

**COMMITTEE ON WAYS AND MEANS****U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515**

March 11, 2009

The Honorable John M. Spratt, Jr.  
Chairman  
Committee on the Budget  
United States House of Representatives  
207 Cannon House Office Building  
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344), and in response to your letter of January 30, 2009, this letter transmits the Views and Estimates of the Committee on Ways and Means on those aspects of the Federal budget for the fiscal year 2010 that fall within the Committee's jurisdiction.

Congress will consider this year's budget at a time of significant uncertainty for the economy as a whole, and significant hardship for many regions and individuals across the country. The economy has been in recession for more than a year, following a six year expansion that was the fifth longest on record. The economy has shrunk in recent months, with a longer period of job losses and declining values of both housing and financial assets. The budget deficit has deteriorated dramatically, with the recession leading to both reduced revenues and higher budget outlays.

In addition to the immediate financial and economic disruption, the country continues to face a number of long-term economic and budgetary issues. Examples include: rising health care costs, continuing economic inequality, retirement security is eroding even as an aging population presents new opportunities and challenges, rising concerns about the availability, cost, and environmental impact of energy sources, and projections of growing long-term budget deficits.

Congress and the Administration have responded to some of these concerns with enactment of an economic recovery package that the Committee hopes will help minimize the duration and impact of the recession. The Committee will continue to monitor the state of the economy and its impact on all Americans, the effectiveness of the recovery package, and our current and future fiscal outlook and consider whether further action is necessary. The Committee will work to promote a healthy economy and fiscal responsibility in its consideration and adoption of appropriate legislation.

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The Committee intends to take a bipartisan approach in examining these issues and developing legislation. Such an approach would allow the Committee to benefit from hearing and considering diverse viewpoints. Developing a consensus approach, where possible, will also make the Committee's legislative products more likely to become law and more likely to have a lasting impact.

The Committee's priorities include strengthening our health care system, addressing climate change issues, addressing the growing burden of the Alternative Minimum Tax, reviewing tax reform proposals, considering the tax gap, examining retirement security and continuing oversight of Social Security and Medicare, increasing economic opportunity, reauthorizing and improving the Temporary Assistance for Needy Families ("TANF") program, and expanding and shaping international trade to maximize the benefits and minimize the downsides of globalization, while at the same time overseeing expanded programs to assist workers negatively impacted by globalization transition through economic uncertainty to new employment opportunities.

I. Legislative Issues with Budgetary Impact

- A. Income Security – The Committee will carefully evaluate the impact of the recession on American households and monitor the effectiveness of programs that fall under its jurisdiction designed to assist those in need. It also will review the implementation of the unemployment insurance benefit changes and other provisions that were included in the recently enacted American Recovery and Reinvestment Act, as well as the implementation of the 2008 Fostering Connections to Success and Increasing Adoptions Act. The Committee recognizes the need to reauthorize TANF and other related programs before the close of FY 2010.
- B. Health Reform and Medicare – The Committee will pursue legislation to expand health insurance coverage, improve the quality of care and reduce overall growth in health system costs. The Committee will continue to monitor the Medicare program to ensure it is functioning effectively for beneficiaries, providers and taxpayers well into the future. In particular, the Committee will continue its efforts to oversee the Medicare Advantage program and Part D, to address issues relating to Medicare's physician reimbursement policy and to ensure the adequacy and accuracy of payments to all providers.

The Committee also intends to work with the Government Accountability Office (GAO), the Office of the Inspector General (OIG) and others to investigate and address waste, fraud and abuse in Medicare and other programs under our

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jurisdiction. Particular GAO reports that have been called to the Committee's attention involve the Medicare Advantage and Part D programs, as well as the durable medical equipment (DME) industry. The OIG has also repeatedly noted serious concerns about both DME and Part D's vulnerability to fraud and abuse. The Committee intends to follow the work of these agencies and pursue changes in Medicare as warranted.

