



B-71 Cannon House Office Building  
Washington, DC 20515  
Representative Paul D. Ryan, *Ranking Republican*

REPUBLICAN CAUCUS

## THE COMMITTEE ON THE BUDGET

Phone: (202)-226-7270  
Fax: (202)-226-7174  
Augustine T. Smythe, *Republican Staff Director*

### OVERVIEW AND SUMMARY

## THE SPENDING, DEFICIT, AND DEBT CONTROL ACT OF 2009 H.R. 3964

3 November 2009

---

### SUMMARY

As Americans watch their paychecks stagnate, their jobs disappear, and their savings shrink, Washington continues its relentless expansion of spending, deficits, and debt. Federal outlays are soaring, the deficit just eclipsed the \$1-trillion mark, and the Federal debt is on a path to consume resources matching the size of the entire economy. This year, more than half of Federal spending is outside the annual control of Congress, and the non-defense share of the remainder is growing at double-digit rates. More troubling is the long-term budget outlook, as the Nation begins to see the front edge of an entitlement crisis. In the long run, current Federal policies are likely to produce \$62 trillion in unfunded liabilities, according to estimates by the Government Accountability Office [GAO]. *These long-term problems threaten both the beneficiaries dependent on Federal programs and, ultimately, the entire U.S. economy.*

The current budget process lacks sufficient controls to attack this problem. More important, *Congress has increasingly abused the process, and exploited its loopholes, to make the problem far worse.* While budget process changes cannot, by themselves, get control of spending and debt, they can give Congress and the President the tools to fix the most serious economic problem facing the country. To that end, *The Spending, Deficit, and Debt Control Act* does the following:

- **Creates a Legally Binding Budget.** Gives the budget the force of law; calls on Congress and the President to agree, early in the process, on binding budget parameters; and promotes shared accountability for fiscal outcomes, rather than constant finger-pointing.
- **Establishes Real, Enforceable Limits on Spending and Deficits.** Places firm caps on both discretionary and mandatory spending, as well as total spending and deficits – and enforces these limits with automatic spending reductions aimed at the programs with the highest spending growth.
- **Addresses the Entitlement Crisis and Other Long-Term Liabilities.** Requires Congress to address the fiscal burdens mounting on future generations, and the huge unfunded obligations already looming; provides a means of slowing the long-term growth of the government's largest entitlements; and requires regular review of entitlement spending, with a fast-track mechanism for placing these programs on a sustainable path.

- 
- **Budgets for Emergencies.** Requires Congress to set aside funds for the kinds of natural disasters that regularly occur – such as wildfires, hurricanes, and the like – to prevent the abuse of must-pass “emergency” bills as vehicles for excessive non-emergency spending.
  - **Combats Waste, Fraud, and Abuse.** Takes meaningful steps toward eliminating unnecessary or parochial spending, including a sunset commission, a legislative line-item veto, earmark reform, and a commission to eliminate waste, fraud and abuse.

The discussion on the following pages reviews the perilous fiscal challenges looming in both the near and long term, and provides further details how this budget reform legislation will help Congress address them.

The discussion is presented in three parts:

- 1) PART I: *Current and Long-Term Fiscal Hazards* ..... Page 1
- 2) PART II: *Correcting Failures and Misuse of the Current Budget Process* ..... Page 5
- 3) PART III: *The Spending, Deficit, and Debt Control Act: Description of the Legislation* ..... Page 11

