

Section-by-Section for The Middle Class Tax Relief & Job Creation Act of 2011 – H.R. 3630

TITLE I – JOB CREATION INCENTIVES

Subtitle A – North American Energy Access

Section 1001. Short Title: This section provides the short title of “North American Energy Security Act.”

Section 1002. Permit for Keystone XL Pipeline: Subsection (a) requires the President to grant a permit under Executive Order 13337 for the Keystone XL pipeline project application filed on September 19, 2008 (including amendments), subject to subsection (b).

Subsection (b) provides that the President is not required to grant the permit under subsection (a) if he determines that the Keystone XL pipeline would not serve the national interest.

If the President determines that the Keystone XL pipeline is not in the national interest, Subsection (b) requires that he, not later than 15 days after the date of the determination, submit to the Committee on Foreign Relations of the Senate, the Committee on Foreign Affairs of the House of Representatives, the majority leader of the Senate, the minority leader of the Senate, the Speaker of the House of Representatives, and the minority leader of the House of Representatives a report that provides a justification for determination, including consideration of economic, employment, energy security, foreign policy, trade, and environmental factors.

Subsection (b) also provides that if the President takes no action under this section within 60 days after enactment of this Act, the permit for the Keystone XL pipeline described in subsection (a) that meets the requirements of subsections (c) and (d) shall be in effect by operation of law.

Subsection (c) Requires the permittee to comply with all applicable Federal and State laws (including regulations) and all applicable industrial codes regarding the construction, connection, operation, and maintenance of the United States facilities; to obtain all requisite permits from Canadian authorities and relevant Federal, State, and local governmental agencies; to take all appropriate measures to prevent or mitigate any adverse environmental impact or disruption of historic properties in connection with the construction, operation, and maintenance of the United States facilities.

Subsection (c) also provides that the final environmental impact statement issued by the Secretary of State on August 26, 2011, satisfies the requirements of the National Environmental Policy Act and the National Historic Preservation Act; that any modification required by the Secretary of State to the pipeline Plan described in the final

environmental impact statement not require supplementation of the final environmental impact statement; and that no further Federal environmental review is required.

Subsection (c) also requires that construction, operation, and maintenance of the facilities be similar to what was described in the application for construction authorization in 2008 and in accordance with the construction, mitigation, and reclamation measures in the final environmental impact statement of August 26, 2011, subject to: the modification described in subsection (d) and special conditions agreed to between the permittee and the Pipeline Hazardous Materials Safety Administration; the measures agreed to by the permittee for the Sand Hills region found in the final environmental impact statement (if the modified route submitted by the Governor of Nebraska under Subsection (d) crosses the Sand Hills); stipulations in appendix S of the final environmental impact statement; and other requirements that are standard industry practice or commonly included in similar Federal permits.

Subsection (d) requires the reconsideration of routing of the Keystone XL pipeline within the State of Nebraska; a review period during which routing within the State of Nebraska may be reconsidered and the route through Nebraska altered. This subsection also requires the President to coordinate review with Nebraska, to provide any necessary data and technical assistance; and to approve the route in Nebraska as submitted to the Secretary of State by the Governor of Nebraska.

Subsection (e) provides that If the President does not approve the reroute within Nebraska submitted by the Governor of Nebraska not later than 10 days after it is submitted, it is approved per the terms of this section by operation of law.

Subtitle B – EPA Regulatory Relief

Section 1101. Short Title: This section provides the short title of “EPA Regulatory Relief Act of 2011.”

Section 1102. Legislative Stay: Sections 1102(a) and 1102(b) direct the Administrator of the EPA to promulgate new rules to replace four recently published, interrelated EPA rules setting Maximum Achievable Control Technology (MACT) and other performance standards for industrial, commercial and institutional boilers and process heaters, and commercial and industrial solid waste incineration units. These rules were issued under Sections 112 and 129 of the Clean Air Act, and Sections 2002(a)(1) and 1004(27) of the Resource Conservation and Recovery Act. Section 1102(a) directs the Administrator to finalize the new rules 15 months from the date of enactment of the Act. Section 1102(c) clarifies that the provisions of Section 112(j) and 112(g)(2), which direct the Administrator or State permitting authorities to establish on a case-by-case basis emission limits in certain circumstances where the Administrator has failed to promulgate a MACT standard, shall not apply prior to the effective date of the new standards.

Section 1103. Compliance Dates: Section 1103(a) extends the deadline for compliance with the new rules from 3 years to at least 5 years from the date of enactment of the Act

to allow sufficient time for facilities to install equipment and comply with the new standards.

Section 1103(b) clarifies that for each of the new rules promulgated pursuant to the Act, the date on which the Administrator proposes the rule shall be treated as the proposal date for purposes of the definition of a “new source” under Section 112(a)(4), and of a “new solid waste incineration unit” under Section 129(g)(2) of the Clean Air Act.

Section 1103(c) clarifies that nothing in the legislation should be construed to restrict the Administrator or a State permitting authority from granting an extension under Clean Air Act Section 112(i)(3)(B) allowing an existing source up to 1 additional year to comply if necessary for the installation of controls, or to restrict the President from granting limited national security related exemptions under Clean Air Act Section 112(i)(4).

Section 1104. Energy Recovery and Conservation: This section provides that in defining the terms “commercial and industrial solid waste incineration unit,” “commercial and industrial waste,” and “contained gaseous material,” the Administrator should adopt the meaning of those terms set forth in an EPA 2000 rule. These definitions provide that units designed for energy recovery should be regulated under Section 112 of the Clean Air Act, and should not be classified as incinerators and regulated under Clean Air Act Section 129. This section is intended to ensure the continued use of a wide range of alternative fuels and encourage energy recovery.

Section 1105. Other Provisions: Section 1105(a) clarifies that the emissions standards set by the Administrator in the new rules must be achievable in practice. The section directs the Administrator to ensure that the emissions standards can be met under actual operating conditions consistently and concurrently for all pollutants regulated by the new rules. This section is intended to ensure that the standards are based on emission limits achieved in practice by real-world boilers, process heaters and incinerators.

Section 1105(b) clarifies that in promulgating the new rules, the Administrator should impose the least burdensome regulatory alternatives, consistent with the objectives of the Clean Air Act and Executive Order 13563 (published January 21, 2011).