- C. Social Security – The Committee has been closely monitoring the Social Security Administration's (SSA's) plan for reducing its substantial backlog of unprocessed disability claims, including reviewing relevant recommendations by the Government Accountability Office and stakeholders. The agency is generally on track with its multi-year plan to reduce the hearings backlog. However, due to growing claims receipts due to the economic downturn and resource constraints, this progress is at the cost of service delivery declines and increasing backlogs in program integrity activities and other agency workloads. The Committee recommends that SSA be provided with sufficient administrative funding to allow the agency to process increased claims and make significant progress toward reducing the disability claims backlog and the backlog in program integrity activities, while still providing adequate service to the public in other areas.

The Committee will monitor any proposed procedural changes to the disability determination process to ensure that they do not have an adverse impact on due process, program integrity, quality, or efficiency. The Committee will continue to advocate for full compensation of SSA's expenses related to verification of Social Security numbers for non-Social Security programs, and to ensure that this workload does not otherwise undermine Social Security programs. The Committee will conduct oversight of the implementation and effectiveness of SSA's Ticket to Work program and its related work incentives. The Committee intends to carefully monitor SSA's use of additional resources provided for modernizing information systems, equipment and facilities. The Committee also will oversee and review the importance of Social Security for American workers and their families, the essential role it plays in ensuring economic security, and how best to manage the challenges and opportunities presented by an aging society. Finally, the Committee will continue to monitor the general operation of the agency, including reports made by its Inspector General, to prevent waste, fraud and abuse.

- D. Tax - The Committee will consider issues such as the growing burden of the Alternative Minimum Tax in a broad context, proposals to address climate change, the tax gap and Internal Revenue Service (IRS) administration of the tax

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laws, transportation financing, and retirement security. The Committee will examine the effects of the current tax structure on the economy in terms of both individual and corporate taxpayers, and continue its efforts to examine possible reforms. The Committee's Oversight Subcommittee will continue its activities to monitor IRS operations, including enforcement, collection, taxpayer services, returns processing, information systems, and programs to assist taxpayers experiencing economic difficulties.

- E. Trade – The Committee supports expanding and shaping international trade to create equitable, broad-based growth for all Americans, and to raise living standards both here and abroad. The Committee will focus on eliminating foreign trade barriers and unfair trade practices that affect U.S. producers and service providers, including by supporting meaningful trade agreements and eliminating foreign trade barriers through use of U.S. law. The Committee will consider the trade aspects of domestic climate change proposals, including concerns about carbon leakage and the international competitiveness of affected U.S. industries and workers. The Committee will seek to assist those whose circumstances are negatively affected by international trade by extending and overseeing implementation of the recently expanded trade adjustment assistance programs for workers, farmers, firms and communities. The Committee will continue its oversight responsibilities with respect to the World Trade Organization negotiations, accessions and disputes and bilateral and regional free trade agreements. The Committee will continue to oversee the budget and activities of the trade-related agencies, review the operation of the advisory committees established under the Trade Act of 1974, and explore ways to improve the efficacy of U.S. preference programs.

While it will be difficult for the Committee to find offsets within its jurisdiction, the Committee intends to finance legislation in the above areas, in compliance with the House's paygo rule.

## II. The Fiscal Year 2010 Budget

The Committee is reviewing the President's Fiscal Year 2010 Budget, which assumes the deficit will increase dramatically in the current year (FY2009) as a result of the recession and financial crisis, and then decline for the next four years. However, it would remain above the 2008 level through the next decade (although falling below that level from 2013 onwards when measured as a share of the economy). The budget proposes significant changes in a number of areas within the Committee's jurisdiction. Over the course of the year, the Committee will continue to examine and consider the proposals and assumptions in the President's budget.

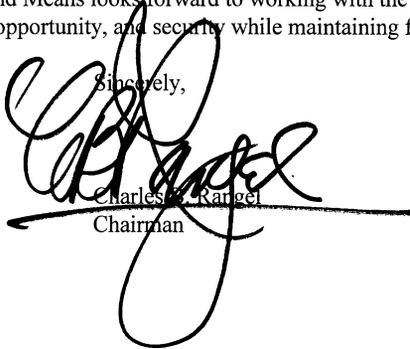
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III. The Public Debt Limit.