---

**FEDERAL BUDGET REFORM – PART I**  
**CURRENT AND LONG-TERM FISCAL HAZARDS**

---

- **Deficits.** Federal spending is producing chronic budget deficits, at record levels.
  - This year’s deficit reached a record \$1.4 trillion, according to final figures released this month by the U.S. Treasury.
  - The deficit is three times the size of last year’s (\$455 billion), and is 10 percent of gross domestic product [GDP], the highest level since World War II.
  - Under projections by the Congressional Budget Office [CBO], the Federal Government will run deficits in excess of \$600 billion every year for the next 10 years.<sup>1</sup>
  - The deficit will be back to \$1.2 trillion in 2019, or an unsustainable 5.5 percent of GDP, according to CBO.<sup>2</sup>
- **Debt.** Chronic deficit spending is adding intolerable levels of debt to the Nation’s economy.
  - Debt held by the public in 2009 exceeded \$7.5 trillion – more than 50 percent of GDP – the highest level as a share of the economy in more than 50 years.
  - Under the President’s budget, the debt is projected to double in the next 5 years and triple in the next 10 years; and it will be equal to roughly 82 percent of the entire economy by 2019, according to CBO<sup>3</sup> (see Figure 1, next page).
  - Congress will soon vote to *increase* the debt limit by \$1 trillion, to \$13 trillion.
  - Federal Reserve Chairman Ben S. Bernanke has warned that this chronic debt financing will lead to higher interest rates that could stifle the economy’s recovery: “[M]aintaining the confidence of the financial markets requires that we, as a Nation, begin planning now for the restoration of fiscal balance. . . . Unless

*Unless we demonstrate a strong commitment to fiscal sustainability in the longer term, we will have neither financial stability nor healthy economic growth.*

- Fed Chairman Ben S. Bernanke

---

<sup>1</sup> Congressional Budget Office, *An Analysis of the President’s Budgetary Proposals for Fiscal Year 2010*, June 2009.

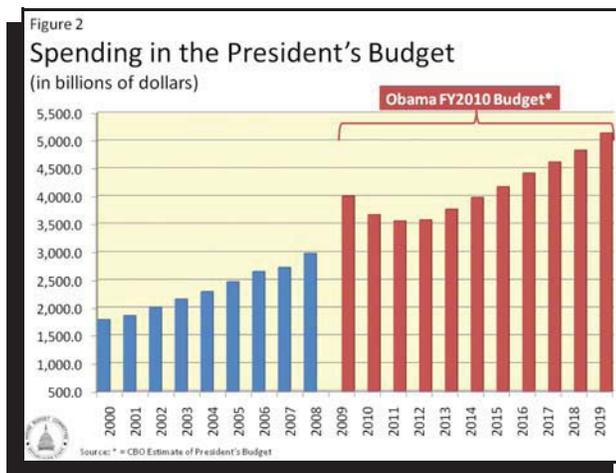
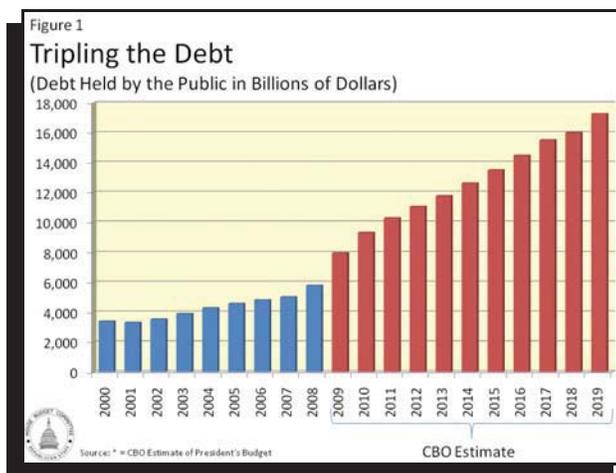
<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

---

we demonstrate a strong commitment to fiscal sustainability in the longer term, we will have neither financial stability nor healthy economic growth.”<sup>4</sup>

- **Spending.** These figures are driven by government spending, which exceeded \$3.5 trillion in 2009, or 24 percent of GDP, the highest level since World War II. The President’s budget will increase annual spending to more than \$5.1 trillion in 2019<sup>5</sup> (see Figure 2).



