112TH CONGRESS
*2d Session*

HOUSE OF REPRESENTATIVES

REPT.
112–378

# BASELINE REFORM ACT OF 2012

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

## H.R. 3578

together with

MINORITY VIEWS

JANUARY 30, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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# BASELINE REFORM ACT OF 2012

JANUARY 30, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. RYAN of Wisconsin, from the Committee on the Budget, submitted the following

# REPORT

together with

## MINORITY VIEWS

[To accompany H.R. 3578]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Budget, to whom was referred the bill (H.R. 3578) to amend the Balanced Budget and Emergency Deficit Control Act of 1985 to reform the budget baseline, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Baseline Reform Act of 2012".

**SEC. 2. THE BASELINE.**

Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

**"SEC. 257. THE BASELINE.**

"(a) IN GENERAL.—(1) For any fiscal year, the baseline refers to a projection of current-year levels of new budget authority, outlays, or receipts and the surplus or deficit for the current year, the budget year, and the ensuing nine outyears based on laws enacted through the applicable date.

"(2) The baselines referred to in paragraph (1) shall be prepared annually.

"(b) DIRECT SPENDING AND RECEIPTS.—For the budget year and each outyear, estimates for direct spending in the baseline shall be calculated as follows:

"(1) IN GENERAL.—Laws providing or creating direct spending and receipts are assumed to operate in the manner specified in those laws for each such year and funding for entitlement authority is assumed to be adequate to make all payments required by those laws.

"(2) EXCEPTIONS.—(A)(i) No program established by a law enacted on or before the date of enactment of the Balanced Budget Act of 1997 with estimated current year outlays greater than $50,000,000 shall be assumed to expire in the budget year or the outyears. The scoring of new programs with estimated outlays greater than $50,000,000 a year shall be based on scoring by the Committees on the Budget or OMB, as applicable. OMB, CBO, and the Committees on the Budget shall consult on the scoring of such programs where there are differences between CBO and OMB.

"(ii) On the expiration of the suspension of a provision of law that is suspended under section 171 of Public Law 104–127 and that authorizes a program with estimated fiscal year outlays that are greater than $50,000,000, for purposes of clause (i), the program shall be assumed to continue to operate in the same manner as the program operated immediately before the expiration of the suspension.

"(B) The increase for veterans' compensation for a fiscal year is assumed to be the same as that required by law for veterans' pensions unless otherwise provided by law enacted in that session.

"(C) Excise taxes dedicated to a trust fund, if expiring, are assumed to be extended at current rates.

"(D) If any law expires before the budget year or any outyear, then any program with estimated current year outlays greater than $50,000,000 that operates under that law shall be assumed to continue to operate under that law as in effect immediately before its expiration.

"(3) HOSPITAL INSURANCE TRUST FUND.—Notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act.

"(c) DISCRETIONARY SPENDING.—For the budget year and each of the nine ensuing outyears, the baseline shall be calculated using the following assumptions regarding all amounts other than those covered by subsection (b):

"(1) ESTIMATED APPROPRIATIONS.—Budgetary resources other than unobligated balances shall be at the level provided for the budget year in full-year appropriation Acts. If for any account a full-year appropriation has not yet been enacted, budgetary resources other than unobligated balances shall be at the level available in the current year.

"(2) CURRENT-YEAR APPROPRIATIONS.—If, for any account, a continuing appropriation is in effect for less than the entire current year, then the current-year amount shall be assumed to equal the amount that would be available if that continuing appropriation covered the entire fiscal year. If law permits the transfer of budget authority among budget accounts in the current year, the current-year level for an account shall reflect transfers accomplished by the submission of, or assumed for the current year in, the President's original budget for the budget year.

"(d) UP-TO-DATE CONCEPTS.—In calculating the baseline for the budget year or each of the nine ensuing outyears, current-year amounts shall be calculated using the concepts and definitions that are required for that budget year.

"(e) ASSET SALES.—Amounts realized from the sale of an asset shall not be included in estimates under section 251, 251A, 252, or 253 of this part or section 5 of the Statutory-Pay-As-You-Go Act of 2010 if that sale would result in a financial cost to the Government as determined pursuant to scorekeeping guidelines.".