The current statutory public debt limit is \$12.104 trillion. Current budget projections from the Office of Management and Budget indicate that the debt will reach that limit in Fiscal Year 2009. The level of public debt and precise time at which the statutory limit will be reached will depend on the level of incoming federal receipts, the outlay rates of both discretionary and mandatory spending, the timing and scale of any additional steps to stabilize the financial system, and the cost of any new legislation that is enacted. The Committee notes that it has been the practice of the House to pass a resolution raising the debt ceiling to the level necessary to accommodate the assumptions of the budget resolution for its first fiscal year. The Committee will continue to monitor the level of outstanding debt, and will take any necessary action to ensure the consistent financing of government operations.

The Committee on Ways and Means looks forward to working with the Committee on the Budget as we promote prosperity, opportunity, and security while maintaining fiscal prudence.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'C. Rangel', is written over the typed name and title. The signature is highly cursive and loops around the text below it.

Charles W. Rangel  
Chairman

**COMMITTEE ON WAYS AND MEANS****U.S. HOUSE OF REPRESENTATIVES****WASHINGTON, DC 20515**

March 13, 2009

The Honorable John M. Spratt Jr.  
Chairman  
House Committee on the Budget  
Room 207 Cannon House Office Building  
Washington, DC 20515

The Honorable Paul Ryan  
Ranking Member  
House Committee on the Budget  
Room B-71 Cannon House Office Building  
Washington, DC 20515

Dear Chairman Spratt and Ranking Member Ryan:

Earlier this week, the Committee on Ways and Means approved a Views and Estimates letter as required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344). The Republican Members of the Ways and Means Committee are transmitting this Views and Estimates letter to provide you with additional perspectives on those aspects of the Federal budget for Fiscal Year 2010 that fall within the Committee's jurisdiction.

After several years of consistent economic expansion following a recession in 2001, the economy contracted last year, as real growth fell by an annual rate of 3.8 percent during the fourth quarter of 2008. After more than four years of continuous job creation, the economy shed a substantial number of jobs, including over a million in the first two months of this year, and the unemployment level rose again dramatically last month. Current forecasts indicate that the economy will continue to contract and that job losses and the unemployment rate will continue to increase for some time.

Tax receipts fell in 2008 while spending by the Federal government increased by 24 percent, leading to a record deficit for fiscal year 2008. The Federal deficit continues to grow and the President's budget outline forecasts unprecedented increases in the deficit and debt both in nominal terms and as a share of GDP. The short-term increase in the deficit caused by the current economic slide, however, does not justify a budget that will increase the debt by more than 100 percent over the next ten years.

Even before this economic downturn, nonpartisan estimators were projecting rising and sustained budget deficits in the long term as a result of rapidly growing spending, especially for Social Security, Medicare, and Medicaid. The Committee should examine and act on legislation to address the long-term impact of entitlement spending growth on the Federal budget. The budget also should reflect proposals to encourage business expansion as well as other policies to promote job growth and economic stability, including policies such as tax reform and trade expansion.

To help stimulate the economy, we have recommended reducing the lowest two income tax rates, which would benefit more than 100 million working households. We believe marginal tax rate cuts, through their stimulative impact on both the demand and supply sides of the economy, are the best fiscal mechanism to increase employment, investment, and GDP. To ensure the return of American prosperity and the continued long-term strength of the economy, Congress should permanently extend the growth-promoting tax cuts enacted over the past eight years, particularly the reduction in marginal rates passed in 2001 and the reduced rates of tax on dividends and long-term capital gains passed in 2003.

In lieu of a continuation of these tax cuts, the Majority approved a stimulus package that was overwhelmingly tilted toward increased government spending. Analysis by the Congressional Budget Office (CBO) has shown that much of this increased government spending will not spur any increased economic activity until 2011 or later. CBO has also found that the stimulus will actually detract from economic growth beginning in 2015. Proposals to increase taxes, such as those contained in the President's budget outline, would exacerbate the current economic crisis and hobble or prevent a recovery. Indeed, the President's chief economic advisor, Dr. Christina Romer, Chair of the Council of Economic Advisors, has found that "tax increases are highly contractionary." Dr. Romer also found that the negative impact of tax increases stem "in considerable part from a powerful negative effect of tax increases on investment."