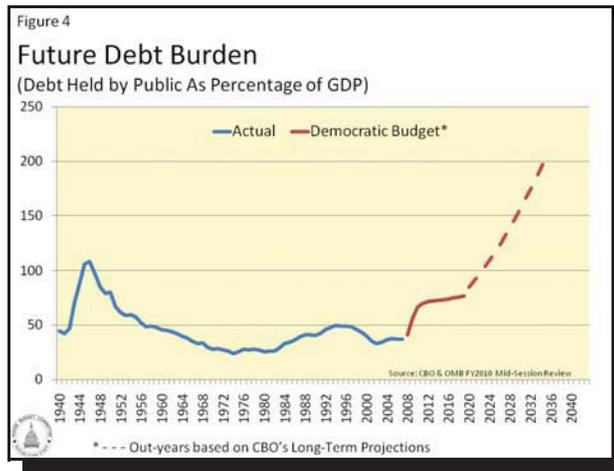
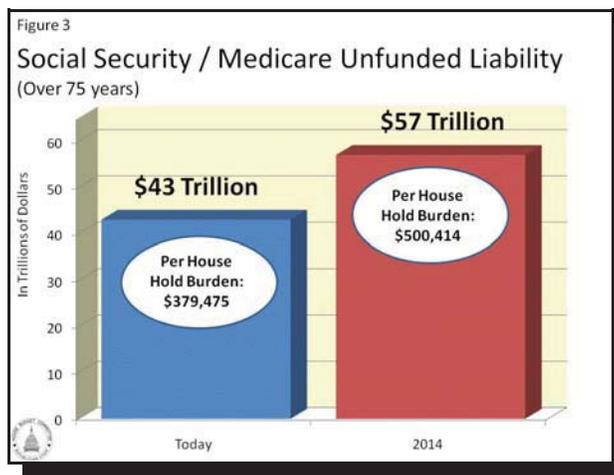
- **The Longer-Term Crisis.** These heavy spending and debt burdens are worsening an already unsustainable long-term budget path, creating a potential fiscal catastrophe – which Congress and the President already know is looming.

---

<sup>4</sup> Chairman Bernanke, testimony to the Committee on the Budget, U.S. House of Representatives, 3 June 2009.

<sup>5</sup> CBO, op. cit.

- Current fiscal policies, if left unchanged, will drive government debt to more than three times the Nation's total gross domestic product by the time today's children reach middle age (2050), and more than seven times the size of the economy by 2080, according to CBO.
- The government already holds \$62 trillion in "unfunded liabilities" – that is, spending obligations or promises the government cannot pay for.<sup>6</sup>
- The largest share of these costs, about \$43 trillion, lies in two government entitlement programs, Social Security and Medicare; and if they are left unreformed, it will swell by \$14 trillion, to \$57 trillion, in just 5 years (see Figure 3), and will continue growing after that.



<sup>6</sup> Government Accountability Office, *The Federal Government's Long-Term Fiscal Outlook: Fall 2009 Update*, October 2009. GAO refers to this as the "fiscal gap," or the present value of the amount by which spending obligations exceed projected revenue over the next 75 years.

- 
- The retirement of the baby boomers is at hand, and with it will come historic demographic changes in which the number of retirees in the United States will double, to nearly 80 million, by 2050, and will exceed 100 million before the end of the century; and retirees will be living longer. These trends will put unprecedented burdens on Social Security and Medicare, as they are currently structured.
  - The result will be an unsustainable debt burden on the budget, the Federal Government, and the U.S. economy. Debt has averaged 42 percent of GDP since World War II. It will hit 57 percent of GDP this year, and is projected to reach 82 percent of GDP by 2019, under the President's budget.<sup>7</sup>
  - These projections do not reflect the potential obligations in the form of Federal insurance and other "contingent liabilities" that represent trillions of dollars in outstanding potential obligations.
  - All this government spending and debt will drain the Nation's prosperity, leading to shrinking standards of living, and – for the first time in American history – *leaving the next generation worse off.*

---

<sup>7</sup> Ibid.

---

**FEDERAL BUDGET REFORM – PART II  
CORRECTING FAILURES AND MISUSE  
OF THE CURRENT BUDGET PROCESS**

---

- The current budget process is too weak, too limited, and too easy to circumvent. As Indiana Senator Bayh has said: “[P]rocess matters. . . . Washington has proven itself serially incapable of getting Federal spending under control. If you have the same people and the same process, you are going to get the same results.”<sup>8</sup> The discussion below identifies some of the principal flaws in the current process, and briefly describes how they are corrected in the Spending, Deficit, and Debt Control Act.

