders, reached in May, and the FY1998 budget resolution, adopted in June. (The remainder of the spending reductions necessary to achieve a balanced budget are expected to occur in the annual appropriations process each year under revised budget procedures, discussed below.)

An important element of the reconciliation measures is changes in the federal budget process. The changes are intended mainly to ensure compliance in the coming years with the multi-year budget policies set in the legislation, thus preserving the deficit reduction achieved by the two bills and maintaining the path to a balanced budget. They are included in a separate title on budget enforcement, which is referred to as the Budget Enforcement Act (BEA) of 1997. The House initially included the budget process changes in the Balanced Budget Act of 1997, and the Senate initially included comparable changes in the other reconciliation bill. During conference action on the two measures, the House and Senate decided to include the budget process changes in the Balanced Budget Act.

The budget process changes called for in the bipartisan budget agreement and the FY1998 budget resolution primarily involve an extension of current budget enforcement procedures established under the Budget Enforcement Act (BEA) of 1990. These procedures include discretionary spending limits, covering annual appropriations acts, and a pay-as-you-go requirement, covering legislation affecting mandatory spending or revenues. Both sets of procedures are enforced by sequestration and were scheduled to expire at the end of FY1998.

The BEA of 1997 extends the discretionary spending limits and pay-as-you-go requirement for legislation enacted through FY2002. In addition, it makes permanent several changes in the congressional budget process made on a temporary basis by the BEA of 1990, including the requirement that budget resolutions cover five, rather than three, fiscal years. Further, the BEA of 1997 makes many technical and conforming changes, correcting certain drafting errors in the BEA of 1990 and bringing the law up to date for various changes enacted during the interim. Finally, it makes other changes in the sequestration and congressional budget processes, mostly minor ones that ratify recent changes in practice.

Contents

Legislative History	2
Bipartisan Budget Agreement and Budget Resolution	2
House Action on the BEA of 1997	4
Senate Action on the BEA of 1997	6
Conference Action and Presidential Approval	7
Overview of the Act	7
Section-by-Section Summary of the Act	8
Section 10001	9
Subtitle A—Amendments to the Congressional Budget and Impoundment Control Act of 1974	9
Section 10101	9
Section 10102	9
Section 10103	9
Section 10104	10
Section 10105	10
Section 10106	11
Section 10107	12
Section 10108	12
Section 10109	12
Section 10110	12
Section 10111	12
Section 10112	13
Section 10113	13
Section 10114	13
Section 10115	14
Section 10116	14
Section 10117	14
Section 10118	15
Section 10119	15
Section 10120	15
Section 10121	16
Section 10122	16
Section 10123	16
Subtitle B—Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985	16
Section 10201	16
Section 10202	16
Section 10203	17
Section 10204	18
Section 10205	19
Section 10206	19
Section 10207	19
Section 10208	19
Section 10209	20
Section 10210	20

Section 1021120
Section 1021220
Section 1021321

List of Figures

Figure 1. Budget Process Changes in the Bipartisan Budget Agreement3

List of Tables

Table 1. Revised Discretionary Spending Limits18
Table 2. Cross References to Amendments22

Budget Enforcement Act of 1997: Summary and Legislative History

In late July 1997, the House and Senate completed action on two bills implementing reconciliation directives contained in the FY1998 budget resolution.¹ One bill, the Balanced Budget Act of 1997, H.R. 2015, reduced mandatory spending and increased the statutory limit on the public debt. The other bill, the Taxpayer Relief Act of 1997, H.R. 2014, reduced revenues, but the reductions were offset partially by significant revenue increases. President Clinton signed the measures into law on August 5, as P.L. 105-33 and P.L. 105-34, respectively.²

Together, the two reconciliation bills implemented most of the deficit reduction and tax relief policies underlying the bipartisan budget agreement between President Clinton and congressional leaders, reached on May 2, 1997, and the budget resolution, adopted by the House and Senate on June 5. These policies are expected to lead to a balanced budget by FY2002. (The remainder of the spending reductions necessary to achieve a balanced budget are expected to occur in the annual appropriations process each year under revised budget procedures, discussed below.)

An important element of the reconciliation measures is changes in the federal budget process. The changes are intended mainly to ensure compliance in the coming years with the multi-year budget policies set in the legislation, thus preserving the deficit reduction achieved by the two bills and maintaining the path to a balanced budget. They are included in a separate title on budget enforcement, which is referred to as the Budget Enforcement Act (BEA) of 1997.

The House initially included the budget process changes in the Balanced Budget Act of 1997, and the Senate initially included comparable changes in the other reconciliation bill, the Taxpayer Relief Act of 1997. During conference action on the two measures, the House and Senate decided to include the budget process changes in the Balanced Budget Act.

This report provides a legislative history of the BEA of 1997 and summarizes its features.

¹ The directives were included in Section 104 (Reconciliation in the Senate) and Section 105 (Reconciliation in the House of Representatives) of H.Con.Res. 84, the budget resolution for FY1998 (see pages 15-20 of the conference report and pages 103-106 of the accompanying joint explanatory statement, H.Rept. 105-116, June 4, 1997).

² For more information regarding congressional and presidential action on these measures, see: *Congressional Budget Actions in 1997*, by Robert Keith, CRS Issue Brief 97008, updated periodically.

Legislative History

Development of the BEA of 1997 began many months before the legislation was considered by the House and the Senate. In anticipation of the need to extend existing procedures under the Budget Enforcement Act of 1990, scheduled to expire at the end of FY1998, and to make technical and conforming changes to budget laws, staff of the House and Senate Budget Committees began working on the same basic draft legislation. The two committees also involved the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) in the development of the legislation. Before the House and Senate considered the BEA of 1997 as part of the reconciliation process, a commitment to budget process change was made in the bipartisan budget agreement and reaffirmed during action on the budget resolution.

Bipartisan Budget Agreement and Budget Resolution

House and Senate action on the budget resolution was preceded by budget negotiations between congressional leaders and the President. Some informal discussions took place earlier in the session, but negotiations began in earnest on March 31. On Friday, May 2, President Clinton and congressional leaders announced that they had reached agreement on a plan to balance the budget by FY2002. An extensive written summary of the agreement was finalized on May 16.³

The agreement consisted of 10 general items, separately enumerated, as well as budgetary tables and explanations of policy assumptions in specific program areas. Under the agreement, the House and Senate were charged with developing a budget resolution, and subsequent spending and revenue legislation, consistent with the assumptions laid out in the agreement. The fifth general item addressed the treatment of the budget process included in the agreement:

5. Agreed budget process items will be included in the budget resolution (as appropriate) and reconciliation, and are set forth in the budget process description included in the Agreement.

The budget process description appended to the agreement is provided verbatim in **Figure 1**.