Republican Members are also concerned about the President's proposal to increase energy taxes for all Americans. According to numerous analyses, including those by the Environmental Protection Agency and the Energy Information Agency, the large energy tax increases imposed under the rubric of a "cap and tax" (i.e., cap and trade) scheme would have substantial negative consequences across all sectors of the economy.

On all of these issues, we hope the Committee will take a bipartisan approach, because the Committee – and the country – benefits greatly when all Committee Members' voices are heard. We strongly believe that a consensus approach to developing and passing legislation will improve the chances that bills reported from our Committee will become law and have a lasting, beneficial impact on America.

### **Legislative Issues with Budgetary Impact**

#### **Tax**

As mentioned above, the Committee's tax priorities should address the current economic slowdown and identify ongoing risks to America's long-term economic vitality, including proposals to raise hundreds of billions dollars in taxes through so-called "cap and trade" schemes. Additionally, we must not lose sight of the growing burden of the Alternative Minimum Tax (AMT), the importance of helping uninsured Americans gain access to affordable health insurance, and the need to ensure that American companies remain competitive in the increasingly global marketplace and can continue to support good, high-paying jobs here at home.

The Committee should also review issues and options related to tax reform and simplification in order to create a less burdensome tax system that promotes economic growth.

Republican Members of the Committee believe that all taxpayers should pay their fair share. The “tax gap,” which measures the difference between taxes owed and taxes paid, concerns us all. When considering legislation to close the tax gap, however, we urge that consideration be given not only to the increased tax revenue that may be collected, but also to the costs, administrative burdens, and potential infringements of taxpayer rights that some proposals to close the tax gap could impose on taxpayers who are already fully compliant with the tax code.

### Trade

The Republican Members of the Committee support the expansion of trade opportunities, adherence to trade agreements and rules by our trading partners, and the elimination of foreign trade barriers to our goods and services. The Committee should continue its oversight responsibilities with respect to the World Trade Organization negotiations, accessions, and disputes, as well as new bilateral and regional free trade agreements (FTAs), because opening foreign markets through multilateral and bilateral agreements will create broad-based growth for the United States and jobs for its citizens. The Committee should consider legislation to implement FTAs signed by the President and submitted to Congress. The Republican Members of the Committee also believe that negotiating authority and implementation procedures under TPA should be renewed.

The Committee should continue to be active in overseeing the budgets and activities of agencies within its jurisdiction as well as the operation of trade preference programs. The Committee should continue to address the concerns of those who have been negatively affected by globalization by overseeing the operation of the newly expanded and improved Trade Adjustment Assistance program. The Committee should also carefully analyze the many trade and competitiveness ramifications of any climate change legislation. Finally, the Committee should consider legislation, as it has in past years, suspending duties temporarily on products not made in the United States to make U.S. companies more competitive.

### Income Security and Family Support

We support continuing Federal assistance to those in need during times of economic insecurity. However, we are concerned about efforts in the President’s budget and the recently enacted stimulus bill to unilaterally change benefits funded by the Federal government through programs within the Subcommittee’s jurisdiction without full consideration by the Committee.

In addition, to ensure program integrity, special attention should be paid to options for reducing fraud and abuse in benefit programs. Oversight of implementation of the Deficit Reduction Act of 2005 (P.L. 109-171) is important, as is careful review of proposals to alter that law. Additional oversight of programs within the jurisdiction of the Subcommittee is needed, including careful review of policies proposed in the President’s budget.

### Social Security

The Republican Members of the Committee join the President in his commitment to address the growing costs in Social Security, including his hosting of the fiscal responsibility summit and the break-out session devoted to Social Security. Yet the President’s budget

proposed no significant steps towards achieving this goal. The Committee should promptly begin a dialogue to examine options to secure the future of Social Security and determine a bipartisan way forward so that legislation may be signed by the President as soon as possible. The longer we delay, the more severe Social Security's program adjustments will have to be and the more severe the burden will be on future generations and on our nation's economy.