**STRENGTHENING THE BUDGET**

- **Problem: The Budget’s Fundamental Weakness.** The current process produces one budget from the President, and one from Congress. There is no mechanism to encourage agreement between Congress and the President on overall budget goals. As a result, any agreements on spending and tax legislation are piecemeal and ad hoc, if they occur at all. Too often, the process creates conflicts that make it more difficult to discipline spending and reduce deficits and debt. Further, the congressional budget is a “concurrent resolution,” which binds Congress, but not the President. Neither Congress nor the President has a fundamentally compelling reason to adhere to the budget.

*[P]rocess matters. . . . If you have the same people and the same process, you are going to get the same results.*

- Senator Evan Bayh
- **Problem: Failure to Meet Deadlines, and Constant Pressure to Spend.** Congress has not completed all its individual appropriations bills in time for the start of the fiscal year since 1995. Instead, Congress resorts to huge omnibus and supplemental appropriations bills that only serve to pump up spending. This year’s omnibus increased non-defense discretionary spending by \$29 billion, and the war supplemental increased non-defense spending by \$11.3 billion – \$8.9 billion more than the President requested. All this was in addition to the \$787-billion “stimulus” bill.
- **Reform: A Budget With the Force of Law.** This budget reform legislation converts the budget to a “joint resolution,” which is sent to the President for signature or veto. If the President signs, then the budget has the force of law, which greatly strengthens its

---

<sup>8</sup> Statement of Senator Bayh, 14 October 2009, one day after a private Oval Office meeting with the President to discuss concerns about mounting Federal debt.

---

enforcement. By encouraging early agreement between the President and Congress, this approach will smooth the way toward final agreements, improving the chances of completing spending bills on time. In addition, such agreements will produce shared accountability by Congress and the President for fiscal outcomes, rather than allowing each side to blame the other.

### CONTROLLING SPENDING

- **Problem: Failure to Control Spending.** The worst failing of the current process is that it has been twisted away from controlling spending to *enabling* higher spending, deeper deficits, and greater debt. It has been distorted into a mechanism that encourages profligate spending and higher taxes.
  - Budgets have become little more than public relations documents promising higher spending for every favored constituency. *The principal focus and measure of success in Washington too often is the dollar increase in an individual program, and not what the program will achieve, whether it serves the national interest, and the consequences of funding the increase with higher taxes or debt.*
  - Instead of using the budget to allocate limited resources among the government's most important priorities, Congress has taken to budgeting by reserve fund – setting up mechanisms to encourage higher spending, chased by higher taxes.
  - Even reconciliation – intended to control or reduce the size of government – has become a fast-track means of *creating new entitlements*, as in this year's student loan bill, and its potential use in the government takeover of health care.
  - Finally, when budget violations do arise, the points of order lying against them are commonly waived.
  
- **Problem: Loss of Focus on Spending.** The Budget Act initially created a process to give Congress greater control over spending and revenue levels. Today, the focus of Congress increasingly falls on “deficit-neutrality.” While the *pay-as-you-go rule* and *deficit-neutral reserve funds* are at first worthy attempts to control deficits, they have two fundamental flaws:
  - First, they only focus on new legislation, and not the underlying problem of spending growth under current law, or through the appropriations process.
  - Second, they divert attention from *undisciplined spending*, which is what drives deficits and debt.
  
- **Problem: Abuse of Emergencies.** Emergency spending bills – such as those providing aid following natural disasters – are exempt from budget limits, and therefore often become magnets for pet projects or spending increases that would not survive competition with other priorities.