**SEC. 3. ADDITIONAL CBO REPORT TO BUDGET COMMITTEES.**

Section 202(e) of the Congressional Budget Act of 1974 is amended by adding at the end the following new paragraphs:

"(4)(A) After the President's budget submission under section 1105(a) of title 31, United States Code, in addition to the baseline projections, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate a supplemental projection assuming extension of current tax policy for the fiscal year commencing on October 1 of that year with a supplemental projection for the 10 fiscal-year period beginning with that fiscal year, assuming the extension of current tax policy.

"(B) For the purposes of this paragraph, the term 'current tax policy' means the tax policy in statute as of December 31 of the current year assuming—

"(i) the budgetary effects of measures extending the Economic Growth and Tax Relief Reconciliation Act of 2001;

"(ii) the budgetary effects of measures extending the Jobs and Growth Tax Relief Reconciliation Act of 2003;

"(iii) the continued application of the alternative minimum tax as in effect for taxable years beginning in 2011 pursuant to title II of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, assuming that for taxable years beginning after 2011 the exemption amount shall equal—

"(I) the exemption amount for taxable years beginning in 2011, as indexed for inflation; or

"(II) if a subsequent law modifies the exemption amount for later taxable years, the modified exemption amount, as indexed for inflation; and

"(iv) the budgetary effects of extending the estate, gift, and generation-skipping transfer tax provisions of title III of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

"(5) On or before July 1 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate, the Long-Term Budget Outlook for the fiscal year commencing on October 1 of that year and at least the ensuing 40 fiscal years.".

## INTRODUCTION

Representative Rob Woodall (R–GA–7) introduced H.R. 3578, the "Baseline Reform Act of 2012," on December 7, 2011. This bill reforms the "baseline," to ensure it provides a neutral starting point in assessing the budgetary impact of spending governed by the appropriations process.

## SUMMARY OF PROPOSED CHANGES

### *The Baseline*

The Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99–177) requires the Congressional Budget Office [CBO] and the Office of Management and Budget [OMB] to prepare projections of federal spending and revenues. This bill requires that such projections cover a ten-year period, which is the budget window that has become standard in recent years, and specifies the assumptions the two agencies must use in making these projections.

"Discretionary spending" refers to spending that is dependent on enactment by the Congress of appropriation laws providing authority to agencies to spend money. Current law requires CBO and OMB to assume that such spending will continue over the course of the budget window and increase by inflation. These requirements added approximately $1.4 trillion in outlays (over ten years) to the discretionary baseline in 2011.

In addition, there are special exceptions that require CBO and OMB to assume additional increases in the baseline for expiring housing contracts, social insurance administrative expenses, and annualization of federal employee pay. In aggregate, these special exceptions added approximately $12 billion (over ten years) to the discretionary baseline last year.

This assumption of additional spending in the baseline evidences a bias toward additional spending. It also creates the anomalous situation where a program's funding could be increased in comparison to the previous year but still be called a cut because the funding level is below the inflationary increase assumed in the discretionary baseline.

The bill removes the inflationary assumption and the special exceptions from the discretionary baseline, requiring that the baseline assume neither an increase nor a decrease for these programs. The baseline provides information to the Congress and does not govern what is contained in the budget resolution or the appropriations bills that provide legal spending authority. As a result, changing the baseline does not change funding for these programs, but it does remove an upward bias in spending by comparing spending to previous year's levels and not an inflated baseline.

The rules for producing the direct spending and revenue baselines are left unchanged as are the rules for assets sales and the use of up-to-date concepts.

*Current Policy Projection*

Under section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, CBO is required to assume that most expiring tax provisions will expire as specified in statute when formulating its revenue baseline. While this is an accurate measure to score the budgetary impact of legislation as compared to current law, it does not provide a useful measure of how changes in law would affect current policies. As a result, the administration, CBO, the Congress, and outside groups frequently use a different baseline that reflects current policy instead of current law. Under current law, major tax relief is scheduled to expire. This tax relief was extended on a bipartisan basis in 2010.

The bill does not change the current law baseline. Section 3 of the bill requires the production of a current tax policy baseline that assumes the extension of the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107–16); the Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108–27); extension of the so-called "AMT fix" to keep the Alternative Minimum Tax from effecting additional taxpayers; and the extension of the estate, gift, and generation-skipping transfer tax provisions of title III of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111–312).

