Section-by-Section Analysis of the Ryan-Murray Spending Agreement

Senate Budget Committee Republican Staff
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Amendment #1—The Bipartisan Budget Act of 2013

The Bipartisan Budget Act (BBA) of 2013 would increase the discretionary spending caps established by the 2011 Budget Control Act (BCA) by $45 billion in 2014 and $18 billion in 2015. The $63 billion in higher spending BBA is not offset over the BCA window of 2014-2021; during that period, the Bipartisan Budget Act increases spending by almost $25 billion (see Appendix table). In fact, $20 billion of the $38 billion (53%) of offsets in the BBA realized during the BCA window come from higher fees and revenues. Fully $47 billion of the BBA's $85 billion offset package (56%) are realized in the FY 2022 and FY 2023, the final years of the current budget window, but beyond the timeframe of the BCA agreement.

Title 1—Budget Enforcement

Sec.101 of the BBA amends the statutory caps on discretionary spending established in the BCA to increase discretionary spending by $63 billion over the next two years. The changes in the caps are shown in the following chart:

BCA Cap Increase in Ryan-Murray Agreement
Budget authority in billions

	2014	2015	Total
Summary:			
Current Law BCA Caps Combined	967.5	995.2	
Proposed Total Caps	1,012.2	1,013.6	
Increase	44.8	18.5	63.2
Defense-Non-Defense Split:			
Current Law Defense Cap	498.1	512.0	
Proposed Defense Cap	520.5	521.3	
Increase	22.4	9.2	31.6
Current Law Non-Defense Cap	469.4	483.1	
Proposed Non-Defense Cap	491.8	492.4	
Increase	22.4	9.2	31.6

Sec. 101 also continues the sequestration of certain mandatory accounts required under the BCA for an additional 2 years (2022 and 2023) to reduce deficits by $28 billion. Approximately $22 billion of that amount comes from extending the 2% Medicare sequester. This is a cut to health care providers, carrying no reform policies, and it sunsets in 2023. A large part of the Medicare savings accrues to the Hospital Insurance (HI) Trust Fund for Part A, so the proposal uses trust fund savings to increase discretionary spending.

Sec. 111 deems a 2014 budget in the Senate consistent with the May 2013 CBO baseline, adjusted for the new (higher) discretionary caps and fees in the Ryan-Murray agreement. This provision will move the budget window forward one year and provide the Senate with enforceable spending and revenue levels for FY 2014, the five-year period 2014-2018, and the ten-year period 2014-2023.

Sec. 112 reinstates the long-standing point of order against advanced appropriations.

Sec. 114(a) instructs the Chairman of the Budget Committee to zero out the FY 2014 and 2015 Senate PAYGO scorecards. Both five- and ten-year scorecards for FY 2014 carry a small savings balance that could be used to pass legislation that increases the deficit, so this provision—for 2014—is helpful.

Sec. 114(c) establishes a deficit-neutral reserve fund for sequester replacement that would allow Senate Democrats to bring to the floor legislation that replaces the BCA sequester with tax increases—without concern that the higher spending levels would trigger a spending-related point of order—as long as the proposed legislation did not increase the deficit over the ten-year period 2014-2023.

Sec. 114(d) establishes a host of deficit-neutral reserve funds for Democratic policy priorities, including a DNRF for raising the minimum wage, while jettisoning many Republican DNRFs that were agreed to during Senate consideration of the Murray budget resolution. The only remaining Republican DNRFs are:

- 332 (Hatch) repeal medical device tax;
- 339 (Collins) new definition for “full time employee” under Obamacare;
- 361 (Portman) trade promotion assistance;
- 371 (Toomey) inland waterway preservation;
- 376 (Heller) payments for homeless veterans; and,
- 378 (Enzi) phased in changes to the individual and corporate income tax.

Sec. 116 “deems” spending levels for FY 2015 consistent with the most recent CBO baseline at that time, adjusted for the new discretionary and revenue levels in the Ryan-Murray agreement. This means it is not necessary for the Senate to mark up a FY 2015 budget to have enforceable levels for FY 2015, but does not preclude a mark up either. If the House and Senate agree to a FY 2015 conference report on the budget, it would replace the deemer established in this section.