- 
- **Reform: Firm, Enforceable Spending Limits.** This budget reform places firm limits on spending.
    - DISCRETIONARY CAPS. It establishes binding, 10-year caps that allow discretionary (annually appropriated) spending to grow no faster than inflation.
    - MANDATORY CAPS. It establishes 10-year caps that prohibit expansions in mandatory (entitlement) spending unless offset *by reductions in other mandatory spending*.
    - TOTAL SPENDING CAPS. It caps total spending to reduce the burden of government to no more than 20 percent of the economy by gradually reducing spending.
  - **Reform: Budgeting for Emergencies.** This legislation requires the President and Congress to budget for emergency spending by establishing budget reserves for the kinds of episodes that tend to occur every year, such as hurricanes and wildfires. The reform also codifies a definition of “emergency,” based on longstanding Office of Management and Budget [OMB] criteria.
  - **Reform: Real Enforcement.** These spending limits are enforced by automatic spending reductions, called “sequesters,” if any of the limits are breached. In addition, the legislation raises the bar for waiving Budget Act points of order in the House – from a simple majority to a two-thirds vote – and provides “point-of-order protection” that prohibits adoption of rules that waive budget points of order.

#### REDUCING DEFICITS AND DEBT

- **Problem: Unsustainable Levels of Debt.** Because it has failed to discipline spending, the current process has led to uncontrolled deficits and mounting debt – debts that will smother both the budget and the economy.
- **Reform: Deficit Caps, Deficit Reduction Accounts, Repeal of the ‘Gephardt Rule.’** This legislation attacks the deficit and debt problem in three ways:
  - It reduces the deficit as a share of the economy to 2 percent of GDP in 2019, enforced by points of order and sequestration.
  - It provides a mechanism through which Members can direct savings from spending bills to deficit reduction.
  - It repeals automatic debt increases in the House (the “Gephardt Rule”).

#### ADDRESSING THE ENTITLEMENT CRISIS AND LONG-TERM SPENDING

- **Problem: Failure to Consider Long-Term Spending Challenges.** The current process focuses only on the near term – the next 5 or 10 years – and fails to address the huge

---

liabilities already facing the Federal Government, the unsustainable costs of today's entitlement programs, or the exploding price tags of new spending programs.

- **Reform: Incorporate Long-Term Budgeting Procedures.** This reform takes several important steps forcing Congress to begin addressing the long-term spending crisis *now*.
  - SPENDING LIMIT AND BENCHMARKS. In addition to a cap on total spending, this legislation sets benchmarks for Social Security, Medicare, Medicaid, and other mandatory spending that accommodate benefits for those at or near retirement, while establishing a sustainable spending path.
  - LONG-TERM BUDGET PROJECTIONS. It requires OMB and CBO to make 75-year budget projections and compare those figures with the spending limits and sustainability benchmarks in Social Security, Medicare, Medicaid, and other mandatory spending.
  - LONG-TERM RECONCILIATION. It authorizes reconciliation of long-term savings (beyond the current limit of the budget resolution's typical 10-year window, up to 75 years) in Social Security, Medicare, and Medicaid.
  - FIVE-YEAR CONGRESSIONAL REVIEW OF LONG-TERM BUDGET TRENDS. It requires Congress to review long-term budget trends every 5 years to put or keep Federal spending on a sustainable path and provides a fast-track legislative process to bring spending under control, if necessary.
  - LONG-TERM UNFUNDED OBLIGATIONS. This budget reform: 1) requires GAO and OMB to report annually the Federal Government's unfunded obligations; 2) establishes a new point of order against expansion of unfunded obligations; and 3) requires both the President's budget and the budget resolution to show proposed changes in unfunded obligations.

#### ENHANCING OVERSIGHT

- **Problem: Lack of Oversight.** Under current budget rules, once a program is authorized, it goes on forever; and there is no requirement for Congress to evaluate whether programs are achieving their goals or working as efficiently as possible. The problem is complicated by the annual budget process, which consumes a great deal of time that might otherwise be devoted to oversight. In addition, CBO has reported that unauthorized appropriations in recent years have ranged from \$160 billion to \$170 billion.<sup>9</sup>
- **Reform: Biennial Budgeting.** This reform establishes a biennial budget and appropriations process, giving Congress time for oversight in the off years.

---

<sup>9</sup> CBO, *Unauthorized Appropriations and Expiring Authorizations*, 15 January 2009.