For the most part, the agreement called for the extension through FY2002 of existing enforcement procedures under the Budget Enforcement Act (BEA) of 1990. These procedures, involving discretionary spending limits and the pay-as-you-go (PAYGO) requirement, otherwise would have expired at the end of FY1998. Procedures associated with the discretionary spending limits were to be modified, mainly to establish defense and nondefense categories of discretionary spending for FY1998 and FY1999. The balances on the PAYGO scorecard were to be reset to

³ The text of the agreement was included on pages 75-92 of a print of the Senate Budget Committee (issued in lieu of a committee report on the budget resolution): *Concurrent Resolution on the Budget: FY 1998*, S.Prt. 105-27, May 1997. This document is available on the Internet at <http://www.access.gpo.gov/congress/senate/senate06.html>.

zero, so that the deficit reduction achieved through reconciliation (and the enactment of other measures) could not be used to offset future increases in direct spending.

**Figure 1. Budget Process Changes
in the Bipartisan Budget Agreement**

Extend discretionary caps to 2002.

- ! Extend and revise discretionary caps for 1998-2002 at agreed levels shown in tables included in this agreement, and extend current law sequester enforcement mechanism.
- ! Within discretionary caps, establish separate categories (firewalls) for Defense and Non-Defense Discretionary (NDD) at agreed levels shown in agreement tables for each year 1998-1999 with associated sequester firewall enforcement as provided in BEA for 1990-93.
- ! Retain current law on separate crime caps (VCRTF) at levels shown in agreement tables.
- ! Extend and update special allowance for outlays; extend existing adjustment for emergencies.
- ! Cap adjustment for exchanges of monetary assets, such as New Arrangements to Borrow, and for international organization arrears.

Extend PAYGO to 2002.

Revise the asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associated cash flows would not increase the deficit; scoring, if allowed, based on cash effect, not NPV.

The Superfund tax shall not be used as a revenue offset.

Reduce paygo balances to zero, including those derived from budget agreement.

Provide for debt limit increase sufficient to extend limit to December 15, 1999.

The House and Senate quickly acted on a budget resolution in accord with the budget agreement. The House Budget Committee reported its version of the budget resolution, H.Con.Res. 84 on May 18 (H.Rept. 105-100). The Senate Budget Committee reported its version, S.Con.Res. 27, on May 19 (the measure was accompanied by a 206-page committee print — *Concurrent Resolution on the Budget: FY1998*, S.Prt. 105-27, May 1997 — rather than a report).

Early in the morning of May 21, the House adopted the budget resolution (H.Con.Res. 84) by a 333-99 vote. The Senate began consideration of the budget resolution on May 20, adopting it by a 78-22 vote on May 23. Conferees quickly resolved the largely technical differences between the two versions (dealing mainly with nonbinding sense-of-the-Senate statements), reporting the budget resolution

back to their chambers on June 4 (H.Rept. 105-116). The House and Senate agreed to the conference report the next day, by votes of 327-97 and 76-22, respectively.

As finally adopted by the House and Senate, the budget resolution contained several budget process provisions in Title II (Budgetary Restraints and Rulemaking). First, Section 201 set forth discretionary spending limits for FY 1998-2002, consistent with the limits recommended in the bipartisan budget agreement, to be used for enforcement only in the Senate. The section also established a point of order in the Senate against the consideration of any budget resolution or spending bill that would violate the limits. The budget resolution did not contain any House procedures regarding discretionary spending limits.

Second, Section 211 revised the asset scoring rule in a manner consistent with the recommendation in the bipartisan budget agreement.

Finally, several other sections provided "reserve funds" in the House, Senate, or both bodies, under which enforcement procedures would be adjusted automatically to allow the consideration of particular spending measures as long as they were deficit neutral. Several of the reserve funds for the Senate provided for adjustment of the discretionary spending limits in the budget resolution for legislation affecting the International Monetary Fund and arrearages of international organizations; the bipartisan budget agreement contemplated similar adjustments in the statutory discretionary spending limits.

House Action on the BEA of 1997

On June 25, 1997, the House took up the first of the two reconciliation bills it would consider that week, the Balanced Budget Act of 1997. Under the terms of the rule providing for the consideration of the two reconciliation bills, H.Res. 174, an amendment to the Balanced Budget Act of 1997 developed by Representative John Kasich, chairman of the House Budget Committee, was considered as adopted when the House agreed to the rule.⁴ The Kasich amendment made changes in various titles of H.R. 2015, as reported, and also added a new title, Title XI— Budget Enforcement, referred to as the Budget Enforcement Act (BEA) of 1997.⁵ Later that day, the House passed the bill as amended by a vote of 270-162. No changes were made in the bill other than those made by the Kasich amendment. (The House passed the other

⁴ Section 1 of H.Res. 174 provided for the automatic adoption of the Kasich amendment; it was referred to as amendment numbered 1 (as printed in the *Congressional Record* of June 24, 1997, at pages H4364-H4375). No other amendments were made in order under the rule. One motion to recommit with instructions was rejected and another was ruled out of order. H.R. 2015, as amended by the Kasich amendment, is printed in the *Congressional Record* of June 25 at pages H4416-4454.

⁵ Pursuant to Section 310 of the Congressional Budget Act of 1974, the Budget Committees receive reconciliation submissions from instructed committees and report them in an omnibus bill "without substantive revision." Consequently, if the House Budget Committee wishes to include budget process changes in a reconciliation bill, it must do so through a floor amendment.

reconciliation bill, H.R. 2014, the Taxpayer Relief Act of 1997, on June 26; budget process changes were not included in the bill.)

The BEA of 1997 first was developed as a free-standing bill, H.R. 2037, which was introduced by Representative Nick Smith (for himself and Representative Kasich) on June 25. A brief explanation of the BEA of 1997 was included in the Rules Committee's report on H.Res. 174.⁶ The same explanation was inserted into the *Congressional Record* by Representative Smith.⁷

During consideration of the rule on H.R. 2015, several Members expressed their concern that the enforcement procedures added by the Kasich amendment were inadequate.⁸ A bipartisan group of Members voiced their support for an alternative, an amendment developed by Representatives Joe Barton and David Minge. The Barton-Minge amendment was based on a free-standing measure, H.R. 2003 (also entitled the Budget Enforcement Act of 1997), that they had introduced with others on June 20.⁹ The amendment had not been made in order under the rule, but Representative Joe Moakley (ranking minority member of the House Rules Committee) indicated that he would seek to have the amendment made in order, as one of a series of amendments, if the rule were amended.¹⁰ However, the previous question on the rule was ordered by a vote of 222-204, thereby precluding Representative Moakley from amending the rule and obtaining consideration of other amendments.

Advocates of the amendment also were unsuccessful in a second attempt to add it to the bill. A motion to recommit H.R. 2015 with instructions, offered by Representative Sherrod Brown (of Ohio), included the Barton-Minge amendment, as well as various other provisions.¹¹ The motion was ruled out of order on the ground that it contained nongermane matter.

During consideration of H.Res. 174, Representative Gerald Solomon, chairman of the House Rules Committee, discussed with Representative Barton an "ad hoc agreement" with the House Republican leadership that might lead to consideration

⁶ See H.Rept. 105-152, June 25, 1997, page 6.

⁷ See the remarks of Representative Smith in the *Congressional Record* of June 25, 1997, at page H4576.

