

[111 STAT 702]

SEC. 10205. ENFORCING PAY-AS-YOU-GO.

[2 USC 902.](#)

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking subsections (a) and (b) and inserting the following:

“(a) PURPOSE.—The purpose of this section is to assure that any legislation enacted before October 1, 2002, affecting direct spending or receipts that increases the deficit will trigger an offsetting sequestration.

“(b) SEQUESTRATION.—

“(1) TIMING.—Not later than 15 calendar days after the date Congress adjourns to end a session and on the same day as a sequestration (if any) under section 251 or 253, there shall be a sequestration to offset the amount of any net deficit increase caused by all direct spending and receipts legislation enacted before October 1, 2002, as calculated under paragraph (2).

“(2) CALCULATION OF DEFICIT INCREASE.—OMB shall calculate the amount of deficit increase or decrease by adding—

[111 STAT 703]

“(A) all OMB estimates for the budget year of direct spending and receipts legislation transmitted under subsection (d);

“(B) the estimated amount of savings in direct spending programs applicable to budget year resulting from the prior year’s sequestration under this section or section 253, if any, as published in OMB’s final sequestration report for that prior year; and

“(C) any net deficit increase or decrease in the current year resulting from all OMB estimates for the current year of direct spending and receipts legislation transmitted under subsection (d) that were not reflected in the final OMB sequestration report for the current year.”;

(2) by amending subsection (c)(1)(B), by inserting “and direct” after “guaranteed”;

(3) by amending subsection (d) to read as follows:

“(d) ESTIMATES.—

“(1) CBO ESTIMATES.—As soon as practicable after Congress completes action on any direct spending or receipts legislation, CBO shall provide an estimate to OMB of that legislation.

“(2) OMB ESTIMATES.—Not later than 7 calendar days (excluding Saturdays, Sundays, and legal holidays) after

the date of enactment of any direct spending or receipts legislation, OMB shall transmit a report to the House of Representatives and to the Senate containing—

“(A) the CBO estimate of that legislation;

“(B) an OMB estimate of that legislation using current economic and technical assumptions; and

“(C) an explanation of any difference between the 2 estimates.

“(3) SIGNIFICANT DIFFERENCES.—If during the preparation of the report under paragraph (2) OMB determines that there is a significant difference between the OMB and CBO estimates, OMB shall consult with the Committees on the Budget of the House of Representatives and the Senate regarding that difference and that consultation, to the extent practicable, shall include written communication to such committees that affords such committees the opportunity to comment before the issuance of that report.

“(4) SCOPE OF ESTIMATES.—The estimates under this section shall include the amount of change in outlays or receipts for the current year (if applicable), the budget year, and each outyear excluding any amounts resulting from—

“(A) full funding of, and continuation of, the deposit insurance guarantee commitment in effect under current estimates; and

“(B) emergency provisions as designated under subsection (e).

“(5) SCOREKEEPING GUIDELINES.—OMB and CBO, after consultation with each other and the Committees on the Budget of the House of Representatives and the Senate, shall—

“(A) determine common scorekeeping guidelines; and

“(B) in conformance with such guidelines, prepare estimates under this section.”; and

(4) in subsection (e), by striking “, for any fiscal year from 1991 through 1998,” and by striking “through 1995”.

**EXPLANATORY STATEMENT OF MANAGERS
(H. CONF. REPT. 105-217)**

28. Amendments to section 252 of [the Balanced Budget and Emergency Deficit Control Act of 1985]

HOUSE BILL (SECTION 11205)

The House bill extends the pay-as-you-go requirements for legislation enacted through 2002. Under current law, PAYGO expires at the end of 1998.

In order to impede legislation that would exacerbate the deficit beyond 2002, the House bill provides a “rolling” PAYGO scorecard. Under a rolling five year scorecard, OMB will score legislation for the budget year and each of the ensuing four fiscal years through 2002. If this legislation causes a net deficit increase for any year through 2006, OMB will be required to implement a sequester in that year to eliminate any deficit increase. For example, a bill enacted in January 2002 would be scored for 2002 through 2006. Although the PAYGO requirements expire at the end of 2002, the estimates and enforcing sequestration process would extend as late as 2006 for legislation that is enacted prior to the end of 2002.

The House bill also corrects the “lookback” procedure in which size of a sequester can be offset by savings from the prior fiscal year. Current law provides a “lookback” procedure to ensure that legislation that is enacted after the beginning of a fiscal year is captured by the pay-as-you-go requirements. Under OMB’s current interpretation of the existing lookback mechanism, OMB double-counts pay-as-you-go surpluses or deficits in calculating whether a sequester would be necessary. OMB currently interprets the PAYGO lookback mechanism to require that the PAYGO balance for the current year be added to the budget year in determining if there will be a net deficit increase (this results in “double-counting”).

The House bill amends the pay-as-you-go lookback procedures to require OMB to calculate the net deficit impact on the current year of all legislation enacted after the final deficit sequester report for that year. If this legislation would result in a net deficit increase, OMB is required to add the amount of this net deficit increase to the next year’s sequester calculations. If legislation is not enacted to offset this deficit increase, a sequester will occur.

The House bill makes other technical and conforming changes to PAYGO.

SENATE AMENDMENT (SECTION 1655)

The Senate amendment is substantially similar to the House bill except that it would sunset pay-as-you-go sequester procedures in 2002.

CONFERENCE AGREEMENT (SECTION 10205)

The conference agreement reflects the House bill with modifications. The lookback procedure is modified to provide that any net deficit increase or decrease created during the current year that is enacted after the final sequester report for that year is added to the pay-as-you-go estimates for the budget year. The conference agreement makes other clarifying and conforming changes to section 252.

The conference agreement also modifies the manner in which deposit insurance and emergency spending estimates are covered under section 252. The conference agreement provides that estimates associated with either deposit insurance legislation or emergency

legislation will not be recorded on the pay-as-you-go scorecard. The conferees intend that OMB and CBO include the estimated budgetary impact of deposit insurance and emergency legislation separately for informational purposes in their reports to Congress, but these estimates should not be recorded for the purposes of calculating pay-as-you-go.

For deposit insurance, the conference agreement provides that OMB and CBO should only score legislation that modifies the deposit insurance guarantee commitment under current estimates. 'Current' is a defined term and the conferees intend that OMB use the technical and economic assumptions for deposit insurance contained in the President's most recent budget submission (CBO should use the economic and technical assumptions in the baseline). Section 252 presently requires OMB and CBO to measure the impact relative to the deposit insurance commitment in effect in 1990. To the extent legislation modifies the deposit insurance guarantee commitment, it should be scored by OMB and CBO. If this legislation becomes law, the cost will have been captured for the purposes of pay-as-you-go and should be reflected in the next baseline.

[Joint Explanatory Statement on the Committee of Conference on the Balanced Budget Act of 1997; (Conference Report), Committee on the Budget, House of Representatives, 105th Congress, 1st Session, Washington D.C. 1997.]