- 
- **Reform: Sunset Commission.** The legislation also sunsets Federal programs and establishes a commission to review and make recommendations to Congress on whether these programs should be reformed or continued.

#### COMBATING WASTE, FRAUD, AND ABUSE

- **Problem: Earmarks.** Earmarks are not a new problem. There was an explosion of earmarks when Republicans controlled Congress. While they represent only a small fraction of the budget, earmarks distract Congress's attention from broader national problems, can lead to corruption, and erode Americans' confidence in their government. Despite promises by the President to address the problem, it continues. The current process lacks an institutionalized means of discouraging parochial, pork-barrel, earmarked spending – and this leads to unacceptable waste, fraud, and abuse of taxpayers' dollars.
- **Reform: Earmark Moratorium and Study.** This legislation calls for a moratorium on earmarks until a Joint Committee releases a study and report on how to reform the process.
- **Reform: Legislative Line-Item Veto.** The measure allows the President to send wasteful spending back to Congress for an up-or-down vote. Any savings are devoted to deficit reduction.
- **Reform: A Commission.** The bill also establishes a commission to eliminate waste, fraud, and abuse.

#### TRANSPARENCY AND FULL ACCOUNTING

- **Problem: Obligations Not Recognized.** The government faces numerous obligations that are not adequately acknowledged in the budget. Among these are Federal employee pensions and retirement health benefits, and the costs of credit and insurance programs. Existing accounting procedures under-estimate the full costs of these obligations, even though better means of accounting for them are available.
- **Reform: Federal Retirees.** This legislation requires the budget to fully reflect the cost of Federal employee pensions and post-retirement health benefits, and requires accrual accounting and budgeting of these obligations.
- **Reform: Credit Programs.** It requires the budget to reflect the full cost of Federal credit programs.
- **Reform: Insurance Programs.** It also calls for a study on reforms to budgetary treatment of Federal insurance programs, such as deposit insurance.

---

### ADDITIONAL REFORMS

- Other reforms in this legislation include the following:
  - It prevents the abuse of budget reconciliation – a process intended to reduce the size and scope of government – to create new entitlement programs.
  - It provides a point of order against extraneous spending in appropriations bills.
  - It suspends the rule that term-limits Budget Committee membership, pending a study and recommendations from a Select Committee. The 1974 Budget Act provided term limits apparently to weaken the new Budget Committee. Meanwhile, other committees – with responsibility for spending taxpayer dollars – are not term limited.
  - It eliminates the bias in favor of higher spending by reforming the budget “baseline” to remove automatic inflation increases in discretionary accounts, and to require a comparison to the previous year’s spending levels, rather than a calculation of the level to which they should be increased.

---

**FEDERAL BUDGET REFORM – PART III**  
**THE SPENDING, DEFICIT, AND DEBT CONTROL ACT OF 2009**  
**H.R. 3964**

**DESCRIPTION OF THE LEGISLATION**

---

**TITLE I: A LEGALLY BINDING FEDERAL BUDGET**

- ***Joint Resolution on the Budget.*** Gives the budget the force of law by converting the budget resolution from a concurrent to a joint resolution. Simplifies the budget resolution to the major categories of Federal spending, revenue, deficits, and debt. Provides a point of order against a budget resolution that contains extraneous matter. Facilitates agreement between the President and Congress on the broad parameters of the budget, but provides a fall-back procedure for Congress to adopt its own budget resolution.
- ***Emergency Spending Reforms.*** Budgets for emergencies by creating a reserve (“rainy day” fund) in the budget. Requires approval from the Budget Committees to release funds from the emergency reserve. Establishes a separate reserve for war funding. Defines an “emergency” as funding for an unanticipated, sudden, urgent, unforeseen, and temporary requirement, based on longstanding guidelines of the Office of Management and Budget [OMB].
- ***Biennial Budget.*** Converts the current annual budget and appropriations process to a 2-year cycle. Reduces constant pressure to appropriate and spend, and gives Congress greater time for oversight in the off-years.
- ***Prevention of Government Shutdowns.*** Provides for an automatic continuing resolution at the previous year’s spending level if Congress has not enacted funding for one or more discretionary programs by the beginning of the fiscal year.
- ***Baseline Reforms.*** Eliminates the automatic inflation increases for discretionary programs built into the baseline projections of future spending needs. Requires budget estimates to be compared with the prior year’s level, not a calculation of the level to which they should be increased.