⁸ See the remarks of Representatives Barton, Wamp, Visclosky, Stenholm, and others in the *Congressional Record* of June 25, 1997, at pages H4389-H4394.

⁹ For a summary of the bill, see *The Proposed Budget Enforcement Act of 1997 (H.R. 2003)*, by James V. Saturno, CRS Report 97-713 GOV, July 18, 1997, 5 pages.

¹⁰ The Barton-Minge amendment was printed in the *Congressional Record* of June 25, 1997, at pages H4402-H4408, as one of the series of amendments that Representative Moakley proposed to make in order if the previous question on the rule was defeated.

¹¹ The motion to recommit, and the raising and disposition of the point of order against it, occurs in the *Congressional Record* of June 25, 1997, at pages H4593-H4602.

of budget enforcement legislation on the House floor later in July.¹² In fulfillment of this agreement, the House on July 23 considered H.R. 2003, rejecting it by a vote of 81-347.

Senate Action on the BEA of 1997

As mentioned previously, the Senate decided at first to include budget process changes in the revenue reconciliation bill rather than the Balanced Budget Act of 1997. In the Senate, that bill, S. 949, initially was entitled the Revenue Reconciliation Act of 1997; the title was changed to the Taxpayer Relief Act of 1997 in conference.

The Senate began consideration of S. 949 on June 25. On the third day of consideration, June 27, the Senate took up several amendments dealing with budget process changes. By a vote of 98-2, the Senate adopted the Domenici/Lautenberg amendment (number 537), offered by Senators Pete Domenici and Frank Lautenberg, the chairman and ranking minority member of the Senate Budget Committee, respectively. The amendment added a new Title XVI (Budget Enforcement) to the bill.¹³ Although the new title effectively constituted the Senate Budget Committee's version of the BEA of 1997, it did not contain a short title. The Domenici/Lautenberg amendment was modified by unanimous consent to incorporate a Biden/Gramm amendment (number 539) involving the extension of certain procedures related to the Violent Crime Reduction Trust Fund.

On June 27, the Senate also adopted, by a vote of 92-8, an amendment by Senator Robert C. Byrd (number 572) adjusting the time limits and other procedures applicable in the Senate during the consideration of reconciliation measures. In addition, the Senate rejected separate motions to waive the 1974 Congressional Budget Act, preventing action on the following amendments that proposed budget process changes:

- (1) the Gramm amendment (number 566), to restore deficit targets (declining to zero for FY2002 and thereafter) enforceable by sequestration and to allow revenue reductions to be offset by discretionary spending reductions;
- (2) the Bumpers amendment (number 568), to prohibit the scoring of revenues or spending from the sale of certain federal lands;
- (3) the Craig amendment (number 569), to modify the Senate's pay-as-you-go point of order to prohibit the use of revenue increases to pay for direct spending increases;
- (4) the Brownback/Kohl amendment (number 570), to establish direct spending targets and associated enforcement procedures;
- (5) the Frist amendment (number 571), to establish a 60-vote point of order against any legislation that increases the deficit after FY2002 and to require the President to submit balanced budgets; and

¹² See the remarks of Representatives Solomon and Barton in the *Congressional Record* of June 25, 1997, at pages H4389-H4390.

¹³ The text of the Domenici/Lautenberg amendment is provided in the *Congressional Record* of June 26, 1997, at pages S6533-6541.

(6) the Abraham amendment (number 538), to ensure that revenue windfalls to the federal Treasury are reserved for tax or deficit reduction.

Finally, the Senate passed the Revenue Reconciliation Act of 1997 later on June 27, by a vote of 80-18. (The Senate passed the other reconciliation bill, S. 947, the Balanced Budget Act of 1997, two days earlier, on June 25; budget process changes were not included in the bill.)

Conference Action and Presidential Approval

Conferences on the two reconciliation bills began on July 10 and 11, with the Republican leadership announcing its intent to complete action on the two bills before the beginning of the August recess. On July 30, the House agreed to the conference report (H.Rept. 105-217) on the Balanced Budget Act of 1997 by a vote of 346-85; the Senate agreed to the conference report on the measure on July 31 by a vote of 85-15. On July 31, both the House and Senate agreed to the conference report (H.Rept. 105-220) on the Taxpayer Relief Act of 1997, by votes of 389-43 and 92-8, respectively.

On August 5, President Clinton signed the two bills into law. The Balanced Budget Act of 1997 is P.L. 105-33 (111 *Stat.* 251) and the Taxpayer Relief Act of 1997 is P.L. 105-34 (111 *Stat.* 788).

The conferees incorporated the budget process changes into Title X (Budget Enforcement and Process Provisions) of the Balanced Budget Act of 1997 (111 *Stat.* 677-712). Section 10001(a) of the act provided the short title for Title X, the "Budget Enforcement Act of 1997."

According to CBO estimates, the combined impact of the Balanced Budget Act and the Taxpayer Relief Act is an increase in the deficit of \$21 billion for FY1998, followed by deficit decreases in subsequent years amounting to \$95 billion in FY2002.¹⁴ The two acts reduce the deficit in the net by \$118 billion over this five-year period (\$198 billion in outlay savings partially offset by \$80 billion in revenue decreases). The net deficit reduction escalates markedly in later years.

Overview of the Act

The bipartisan budget agreement of May 2, as reflected in the FY1998 budget resolution, called for an extension of current budget enforcement procedures to ensure compliance through FY2002 with the recommended deficit-reduction policies. These procedures, principally involving statutory discretionary spending limits and

¹⁴ See the CBO report, *The Economic and Budget Outlook: An Update*, September 1997 (available on the Internet at <http://www.cbo.gov>). The major policy changes in the two acts are discussed in the following CRS reports: *Budget Reconciliation in the 105th Congress: Achieving a Balanced Budget by 2002*, CRS Report 97-620 EPW, updated August 25, 1997; and *The Taxpayer Relief Act of 1997: An Overview*, CRS Report 97-854 E, September 11, 1997.

the PAYGO requirement for legislation affecting mandatory spending or revenues, were scheduled under current law to expire.

The discretionary spending limits and PAYGO requirement were established by the BEA of 1990, as an amendment to the Balanced Budget and Emergency Deficit Control Act of 1985. These mechanisms were intended to guarantee compliance with the five-year (FY1991-1995) deficit-reduction policies contained in the Omnibus Budget Reconciliation Act (OBRA) of 1990 (P.L. 101-508).¹⁵ The BEA of 1990 relies upon sequestration for enforcement. Sequestration is a process involving automatic, uniform spending reductions in "nonexempt programs,"¹⁶ triggered generally after the close of a congressional session by a report issued by the OMB director.

The BEA of 1990 also made extensive modifications in the congressional budget process under the Congressional Budget Act (CBA) of 1974. In particular, the BEA established a new Title VI—Budget Agreement Enforcement Provisions. The title made temporary changes in the congressional budget process also aimed at ensuring compliance with the deficit-reduction policies of OBRA of 1990. Some of the changes in Title VI included: (1) a requirement that budget resolutions cover five, rather than three, fiscal years; (2) a requirement that budget resolution levels be enforced for the full five-year period; and (3) modifications in the procedures for allocating and suballocating funds in the budget resolution to committees.