*Long-Term Budget Outlook*

In 1996, CBO concluded that the 10-year time frame they used for preparing budget projections was not sufficient to "show the dramatic effects on the federal budget of the projected long-term demographic changes in the U.S. population."[1] Beginning as a special chapter in the May 1996 edition of its annual Economic and Budget Outlook, the CBO has since annually prepared a stand-alone report on the long-term budget outlook. The analysis and projections included in this report have become an integral part of the Budget Committees' work.

Section 3 of the bill codifies CBO's current practice of providing this report no later than July 1 of each year. The Committee, however, urges the CBO to publish this report as early as possible each year so that its analysis can inform the Members of the Committee as they prepare the annual budget resolution.

## Legislative History

*Legislation in the 103d Congress*

In 1993, Representative Jim Ramstad [R–MN–3] introduced H.R. 323, the Common Sense Budget Act of 1993. It would have required the President's budget submission to include comparisons of proposed expenditures and appropriations for the budget year with the prior fiscal year.

[1] Congressional Budget Office, Long-Term Budgetary Pressures and Policy Options, March 1997 *http://www.cbo.gov/doc.cfm?index=10&type=0*

In 1994, the House considered H.R. 4907, Baseline Reform Act of 1994, offered by Representative John Spratt (D–SC–5). Representative Spratt's bill would have added a "current funding baseline" to accompany the existing—and what the bill called "current policy"—baseline. The current funding baseline assumed an adjustment for expiring housing contracts but no adjustments for inflation. The House, however, passed an amendment in the nature of a substitute, previously introduced as H.R. 4914 and as part of H.R. 4434, which would have repealed the automatic adjustment in the caps for changes in inflation.

*Rules Amendments Made in the 104th Congress*

In the 104th Congress, the House Rules were amended by the organizing resolution (H. Res. 6) by inserting a requirement that a cost estimate of a bill include a comparison of funding levels to the previous year's level: Clause 3(c)(2) of rule XIII of the House of Representatives for the 112th Congress requires of the contents of a report on a bill: "* * * an estimate of new budget authority shall include, when practicable, a comparison of the total estimated funding level for the relevant programs to the appropriate levels under current law."

In the 104th Congress, the Rules of the Committee on the Budget were amended to require that the report of the Committee to accompany a concurrent resolution on the budget include a comparison of the estimated or actual levels for the year preceding the budget year with the proposed spending and revenue levels for the budget year (Rule 25 of the Rules of the Committee on the Budget for the 112th Congress).

*"Comprehensive Budget Process Reform Act of 1999"*

On February 25, 1999, H.R. 853, Comprehensive Budget Process Reform Act of 1999 (106th Congress) was introduced in the House of Representatives by Representative Jim Nussle [R–IA–2]. Sections 611 and 612 of that Act amended the President's Budget submission requirements and the Congressional Budget Act of 1974 respectively to similarly compare budget year discretionary spending to the prior year's spending level. This is similar to the provisions of this Act, though not identical. This bill failed of passage in the House on May 16, 2000.

*"Spending Control Act of 2004"*

On March 16, 2004, H.R. 3973, the Spending Control Act of 2004 (108th Congress) was introduced in the House of Representatives by Representative Jim Nussle [R–IA–2]. Section 5 of the Act removed the requirement that emergency-designated or global war on terrorism-designated spending be continued in the baseline under section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985. This is similar to certain provisions of this Act, though not identical. H.R. 3973 was reported from the Committee on the Budget on March 19, 2004 but was not considered on by the House.

*"Spending, Deficit, and Debt Control Act of 2009"*

On October 29, 2009, H.R. 3964, the "Spending, Deficit, and Debt Control Act of 2009" was introduced in the House by Representative Jeb Hensarling [R–TX–5]. The bill eliminates the automatic inflation increases for discretionary programs built into the baseline projections of future spending needs and requires budget estimates to be compared with the prior year's level, not a calculation of the level to which they should be increased.

*"Zero-Baseline Budget Act of 2011"*

On March 3, 2011, H.R. 920, the "Zero-Baseline Budget Act of 2011" was introduced in the House by Representative Louie Gohmert [R–TX–1]. It amends the Balanced Budget and Emergency Control Act of 1985 to change the formula the CBO must use to calculate its discretionary baseline. The bill was designed to eliminate any sequential and cumulative automatic increases in the baseline for inflation (or for any other reason) and exclude emergency and supplemental spending. The baseline would be the aggregate of the non-emergency appropriations bill for that year.