Subtitle C -- Extension of 100% Expensing

Section. 1201. Extension through 2012 and Expansion of Expensing:

Under current law, business taxpayers must generally depreciate the cost of capital assets over several years, with the exact period depending on the asset. Under legislation enacted in late 2010, qualifying property purchased (and generally placed into service) after September 8, 2010 and before January 1, 2012, is eligible for “expensing” (sometimes referred to as “100-percent bonus depreciation”), under which the cost of the property is immediately deductible that year. In addition, qualifying property purchased

(and generally placed into service) during 2011 and 2012 is eligible for 50-percent bonus depreciation (i.e., half deductible immediately, and half depreciated over the balance of the property's useful life). Thus, in 2011, taxpayers may elect 100-percent bonus depreciation, 50-percent bonus depreciation, or the regular depreciation schedule. For 2012, taxpayers may elect 50-percent bonus depreciation or the regular depreciation schedule. For 2013, no bonus depreciation is generally available (though expensing is available for certain capital purchases of small businesses under section 179 of the tax code). Also under current law, a corporation may elect to forgo bonus depreciation on property acquired after September 8, 2010, and placed in service in 2011 (when 100-percent or 50-percent bonus depreciation is available) or 2012 (when 50-percent bonus depreciation is available), and instead claim unused AMT credits from tax years before January 1, 2006. However, such credits are limited to 20 percent of the amount of the depreciation that the corporation forgoes by not using bonus depreciation. Such credits also cannot exceed the lesser of \$30 million or 6 percent of the amount of AMT credit carryforwards for tax years beginning before January 1, 2006. Additionally under current law, a taxpayer that uses the percentage of completion method of accounting generally must take into account income associated with a deduction at the time the deduction is taken.

Under the bill, qualifying property purchased (and generally placed into service) during 2012 would be eligible for expensing (i.e., 100-percent bonus depreciation). This would effectively extend for an additional year, through 2012, the more generous depreciation allowance that is currently in effect for 2011. Thus, for 2012, taxpayers could elect 100-percent bonus depreciation or the regular depreciation schedule. The bill would also expand this expensing provision in two ways. First, for tax years ending after December 31, 2011, the provision would revise the election to claim AMT credits in lieu of bonus depreciation by allowing taxpayers to instead claim 20 percent of the amount of the depreciation that the corporation forgoes by not using bonus depreciation, limited to the lesser of: (1) unused AMT credits from tax years ending before January 1, 2011, or (2) 50 percent of the AMT credit for the first tax year ending after December 31, 2010. Second, for property placed in service during 2012, the bill would provide that, solely for purposes of taking into account bonus depreciation property under the percentage of completion method of accounting, only the cost of the property would be taken into account, not the higher bonus depreciation amount (but only with respect to property with a recovery period of seven years or less). *According to the Joint Committee on Taxation, the extension through 2012 and expansion of expensing would reduce Federal revenues by a total of \$7.904 billion over 2012-2021 (reducing revenues by \$58.274 billion over the first two years but recouping most of that revenue loss in the following eight years), with \$1.899 billion of the \$7.904 billion revenue reduction over 2012-2021 attributable to the expansion of the election for claiming unused AMT credits in lieu of bonus depreciation.*

TITLE II – EXTENSION OF CERTAIN EXPIRING PROVISIONS AND RELATED MEASURERS

Subtitle A – Extension of Payroll Tax Reduction

Sec. 2001. Extension Through 2012 of the Social Security Payroll Tax Reduction:

Under current law, for 2011 only, employees and the self-employed are provided a 2-percentage point reduction in their Social Security payroll (or self-employment) tax rate, which decreases that rate from the generally applicable rate of 6.2 percent to 4.2 percent. This reduction applies to all covered wages up to the taxable wage base (\$106,800 in 2011) and does not phase out with income. Employers continue to pay the generally applicable rate of 6.2 percent of wages. Under the provision in effect for 2011, the amount of revenue that is foregone to the Social Security Trust Funds as a result of the payroll tax reduction is replaced with General Fund transfers of the same amount. For 2012, the rate for the employee share is currently scheduled to revert to the usual 6.2 percent rate pursuant to underlying law.

Under the bill, the 2-percentage point reduction in the Social Security payroll (or self-employment) tax rate applicable to employees and the self-employed for 2011 would be extended through 2012. As with the provision that is currently in effect for 2011, the amount of revenue that is foregone to the Social Security Trust Funds as a result of the extension of this payroll tax reduction would be replaced with General Fund transfers of the same amount. *According to the Joint Committee on Taxation (JCT), this provision would reduce Federal revenues by \$119.6 billion over 2012-2021.*

Subtitle B—Unemployment Compensation

Section. 2101: Title: This subtitled is called the ‘‘Extended Benefits, Reemployment, and Program Integrity Improvement Act’’.

Part 1—Reforms of Permanent State Unemployment Insurance (UI) Programs to Promote Work and Job Creation.

Section 2121: Consistent Job Search Standards: Creates basic job search requirements for everyone collecting State UI benefits – ensuring all are actively seeking work and have registered for employment services, posted resumes, and applied for work similar to what they previously performed. Effective after the next regularly scheduled session of each State’s legislature.

Section 2122: Participation in Reemployment Services Made a Condition of Benefit Receipt: Requires UI recipients who lack a high school diploma to be making progress toward a GED; allows the State to waive this requirement if it would be unduly burdensome in individual cases. Also expects individuals who have been referred to reemployment services to participate in those services to maintain their eligibility for UI. Effective after the next regularly scheduled session of each State’s legislature.

Section 2123: State Flexibility to Promote Reemployment: Allows States to apply for cost-neutral “waivers” of Federal law, so they can test innovative strategies to promote faster reemployment of unemployed workers. Consistent with recent Administration proposals, States may test wage subsidies and other reemployment activities. Effective upon enactment.

Section 2124: Assistance in Implementing Self-Employment Assistance Programs: Drawing on S. 1826 introduced by Sen. Wyden (D-OR), instructs the Secretary of Labor to develop model legislative language and provide technical assistance to States interested in creating self-employment assistance programs. Effective upon enactment.

Section 2125: Drug Testing Applicants: Clarifies that States may drug test recipients they have determined are likely to be using illegal substances. Effective upon enactment.

Section 2126: Improving Program Integrity by Better Recovering Overpayments: Requires States to reduce current State UI benefits to recover prior UI overpayments, including overpayments owed to other States or the Federal government. Effective after the next regularly scheduled session of each State’s legislature.

Section 2127: Standardized data elements for improved data matching: Directs the Secretary of Labor to develop standardized data elements to be used in improving the accuracy and administration of UI benefits. Effective in October 2012.

Part 2—Provisions Relating to Extended Benefits.

Section 2141: Title: This section is called the “Unemployment Benefits Extension Act of 2011.”

Section 2142: Extension and Modification of Emergency Unemployment Compensation (EUC) Program: Extends the Federal EUC program for 13 months through the end of January 2013. Reduces maximum weeks of EUC benefits per person from 53 weeks today to 33 weeks starting in January 2012 (with up to 20 weeks payable in all States, and another up to 13 weeks payable in States with an unemployment rate of 6% or higher). For individuals who are collecting EUC benefits in December 2011, allows them to complete the tier of benefits they are currently in, with some able to collect up to another 13 weeks of payments in 2012 if they are in a high unemployment State. Effective in January 2012.

Section 2143: Temporary Extension of Extended Benefit (EB) Provisions: Extends current EB program rules (including 100% Federal funding for up to 20 additional weeks of benefits) through the end of January 2013. Consistent with the President’s proposed

American Jobs Act, States would be eligible for EB based on current law rules, including having high (at least 6.5%) and rising (at least 10% above the level in the same month in any of the last 3 years) unemployment rates. Effective in January 2012.