Many of the changes made by the BEA of 1990 were set to expire at the end of FY1995, but they were extended by the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) through FY1998.

The BEA of 1997 extends the discretionary spending limits and PAYGO requirement, enforced by sequestration, through FY2002. In addition, it makes permanent many of the temporary changes in Title VI of the CBA of 1974 (by repealing Title VI, but incorporating its components into other sections of the 1974 act or the BBA of 1985). Further, the BEA of 1997 makes many technical and conforming changes, correcting certain drafting errors in the BEA of 1990 and bringing the law up to date for various changes enacted during the interim. Finally, it makes other changes in the sequestration and congressional budget processes; these changes are mostly minor ones that ratify recent changes in practice.

Section-by-Section Summary of the Act

The BEA of 1997 is divided into two subtitles. Subtitle A groups together various amendments to the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), as amended. The first nine titles of the act, which are referred

¹⁵ The BEA of 1990 is Title XIII of OBRA of 1990.

¹⁶ Many accounts, programs, and activities are exempt from reduction under a sequester pursuant to Section 255 of the BBA of 1985. Section 11207 of the BEA of 1997 amends the listing of exempted programs.

to as the Congressional Budget Act (CBA) of 1974, establish the congressional budget process. The last title of the act, Title X, is referred to as the Impoundment Control Act (ICA) of 1974; it establishes impoundment control procedures, now including the line-item veto.

Subtitle B consists of changes to the part of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), as amended, that establishes the sequestration process (Part C, Sections 250-258). The Balanced Budget Act (BBA) of 1985 established deficit targets, which were replaced under the BEA of 1990 by discretionary spending limits and a pay-as-you-go requirement. The two sets of procedures under the BEA of 1990, like the earlier deficit targets, are enforced by sequestration.

Section 10001. Short Title; Table of Contents. The section provides a short title, the "Budget Enforcement Act of 1997," and a table of contents.

Subtitle A—Amendments to the Congressional Budget and Impoundment Control Act of 1974

Section 10101. Amendments to Section 3. Section 3 of the CBA of 1974 defines various terms used in the congressional budget process. Section 10101 of the act revises the definition of "entitlement authority" in Section 3 and adds the food stamp program to the definition. The revised definition makes clear that entitlement authority is to be treated for purposes of budget enforcement as another form of budget authority.

Section 10102. Amendments to Section 201. Title II of the CBA pertains to the Congressional Budget Office (CBO). Section 201 of the CBA establishes CBO. Section 10102 of the act makes two technical changes to Section 201. First, Section 201(a)(3), which sets the term of the CBO director at four years, is rephrased without substantive change to remove an obsolete date reference. Second, obsolete references to the Office of Technology Assessment and the Technology Assessment Board are removed. Finally, the first of two different subsections designated as Section 201(g) is redesignated as Section 201(f), thereby correcting a designation error made by Section 13202 of the BEA of 1990. The newly-redesignated Section 201(f) deals with revenue estimates.

Section 10103. Amendments to Section 202. Section 202 of the CBA sets forth the duties and functions of CBO. Section 10103 of the act amends Section 202(a) to provide that it shall be the "primary duty," rather than the "duty," of CBO to furnish certain budgetary information to the House and Senate Budget Committees. The change was meant to clarify the priority of CBO's duties, which also involve the other standing committees of the House and Senate and have been expanded recently by the Unfunded Mandates Reform Act of 1995 (P.L. 104-4).

Also, Section 202(e), an obsolete provision that transferred the functions and personnel of the Joint Committee on Reduction of Federal Expenditures to CBO, is stricken and the following subsections are redesignated accordingly.

Section 202(e), as newly redesignated, is modified to require that CBO include in its annual report on the economic and budget outlook a statement of the budgetary impact in the baseline of: (1) the extension of mandatory programs that exceed \$50 million; and (2) excise taxes dedicated to trust funds.

Section 10104. Amendment to Section 300. The timetable of actions required by the congressional budget process is set forth briefly in Section 300 of the CBA, and the timing of particular actions also is addressed in subsequent sections. Section 13112(a)(5) of the BEA of 1990 amended Section 301(d) of the CBA to change the deadline for submission by House and Senate committees of their annual "views and estimates" reports to the Budget Committees from February 25 to within six weeks after the President submits his budget. The timetable in Section 300 was not modified in 1990 to reflect this change. Accordingly, Section 10104 changes the reporting deadline in the timetable to make it consistent with the requirement in Section 301(d). Also, conforming changes are made in House Rules X and XLVIII. (See the discussion of Section 301(d) of the act, below.)

Section 10105. Amendments to Section 301. Section 301 of the CBA provides for the annual adoption of the budget resolution, specifying required and optional contents of the resolution and establishing procedures regarding its development.

Section 10105 of the act changes Section 301 in several ways. First, the permanent requirement that budget resolutions cover three fiscal years is changed to a minimum of five years. The BEA of 1990 had put in place a temporary requirement (set to expire at the end of FY1998) that budget resolutions cover five fiscal years; this change effectively makes that requirement permanent. The Budget Committees, however, may recommend that the budget resolution cover a period longer than five fiscal years.

Second, Section 10105 makes optional rather than mandatory the inclusion of total direct loan obligation and total primary loan guarantee commitment levels in the budget resolution and the accompanying report. These elements of the budget process effectively were made obsolete by the enactment of the Federal Credit Reform Act of 1990, which was incorporated into the CBA of 1974, as a new Title V, by the BEA of 1990. Under the Federal Credit Reform Act, credit activity is controlled primarily by the appropriation of budget authority for credit subsidies. Decisions regarding the levels of such budget authority are enforced in the same manner as for other spending programs under the congressional budget process. However, credit subsidy levels are influenced greatly by executive branch estimates of interest rates and default risk. Consequently, this section retains the option for Congress of setting credit levels in the budget resolution should these interest and default estimates become subject to significant error in the future.

Third, Section 10105 further modifies the optional contents of the budget resolution to include special "pay-as-you-go" procedures in the Senate pertaining to the use of "reserve funds," effectively ratifying recent Senate practice. Reserve funds enable committees to pursue increased funding for specified programs within their jurisdiction when such increases are not assumed in the budget resolution; adjustments are made in committee allocations and other levels, so that points of

order under the CBA of 1974 may not be raised, as long as the committee's legislation is deficit neutral.

Fourth, Section 10105 modifies the deadline for committees to submit their "views and estimates" reports in Section 301(d) of the act, allowing the Budget Committees to set an alternative to the usual deadline of within six weeks after submission of the President's budget. (See the discussion of Section 300 of the act, above.)

Fifth, Section 10105 revises the listing, set forth in Section 301(e) of the act, of elements in the report accompanying a budget resolution. The revision distinguishes between required and optional elements.