**TITLE II: SPENDING LIMITS AND DEFICIT CONTROL**

- ***Discretionary Spending Limits.*** Caps total discretionary (annually appropriated) spending to ensure it grows no faster than inflation, enforced by points of order in Congress, and automatic spending cuts, known as “sequestration” (described below).
- ***Mandatory Spending Limits.*** Prohibits legislation from expanding mandatory (entitlement) spending unless offset by reductions in other mandatory spending – also enforced by points of order and sequestration.

- 
- **Total Spending Cap.** Brings down total government spending to no more than 20 percent of gross domestic product [GDP] by 2019, and makes this limit permanent in law thereafter. Enforced by points of order, and sequestration.
  - **Deficit Caps.** Reduces and caps the budget deficit at 2 percent of GDP in 2019, also enforced by points of order and sequestration.
  - **Sequestration for Excess Spending or Deficits.** To enforce spending limits, applies “sequester” – automatic spending reductions – to all government spending except legally binding obligations of the Federal Government, and veterans’ mandatory programs. Subjects Federal programs and spending to sequestration under two limits: 1) the program must be growing faster than inflation; 2) the sequester can be no more than 1 percent. Exempts Social Security from sequester unless it is insolvent and is running a cash deficit; causes a 1-percent reduction in Social Security’s unfunded liabilities by adding to the retirement age; but makes *no changes in Social Security for those 55 and older*, and would go into effect only 10 years after the sequester order.
  - **Supermajority Point of Order.** Allows a waiver of sequestration only if approved by a two-thirds vote in the House.
  - **Temporary Adjustments for Demographics.** Adjusts the permanent limit on spending and the deficit through 2019 in two ways, starting in 2015: 1) provides an upward adjustment to accommodate current-law Social Security and Medicare benefits of those 55 and older; 2) for the baby-boom population (those born 1946 through 1964) currently younger than 55, provides an adjustment to accommodate per-capita growth and inflation (consumer price index for Social Security, and a blend of the consumer price index and Medicare economic index for Medicare).

### TITLE III: LONG-TERM BUDGETING

- **Permanent Spending Limit.** Establishes a permanent limit on Federal spending of 20 percent of GDP. Allows for a temporary upward adjustment in this limit to accommodate per-capita growth in the baby-boom generation, plus inflation. Enforced by sequester.
- **Sustainability Benchmarks.** Establishes benchmarks for Social Security, Medicare, Medicaid, and all other mandatory spending to ensure they are permanently solvent.
- **Long-Term Budget Projections.** Requires OMB and the Congressional Budget Office [CBO] to produce, annually, long-term budget projections covering a 75-year period, comparing spending under current policies to the total spending limit and the sustainability benchmarks. Also requires projections showing the long-term impact of the President’s policies.
- **Long-Term Reconciliation.** Adds authority for the budget resolution to include reconciliation instructions that would reduce spending as a percentage of GDP for Social Security, Medicare, Medicaid, and other mandatory spending over a 75-year period.
- **Five-Year Congressional Review.** Requires CBO to issue a report to the Budget Committees every 5 years comparing projections of spending under current law to the

- 
- Federal spending limit and sustainability benchmarks. If Congress has not reformed spending to meet this limit and these benchmarks, provides fast-track legislative procedures to enact legislation introduced by the Majority or Minority Leaders in the House or Senate – a procedure based, along with the sustainability benchmarks, on a reform advocated by the Brookings-Heritage Fiscal Seminar in the paper, *Taking Back Our Fiscal Future*, April 2008.
- ***Limits on Long-Term Mandatory Spending Increases.*** Prohibits consideration of legislation that increases mandatory spending by more than \$5 billion in any of the four 10-year periods from 2019 through 2058. Enforces provision with a point of order (two-thirds vote in the House to waive).
  - ***Long-Term Unfunded Obligations.*** 1) Requires OMB and the Government Accountability Office [GAO] to report on the Federal Government’s unfunded obligations; 2) establishes a new point of order against increasing unfunded obligations; 3) requires the President’s budget and the budget resolution to show changes in unfunded obligations.