Section 2144: Additional Extended Unemployment Benefits under the Railroad Unemployment Insurance Act: Extends through the end of January 2013 the availability of railroad extended unemployment benefits. Effective in January 2012.

Part 3—Improving Reemployment Strategies Under the Temporary Emergency Unemployment Compensation (EUC) Program.

Section 2161: Improved Work Search for the Long-Term Unemployed: Applies the same improved work search requirements from above to EUC. Effective upon enactment.

Section 2162: Reemployment Services and Reemployment and Eligibility Assessment Activities: Based on the Administration's *American Jobs Act* proposal, establishes requirements for States to provide reemployment services and reemployment and eligibility assessments to EUC recipients. However, instead of mandating increased Federal spending of up to \$200 per unemployed individual as the Administration proposed, this section allows States to support the cost of additional reemployment activities using State funds, or by reducing each EUC recipient's weekly benefit by up to \$5. Effective upon enactment.

Section 2163: State Flexibility to Support Long-Term Unemployed Workers with Improved Reemployment Services: Building on the Administration's proposal to provide additional reemployment opportunities to the long-term unemployed States would be granted new flexibility to engage up to 20 percent of EUC recipients in improved reemployment services the Administration supports, using current EUC funds. Effective upon enactment.

Section 2164: Promoting Program Integrity through Enhanced Overpayment Recovery: In order to more quickly recover the current \$12 billion in annual UI overpayments, this provision requires States to offset Federal EUC benefits to recover UI overpayments owed to other States or the Federal government, and converts a current 50% ceiling on such offsets into a 50% floor. Effective upon enactment.

Section 2165: State flexibility to improve unemployment program solvency: Repeals a provision that since the 2009 stimulus law has blocked States wanting to improve solvency from reducing State unemployment benefits while still receiving Federal EUC funds. The provision that would be repealed has left States no choice but to raise taxes if they want to improve UI program solvency. Effective upon enactment.

CBO estimates that together these provisions would increase Federal spending by \$34.2 billion over ten years.

Subtitle C – Medicare Extensions; Other Health Provisions

Section 2201. Medicare Physician Payment Rates: This provision would prevent a 27.4 percent cut in Medicare physician payment rates slated to begin on January 1, 2012 and instead increase payment rates by 1 percent in 2012 and again in 2013. The two years of stable Medicare payment rates would be the most certainty physicians have had since 2004. During this period, the Medicare Payment Advisory Commission (MedPAC), Government Accountability Office (GAO), and Department of Health and Human Services (HHS) are required to submit reports to Congress to assist in the development of a long-term replacement to the current Medicare physician payment system. *CBO estimates this provision would increase spending by \$38.9 billion over 10 years.*

Section 2202. Ambulance Add-On Payments: This provision would extend through December 31, 2012, the following add-on payments: 2 percent for urban ground ambulance services, 3 percent for rural ground ambulance services, and an increase to the base rate for ambulance trips originating in qualified “super rural” areas as calculated by the Secretary (currently 22.6 percent). The bill additionally requires two reports – one from GAO on ambulance provider costs and another from MedPAC on whether or not the ambulance fee schedule should be reformed. These studies will help inform Congress as to whether these add-on payments should be continued in future years. *CBO estimates these provisions would increase spending by \$100 million over 10 years.*

Section 2203. Outpatient Therapy Caps: This provision would extend the therapy caps exceptions process through December 31, 2013 with modifications that will require that the physician reviewing the therapy plan of care be detailed on the claim, reject all claims above the spending cap that do not include the proper billing modifier, and provide for a manual review of all claims for high cost beneficiaries to ensure that only medically necessary services are being provided. Furthermore, the spending caps (\$1,880 in 2012), which have been in effect since 2006, would be extended to the hospital outpatient department setting to prevent a shift in the site of service to higher cost settings once enforcement of the current exceptions process begins. Exempting these services in the HOPD setting made sense when the hard therapy cap was in place, but it no longer makes sense with the exceptions process. Additionally, HHS would be required to collect data to assist in reforming the payment system for therapy services. MedPAC would be required to recommend improvements to the outpatient therapy benefit to reflect the individual needs of patients. *CBO estimates this provision would reduce spending by \$1.7 billion over 10 years.*

Section 2204. Physician Work Geographic Adjustment: This provision would extend, through December 31, 2012, the current floor used in calculating the portion of Medicare physician payments that accounts for the geographic area where a physician practices. This provision would increase physician payment rates in roughly 54 of the Medicare program’s 89 geographic areas. Additionally, MedPAC would be required to examine

whether and how these geographic work adjustments should be made, as they have been since 2004, to better inform Congress going forward. *CBO estimates this provision would increase spending by \$500 million over 10 years.*

Section 2211. Qualified Individual (QI) Program: This provision would extend the QI program, which provides federal reimbursement for states to cover Part B premiums for seniors with incomes between 120 and 135 percent of poverty, through December 31, 2012. The provision would reduce the capped allotment states receive to administer the program from \$1 billion in 2011 to \$730 million in 2012, which is anticipated to still fully fund the program. *CBO estimates that this provision would increase spending by \$700 million over 10 years.*

Sec 2212. Extension of Transitional Medical Assistance (TMA): This provision would provide for a one-year extension of TMA, through December 31, 2012, for low-income families transitioning into employment. In addition, this provision ensures that only those individuals with incomes below 185 percent of the federal poverty level (FPL) can qualify for TMA benefits. *CBO estimates this provision would increase spending by \$1.2 billion over 10 years.*

Section 2213. Relaxing Arbitrary Restrictions on Physician-Owned Hospitals: This provision would allow those physician-owned hospitals that were under construction but did not have Medicare provider numbers as of December 31, 2010, to open and operate under the whole hospital exception to the Stark antitrust laws. This will allow these hospitals to bill Medicare for services provided to Medicare beneficiaries in these facilities that were under construction prior to the ban on new physician-owned hospitals. This provision would also relax strenuous new requirements intended to prevent most existing physician-owned hospitals from renovating or expanding. *CBO estimates this provision would increase spending by \$300 million over 10 years.*

Section 2221. ObamaCare Exchange Subsidy Recapture: The Democrats' health care law fails to adequately protect taxpayers from overpayments of the federal subsidies to purchase health insurance, even in the case of fraud, by limiting the amount of subsidies that can be recaptured if an individual/family receives a greater subsidy than he/she/they are entitled to. This provision would increase the maximum amount of subsidy overpayments that must be repaid. Similar policies were overwhelmingly adopted in last year's "doc fix" and the repeal of the onerous 1099 reporting requirement earlier this year. *The Joint Committee on Taxation (JCT) estimates this provision would reduce the deficit by \$13.4 billion over 10 years and reduce the number of people receiving health insurance in the Exchanges by roughly 170,000 in 2021.*

	CURRENT LAW	PROPOSAL
Subsidy Recipients' Income (as percent of poverty level)	Maximum Amount of Overpayments Recaptured from Individuals (amounts double for joint filers)	Maximum Amount of Overpayments Recaptured from Individuals (amounts double for joint filers)
Under 100%	\$300	\$300