Sec. 117 exempts the budgetary effects of the Ryan-Murray budget agreement from the statutory PAYGO scorecard.

Sec. 121 makes technical corrections to BBEDCA that are not controversial.

Sec. 122 makes technical corrections to the Congressional Budget Act (CBA) that are not controversial.

Title II—Prevention of Waste, Fraud, and Abuse

Sec. 201 would require that all States use the Treasury Offset Program (TOP) to help recover Unemployment Insurance (UI) overpayments. This provision would reduce outlays by $159 million and revenues by $90 million over 10 years, for a net reduction in the deficit of $69 million.

Sec. 202 reaffirms Medicaid's position as the payer of last resort. Specifically, it allows states to delay payment for prenatal and preventive pediatric claims when third parties are responsible, to collect medical child support where health insurance is available from a non-custodial parent, and to recover costs from beneficiary liability settlements. This proposal was one of the program integrity provisions in the president's FY2014 budget, and will save $1.4 billion over 10 years.

Sec. 203 restricts access to the Death Master File (DMF) to certified individuals under a new program established under the Department of Commerce. This section also establishes a new user fee to cover the cost of certification that will raise $517 million over 10 years. Overall, this proposal will reduce the deficit by $786 million over 10 years.

Sec. 204 provides the Department of the Treasury with the authority to use Prisoner Update Processing System data to help prevent ineligible prisoners from receiving unemployment benefits. This provision would reduce outlays by $80 million and revenues by $162 million over 10 years, for a net reduction in the deficit of $242 million.

Title III—Natural Resources

Sec. 301 rescinds the amounts remaining for research into the production of hard-to-reach fossil fuel through the ultra-deepwater program. This money largely goes to public-private research partnerships, sometimes with universities, but oftentimes with for-profit entities. FY 2014 is the program's final year; the rescission saves $40 million.

Sec. 302 adopts the president's proposal to continue charging states 2% of Mineral Leasing Act royalties for administering the program. Wyoming would shoulder more than half of the cost of this proposal, which reduces royalty payments by $415 million over 10 years. Appropriations bills since 2008 have included this provision as a way to facilitate increased spending in the Interior Appropriations bill.

Secs. 303 and 304 would approve a February 20, 2012, agreement between the United States and Mexico governing the exploration and development of oil and gas resources in the area around our Gulf of Mexico border with Mexico. A bill to this effect passed the House on June 27, 2013 by a vote of 256 – 171 (28 Democrats joined 228 Republicans in favor). However, a provision included in the House-passed statute exempting domestic firms from an SEC-related reporting requirement is not included in this bill.

That provision is important because of conflicts that could arrive with Mexican law, and may disadvantage U.S. companies in the area. This agreement is estimated to increase bonus bids and royalty fees by $25 million over 10 years.

Sec. 305 would place a cap on federal oil and gas royalty prepayments. According to CBO, the amount of "overpayment" that companies are making has increased dramatically in recent years. The agreement would make effective a limitation already in law on the payment of interest on these "overpayments," reducing the amount of "overpayment" eligible for interest payments. It saves $750 million over 10 years.

Sec. 306 rescinds all funds available in the Strategic Petroleum Reserve Petroleum (SPR) Account. During the Arab Spring in 2011, the U.S. sold $3.2 billion of oil from the SPR, in collaboration with international actors. This money was deposited in the SPR, available to re-purchase oil. The agreement would rescind the balance in the fund, as well as the ability of the Administration to receive "royalty-in-kind" oil, saving $3.2 billion over 10 years.

Title IV—Federal Civilian and Military Retirement

Sec. 401 raises the contribution rate for federal employees hired after January 1, 2014, to 4.4 percent of pay. This adds a third tier to a system where only those hired in 2013 contribute 3.1 percent of pay, and those hired earlier contribute 0.8 percent. This policy also uses funds dedicated to a trust fund to enable higher spending unrelated to pensions. It increases revenues by $6 billion.

Sec. 402 increases the employee contribution for employees covered under the Foreign Service Pension System by 1.3 percent of pay, increasing revenues by $50 million over 10 years.