*Legislation in the 112th Congress*

On December 7, 2011, Members of the House Budget Committee introduced a comprehensive package of ten legislative budget process reform bills designed to fundamentally reform the budget process. Included in this package was H.R. 3578, the "Baseline Reform Act of 2011," introduced by Representative Rob Woodall [R–GA–7].

## HEARINGS

In 2011, the House Budget Committee held two budget process reform hearings to examine the budget process.

The first hearing, "The Broken Budget Process: Perspectives From Former CBO Directors," was held on September 21, 2011, with former CBO Directors Rudolph Penner and Alice Rivlin testifying.

The second hearing, "The Broken Budget Process: Perspectives From Budget Experts," was held on September 22, 2011, with Philip Joyce (University of Maryland), the Honorable Jim Nussle (Chairman of the Committee on the Budget, 2001 through 2007, United States House of Representatives) and the Honorable Phil Gramm (former United States Senator, 1985—2002) testifying.

## SECTION BY SECTION

**SECTION 1. SHORT TITLE.**

This section provides for the short title of the Act: "Baseline Reform Act of 2011".

**SECTION 2. THE BASELINE.**

This section amends section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 109–59) to remove the increases in the discretionary baseline attributable to inflation, expiring housing contracts, social insurance administrative expenses, and pay annualization. The discretionary spending in the baseline to be calculated uses the following assumptions:

(1) For any estimated appropriations, the budgetary resources other than unobligated balances are to be at the level provided for the budget year in full-year appropriation acts. If a full-year appropriation has not been enacted, budgetary resources, other than unobligated balances, are to be at the level available in the current year.

(2) For any continuing appropriation in effect for less than an entire year, the current-year amount is assumed to equal the amount that would be available if that continuing appropriation lasted the entire fiscal year. If law permits the transfer of budget authority among budget accounts in a current year, the current level is to reflect transfers assumed in the President's original budget.

This section makes a number of technical and typographic corrections, but no other substantive modifications to current law.

**SECTION 3. ADDITIONAL CBO REPORT TO BUDGET COMMITTEES.**

This section amends section 202(e) of the Congressional Budget Act of 1974 by requiring the Director of the Congressional Budget Office to submit, together with the analysis of the President's budget submission, a supplemental budget projection that assumes the extension of the Economic Growth and Tax Relief Reconciliation Act of 2001; the Jobs and Growth Tax Relief Reconciliation Act of 2003; extension of the "Alternative Minimum Tax fix"; and the extension of the estate, gift, and generation-skipping transfer tax provisions of title III of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

It requires the Director of the Congressional Budget Office submit the agency's Long-Term Budget Outlook on or before July 1 of each year and that the outlook cover at least a 40-fiscal-year period.

## VOTES OF THE COMMITTEE

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires each committee report to accompany any bill or resolution of a public character to include the total number of votes cast for and against each rollcall vote, on a motion to report and any amendments offered to the measure or matter, together with the names of those voting for and against.

Listed below are the actions taken in the Committee on the Budget of the House of Representatives on the Baseline Reform Act of 2012.

On January 24, 2012, the committee met in open session, a quorum being present.

Chairman Ryan asked unanimous consent to be authorized, consistent with clause 4 of rule XVI of the Rules of the House of Representatives, to declare a recess at any time during the committee meeting.

There was no objection to the unanimous consent request.

Chairman Ryan asked unanimous consent to dispense with the first reading of the bill and the bill be considered as read and open to amendment at any point.

There was no objection to the unanimous consent request.

The committee adopted and ordered reported the Baseline Reform Act of 2012 by a rollcall vote of 21 ayes and 12 noes.