Finally, Section 10105 amends Section 301(i) of the act, which establishes a point of order in the Senate against a budget resolution recommending a decrease in the projected surplus in the Social Security trust funds. As originally framed, the point of order applied only to a reported budget resolution; the amendment broadens the point of order to apply to the budget resolution at all legislative stages. The change is consistent with the practice of the Senate during the past several years, which effectively expanded the application of the point of order by means of provisions incorporated into the annual budget resolution. A header for the subsection also is inserted. Additionally, Section 22 of the FY1995 budget resolution (H.Con.Res. 218 of the 103rd Congress), which initially established the Senate practice, is repealed.

Section 10106. Amendments to Section 302. Section 302 of the CBA sets forth procedures for the allocation and suballocation of spending levels in the budget resolution to committees and for the enforcement of these levels. The BEA of 1990 added a new Title VI to the CBA of 1974 which, in part, established new allocation and enforcement procedures that temporarily superseded those in Section 302. The temporary procedures in Title VI were scheduled to expire at the end of FY1998. (See the discussion of the repeal of Title VI of the act, below.)

Section 10106 of the act, for the most part, replaces the old allocation and enforcement procedures under Section 302 with the newer procedures under Title VI and makes them permanent. Allocations must be made for the period covered by the budget resolution, except that allocations of appropriations are made for one year. The allocations and suballocations of appropriations must conform to the categories used for the discretionary spending limits (including defense, nondefense, and violent crime reduction spending, as appropriate). In addition, various technical modifications are made, such as deleting references to the allocation of "entitlement authority" due to the fact that the term is subsumed under the revised definition of budget authority (see the discussion of Section 3 of the act, above).

Further, Section 10106 changes the procedure for contingent allocations to the House Appropriations Committee. When a budget resolution is not adopted by the April 15 deadline, any contingent allocations are based on the discretionary spending limits (for the applicable fiscal year) in the prior year's budget resolution rather than those in the President's most recent budget.

Section 10107. Amendments to Section 303. Section 303 of the CBA generally bars the consideration of spending, revenue, and debt-limit legislation for a fiscal year prior to the adoption of the budget resolution for that year. Section 10107 of the bill makes technical and conforming changes in Section 303(a) and (b). Also, Section 303(c) is deleted; the subsection set forth a procedure by which the Senate could waive Section 303 by adopting a special waiver resolution. (After the first several years under the CBA, the Senate began the practice of waiving Section 303 by motion or by unanimous consent rather than by waiver resolution.)

Section 10108. Amendment to Section 304. Section 304 of the CBA provides for revised budget resolutions. Section 10108 repeals Section 304(b), regarding the use of economic assumptions in a revised budget resolution, in order to remove ambiguities regarding the procedures applicable to such resolutions. The conferees stated their intent that all provisions of the CBA of 1974 apply to revised budget resolutions unless specific exception is made.

Section 10109. Amendment to Section 305. Section 305(a)(1) of the CBA provides for the offering of a highly privileged, non-debatable, and non-amendable motion to consider a budget resolution five days after it has been reported by the Budget Committee, excluding Saturdays, Sundays, and legal holidays. Clause 2(1)(6) of House Rule XI, as amended in the 104th Congress, requires that reported bills and resolutions lay over for five days before they may be considered on the floor, but includes Saturdays, Sundays, and legal holidays in the count when the House is in session. Section 10109 of the act amends Section 305(a)(1) and House Rule XI to count Saturdays, Sundays, and legal holidays (if the House is in session) toward the five-day layover requirement for budget resolutions.

Section 10110. Amendments to Section 308. Section 308 of the CBA deals with budgetary reports, particularly CBO cost estimates, scorekeeping tabulations, and budget projections. Section 10110 of the act eliminates the requirements that information on credit authority be included in these reports, which effectively were made obsolete by the enactment of the Federal Credit Reform Act of 1990, and makes other technical changes.

Section 10111. Amendments to Section 310. Section 310 of the CBA establishes the budget reconciliation process. Section 310(c) establishes a "fungibility rule," which effectively allows committees (essentially the House Ways and Means and Senate Finance Committees) to alter the mix of spending and revenue changes in its reconciliation submission, so long as the total amount of required changes the committees were directed to make is achieved and neither the spending nor the revenue components are altered by more than 20 percent of the directed levels.

Section 10111 of the act amends Section 310(a) to clarify, in the case of House committees, that the 20-percent standard applies to the sum of the "absolute value" of the directed changes in revenue and the directed changes in spending. The change makes clear that the fungibility rule may be used when a committee includes revenue reductions in a measure, and that such revenue reductions do not cancel out spending reductions also contained in the measure.

Section 10112. Amendments to Section 311. Section 311 of the CBA provides for a point of order against the consideration of any budgetary legislation that would cause the aggregate spending and revenue levels in the budget resolution to be violated. An exception, known as the "Fazio exception," is provided in the House for spending legislation in instances in which the committee reporting the legislation has stayed within its total spending allocation under Section 302(a). Also, Section 311 establishes a mechanism for enforcement in the Senate of the Social Security "firewall," which seeks to ensure that the long-term balances of the trust funds are not eroded.

Section 10112 of the act makes the point of order apply to spending for the first year of the budget resolution (as is current practice), but makes it apply to revenues for both the first year and the sum of all years covered by the budget resolution. Additionally, the section retains the Fazio exception and makes various technical and conforming changes.

Section 10113. Amendment to Section 312. Section 312 of the CBA pertains to the effects of certain points of order in the Senate. The section states that each point of order in the Senate against an amendment also lies against an amendment between the two Houses. Further, the section provides that when a point of order under the CBA is sustained against a bill, it shall be sent back to the committee of jurisdiction.

Section 10113 of the act amends Section 312 for several different purposes. First, a general statement is made in Section 312(a) that the Budget Committees shall determine spending and revenue levels for purposes of enforcing Titles III and IV of the act. (Similar statements made in other sections of Titles III and IV are deleted by the bill and replaced by this single statement.)

Points of order formerly in Sections 601(b) and 605(b) of the CBA, involving the enforcement of discretionary spending limits and maximum deficit amounts in the Senate, are retained as new Section 312(b) and (c).¹⁷ New Section 312(d) states that a point of order under the act may not be raised while an amendment or motion that would remedy the violation is pending before the Senate; this change effectively incorporates the current Senate practice.

The two original provisions in Section 312, dealing with the effects of certain points of order in the Senate, are retained as Section 312(e) and (f).

Section 10114. Adjustments and Budget Committee Determinations. Section 10114 adds a new Section 314 to the CBA establishing a procedure for the adjustment by the chairmen of the Budget Committees of various budgetary levels, generally for FY1998-2002. The adjustments are made pursuant to the consideration

¹⁷ "Maximum deficit amounts" were added to the CBA of 1974 by the BBA of 1985 and expired at the end of FY1995. The bill deletes the old maximum deficit amounts from the CBA (by virtue of repealing Title VI) and does not provide new ones. Nonetheless, the point-of-order mechanism is retained (in a form that would apply automatically if maximum deficit amounts were incorporated into the BBA of 1985 in the future).

of legislation in several different categories and are meant to parallel similar adjustments made automatically in the statutory discretionary spending limits.