Sec. 403 reduces the Cost of Living Allowance (COLA) for military retirees. Active duty military personnel immediately begin collecting their pensions upon retirement; with 20 years of service required to retire, the majority of those retiring from service do so in their 40s, well before the traditional retirement age of 62. At 15 years of service, personnel can choose between two plans: one that provides an annual COLA equal to the prior year's Consumer Price Index (CPI) increase, or the other plan, where personnel get a lump sum payment upon retirement but get a reduced COLA of CPI minus one percent. Most personnel choose the plan with the higher COLA. Under the proposal, retirees will receive a COLA of CPI minus one percent from the time they retire until age 62. After age 62, they again will receive the full CPI adjustment each year, rebased as though they had gotten full CPI adjustment in prior years. This proposal will save approximately $6 billion; however, because many retirees retire decades before reaching age 62 the one percent savings compounding year-over-year could produce savings beyond the budget window. This budget agreement therefore reduces retirement benefits for current military members and retirees but spares current federal civilian employees from any changes to their retirement benefits.

Title V—Higher Education

Sec. 501 of the agreement reduces the compensation guaranty agencies receive for rehabilitating a loan from the Federal Family Education Loan (FFEL) program, beginning July 1, 2014. Making this change to the Default Reduction Program reduces spending by $2 billion. Specifically, Section 501 lowers the maximum borrower collection fee to 16 percent (from 18.5 percent) and would require the agency to return 100 percent of the federal default reinsurance payment, beginning on July 1, 2014.

Sec. 502 eliminates the mandatory spending for payments to non-profit student-loan servicers created in the 2010 Health Care and Education Reconciliation Act (HCERA), and instead ensures they will be paid with discretionary funds in the same manner as other student-loan servicers. This elimination of nonprofit servicing contracts reduces mandatory spending by $3.1 billion, but would increase discretionary spending by approximately the same amount; it is not counted since discretionary spending is subject to separate spending caps.

Title VI—Transportation

Sec. 601 increases Transportation Security Agency fees to $5.60 per trip rather than the $2.50 per enplanement currently charged. This will result in an increase for most travelers. The provision raises $12.6 billion over 10 years.

Sec. 602 eliminates the Ocean Freight Differential program, which pays the higher costs of having US flag ships carry food aid to foreign countries. This saves $731 million.

Sec. 603 is an authorization matter dealing with airport exit lanes. It saves no money. The TSA was set to relax the current requirement that exit lanes be staffed at all airports; this language prohibits TSA from relaxing the standard.

Title VII—Miscellaneous Provisions

Sec. 701 allows the Bureau of Customs and Border Protection (CBP) to continue collecting nine different conveyance and passenger user fees and a merchandise processing fee through FY 2023 resulting in a user fee increase of $6.8 billion over FY 2022 and FY 2023. The availability of this fee as an offset is an artifact of baseline construction, and does not represent a new policy.

Sec. 702 limits the amount a contractor can charge the federal government for an employee's compensation to $487k, adjusted annually for the Employment Cost Index (ECI). The cap is currently set at $952k. There would be exceptions for scientists and engineers. The provision does not save any money.

Sec. 703 increases Pension Benefit Guarantee Corporation (PBGC) premiums by $7.9 billion. The PBGC premiums increases enacted last year in MAP-21 have not fully taken effect, and the shortfall in the

PBGC Trust Fund is disputed by PBGC and other pension industry stakeholders. Higher premiums increase the cost of doing business particularly in a weak economy, or worse provides a false since of security to firms that could engage in more risky ventures. In addition, this increase will finance higher discretionary spending instead of improving the long-term solvency of PBGC. Similar to the Medicare Trust Fund double-count in Obamacare, PBGC is currently running a cash surplus, so that this new revenue will go to buy Treasury Bonds, winding up in the General Fund and getting spent. All PBGC holds is an IOU. The real risk to the taxpayer is that when PBGC has to take over a pension fund and draw on its surplus, Congress will have to borrow money or raise taxes to honor PBGC's treasury bills.