At least 100% but less than 150%		\$400
At least 150% but less than 200%		\$500
At least 200% but less than 250%	\$750	\$750
At least 250% but less than 300%		\$1,100
At least 300% but less than 350%	\$1,250	\$1,250
At least 350% but less than 400%		\$1,600
400% or above	Full repayment	Full repayment

Section 2222. Reduction in the Prevention & Public Health Fund: The Prevention and Public Health Fund, Section 4002 of Obamacare, is a \$17.75 billion account (FY12- FY21) that provides the Secretary of HHS unlimited authority to spend above and beyond appropriated levels for any activity authorized by the Public Health Service Act. This provision would reduce the funding for the Prevention and Public Health Fund. *CBO estimates this provision would reduce spending by \$8 billion over 10 years.*

Section 2223. Parity in Payments for Hospital Outpatient Department (HOPD) Evaluation and Management (E/M) Office Visit Services: Under current law, Medicare pays more for E/M office visit services furnished in the HOPD setting than it does for the exact same services performed in the physician office setting. While the amount Medicare pays physicians for these services in an HOPD would remain unchanged under the bill, the hospital facility fee payment would be reduced, equalizing total Medicare payments for identical services, regardless of where it is furnished beginning in 2012. The non-partisan Medicare Payment Advisory Commission (MedPAC) offered this policy as a potential offset to address the costs associated with addressing the Medicare physician payments. *CBO estimates this provision would reduce spending by \$6.8 billion over 10 years.*

Section 2224. Reducing Bad Debt Payments: Under current law, Medicare reimburses hospitals and skilled nursing facilities (SNFs) for 70 percent of the beneficiary cost-sharing they are unable, or unwilling, to collect (“bad debt”). Certain other providers, such as federally qualified health centers (FQHCs) and dialysis centers, are reimbursed 100 percent for the bad debt. These high reimbursements are believed to discourage providers from doing enough to collect unpaid cost-sharing that they are required, by CMS, to take reasonable steps to collect. This provision would phase down the bad debt reimbursements to 55 percent over a three-year period beginning in 2013 (NOTE: President Obama recommended that bad debt payments be reduced to 25%). *CBO estimates this provision would reduce spending by \$10.6 billion over 10 years.*

Section 2225. Medicaid Disproportionate Share Hospital (DSH) Allotments: This provision would rebase the DSH allotments for FY2021 and determine future allotments from the rebased level using current law methodology. *CBO estimates this provision would reduce spending by \$4.1 billion over 10 years.*

Subtitle D—TANF Extension

Section. 2301. Short Title: The Welfare Integrity and Data Improvement Act.

Section. 2302. Extension of program: Extends TANF and related programs at current levels through FY 2012.

Section. 2303. Data Standardization: Improves program administration by standardizing data elements to improve integrity and collaboration.

- A. Improves data matching and program integrity by requiring standardized data and HHS coordination of exchanges across State TANF programs.
- B. This language is identical to language in the Child and Family Services Improvement and Innovation Act that became law earlier this year (P.L. 112-210), which required standardization of child welfare data and is a continuation of efforts to standardize human services program data to allow for better sharing of information as well as to improve understanding of how individuals interact with multiple welfare programs.

Section. 2304. Spending Policies for Assistance Under State TANF Programs: Closes the current “strip club loophole.”

- A. Ensures that welfare funds cannot be accessed in strip clubs, liquor stores, and casinos by blocking welfare EBT cards from working in ATMs in those locations.
- B. Penalizes states that do not enforce this provision and report their efforts to the Department of Health and Human Services within two years of enactment.
- C. This language is identical to language in the Welfare Integrity Now for Children and Families Act of 2011, introduced in by Senators Baucus and Hatch, Chairman and Ranking Member, respectively, of the Senate Finance Committee.

Section. 2305. Technical Corrections: Makes technical corrections to current statute.

TITLE III – FLOOD INSURANCE REFORM

Section 3001. Short Title and Table of Contents.

Section 3002. Extensions: The NFIP and its financing would be reauthorized for five years from October 1, 2011, through September 30, 2016.

Section 3003. Mandatory Purchase:

Temporary Mandatory Purchase Suspensions – Under the NFIP, federally regulated lenders are obligated to require flood insurance on any mortgage issued or guaranteed by the federal government in a Special Flood Hazard Area in a community that participates in the NFIP. This section allows the mandatory purchase requirement to be suspended on a community-by-community basis for one year at the request of a local governing authority if FEMA finds at least one of the following conditions apply to the community: (1) it has never been mapped as a high-risk area; (2) it is taking specific steps to rebuild or repair a dam or levee that has been decertified and is making adequate progress in securing financial commitments and completing that work; or (3) it has filed a formal appeal of the accuracy of a dam or levee decertification or flood risk map revision. This suspension could be extended for a maximum of two additional one-year periods (for a total of three years) for all qualifying communities at FEMA’s discretion. For certain qualifying communities determined by FEMA to be making more than adequate progress in the construction of their flood protection systems, FEMA may, at its discretion, further extend the suspension of the mandatory purchase requirement for existing mortgages for a maximum of two additional one-year periods (for a total of five years).

Termination of Force-Placed Insurance – Mortgage lenders and servicers must terminate any force-placed insurance and refund any premiums paid for coverage overlap periods once property owners have obtained their required flood insurance.

Equal Treatment of Private Flood Insurance – To encourage greater private sector participation, lenders would be required to accept non-NFIP backed flood insurance coverage provided by a private entity if that coverage meets all the same requirements as NFIP-backed flood insurance.

Section 3004. Reforms of Coverage Terms:

Minimum Deductibles – Minimum deductibles would be set at \$1,000 for properties with full-risk rates and at \$2,000 for properties with discounted rates.

Maximum Coverage Limits – Limits would be indexed for inflation, starting in 2012.

Optional Coverage for Additional Living Expenses/Business Interruption (ALE/BI)

– FEMA would be authorized to offer optional coverage for additional living expenses (\$5,000 maximum) and coverage for the interruption of business operations (\$20,000 maximum) if FEMA: (1) charges full-risk rates for such coverage; (2) finds that a competitive private market for such coverage does not exist; and (3) certifies that the NFIP can offer such coverage without borrowing additional funds from the Treasury.

Installment Payments – Policyholders would be allowed to pay their premiums for one-year policies in installments.

Flood in Progress Protections – New policyholders would not have their coverage limited by a FEMA-determined flood-in-progress exclusion if they have not sustained any actual damage or loss to their property within the initial 30-day waiting period required under a standard flood insurance policy before flood coverage can go into effect.

Section 3005. Reforms of Premium Rates:

Annual Limit on Premium Rate Increases – The annual cap on premium rate increases would be increased from 10 percent to 20 percent.

5 Year Phase-in of Full-Risk Rates for Newly-Mapped Areas – For primary residence properties mapped into a mandatory purchase area, initial rates would be set at 20 percent of full-risk rates and increase by 20 percent each year for four years thereafter.

Full-Risk Rates for Certain Subsidized Properties – Full actuarial rates would be phased-in for roughly 350,000 properties currently receiving NFIP subsidies including: commercial properties, second and vacation homes, homes sold to new owners, homes substantially damaged or improved, Severe Repetitive Loss Properties (SRLPs) with multiple flood claims, and property owners who allowed their policies to lapse by choice.