The budgetary levels subject to adjustment are the discretionary spending limits and budgetary aggregates set forth in the most recent budget resolution, and the spending allocations to committees made thereunder. Adjustments may be triggered by legislation in the following five categories:

- (1) measures containing designated emergency amounts of discretionary spending, direct spending, or revenues;
- (2) measures funding continuing disability reviews;
- (3) measures providing an allowance for the International Monetary Fund;
- (4) measures funding arrearages for international organizations, international peacekeeping, and multilateral development banks (but only for the period covering FY1998-2000 and subject to a limit of \$1.884 billion in budget authority); and
- (5) measures providing funds for an earned income tax credit compliance initiative, subject to annual limits ranging from \$138 million for FY1998 to \$146 million for FY2002.

The adjustments made under this section apply while the legislation is being considered, but only take effect permanently when the legislation is enacted. The Appropriations Committees are authorized to report revised suballocations conforming to any adjustments that are made.

Section 10114 of the act in part replaces authority for certain adjustments that had been authorized in Section 606(d) and (e) of the CBA.

Section 10115. Effect of Adoption of a Special Order of Business in the House of Representatives. Section 10115 of the act adds a new Section 315 to the CBA effectively providing that in the House a point of order under Titles III and IV will not lie against a reported bill if it is considered under a rule (a "special order of business"), reported by the House Rules Committee, that eliminates the violation. The change eliminates the need to waive the CBA under circumstances where the violation would have been cured under the usual legislative practice.

Section 10116. Amendment of Section 401 and Repeal of Section 402. Sections 401 and 402 of the CBA established controls over "backdoor spending." Specifically, the sections prohibit the consideration of legislation providing new spending authority or new credit authority unless such authority is made effective only to the extent or in such amounts as are provided in annual appropriations acts. Section 10116 of the act updates and consolidates these controls. It merges the two sections together into a new Section 401; Section 402 is repealed and subsequent sections are renumbered accordingly. Section 10116 also deletes a provision in Section 401 that provided for the referral of certain entitlement measures to the Appropriations Committee for limited review, and makes other technical and conforming changes in the section and in House Rules X, XI, and XIII.

Section 10117. Amendments to Title V. Title V of the CBA, known as the Federal Credit Reform Act of 1990, was added by the BEA of 1990. Title V

established a system for controlling the subsidized costs of loans, requiring that budget authority and outlays be budgeted for the estimated subsidy cost of direct and guaranteed loans. This cost is defined as the estimated long-term cost to the federal government of a direct loan or a loan guarantee, calculated on a net present value basis, excluding administrative costs.

Section 10117 of the act amends Sections 502, 504, and 505 of the CBA, essentially to incorporate technical and conforming changes recommended over the years by OMB. In particular, Section 10117 clarifies the definition of "cost" and other terms. The conferees indicated their intent that OMB and CBO report recommendations on certain technical aspects of the credit process by March 30, 1998.

Section 10118. Repeal of Title VI. Title VI was added to the CBA by the BEA of 1990. On a temporary basis (initially through FY1995 and later through FY1998), it extended the coverage of budget resolutions from three years to five years, established certain enforcement mechanisms in the Senate, altered the process for allocating and suballocating spending under Section 302, and established various other procedures intended to enforce the deficit reduction achieved by the Omnibus Budget Reconciliation Act of 1990 and the Omnibus Budget Reconciliation Act of 1993. Section 10118 of the act repeals Title VI; various elements of the title are incorporated into other sections of the CBA or the BBA of 1985 by the act (and are discussed elsewhere in this report).

Section 10119. Amendments to Section 904. Section 904 of the act in part requires the affirmative vote of three-fifths of the Senate (60 Senators if no seats are vacant) to waive specified points of order in the act or to sustain an appeal of the chair's ruling on those points of order. In seven instances, the requirement is permanent.¹⁸ In the remaining instances, which generally involve the enforcement of various types of budgetary levels, the requirement is temporary.

Section 10119 of the bill reorganizes Section 904 to more easily distinguish between the provisions subject to the requirement temporarily and permanently. Also, a new subsection 904(e) extends the effectiveness of the temporary requirements through the end of FY2002 (*i.e.*, until September 30, 2002). In the past few years, the temporary requirements had been extended by a provision included in the budget resolution.

Section 10120. Repeal of Sections 905 and 906. Sections 905 and 906 of the act provide the original effective dates for the initial implementation of the congressional budget process and certain changes in the President's budget submission. Section 10120 of the act repeals these two obsolete sections.

¹⁸ These seven cases involve a germaneness requirement for amendments to budget resolutions and amendments in disagreement on the conference report; protection of the Budget Committee's jurisdiction; a deficit neutrality requirement for amendments to reconciliation measures; the "Byrd Rule" against extraneous matter in reconciliation measures; and the three-fifths voting requirements on waivers and appeals.

Section 10121. Amendments to Sections 1022 and 1024. Part C of the ICA of 1974 (Sections 1021-1027) establishes the line-item veto process pursuant to the Line Item Veto Act (P.L. 104-130). Two sections, 1022(b)(1)(F) and 1024(a)(1)(B), refer to the discretionary spending limits set forth in Section 601 of the CBA of 1974. Section 10121 of the act makes conforming changes to these references to reflect the transfer of the discretionary spending limits to Section 251(c) of the BBA of 1985.

Section 10122. Amendment to Section 1026. Section 1026(7)(A) of the ICA provides five definitions of the term "dollar amount of discretionary budget authority." Section 10122 of the act corrects a drafting error in the section, replacing "and" with "or" before the fifth definition, thereby clarifying that the definitions apply separately and independently, not collectively.

Section 10123. Senate Task Force on Consideration of Budget Measures. Section 10123 of the act provides for the appointment of a six-member bipartisan task force to study floor procedures for the consideration of budget resolutions and reconciliation bills in the Senate under applicable sections of the CBA. The task force must submit its report to the Senate by October 8, 1997.

During consideration of the Revenue Reconciliation Act of 1997 on June 27, the Senate adopted the Byrd amendment (number 572) by a vote of 92-8. The amendment proposed adjustments in the time limits and other procedures applicable in the Senate during the consideration of reconciliation measures. Although this provision was not retained in the BEA of 1997, the task force established by Section 10123 is expected to address issues raised by the amendment.

Subtitle B—Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985

Section 10201. Purpose. Section 10201 states that the purpose of Subtitle B "is to extend discretionary spending limits and pay-as-you-go requirements."

Section 10202. General Statement and Definitions. Section 250(b) of the BBA of 1985 states that the act provides for the enforcement of deficit reduction assumed in the FY1991 budget resolution (H.Con.Res. 310, 101st Congress, 2nd session) through sequestration under discretionary spending limits, a pay-as-you-go requirement, and deficit targets. Section 250(c) of the act sets forth the definitions of various terms used in the sequestration process.

