

[111 STAT 708]

**SEC. 10208. GENERAL AND SPECIAL SEQUESTRATION RULES.**

(a) HEADINGS.—

[2 USC 906.](#)

(1) SECTION.—The section heading of section 256 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking “exceptions, limitations, and special rules” and inserting “general and special sequestration rules”.

[2 USC 900.](#)

(2) TABLE OF CONTENTS.—The item relating to section 256 in the table contents set forth in section 250(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

“SEC. 256. GENERAL AND SPECIAL SEQUESTRATION RULES.”.

(b) AUTOMATIC SPENDING INCREASES.—Section 256(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

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

(d) HEALTH CENTERS.—Section 256(e)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking the dash and all that follows thereafter and inserting “2 percent.”.

(e) TREATMENT OF FEDERAL ADMINISTRATIVE EXPENSES.—Section 256(h) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in paragraph (2), by striking “joint resolution” and inserting “part”; and

(2) in paragraph (4), by striking subparagraphs (D) and (H), by redesignating subparagraphs (E), (F), (G), and (I), as subparagraphs (D), (E), (F), and (G), respectively, and by adding at the end the following new subparagraph:

“(H) Farm Credit Administration.”.

(f) COMMODITY CREDIT CORPORATION.—Section 256(j) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking paragraphs (2) through (5) and inserting the following:

“(2) REDUCTION IN PAYMENTS MADE UNDER CONTRACTS.—(A) Loan eligibility under any contract entered into with a person by the Commodity Credit

Corporation prior to the time an order has been issued under section 254 shall not be reduced by an order subsequently issued. Subject to subparagraph (B), after an order is issued under such section for a fiscal year, any cash payments for loans or loan deficiencies made by the Commodity Credit Corporation shall be subject to reduction under the order.

“(B) Each loan contract entered into with producers or producer cooperatives with respect to a particular crop of a commodity and subject to reduction under subparagraph (A) shall be reduced in accordance with the same terms and conditions. If some, but not all, contracts applicable to a crop of a commodity have been entered into prior to the issuance of an order under section 254, the order shall provide that the necessary reduction in payments under contracts applicable to the commodity be uniformly applied to all contracts for the next succeeding crop of the commodity, under the authority provided in paragraph (3).

“(3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this title, if an order under section 254 is issued with respect to a fiscal year, any reduction under the order applicable to contracts described in paragraph (1) may provide for reductions in outlays for the account involved to occur in the fiscal year following the fiscal year to which the order applies.

“(4) UNIFORM PERCENTAGE RATE OF REDUCTION AND OTHER LIMITATIONS.—All reductions described in paragraph (2) which are required to be made in connection with an order issued under section 254 with respect to a fiscal year shall be made so as to ensure that outlays for each program, project, activity, or account involved are reduced by a percentage rate that is uniform for all such programs, projects, activities, and

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accounts, and may not be made so as to achieve a percentage rate of reduction in any such item exceeding the rate specified in the order.

“(5) DAIRY PROGRAM.—Notwithstanding any other provision of this subsection, as the sole means of achieving any reduction in outlays under the milk price support program, the Secretary of Agriculture shall provide for a reduction to be made in the price received by producers for all milk produced in the United States and marketed by producers for commercial use. That price reduction (measured in cents per hundred weight of milk marketed) shall occur under section 201(d)(2)(A) of the Agricultural

Act of 1949 (7 U.S.C. 1446(d)(2)(A)), shall begin on the day any sequestration order is issued under section 254, and shall not exceed the aggregate amount of the reduction in outlays under the milk price support program that otherwise would have been achieved by reducing payments for the purchase of milk or the products of milk under this subsection during the applicable fiscal year.”.

(g) EFFECTS OF SEQUESTRATION.—Section 256(k) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

[2 USC 906.](#)

(1) In paragraph (1), strike “other than a trust or special fund account” and insert “, except as provided in paragraph (5)” before the period.

(2) Amend paragraph (6) to read as follows:

“(6) Budgetary resources sequestered in revolving, trust, and special fund accounts and offsetting collections sequestered in appropriation accounts shall not be available for obligation during the fiscal year in which the sequestration occurs, but shall be available in subsequent years to the extent otherwise provided in law.”.

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

*31. Amendments to section 256 of Gramm-Rudman-Hollings*

HOUSE BILL (SECTION 11208)

The House bill makes technical corrections and conforming changes to special sequestration procedures to reflect changes since the Budget Enforcement Act of 1990. The only substantive change in this section is in the sequestration procedure for the student loan program, which provides that in the event of a PAYGO sequester, origination fees for both direct loans and guaranteed loans will be increased by 0.50 percent.

SENATE AMENDMENT (SECTION 1658)

The Senate amendment makes similar technical corrections and conforming changes, but does not change the sequestration procedure for student loan programs.

CONFERENCE AGREEMENT (SECTION 10208)

The conference agreement reflects the House bill with an additional technical change related to agriculture programs.

The amendments to section 256(b) update the special rule for guaranteed student loans to reflect recent changes in the Higher Education Act, including the introduction of the direct loan program, and for consistency with the Federal Credit Reform Act. The rule

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continues to allow a sequestration order to be carried out through a limited increase in loan origination fees.

The amendments to section 256(j) update the special rule for programs of the Commodity Credit Corporation to reflect recent changes in farm legislation. The rule allows for the application of a sequester order, if one is issued, to CCC programs on a crop-year basis, instead of a fiscal year basis, and for sequestration of the dairy program through reduction in price supports.

*[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.]*