Use of State and Local Funding Considerations in Setting Flood Rates – FEMA would be required to update its standards for evaluating eligibility for special flood insurance rates by considering several factors, including state and local funding of flood control projects and other flood control reconstruction and improvement projects.

Section 3006. Technical Mapping Advisory Council: This section establishes a new Technical Mapping Advisory Council made up of federal, state, and local experts, with an adequate number of representatives from states at a high-risk for flooding, to review flood hazard risk mapping standards and propose new mapping standards to FEMA. The Council would have 12 months to develop and submit to FEMA and Congress its proposed new mapping standards, during which time FEMA would be prohibited from making effective any new or updated flood insurance rate maps based on its current mapping standards.

Section 3007. FEMA Incorporation of New Mapping Protocols: This section requires FEMA to update its flood maps according to the Technical Mapping Advisory Council's recommendations within six months, or report to Congress why it rejected them.

Section 3008. Treatment of Levees: This section prohibits FEMA from issuing or updating flood insurance maps that do not factor in the actual protection afforded by existing levees regardless of their FEMA accreditation status (i.e., FEMA's maps must award partial credit to existing dams and levees).

Section 3009. Privatization Initiatives: This section would require a variety of reports by FEMA and the Government Accountability Office (GAO) regarding various privatization initiatives, including: investigating options to begin privatizing the NFIP over time; determining the capacity of private insurers, reinsurers, and financial markets to underwrite NFIP flood risk; and assessing new ways to strengthen the NFIP's ability to pay claims without having to borrow from the Treasury.

Section 3010. FEMA Annual Report on Insurance Program: This section requires FEMA to report annually to Congress on the status of the NFIP with detailed information about the financial status of the program.

Section 3011. Mitigation Assistance: This section would amend the current planning assistance grants program to authorize \$90 million in financial assistance for FEMA to (1) make assistance grants available to states and communities for flood mitigation activities, particularly activities that reduce flood damage to severe repetitive loss

structures; and (2) direct grants available to property owners for flood mitigation activities. To become eligible for mitigation assistance, states must develop a new multi-hazard mitigation plan that examines the reduction of flood losses, including the demolition and rebuilding of properties, and requires states and communities to use mitigation assistance in a manner that is consistent with activities outlined in their mitigation plan. In awarding grants, FEMA may approve only mitigation activities that it determines are technically feasible, cost-effective and represent savings to the NFIP, with a priority given to mitigation activities that will result in savings for the NFIP.

Section 3012. Notification to Homeowners Regarding Mandatory Purchase Requirement Applicability and Rate Phase-Ins: This section would establish an annual notification process to inform individuals who reside in an area having special flood hazards that they are subject to the mandatory purchase requirement and provide estimates of what other homeowners in similar areas pay for their flood insurance.

Section 3013. Notification of Congress Regarding the Establishment of Flood Map Changes: This section requires FEMA to notify Members of the House and Senate whose districts or states are affected when it changes or updates floodplain areas or flood risk zones.

Section 3014. Notification and Appeals Process for Map Changes Based on Flood Elevations: This section would require that, when establishing new flood maps based on elevation, FEMA provide each effected property owner with written notification by first class mail of the proposed change and the appeals process, as well as provide a copy of the new maps to the chief executive officer of each community affected, and publish notice of the proposed change and the appeals process in the Federal Register and a prominent local newspaper.

Section 3015. Notification to Tenants of the Availability of Contents Insurance: This section would require FEMA to develop a notice to landlords to inform tenants if they live in an area having special flood hazards and details about NFIP insurance for the contents of their apartment.

Section 3016. Notification to Policy Holders Regarding Direct Management of Policy by FEMA: This section would require FEMA to annually notify all holders of policies transferred to the NFIP Direct program of their options to purchase flood insurance directly from another Write-Your-Own (WYO) insurance company.

Section 3017. Notice of the Availability of Flood Insurance and Escrow in RESPA Good Faith Estimate: This section would amend the Real Estate Settlement Procedures Act (RESPA) to disclose as part of RESPA's good faith estimate that flood insurance is generally available from the NFIP for all homes, and that the escrowing of flood insurance payments is required for many loans and may be an option available under other loans.

Section 3018. Reimbursement for Costs Incurred by Homeowners and Communities Obtaining Letters of Map Amendment or Revision: This section would allow homeowners or communities to be reimbursed for certain costs associated with a successful challenge to a bona fide mapping error made by FEMA resulting in a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR), not including legal fees.

Section 3019. Enhanced Communication to Communities with Non-Updated Flood Maps: When establishing new flood maps, this section would require FEMA to communicate with communities with flood insurance rate maps that have not been updated in 20 or more years to help resolve outstanding flooding issues, provide technical assistance, and disseminate information to reduce the prevalence of outdated maps in flood-prone areas.

Section 3020. Notification to Residents Newly Included in Flood Hazard Areas: This section would require FEMA to provide to each property owner newly mapped into a special flood hazard area with a copy of the revised or updated flood insurance map that affects their property, as well as the appeals process to challenge that mapping determination.

Section 3021. Treatment of Swimming Pool Enclosures Outside of Hurricane Season: This section would allow certain properties with swimming pools that are enclosed with non-supporting breakaway walls outside of hurricane season (November 20 through June 1) to be eligible for participation in the NFIP.

Section 3022. Information Regarding Multiple Perils Claims: This section would allow NFIP policyholders who also have non-NFIP wind or other homeowners insurance coverage and sustain damage to property covered under both policies to request the damage estimate, proofs of loss, and any expert or engineering reports used to determine the cause of the damage from FEMA and their NFIP-participating WYO insurance company.

Section 3023. FEMA Authority to Reject the Transfer of Policies to NFIP Direct: This section authorizes FEMA to refuse to accept the future transfer of any flood insurance policies from a WYO company to its NFIP Direct policy servicing program.

Section 3024. Media Notification of Proposed Map Changes and Extended Appeals Process: This section would require FEMA to notify local television and radio stations of proposed changes to flood maps, as well as require FEMA to grant property owners a 90-day extension of the existing appeals process period if their community certifies to FEMA that there are affected property owners who were unaware of the expiration of the appeals process period and that the community will use that 90-day period to inform affected property owners about the availability of the appeals process.

Section 3025. Establishment of a Reserve Fund for the NFIP: This section would establish a National Flood Insurance Reserve Fund within the Treasury Department where the NFIP would be required to maintain a reserve ratio balance of at least 1 percent

of the sum of the total potential loss exposure of all outstanding flood insurance policies in force the prior fiscal year. FEMA would be authorized to establish and adjust the amount of aggregate annual insurance premiums it collects to maintain or achieve that reserve ratio. Starting in 2012, FEMA would be required to transfer to the Fund at least 7.5 percent of the amount needed to achieve its 1 percent reserve ratio balance each year until the full 1 percent reserve ratio is achieved. FEMA would also be required to submit a report to Congress for any year in which it cannot achieve a 1 percent reserve ratio.