The committee took the following votes:

**H.R. 3578**

| Name & State | Aye | No | Answer Present | Name & State | Aye | No | Answer Present |
|---|---|---|---|---|---|---|---|
| RYAN (WI) (Chairman) | X | | | VAN HOLLEN (MD) (Ranking) | | X | |
| GARRETT (NJ) | X | | | SCHWARTZ (PA) | | | |
| SIMPSON (ID) | X | | | KAPTUR (OH) | | | |
| CAMPBELL (CA) | X | | | DOGGETT (TX) | | X | |
| CALVERT (CA) | X | | | BLUMENAUER (OR) | | X | |
| AKIN (MO) | X | | | McCOLLUM (MN) | | X | |
| COLE (OK) | | | | YARMUTH (KY) | | X | |
| PRICE (GA) | X | | | PASCRELL (NJ) | | X | |
| McCLINTOCK (CA) | X | | | HONDA (CA) | | X | |
| CHAFFETZ (UT) | X | | | RYAN (OH) | | X | |
| STUTZMAN (IN) | X | | | WASSERMAN SCHULTZ (FL) | | X | |
| LANKFORD (OK) | X | | | MOORE (WI) | | X | |
| BLACK (TN) | X | | | CASTOR (FL) | | | |
| RIBBLE (WI) | X | | | SHULER (NC) | | | |
| FLORES (TX) | X | | | TONKO (NY) | | X | |
| MULVANEY (SC) | X | | | BASS (CA) | | X | |
| HUELSKAMP (KS) | X | | | | | | |
| YOUNG (IN) | X | | | | | | |
| AMASH (MI) | X | | | | | | |
| ROKITA (IN) | X | | | | | | |
| GUINTA (NH) | X | | | | | | |
| WOODALL (GA) | X | | | | | | |

Mr. Honda, made a unanimous consent request to let the record reflect he would have voted no on the roll-call vote.

Mr. Garrett made a motion that, pursuant to clause 1 of rule XXII of the Rules of the House of Representatives, the Chairman be authorized to offer such motions as may be necessary in the House to go to conference with the Senate, and staff be authorized to make any necessary technical and conforming changes to the bill.

The motion was agreed to without objection.

## Committee Oversight Findings

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on the Budget's oversight findings and recommendations are reflected in the body of this report.

## BUDGET ACT COMPLIANCE

The provisions of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a)(1) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, new credit authority, or increased or decreased revenues or tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and sections 402 and 423 of the Congressional Budget Act of 1974 submitted to the committee prior to the filing of this report are as follows:

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
*Washington, DC, January 27, 2012.*

Hon. PAUL RYAN, *Chairman,*
*Committee on the Budget, U.S. House of Representatives, Washington, DC 20515.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3578, the Baseline Reform Act of 2012.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jared Brewster, who can be reached at 226–2880.

Sincerely,

DOUGLAS W. ELMENDORF,
*Director.*

ENCLOSURE:
cc: Hon. CHRIS VAN HOLLEN, *Ranking Member.*

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CONGRESSIONAL BUDGET OFFICE COST ESTIMATE
JANUARY 27, 2012

### H.R. 3578: BASELINE REFORM ACT OF 2012

*As ordered reported by the House Committee on the Budget on January 24, 2012*

H.R. 3578 would change certain assumptions governing baseline budget projections and require the Congressional Budget Office to provide a supplemental report to the House and Senate Committees on the Budget. CBO estimates that enacting H.R. 3578, by itself, would not have a significant impact on the federal budget. Any impact on the budget would depend on the extent of future legislative actions by the Congress and the President. Enacting H.R. 3578 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

The legislation would change the way in which appropriations for individual accounts are projected in CBO's baseline. Under H.R. 3578, projections of such spending would still be based on the current year's appropriations, but would not be adjusted for inflation going forward. Other adjustments to discretionary projections of future discretionary spending would also be eliminated. (In its baseline, CBO assumes that appropriations through 2021 will comply with the caps and other provisions of the Budget Control Act of 2011; as a result, the method of extrapolating discretionary spending may not affect the totals reported in CBO's projections.)

Furthermore, H.R. 3578 would require CBO to provide the budget committees a supplemental report showing the effects of extending certain tax policies not currently assumed in CBO's baseline. It would also require that CBO produce its Long-Term Budget Outlook annually. Any additional administrative costs to implement H.R. 3578 would be insignificant, because CBO already carries out similar activities.

H.R. 3578 contains no intergovernmental or private-sector mandates, as defined in the Unfunded Mandates Reform Act and—by itself—would have no impact on the budgets of state, local, or tribal governments. Any budgetary effects would depend on subsequent legislative action.