Sec. 704 would permanently cancel authority to spend certain unobligated balances in the Department of Justice Assets Forfeiture Fund, which was established by the Comprehensive Crime Control Act of 1984 to seize and collect the proceeds of criminal activities. The fund uses the proceeds of forfeited assets—through a permanent, indefinite appropriation—to cover the costs of carrying out forfeiture activities focusing on combating money laundering and fraud. Unobligated balances in the fund are currently about $868 million and the Agreement would permanently cancel $693 million of this balance.

This section would also cancel unobligated balances in the Treasury Forfeiture Fund (TFF) which supports participating Treasury Department and Homeland Security (DHS) agencies in the use of asset forfeiture with a focus on customs enforcement to disrupt and dismantle criminal enterprises and deter criminal activity. TFF funds are available to cover costs related to seizures and forfeitures and certain other law enforcement activities. Unobligated balances in the fund are currently about $888 million and the Agreement would permanently cancel $867 million of this balance.

The availability of these funds has been routinely limited in appropriations bills. The permanent cancellation of the balances, however, means that they will never be used for their intended purposes.

Sec. 705 grants the Natural Resource Conservation Agency the ability to collect a fee of up to $150 for conservation planning technical assistance. Under current law, the Conservation Reserve Program's technical assistance is funded under the Farm Law. The provision is similar to a proposal in the president's budget. The new fee is expected to raise $39 million over 10 years.

Sec. 706 creates a new "self plus one" enrollment tier for the Federal Employees Health Benefit Program (FEHBP). This policy would likely increase "self and family" FEHBP plan premiums and the average cost of plans for current Federal workers, since Federal retirees would be more likely to switch to the new plans. This proposal would reduce direct spending by $3 billion because health coverage for retirees is scored as direct spending; however, the proposal would increase discretionary spending by approximately the same amount.

Amendment #2—Pathway for SGR Reform Act of 2013

From a budgetary standpoint, the Pathway for SGR Reform Act of 2013, added by rule to the Bipartisan Budget Act of 2013, is similar to the rest of the Ryan-Murray budget deal. The SGR package includes a 3 month Medicare "doc fix" and other health care extenders that increase mandatory spending today by roughly $8 billion with the promise of savings in the future that are either unlikely to occur or are largely based on questionable budget maneuvers. Virtually all of the promised savings are expected in 2023.

Title I – Medicare Extenders

Sec. 1101 replaces the 20.1% reduction in Medicare physician payment rates scheduled to take effect on January 1, 2014, under the Sustainable Growth Rate (SGR) formula with a 0.5% increase in payment rates for 3 months (through March 31, 2014). CBO estimates this short-term "doc fix" will increase direct spending by $7.3 billion over the FY2014-2023 period.

Sec. 1102 extends the Medicare Geographic Practice Cost Index (GPCI) floor for 3 months (until April 1, 2014), increasing direct spending by $0.1 billion.

Sec. 1103 extends the Medicare therapy cap exceptions process for 3 months (through March 31, 2014), increasing direct spending by $0.1 billion.

Sec. 1104 extends Medicare ambulance add-on payments for 3 months (until April 1, 2014), increasing direct spending by up to $50 million.

Sec. 1105 extends the Medicare Low-Volume hospital payment adjustment for 6 months (until April 1, 2014), increasing direct spending by $0.1 billion.

Sec. 1106 extends the Medicare-dependent Hospital (MDH) program for 6 months (until April 1, 2014), increasing direct spending by $0.1 billion.

Sec. 1107 extends Medicare Advantage Special Needs Plans for 1 year (through December 31, 2015), increasing direct spending by $0.2 billion.

Sec. 1108 extends Medicare Reasonable Cost Contracts for 1 year (through December 31, 2014), increasing direct spending by $0.1 billion.

Sec. 1109 extends existing funding for contracts with consensus-based entities regarding performance measurement, making such funds available until expended. CBO estimates this change will increase direct spending by up to $50 million.

Sec. 1110 extends funding for outreach and assistance for low-income programs (until April 1, 2014) for State Health Insurance Counseling Programs (SHIPs), Area Agencies on Aging (AAAs), Aging and Disability Resource Centers (ADRCs), and the National Center for Benefits Outreach and Enrollment. CBO estimates this provision will increase direct spending by up to $50 million.