Section 3026. CDBG Eligibility for Flood Insurance Outreach Activities and Community Building Code Administration Grants: This section would allow communities to use Community Development Block Grant (CDBG) funds for local building code enforcement, as long as local matching funds are provided. It would also allow CDBG funds to be used by local governments for flood risk outreach and education activities.

Section 3027. Technical Corrections: This section would make a technical correction to the underlying National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973 to update references in those statutes to the head of FEMA as its “Administrator” rather than its “Director.”

Section 3028. Requiring Competition for NFIP Policies: To address the rapid increase in the number of policies administered under FEMA’s NFIP Direct policy servicing program, FEMA would be required to report to Congress within 90 days on the procedures and policies it can implement to limit the size of NFIP Direct to no more than 10 percent of all flood insurance policies, and then implement those size reduction procedures and policies – without preventing agents handling policies transitioned out of the NFIP Direct from continuing to sell or service those policies – within one year of issuing that report.

Section 3029. Studies of Voluntary Community-Based Flood Insurance Options: This section directs FEMA and GAO to conduct a study to assess options, methods, and strategies for offering voluntary community-based flood insurance policies, and report their findings to Congress within 18 months.

Section 3030. Report on Inclusion of Building Codes in Floodplain Management Criteria: This section would direct FEMA to study the impact, effectiveness, and feasibility of including widely used and nationally recognized building codes as part of its floodplain management criteria, and report its findings to Congress within 18 months.

Section 3031. Study on Graduated Risk: This section requires the National Academy of Sciences to study methods for understanding graduated risk for properties and residential and commercial structures behind levees and report its findings to Congress within one year.

Section 3032. Report on Flood-In-Progress Determination: This section directs FEMA to review its processes and procedures for issuing a flood-in-progress determination and

providing public notification of that determination, and report the results of that review to Congress within 6 months.

Section 3033. Study on Repaying Flood Insurance Debt: This section would require FEMA to submit a report to Congress within 6 months on its plan to repay all outstanding monies previously borrowed from the Treasury, with interest, over the next 10 years.

Section 3034. No Cause of Action: This section specifies that no cause of action against the federal government exists for failure to comply with any notification requirement under this Act.

Section 3035. State and Local Requests for the Corps of Engineers to Evaluate Corps-Constructed Levees: This section would allow state and local governments to ask the Army Corps of Engineers to evaluate their locally-operated levee systems, provided that the levee was constructed by the Corps and that the requesting state or local government agrees to fully reimburse the Corps for all costs associated with the evaluation.

CBO estimates that these provisions would increase net income to the National Flood Insurance Program by \$4.9 billion over ten years.

TITLE IV – JUMPSTARTING OPPORTUNITY WITH BROADBAND SPECTRUM ACT OF 2011

Section 4001. Short Title.

Section 4002. Definitions.

Sections 4003-4: Rules of construction and enforcement provisions.

Section 4005: Prevents auction participation or receipt of funds made available under this Act by those entities that are barred by agencies of the Federal government for national security reasons.

Subtitle A – Spectrum Auction Authority

Section 4101: Establishes clearing and auction timelines for spectrum in 1915-1920 MHz and 1995-2000 MHz (the PCS H Block), 2155-2180 MHz (the AWS-3 block), 1755-1780 MHz, 15 MHz from the government spectrum at 1675-1710 MHz paired with 15 MHz to be determined by the FCC, and 3550-3650 MHz. This section also allows the President to substitute alternate spectrum for 1755-1780 MHz, subject to Congressional approval.

Section 4102: Reallocates the 700 MHz D Block from commercial to public safety use. Requires public safety to return the 700 MHz narrowband and guard band spectrum five years after standards have been set for the carriage of public safety voice communications over broadband networks. Provides public safety with up to \$1 billion in grants from

auction proceeds to transition end users to broadband voice. In combination, these provisions give public safety officials the contiguous, 20 MHz of spectrum they say they need for wireless broadband while providing for auction of the 700 MHz narrowband spectrum. This will help meet the ongoing demand for commercial wireless broadband services while providing funding to help migrate public safety officials from narrowband voice services to broadband once public-safety-grade voice over Internet protocol is available.

Section 4103: Grants the FCC authority to conduct incentive auctions under which it shares some of the proceeds with licensees who return spectrum. Limits FCC authority to those auctions in which there is competition on the “reverse” side of the auction – the portion of the auction that sets the buy-out price.

Section 4104: Grants the FCC special authority to conduct an incentive auction for the broadcast spectrum in the UHF band. Places special restrictions on both broadcasters and the FCC in order to facilitate the auction. FCC authority to conduct an auction is restricted to protect those broadcasters that choose not to participate and remain in the television band following the auction. Broadcasters’ administrative remedies to protest channel changes are curtailed in order to facilitate the “repack” that will be needed in order to accommodate both broadcasting and broadband in the UHF spectrum. Provides up to \$3 billion for relocation costs of broadcasters and cable systems. Ensures that the auction is both self-funding and generates a profit for the treasury. Ensures that the auction is only consummated if there is sufficient spectrum to accommodate the broadcasters that wish to remain broadcasters following the auction and requires the FCC to make all reasonable efforts to preserve broadcasters’ service areas. The FCC is required to auction the spectrum it clears, but retains discretion to add to the approximately 675 MHz of unlicensed spectrum currently available below 6 GHz by allowing secondary, shared use of this spectrum or primary, dedicated use of other spectrum.

Section 4105: Prevents the FCC from excluding bidders from participating in spectrum auctions for reasons other than citizenship, character, financial, and technical qualifications. Also prevents the FCC from using its licensing authority to impose net neutrality or mandatory wholesaling on licensees. This does not, however, alter the FCC’s rulemaking authority in those areas.

Section 4106: Extends the FCC’s auction authority through 2021.

Section 4107: Instructs the FCC and NTIA to pursue additional secondary allocations of spectrum for unlicensed use by evaluating the viability of sharing spectrum with government operations in the 5 GHz band.

Subtitle B – Advanced Public Safety Communications

Section 4201: Assigns the spectrum for public safety broadband use to the Administrator that is created under Section 203.

Section 4202: Establishes a Public Safety Communications Planning Board within the FCC made up of government officials, public safety representatives, wireless network equipment manufacturers and commercial wireless providers. Establishes procedures for the creation, operation, and qualifications of the Board. Tasks the Board with the creation of the National Public Safety Communications Plan to govern the use of the public safety broadband spectrum. Details the minimum requirements for the Plan, including nationwide interoperability and improvements to public safety device availability.

Sections 4203-204: Establishes the procedures for choosing an Administrator, the role of the Administrator in governing the public safety broadband spectrum, limitations of the powers of the Administrator as a licensee, a mechanism for initial funding of the Administrator, and audit and reporting procedures for the Administrator. Creates an efficient and cost-effective governance structure that enables government oversight while capitalizing on private sector expertise without creating a large, new government bureaucracy.

Section 4205: Instructs the FCC to report on the use of amateur radio during times of emergency.