The CBO staff contact for this estimate is Jared Brewster, who can be reached at 226–2880. The estimate was approved Theresa Gullo, Deputy Assistant Director for Budget Analysis.

## PERFORMANCE GOALS AND OBJECTIVES

With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objectives of this legislation are to modify the rules for creating the budgetary baseline to provide a neutral starting point for the annual consideration of discretionary appropriations and ensure Congress has timely access to supplementary information on the fiscal environment both in the medium and long term.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 7 of rule XII of the Rules of the House of Representatives, the committee finds the constitutional authority for this legislation in Article I, section 9, clause 7.

## COMMITTEE COST ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the committee report incorporates the cost estimate prepared by the Director of the Congressional Budget Office pursuant to sections 402 and 423 of the Congressional Budget Act of 1974.

## ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act was created by this legislation.

## APPLICABILITY TO THE LEGISLATIVE BRANCH

The committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104–1).

## FEDERAL MANDATES STATEMENT

The committee adopted the estimate of federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104–4).

## ADVISORY ON EARMARKS

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 3578 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI of the Rules of the House of Representatives.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

## BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

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## PART C—EMERGENCY POWERS TO ELIMINATE DEFICITS IN EXCESS OF MAXIMUM DEFICIT AMOUNT

* * * * * * *

**[SEC. 257. THE BASELINE.**

[(a) IN GENERAL.—For any budget year, the baseline refers to a projection of current-year levels of new budget authority, outlays, revenues, and the surplus or deficit into the budget year and the outyears based on laws enacted through the applicable date.

[(b) DIRECT SPENDING AND RECEIPTS.—For the budget year and each outyear, the baseline shall be calculated using the following assumptions:

[(1) IN GENERAL.—Laws providing or creating direct spending and receipts are assumed to operate in the manner specified in those laws for each such year and funding for entitlement authority is assumed to be adequate to make all payments required by those laws.

[(2) EXCEPTIONS.—(A)(i) No program established by a law enacted on or before the date of enactment of the Balanced Budget Act of 1997 with estimated current year outlays greater than $50,000,000 shall be assumed to expire in the budget year or the outyears. The scoring of new programs with estimated outlays greater than $50,000,000 a year shall be based on scoring by the Committees on Budget or OMB, as applicable. OMB, CBO, and the Budget Committees shall consult on the scoring of such programs where there are differenes between CBO and OMB.

[(ii) On the expiration of the suspension of a provision of law that is suspended under section 171 of Public Law 104–127 and that authorizes a program with estimated fiscal year outlays that are greater than $50,000,000, for purposes of clause (i), the program shall be assumed to continue to operate in the same manner as the program operated immediately before the expiration of the suspension.

[(B) The increase for veterans' compensation for a fiscal year is assumed to be the same as that required by law for veterans' pensions unless otherwise provided by law enacted in that session.

[(C) Excise taxes dedicated to a trust fund, if expiring, are assumed to be extended at current rates.

[(D) If any law expires before the budget year or any outyear, then any program with estimated current year outlays greater than $50,000,000 that operates under that law shall be assumed to continue to operate under that law as in effect immediately before its expiration.

[(3) HOSPITAL INSURANCE TRUST FUND.—Notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act.

[(c) DISCRETIONARY APPROPRIATIONS.—For the budget year and each outyear, the baseline shall be calculated using the following assumptions regarding all amounts other than those covered by subsection (b):

[(1) INFLATION OF CURRENT-YEAR APPROPRIATIONS.—Budgetary resources other than unobligated balances shall be at the level provided for the budget year in full-year appropriation Acts. If for any account a full-year appropriation has not yet been enacted, budgetary resources other than unobligated balances shall be at the level available in the current year, adjusted sequentially and cumulatively for expiring housing contracts as specified in paragraph (2), for social insurance administrative expenses as specified in paragraph (3), to offset pay absorption and for pay annualization as specified in paragraph (4), for inflation as specified in paragraph (5), and to account for changes required by law in the level of agency payments for personnel benefits other than pay.

[(2) EXPIRING HOUSING CONTRACTS.—New budget authority to renew expiring multiyear subsidized housing contracts shall be adjusted to reflect the difference in the number of such contracts that are scheduled to expire in that fiscal year and the number expiring in the current year, with the per-contract renewal cost equal to the average current-year cost of renewal contracts.