Section 10202(a) of the act amends Section 250(b) of the BBA to update the general statement as follows: "This part provides for budget enforcement as called for in House Concurrent Resolution 84 (105th Congress, 1st session)." The measure cited is the FY1998 budget resolution.

Section 10202(b) of the act amends Section 250(c) of the BBA by adding, deleting, and modifying various definitions. Among other things, the section deletes two obsolete provisions, including a definition of "composite outlay rate;" modifies "category" to mean defense, nondefense, and violent crime reduction for certain years

and total discretionary for others; and modifies "outyear" to mean any of the four fiscal years following the budget year.

Section 10203. Enforcing Discretionary Spending Limits. Section 251 of the BBA provides for the enforcement of "general purpose" discretionary spending limits (as set forth in Section 601 of the CBA) for the eight-year period covering FY1991-1998. The section stipulates the rules and procedures to be followed in implementing a sequester under the discretionary spending limits, including the timing of action, elimination of a breach of a limit, the exemption of military personnel, the application of a sequester to a part-year continuing resolution, "within-session sequestration" prior to July 1 and "look-back" procedures after June 30, and OMB cost estimates for discretionary spending measures enacted into law.

In addition, Section 251 of the BBA provides for periodic adjustments of the limits by the President according to specified criteria, including:

- (1) changes in concepts and definitions;
- (2) changes in inflation;
- (3) credit reestimates;
- (4) the enactment of legislation providing compliance initiative funding for the Internal Revenue Service (IRS), debt forgiveness for Egypt and Poland, funding for the International Monetary Fund (IMF), and emergency appropriations;
- (5) special allowances of budget authority and outlays, in part to accommodate estimating differences between OMB and CBO;
- (6) the net costs associated with certain loan guarantees for Israel; and
- (7) continuing disability reviews.

Some of the criteria for adjustments were tied to the enactment of legislation meeting specified requirements and were in effect only for a portion of the eight-year period.

Section 251A of the BBA sets forth separate discretionary spending limits for programs under the Violent Crime Reduction Trust Fund (see discussion in the next section, below).

Section 10203 of the act extends the discretionary spending limits, creates different categories of discretionary spending, and modifies associated procedures.

Section 10203(a) extends the limits through FY2002, when the budget agreement anticipates that the budget will be balanced, and makes conforming changes throughout the section. While various criteria for adjusting the limits are retained, others (including some which are obsolete) are deleted, including changes in inflation, credit reestimates, IRS funding, debt forgiveness, past IMF funding, special budget authority allowances, and certain loan guarantees for Israel. The special outlay allowance is modified, and new adjustments are added for IMF funding, international arrearages, and an earned income tax credit compliance initiative.

Section 10203(b) sets forth the revised and extended discretionary spending limits. As indicated previously, new categories are used under the limits: defense and nondefense, for FY1998 and FY1999; violent crime reduction, for FY1998-FY2000, and discretionary, for FY2000-2002. The new limits are shown in **Table 1**.

Table 1. Revised Discretionary Spending Limits
(amounts in billions of dollars)

Fiscal year	Category	Budget authority	Outlays
1998	Defense	269.000	266.823
	Nondefense	252.357	282.853
	Violent crime reduction	5.500	3.592
1999	Defense	271.500	266.518
	Nondefense	255.699	287.850
	Violent crime reduction	5.800	4.953
2000	Discretionary	532.693	558.711
	Violent crime reduction	4.500	5.554
2001	Discretionary	542.032	564.396
2002	Discretionary	551.074	560.799

Note: The amounts of budget authority and outlays shown in the table are taken from the text of the BEA of 1997 and do not reflect any subsequent automatic adjustments, as provided for under law.

Section 10204. Violent Crime Reduction Trust Fund. Section 310001 of the Violent Crime Control and Law Enforcement Act of 1994 (P.L. 103-322) established the Violent Crime Reduction Trust Fund, provided for the transfer of specified amounts for each of FY1995-2000 from the general fund into the trust fund, and authorized the appropriation of funds from the trust fund for particular anti-crime purposes. The amounts transferred into the trust fund are equal to the expected savings from implementation of Section 5 of the Federal Workforce Restructuring Act of 1994 (P.L. 103-226), which contemplated significant reductions in federal personnel levels over ensuing years.

Section 310001(g) of the act added a new Section 251A to the BBA, establishing a special sequestration process that enforces annual outlay limits for appropriations from the trust fund. Section 310002 of the act reduced the general purpose discretionary spending limits for the appropriate years by the amounts of spending transferred into the trust fund. In essence, the act recognized the savings from federal personnel reductions and reduced the discretionary spending limits accordingly. A procedure for enacting equivalent amounts of spending for the specified anti-crime purposes was set up, subject to the discipline of a separate but parallel sequestration procedure to the one established in the BBA for general purpose discretionary spending.

Section 10204 of the act repeals Section 251A of the BBA and Section 310002 of the Violent Crime Control and Law Enforcement Act of 1994. As discussed in the section above, spending for violent crime reduction programs is made subject to the discretionary spending limits in Section 251 as a separate category. Accordingly, the separate limits and procedures no longer are needed.

Section 10205. Enforcing Pay-As-You-Go. Section 252 of the act provides for the enforcement of a PAYGO requirement for the eight-year period covering FY 1991-1998. Under this requirement, the enactment of direct (mandatory) spending and revenue legislation that causes a net increase in the deficit would trigger a sequester to eliminate the increase. The section stipulates the rules and procedures to be followed in implementing a PAYGO sequester, including the timing of action, a "look-back" procedure, elimination of a deficit increase, OMB cost estimates for PAYGO legislation, and the treatment of emergency requirements. Legislation changing direct spending or revenues for emergency requirements, or providing funding to fulfill existing deposit insurance commitments, is not counted in the PAYGO process.

Section 11205 of the act amends Section 252 of the BBA to extend the PAYGO requirement. The requirement itself applies to legislation enacted through FY2002. The procedures used to enforce the requirement do not expire until the end of FY2006 (*i.e.*, September 30, 2006). Consequently, any legislation enacted through FY2002 will be subject to enforcement of its five-year effects under the PAYGO process.

Additionally, Section 11205 modifies the procedures for calculating a net change in the deficit, so as to avoid "double counting" the effects of certain legislation, and makes other clarifying and conforming changes.

Section 10206. Reports and Orders. Section 254 of the BBA provides for the issuance of preview, update, and final sequestration reports by OMB and CBO during the course of a session; certain other reports may be required under these procedures as well. Section 10206 of the act amends Section 254 to eliminate an obsolete reporting requirement, pertaining to the optional adjustment of maximum deficit amounts (which expired at the end of FY1995), and to reflect the extension of sequestration procedures.

Section 10207. Exempt Programs and Activities. Section 255 of the BBA lists various accounts, programs, and activities that are exempt, entirely or in part, from reduction under a sequester, including such items as Social Security benefits, veterans' programs, net interest, and low-income programs. The section provides the President with authority to exempt military personnel accounts from a sequester at his option. Section 10207 of the act makes various technical and conforming changes in Section 255, including changes that continue the exemption for the program formerly known as Aid to Families With Dependent Children (AFDC).