#### TITLE IV: SPENDING REFORM

- ***Sunset Commission.*** Establishes a commission to conduct systematic reviews of Federal programs and agencies, and make recommendations of those that should be terminated. Provides for automatic sunset of programs unless reauthorized by Congress. Based on the bill by Representative Brady of Texas.
- ***Legislative Line-Item Veto.*** Gives the President the authority to single out individual spending items in bills cleared by Congress for his signature and send these specific line items back to Congress for an up-or-down vote. Similarly, allows the President to request the rescission of targeted special-interest tax breaks. Provides fast-track procedures for the consideration of the President’s proposed rescissions. Devotes any savings to deficit reduction. Based on the bill by Representative Ryan of Wisconsin.
- ***Commission to Eliminate Waste, Fraud, and Abuse.*** Establishes a commission to identify government programs and agencies that are duplicative, wasteful, or inefficient, and present legislation to Congress implementing recommendations under expedited procedures. Based on the bill by Representative Tiahrt of Kansas.

#### TITLE V: TRANSPARENCY IN BUDGETING

- ***Accrual of Federal Employee Retirement and Health Programs.*** Requires the budget to reflect the accrued cost of Federal civilian and military retirement programs when these obligations are made – as is currently done with the military’s TRICARE health program.
- ***Earmark Reform.*** Imposes a 1-year moratorium on earmarks and creates a commission to study earmarks and make recommendations to Congress to reform the earmarking process. Based on the proposal by Representative Tiahrt.
- ***Debt Limit Reform.*** Repeals the “Gephardt Rule” (House rule XXVIII) and requires the House of Representatives to vote directly on increasing the debt limit.

- 
- ***Credit Program Reforms.*** Provides for budgeting for the full cost of credit programs (loans and loan guarantees) by incorporating market risk in the determination of the subsidy estimate for these programs. Consistent with reform enacted by Congress in developing cost estimates of financial rescue legislation, and applied by CBO the same in assessing the costs of Fannie Mae and Freddie Mac.
  - ***Study of Deposit Insurance.*** Calls on CBO and GAO to conduct a study and make recommendations for budgeting for Federal insurance programs, such as deposit insurance, under the Federal Credit Reform Act.

#### **TITLE VI: BUDGET ENFORCEMENT**

- ***Congressional Enforcement – Points of Order.*** Includes new points of order (two-thirds vote in the House to waive) to prohibit consideration of legislation that:
  - Increases the discretionary limit or causes the limit to be breached.
  - Increases direct spending or causes the direct spending limit to be breached.
  - Increases deficit spending as a percentage of GDP, or causes the deficit limit to be breached.
  - Increases outlays above the total spending limits, as a percentage of GDP, or causes the total spending limit to be breached.
- ***Limits on Creating or Expanding Entitlements in Reconciliation Legislation.*** Prohibits new direct spending in reconciliation legislation in excess of 20 percent of the total savings instruction in the legislation – as proposed by Senator Gregg of New Hampshire.
- ***Extraneous Spending in Appropriations Bills.*** Creates a point of order against extraneous spending provisions in appropriations bills.
- ***Deficit Reduction Accounts.*** Provides Members a mechanism to ensure savings realized from amendments to appropriations or direct spending legislation are dedicated to deficit reduction.
- ***Suspension of Budget Committee Term Limits.*** Temporarily suspends term limits for service on the Committee on the Budget built into the 1974 Budget Act, apparently to limit the committee’s power (though membership on other authorizing committees and the appropriations committee is not term limited). Establishes a Select Committee to study and make recommendations concerning term limits on Budget Committee membership.

---

This document was prepared by the Republican staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of individual committee members.

---