Title II – Other Health Provisions

Sec. 1201 extends the Qualifying Individual (QI) Program for 3 months (through March 31, 2014), increasing direct spending by $0.2 billion.

Sec. 1202 extends the Transitional Medical Assistance (TMA) program for 3 months (through March 31, 2014), increasing direct spending by $0.1 billion.

Sec. 1203 extends Family-to-Family Health Information Centers for 3 months (until April 1, 2014), increasing direct spending by up to $50 million.

Sec. 1204 repeals the Medicaid Disproportionate Share Hospital (DSH) reductions under Obamacare for 2014 and delays the scheduled 2015 reductions for 1 year. The provision also rebases 2023 Medicaid DSH allotments on 2022 DSH allotment levels. CBO estimates that altogether this section will reduce spending by $3.9 billion over the 2014-2023 period. However, these savings estimates are back-loaded since the Obamacare DSH changes increase spending in the near-term and anticipated spending reductions come almost exclusively in 2023 from rebasing Medicaid DSH payments in that year. Moreover, rebasing Medicaid DSH payments does not represent real reform. Rebasing generates savings because reductions in DSH allotments made by Obamacare, and subsequently extended, were only specified in statute through 2022, so that these savings in 2023 are an artifact of the baseline construction.

Sec. 1205 realigns the Medicare sequester for 2023 so that the scheduled 2 percent reduction in payments to Medicare providers will instead be 2.9 percent in the first six months and 1.11 percent in the second six months of that calendar year. While this timing shift appears to reduce direct spending by $2.1 billion in FY 2023 (the final year of the ten-year budget window) it at the same time pushes additional costs outside the ten-year period analyzed by CBO. Therefore, in reality, the provision does not produce any additional savings for the federal budget.

Sec. 1206 establishes new criteria for Long Term Care Hospitals (LTCH) to receive higher payment rates and also delays application of the 25 percent rule for 3 years (through September 30, 2017). CBO estimates this section will reduce direct spending by $3 billion over the FY2014-2023 period.

Appendix: Ryan-Murray Bipartisan Budget Act of 2013

(Outlays, by fiscal year, in billions of dollars)