Section 10208. General and Special Sequestration Rules. Section 256 of the BBA sets forth exceptions, limitations, and special rules regarding the implementation of a sequester for specified programs, including, among others, guaranteed student loan programs, foster care and adoption assistance programs,

Medicare, federal pay and administrative expenses, and the Commodity Credit Corporation. Section 256(k) provides in part that budgetary resources sequestered from any account other than a trust or special fund account shall be permanently canceled.

Section 10208 of the bill makes various technical and conforming changes to Section 256 of the act, including changes affecting the student loan program and the Commodity Credit Corporation. In addition, Section 10208(g) amends Section 256(k) to add revolving funds and offsetting collections in appropriation accounts to the types of budgetary resources not permanently canceled under a sequester. Such resources, barred from obligation during the fiscal year in which a sequester applied, would be available in later fiscal years, to the extent otherwise provided in law.

Section 10209. The Baseline. Section 257 of the BBA establishes rules and procedures for the construction of the baseline used in the sequestration process. Among the various features of the baseline methodology, no direct spending program with estimated current outlays greater than \$50 million is assumed to expire; the inflator used to adjust non-personnel budgetary resources is the gross national product fixed-weight price index; and savings from asset sales generally are not counted.

Section 10209 of the act amends Section 257 of the BBA to provide that only those direct spending programs with current-year outlays in excess of \$50 million, in existence on or before enactment of the Balanced Budget Act of 1997, are assumed to continue for purposes of the baseline; OMB and the Budget Committees will consult on the treatment of new programs.

In addition, Section 10209 changes the inflator used to adjust non-personnel budgetary resources to the domestic product chain-type price index, allows the counting of non-loan asset sales only if the sale does not result in a financial cost to the federal government, and makes other technical changes.

Section 10210. Technical Correction. Section 258 (Modification of Presidential Order) of the BBA establishes procedures for the modification by Congress of a presidential sequestration order through the enactment of a joint resolution.¹⁹ Section 13101(f) of the BEA of 1990 added a new Section 258, intending to replace the old Section 258 with comparable, but updated, provisions in Section 258A. In an apparent drafting error, however, Section 13101(f) failed to repeal the old Section 258. Section 10210 of the act repeals that section.

Section 10211. Judicial Review. Section 274 of the BBA provides for expedited judicial review of any court actions brought by a Member of Congress (or other persons) on the grounds that the issuance of a sequestration order by the President is unconstitutional or not in compliance with the terms of the act. Section 10211 of the act makes technical and conforming changes in Section 274.

¹⁹ This is the first of two sections designated 258; the second such section is headed "Suspension in the Event of War or Low Growth."

Section 10212. Effective Date. Section 275 of the BBA establishes effective dates and expiration dates for different sections. The expiration date in Section 275, the last day of FY1995, effectively was extended by Section 14002(c)(3)(A) of the Omnibus Budget Reconciliation Act (OBRA) of 1993. Section 10212 of the bill provides that the sections of the act dealing with discretionary spending limits, maximum deficit amounts, and flexibility in the implementation of a sequester of defense spending shall expire at the end of FY2002; the remaining sections of the act, dealing with the PAYGO process, among other matters, shall expire at the end of FY2006. Also, Section 10212 of the act repeals Section 14002(c)(3)(A) of OBRA of 1993.

Section 10213. Reduction of Preexisting Balances and Exclusion of Effects of This Act From Paygo Scorecard. Section 10213 of the act reduces existing PAYGO balances to zero (for all fiscal years covered by the BBA, as amended) and bars the inclusion of savings stemming from the Balanced Budget Act of 1997 and the Revenue Reconciliation Act of 1997 in any PAYGO calculations. The effect of the provision is to ensure that deficit reduction from the two reconciliation acts cannot be used under these procedures to offset any future legislation increasing direct spending or reducing revenues. This action is comparable to actions taken in past years following the enactment of major deficit-reduction legislation.²⁰

Table 2 provides cross references between sections of the BEA of 1997 and the sections of the CBA of 1974 and the BBA of 1985 that were amended.

²⁰ For example, Section 4001 of Title IV in Division A (110 *Stat.* 3009, page 1449) of the Omnibus Consolidated Appropriations Act, 1997 (P.L. 104-208) reset a negative PAYGO balance for FY1997 to zero; the negative balance was attributable largely to savings from the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) and the Federal Agricultural Improvement and Reform Act of 1996 (P.L. 104-127).

**Table 2. Cross References to Amendments
Made by the BEA of 1997**

Section of the BEA of 1997 ¹	Heading	Page no. (111 Stat.)	Section of the act amended
10001	Short Title; Table of Contents	677	
Subtitle A – Amendments to the Congressional Budget and Impoundment Control Act of 1974			
10101	Amendments to Section 3	678	3
10102	Amendments to Section 201	678	201
10103	Amendments to Section 202	678	202
10104	Amendment to Section 300	679	300 (and House Rules X and XLVIII)
10105	Amendments to Section 301	679	301
10106	Amendments to Section 302	680	302
10107	Amendments to Section 303	683	303
10108	Amendments to Section 304	684	304
10109	Amendment to Section 305	684	305
10110	Amendments to Section 308	685	308
10111	Amendments to Section 310	685	310
10112	Amendments to Section 311	686	311
10113	Amendment to Section 312	687	312
10114	Adjustments	688	314 (new)
10115	Effect of Adoption of a Special Order of Business in the House of Representatives	690	315 (new)
10116	Amendment to Section 401 and Repeal of Section 402	690	401, 402 (and House Rules X and XI)
10117	Amendments to Title V	692	502, 504, 505, 506
10118	Repeal of Title VI	695	601-607
10119	Amendments to Section 904	695	904
10120	Repeal of Sections 905 and 906	696	905, 906

Section of the BEA of 1997 ¹	Heading	Page no. (111 Stat.)	Section of the act amended
10121	Amendments to Sections 1022 and 1024	696	1022, 1024
10122	Amendment to Section 1026	697	1026
10123	Senate Task Force on Consideration of Budget Measures	697	-----
Subtitle B— Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985			
10201	Purpose	697	
10202	General Statement and Definitions	697	250
10203	Enforcing Discretionary Spending Limits	698	251
10204	Violent Crime Reduction Spending	702	251A (and 310002 of P.L. 103-322)
10205	Enforcing Pay-As-You-Go	702	252
10206	Reports and Orders	704	254
10207	Exempt Programs and Activities	704	255
10208	General and Special Sequestration Rules	708	256
10209	The Baseline	710	257
10210	Technical Correction	711	258
10211	Judicial Review	711	274
10212	Effective Date	712	275 (and 14002 of P.L. 103-66)
10213	Reduction of Preexisting Balances and Exclusion of Effects of This Act From Paygo Scorecard	712	-----

¹ "BEA" refers to the Budget Enforcement Act of 1997 (Title X of P.L. 105-33), as enacted into law on August 5, 1997; "page no." refers to the page number in the slip law (volume 111 of the *Statutes-at-Large*).