Sections 4221-224: Establishes and funds a \$100 million grant program at the NTIA for State Broadband Implementation Offices. Defines the role of the State Broadband Offices in implementing the Plan through negotiations with commercial wireless providers for the buildout of the nationwide, interoperable broadband network, and establishes the procedure for Administrator approval of state public safety broadband plans and contracts. Also establishes a grant program at the NTIA for buildout of the state broadband networks. State-based negotiations allow the public safety network to accommodate local conditions, enables public safety officials to partner with commercial and other entities, such as utilities, that have established relationships in the community, and will promote competition.

Section 4225: Streamlines the process for siting of wireless facilities by preempting the ability of state and local authorities to delay collocation of, removal of, and replacement of wireless transmission equipment. Increases access by establishing a uniform process for access to Federal rights-of-way and easements. Establishes a master contract process for siting wireless facilities on Federal government owned property and buildings.

Section 4241: Establishes the Public Safety Trust Fund into which auction receipts are deposited and from which grant programs are administered. The grant program is funded with \$5 billion plus 10 percent of any net auction revenues above \$25.5 billion, up to a total of \$6.5 billion. All funds above and beyond those delineated in the section are dedicated to deficit reduction.

Section 4261-4: Findings, definitions, and purposes of a subpart of next generation 911.

Section 4265: Establishes coordination offices in the NTIA an NHTSA to manage plans and implementation of next generation 911 systems. Establishes a grant program from NTIA and NHTSA to the states in order to achieve next generation 911 goals. Prohibits

funding of grants in states that have diverted funds from their state 911 funds for other purposes.

Section 4266: Requires the GSA and FCC to report to the Congress on the 911 location capabilities of multi-line telephone systems used by the Federal government.

Section 4267: Requires the GAO to report on the use of state-imposed 911 surcharges.

Section 4268: Provides parity of legal protections for providers of 911 related services as 911 transitions to next generation services.

Section 4269: Instructs the FCC to begin a proceeding on a specialized database of Do-Not-Call numbers for 911 call centers.

Section 4270: Requires the NHTSA to develop a report on the cost to formulate requirements for and to implement next generation 911.

Section 4271: Requires the FCC to report to Congress on the regulatory and statutory hurdles to implementation of next generation 911.

Subtitle C – Federal Spectrum Relocation

Section 301: Amends the NTIA Organization Act, as amended by the Commercial Spectrum Enhancement Act, to address lessons learned in the AWS-1 clearing process. Permits the use of relocation funds to relocate government systems in order to permit spectrum sharing. Permits the use of relocation funds to upgrade government systems during the relocation process. Establishes a process for the timely publication of relocation plans by government incumbents. Creates a process for appeal of the technical and relocation decisions of government incumbents.

Section 302: Makes changes to the Spectrum Relocation Fund to accommodate the ability of the government to relocate systems in order to spectrum share. Provides a mechanism for OMB to transfer to NTIA funds to cover the pre-auction costs associated with a relocation.

Section 303: Amends the NTIA Organization Act to ensure the protection of classified and other sensitive national security information throughout the relocation process.

Subtitle D – Telecommunications Development Fund

Sections 401-402: Now that the Telecommunications Development Fund (TDF) is well-established, severs government ties and eliminates the requirement that the TDF maintain government officials as members of its board of directors to increase the ability of TDF to attract private capital investment.

CBO estimates that together these provisions will reduce the deficit by \$16.5 billion over ten years.

TITLE V -- OFFSETS

Subtitle A – Guarantee Fees

Section 5001. Guarantee Fees: This section directs the Federal Housing Finance Agency (FHFA) to require Fannie Mae and Freddie Mac to increase the guarantee fees that these Government Sponsored Enterprises (GSEs) charge for assuming the credit risk on the loans they purchase in the secondary mortgage market. These fees should be set as if the GSEs were held to the same capital standards as private banks or financial institutions but shall increase by at least 10 basis points over 2011 levels. The increase is to be phased-in over the next two years. Amounts received as a result of the increased fees will be deposited directly into the Treasury. Fannie Mae and Freddie Mac must also provide FHFA a description of changes made to up-front fees and annual fees as part of the guarantee fees negotiated with lenders; a description of changes to the riskiness of the new borrowers compared to previous origination years or book years; and an assessment of the changes in the guarantee fees. The provisions of this section expire on October 1, 2021. *CBO estimates that this section will reduce the deficit by \$35.7 billion over ten years.*

Subtitle B – Social Security Provisions

Section 5101. Information for Administration of Social Security Provisions Related to Noncovered Employment: The provision would prevent Social Security overpayments by improving coordination with States and local governments. By requiring State and local government pension payers to identify whether a worker's pension is based on government employment, the Social Security Administration (SSA) can improve enforcement of two benefit offset provisions affecting certain government workers. Both the Obama and Bush administrations have proposed similar policy in previous budget requests. *CBO estimates that this provision would reduce spending by \$3.19 billion over ten years.*

Subtitle C – Child Tax Credit

Section 5201. Requiring a Social Security Number (SSN) in order to Collect the Refundable Portion of the Child Tax Credit:

Under current law, the tax code provides a child tax credit in the amount of \$1,000 per child under the age of 17 (\$500 after 2012), and this credit is partially refundable (meaning that if taxpayers do not have sufficient Federal income tax liability against which to use the credit, they receive a government check for the excess credit). Under the rules in effect through 2012, the refundable portion of the child tax credit – sometimes referred to as the additional child tax credit (ACTC) – is refundable to the extent of 15 percent of the taxpayer's earned income above \$3,000. Also under current law, individuals who are ineligible to work in the United States – and are thus ineligible for a Social Security Number (SSN) – can obtain an Individual Taxpayer Identification

Number (ITIN) for tax purposes. In 1996, Congress enacted legislation making those without SSNs ineligible to receive the Earned Income Tax Credit (EITC) and various other government benefits. However, when the ACTC was subsequently enacted in 2001, Congress included no similar limitation, and the Treasury Department has concluded that it lacks the statutory authority to limit the ACTC to those with an SSN. Thus, the refundable portion of the child tax credit currently remains available to individuals who are unable to obtain an SSN because they are ineligible to work in the United States.

Under Sec. 5201 of the bill – which is based on legislation (H.R. 1956) introduced by Rep. Sam Johnson (R-TX) – individuals (or at least one spouse in the case of a joint return) would be required to include their SSN on their tax return in order to claim the ACTC. The provision would also provide the IRS ‘math error authority’ if a taxpayer fails to meet this requirement, permitting the IRS to refuse to pay out the ACTC for returns without an SSN, instead of making the payment and later seeking to recoup it. The provision would be effective for taxable years beginning after the date of enactment. *According to the Joint Committee on Taxation (JCT), this provision would reduce Federal outlays by \$9.4 billion over 2012-2021.*

Subtitle D – Eliminating Taxpayer Benefits for Millionaires

Section 5301. Ending Unemployment and Supplemental Nutrition Assistance Program Benefits for Millionaires:

Subsection (a). Means-Testing of Unemployment Compensation for Millionaires: Under current law, unemployment compensation is treated as ordinary income for Federal income tax purposes, and there are no Federal income tests for eligibility for unemployment compensation. However, unemployment benefits are based on taxable wages, and States have established various limits on the amount of taxable wages used in determining benefit amounts, ranging, for 2011, from the first \$7,000 of taxable wages (four states) to the first \$37,300 of taxable wages (Washington). The nationwide average weekly unemployment benefit is \$295.