Taxpayers pay for and rely on the services provided by the Social Security Administration and must be assured, through Committee oversight, that the agency is preventing program waste, fraud, and abuse. These prevention efforts include ensuring only those who continue to be disabled remain on the disability rolls and protecting Social Security numbers from misuse.

Committee oversight must also assure taxpayers that the agency is operating its programs efficiently and accurately through a strong network of field offices, call centers, and Internet services and that the agency's plans to upgrade and modernize its information technology infrastructure and systems architecture are sound. In addition, the Committee should continue its focus on strengthening Social Security's disability programs, including addressing its fiscal, return to work, service delivery and program integrity challenges. Other important priorities include examining the impact of immigration on benefits and the agency's role in work site enforcement.

### Health

Republican Members of the Committee believe that immediate steps need to be taken to protect the Medicare program from bankruptcy. Program costs are rising at an alarming rate (spending will nearly double in 10 years) and Medicare's Hospital Insurance (HI) Trust Fund will pay more in benefits this year than it will collect through the payroll tax.

As this imbalance could leave the HI Trust Fund bankrupt as early as 2016, steps must be taken promptly to ensure that the Medicare program remains a viable health insurance program for generations of seniors and disabled Americans for years to come.

To this end, Congress must weed out the waste, fraud, and abuse that is disturbingly common in the program. The Government Accountability Office warns that Medicare is at a "high risk" for fraud and the Chief Counsel at the HHS Office of Inspector General recently stated that Medicare fraud is safer and more lucrative than dealing drugs.

Legislation passed last year which temporarily staved off a reduction in Medicare payments for services provided by doctors has left those same providers facing an estimated 21% cut in the reimbursement rates in 2010. We hope that rather than enacting another short-term patch, the Congress this year examines comprehensive physician payment reform.

### The Fiscal Year 2010 Budget

The Committee will be reviewing the President's Fiscal Year 2010 Budget. The budget proposes significant changes in a number of areas within the Committee's jurisdiction. Over the course of the year, the Committee will continue to examine and consider the proposals and assumptions in the President's budget along with options presented by Members of the Committee to ensure the well-being of all Americans.

The Republican Members of the Committee believe the Budget Resolution should assume that tax provisions due to expire in 2010 will be extended along with the AMT patch. Allowing these tax cuts to expire would increase tax burdens for more than 100 million taxpayers in all income tax brackets and discourage economic growth. These taxpayers include families with children, small businesses and sole proprietors, retirees living on fixed incomes, and family farmers and small business owners that want to pass their life's work on to their children.

Moreover, we believe the Budget Resolution should reject several troubling tax increases outlined by the President, including changes that could:

- raise taxes on millions of Americans including job-creating small businesses;
- impose massive price increases on energy through "cap and tax";
- discourage charitable giving;
- hinder the ability of American companies to compete abroad; and
- discourage domestic production of fossil fuels.

#### The Public Debt Limit

The current statutory public debt limit is \$12.104 trillion. Current budget projections from both the Office of Management and Budget and the Congressional Budget Office indicate that the debt will reach that limit during Fiscal Year 2009. The level of public debt and precise time at which the statutory limit will be reached will depend on the level of incoming federal receipts, the outlay rates of both discretionary and mandatory spending, and the cost of any new legislation that is enacted. The Committee notes that it has been the practice of the House to pass a resolution raising the debt ceiling to the level necessary to accommodate the assumptions of the budget resolution for its first fiscal year. The Committee should continue to monitor the level of outstanding debt, and should take any necessary action to ensure the consistent financing of government operations.

The Republican Members of the Committee on Ways and Means look forward to working with the Committee on the Budget as we promote prosperity, opportunity, and security along with fiscal prudence.

Sincerely,

Jane Camp

Sam Johnson

John Linder

Wally Herger

Ken Burch

Dennis New

Pat Tiber

Carmy Brown-Walker

Jeff Davis

Ch. Bentley

Jean Heller

Prose

Eric Cantor

cc: The Honorable Charles Rangel, Chairman, Committee on Ways and Means

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