(a) Modification of Limitation on Use of Federal Funds.—Section 5(g) of the National Foundation on the Arts and the Humanities Act of 1965 (20 U.S.C. 954(g)) is amended—

(1) in paragraph (4)(C)—

(A) by inserting "(i)" after "(C)", and

(B) by adding at the end the following:

"(ii) Notwithstanding any other provision of this subsection, the amount allotted to a State for the current fiscal year under this subsection may not be greater than the amount so allotted to such State for the preceding fiscal year if—

"(I) the amount of State funds to be expended for such current fiscal year to carry out this subsection is less than the average annual amount expended by such State during the most recent preceding period of 3 fiscal years to carry out this subsection; and

"(II) the rate of the reduction in the amount of State funds exceeds the rate of reduction in the ag-
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gregate of all general fund expenditures to be made
by the State in such current fiscal year.

(2) in paragraph (5)—

(A) by striking "(5) All" and inserting
"(5)(A) Except as provided in subparagraph
(B), all", and

(B) by adding at the end the following:

"(B) All amounts allotted under paragraph (3) that
are not made available to a State as a result of the oper-
ation of subsection (g)(4)(C)(ii) shall be allotted to the
remaining States in equal amounts."

Page 2, line 7, strike "(a)" and insert "(b)".

Page 3, line 8, strike "(b)" and insert "(c)".

Page 4, line 24, strike "(c)" and insert "(d)".

Page 5, line 11 strike "(d)" and insert "(e)".

Page 5, after line 22, insert the following:

(f) INVESTIGATION AND REPORT.—Not later than
September 30, 1995, the Chairperson of the National En-
dowment for the Arts shall—
(1) conduct an investigation of State compliance with section 5(g)(4)(C)(i) of the National Foundation on the Arts and the Humanities Act of 1965 (20 U.S.C. 954(g)(4)(C)(i)), and

(2) submit to the Speaker of the House of Representatives and the President pro tempore, a report containing—

(A) the results of such investigation, and

(B) any information and recommendations as the Chairperson considers to be appropriate.