Under the bill, unemployment compensation for which certain high-income individuals would otherwise be eligible would be subject to means-testing. For taxpayers with adjusted gross income (AGI) of at least \$750,000 (\$1,500,000 in the case of a joint return), a portion of any unemployment compensation received – the recipient’s “excess unemployment compensation,” as determined under a specified formula – would be subject to a non-deductible 100-percent excise tax. Under this formula, for taxpayers with AGI of at least \$1,000,000 (\$2,000,000 in the case of a joint return), the entire amount of unemployment compensation received would be treated as “excess unemployment compensation” and subject to the 100-percent excise tax, meaning that millionaires would effectively be prevented from being able to retain any unemployment benefits. Upon receipt, the Federal government would send the excise tax revenues collected under this provision to the applicable State. The provision would be effective

for unemployment compensation received after 2011. According to the Joint Committee on Taxation (JCT), this provision would, on net, reduce Federal deficits by \$20 million over 2012-2021 (through a combination of \$127 million in reduced outlays for unemployment benefits and \$107 million in reduced revenues owing to the lower take-up rate of those benefits by millionaires).

Subsection (b): Declares that any household with a member that receives income or assets with a fair market value of \$1 million shall immediately be ineligible to receive SNAP benefits until such time as the household meets the income and asset requirements.

Subtitle E – Federal Civilian Employees

Section 5401. Short Title: Establishes the short title of the bill as the “Securing Annuities for Federal Employees Act of 2011.”

Section 5402. Retirement Contributions: Increases the employee contribution to the Civil Service Retirement System (CSRS) from 7 percent to 8.5 percent of salary over three years, beginning in calendar year 2013. The employee contribution for special occupational groups and Members of Congress is also increased by a total of 1.5 percent of salary over three years, beginning in calendar year 2013. The employer contribution is reduced by the increased employee contribution. The government will continue to pay the balance of the normal cost (25.8 percent for FY2011). The increased employee contribution and corresponding reduction in the employer contribution applies to CSRS Offset employees. This section increases the employee contribution to the Federal Employee Retirement System (FERS) from 0.8 percent to 2.3 percent of salary over three years, beginning in calendar 2013. The employee contribution for special occupational groups and Members of Congress is also increased by a total of 1.5 percent of salary over three years beginning in calendar year 2013, from 1.3 percent to 2.8 percent of salary. Under existing law, the employer contribution equals the normal retirement cost reduced by the employee contribution. Includes conforming changes required for Foreign Service, CIA, and TVA employees.

Section 5403. Amendments Relating to Secure Annuity Employees: Establishes new retirement rules for federal employees hired after December 31, 2012, with less than 5 years of credible service for retirement purposes. This section increases the employee contribution to FERS from 0.8 percent to 4 percent of salary, an increase of 3.2 percent over current law. The employee contribution for special occupational groups and Members of Congress is also increased by a total of 3.2 percent, from 1.3 percent to 4.5 percent. Under existing law, the employer contribution equals the normal retirement cost reduced by the employee contribution. This section also changes the FERS pension formula salary base for all retirees to highest-five years’ average salary. Existing CSRS and FERS employees remain subject to a highest-three years’ average salary base. Finally, this section changes the FERS pension formula multiplier for basic retirees to 0.7 percentage points, instead of 1 percent (or 1.1 percent with 20 or more years of service). Employees in special occupational groups are subject to a proportional adjustment to the

multiplier (0.3 percentage points lower than current law). *CBO estimates that together Section 5402 and 5403 would reduce the deficit by \$36.7 billion over ten years.*

Section 5404. Annuity Supplement: Eliminates the FERS minimum supplement for individuals not subject to mandatory retirement, beginning January 1, 2013. Individuals subject to mandatory retirement include certain categories of employees such as law enforcement, fire fighters, air traffic controllers, and nuclear materials couriers. Under current law, the FERS minimum supplement is paid to these employees and to federal employees who retire before the age of 62. The FERS minimum supplement represents the amount the employee would have received from Social Security if he were 62 years old on the day he retired, and is paid until the retiree reaches age 62 and begins receiving his actual Social Security payments. *CBO estimates that this provision would reduce federal spending by \$1.6 billion over ten years.*

Section 5421. Extension of Pay Limitation for Federal Employees – Extends the current COLA freeze in effect for Federal civilian employees and Members of Congress through December 31, 2013. The current freeze expires at the end of 2012.

Section 5422 and 5423. Reduction of Discretionary Spending Limits to Achieve Savings from Federal Employee Provisions: Reduces the non-security discretionary spending limits enacted as part of the Budget Control Act to reflect the savings achieved as a result of the one year pay freeze in Section 5421. *Over ten years discretionary outlays are reduced by \$26.2 billion compared to current law.*

Subtitle F – Health Care Provisions

Sections 5501 and 5502. Increasing Medicare Premiums for High Income Beneficiaries: This provision would adopt President Obama’s recommendation to increase Medicare Part B and D premiums for high-income beneficiaries beginning in 2017. Specifically, this provision would: extend the current freeze of the income brackets beyond 2019 until 25 percent of beneficiaries are paying income-related premiums; increase the premiums that high-income beneficiaries pay by 15 percent; and reduce the initial high-income threshold from \$85,000 for singles and \$170,000 for couples to \$80,000 and \$160,000, respectively. *CBO estimates this provision would reduce spending by \$31 billion over 10 years.*

TITLE VI – MISCELLANEOUS PROVISIONS

Sec. 6001. Repeal of Certain Timing Shifts of Corporate Estimated Tax Payments:

Under current law, companies are generally required to pay corporate estimated taxes according to a regular schedule set by statute. For companies with assets of \$1 billion or more, that general payment schedule has occasionally been modified to shift the timing for payment of certain such installments. Typically, these provisions have increased covered corporations’ estimated tax payments that are due in the fourth quarter of

particular years by a certain percentage, while decreasing those corporations' payments by a corresponding amount in the first quarter of the following years.

Under the bill, a series of these recently enacted timing shifts would be repealed, restoring the regular payment schedule that applied prior to their enactment. *According to the Joint Committee on Taxation, this provision would have no revenue effect over 2012-2021.*

Section 6002. Repeal of Requirement Relating to Time for Remitting Certain Merchandise Processing Fees: Repeals a requirement that importers pre-pay certain fees authorized under the Consolidated Omnibus Budget Reconciliation Act of 1985.

Section 6003. Points of Order in the Senate: Includes two Senate points of order related to (1) protecting the Social Security Trust Fund and (2) emergency spending.

Section 6004. PAYGO Scorecard Estimates: Provides that the budgetary effects of the bill shall not be entered on the statutory PAYGO scorecards provided that the bill is deficit neutral over 10 years.