Proposal	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-year Total	Total Though 2021	Only 2022-2023
Revenues:													
Federal Civil Service Retirement contribution increase	0.024	0.154	0.276	0.400	0.527	0.657	0.788	0.921	1.057	1.194	5.998	3.747	2.251
Restriction on Access to the death master file to prevent fraud	0.024	0.049	0.050	0.052	0.053	0.055	0.056	0.058	0.060	0.062	0.519	0.397	0.122
Identification of inmates receiving improper payments	0.000	0.016	0.017	0.017	0.017	0.018	0.019	0.019	0.019	0.020	0.162	0.123	0.039
Foreign Service Retirement contribution increase	0.001	0.002	0.003	0.004	0.005	0.005	0.006	0.007	0.008	0.009	0.050	0.033	0.017
Enhanced collection of Unemployment Insurance overpayments	0.000	-0.001	-0.004	-0.009	-0.012	-0.014	-0.014	-0.013	-0.012	-0.011	-0.090	-0.067	-0.023
Fees:													
Increase Aviation Security Fees	0.390	1.190	1.250	1.280	1.320	1.360	1.400	1.440	1.480	1.520	12.630	9.630	3.000
Increase Pension Benefit Guaranty Corporation premiums	0.000	0.200	0.850	1.260	1.090	0.920	0.870	0.860	0.900	0.930	7.880	6.050	1.830
Extension of Customs User Fees	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.125	3.646	6.771	0.000	6.771
Conservation Planning Technical Assistance User Fees	0.003	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.039	0.031	0.008
OCS Transboundary Agreements for Sharing Resource Royalties	0.007	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.025	0.021	0.004
Subtotal, Deficit Reduction from Taxes and Fees	-0.449	-1.616	-2.448	-3.010	-3.006	-3.007	-3.131	-3.298	-6.643	-7.376	-33.984	-19.965	-14.019
Mandatory Spending Law Changes:													
Extend Budget Control Act sequestration of non-exempt mandatory spending for 2022-2023	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-11.267	-16.774	-28.041	0.000	-28.041
Reduce military retirement Cost of Living Adjustment	0.000	0.000	-0.152	-0.358	-0.506	-0.715	-0.883	-1.037	-1.275	-1.309	-6.235	-3.651	-2.584
Remove authority for additional Strategic Petroleum Reserve purchases	-0.050	-0.350	-0.350	-0.350	-0.350	-0.355	-0.355	-0.355	-0.355	-0.355	-3.225	-2.515	-0.710
End Non-Profit Servicing Contracts in the Student Loan programs	-0.167	-0.362	-0.461	-0.515	-0.553	-0.587	-0.312	-0.084	-0.024	0.000	-3.065	-3.041	-0.024
"Self Plus One" Coverage in the Federal Employees Health Benefits Program*	0.000	-0.252	-0.268	-0.286	-0.307	-0.329	-0.353	-0.378	-0.405	-0.434	-3.012	-2.173	-0.839
Reduce Compensation to Student Loan Guaranty Agencies	-2.050	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-2.050	-2.050	0.000
Cancellation of Unobligated Balances (DOJ Asset Forfeiture Fund and Treasury Forfeiture Fund)	-0.277	-0.624	-0.486	-0.173	0.000	0.000	0.000	0.000	0.000	0.000	-1.560	-1.560	0.000
Strengthen Medicaid third party liability	0.000	-0.050	-0.100	-0.150	-0.160	-0.170	-0.180	-0.190	-0.200	-0.210	-1.410	-1.000	-0.410
Federal Oil and Gas Royalty prepayment cap	0.000	0.000	-0.020	-0.050	-0.090	-0.100	-0.110	-0.120	-0.130	-0.130	-0.750	-0.490	-0.260
Reduce transportation cost of Food Aid shipments to foreign countries	-0.056	-0.075	-0.075	-0.075	-0.075	-0.075	-0.075	-0.075	-0.075	-0.075	-0.731	-0.581	-0.150
Reduce payments under the Mineral Leasing Act	0.000	-0.044	-0.044	-0.042	-0.043	-0.046	-0.047	-0.048	-0.050	-0.051	-0.415	-0.314	-0.101
Restriction on Access to the death master file to prevent fraud	-0.013	-0.025	-0.026	-0.027	-0.028	-0.028	-0.029	-0.030	-0.031	-0.032	-0.269	-0.206	-0.063
Enhanced collection of Unemployment Insurance overpayments	-0.010	-0.026	-0.020	-0.017	-0.015	-0.014	-0.013	-0.014	-0.015	-0.015	-0.159	-0.129	-0.030
Identification of inmates receiving improper payments	0.000	-0.008	-0.008	-0.008	-0.009	-0.009	-0.009	-0.009	-0.010	-0.010	-0.080	-0.060	-0.020
Ultra-Deepwater and unconventional natural gas and other petroleum resources	-0.002	-0.014	-0.016	-0.006	-0.002	0.000	0.000	0.000	0.000	0.000	-0.040	-0.040	0.000
Subtotal, Mandatory Spending Law Changes	-2.625	-1.830	-2.026	-2.057	-2.138	-2.428	-2.366	-2.340	-13.837	-19.395	-51.042	-17.810	-33.232
Total "Savings"	-3.074	-3.446	-4.474	-5.067	-5.144	-5.435	-5.497	-5.638	-20.48	-26.771	-85.026	-37.775	-47.251
New Discretionary Spending	26.300	21.600	8.600	3.300	2.000	0.600	0.000	0.000	0.000	0.000	62.400	62.400	0.000
Net Deficit Change	23.226	18.154	4.126	-1.767	-3.144	-4.835	-5.497	-5.638	-20.480	-26.771	-22.626	24.625	-47.251
Notes:													
*--Estimate includes the following Off-Budget effect	0.000	-0.008	-0.010	-0.012	-0.014	-0.016	-0.019	-0.021	-0.024	-0.027	-0.151	-0.100	-0.051

Amounts may differ from CBO cost estimate due to rounding.