[(3) SOCIAL INSURANCE ADMINISTRATIVE EXPENSES.—Budgetary resources for the administrative expenses of the following trust funds shall be adjusted by the percentage change in the beneficiary population from the current year to that fiscal year: the Federal Hospital Insurance Trust Fund, the Supplementary Medical Insurance Trust Fund, the Unemployment Trust Fund, and the railroad retirement account.

[(4) PAY ANNUALIZATION; OFFSET TO PAY ABSORPTION.—Current-year new budget authority for Federal employees shall be adjusted to reflect the full 12-month costs (without absorption) of any pay adjustment that occurred in that fiscal year.

[(5) INFLATORS.—The inflator used in paragraph (1) to adjust budgetary resources relating to personnel shall be the percent by which the average of the Bureau of Labor Statistics Employment Cost Index (wages and salaries, private industry workers) for that fiscal year differs from such index for the current year. The inflator used in paragraph (1) to adjust all other budgetary resources shall be the percent by which the average of the estimated gross domestic product chain-type price index for that fiscal year differs from the average of such estimated index for the current year.

[(6) CURRENT-YEAR APPROPRIATIONS.—If, for any account, a continuing appropriation is in effect for less than the entire current year, then the current-year amount shall be assumed to equal the amount that would be available if that continuing appropriation covered the entire fiscal year. If law permits the transfer of budget authority among budget accounts in the current year, the current-year level for an account shall reflect transfers accomplished by the submission of, or assumed for the current year in, the President's original budget for the budget year.

[(d) UP-TO-DATE CONCEPTS.—In deriving the baseline for any budget year or outyear, current-year amounts shall be calculated using the concepts and definitions that are required for that budget year.

[(e) ASSET SALES.—Amounts realized from the sale of an asset shall not be included in estimates under section 251, 252, or 253 if that sale would result in a financial cost to the Federal Government as determined pursuant to scorekeeping guidelines.]

***SEC. 257. THE BASELINE.***

*(a) IN GENERAL.—(1) For any fiscal year, the baseline refers to a projection of current-year levels of new budget authority, outlays, or receipts and the surplus or deficit for the current year, the budget year, and the ensuing nine outyears based on laws enacted through the applicable date.*

*(2) The baselines referred to in paragraph (1) shall be prepared annually.*

*(b) DIRECT SPENDING AND RECEIPTS.—For the budget year and each outyear, estimates for direct spending in the baseline shall be calculated as follows:*

*(1) IN GENERAL.—Laws providing or creating direct spending and receipts are assumed to operate in the manner specified in those laws for each such year and funding for entitlement authority is assumed to be adequate to make all payments required by those laws.*

*(2) EXCEPTIONS.—(A)(i) No program established by a law enacted on or before the date of enactment of the Balanced Budget Act of 1997 with estimated current year outlays greater than $50,000,000 shall be assumed to expire in the budget year or the outyears. The scoring of new programs with estimated outlays greater than $50,000,000 a year shall be based on scoring by the Committees on the Budget or OMB, as applicable. OMB, CBO, and the Committees on the Budget shall consult on the scoring of such programs where there are differences between CBO and OMB.*

*(ii) On the expiration of the suspension of a provision of law that is suspended under section 171 of Public Law 104–127 and that authorizes a program with estimated fiscal year outlays that are greater than $50,000,000, for purposes of clause (i), the program shall be assumed to continue to operate in the same manner as the program operated immediately before the expiration of the suspension.*

*(B) The increase for veterans' compensation for a fiscal year is assumed to be the same as that required by law for veterans' pensions unless otherwise provided by law enacted in that session.*

*(C) Excise taxes dedicated to a trust fund, if expiring, are assumed to be extended at current rates.*

*(D) If any law expires before the budget year or any outyear, then any program with estimated current year outlays greater than $50,000,000 that operates under that law shall be assumed to continue to operate under that law as in effect immediately before its expiration.*

*(3) HOSPITAL INSURANCE TRUST FUND.—Notwithstanding any other provision of law, the receipts and disbursements of the Hospital Insurance Trust Fund shall be included in all calculations required by this Act.*

*(c) DISCRETIONARY SPENDING.—For the budget year and each of the nine ensuing outyears, the baseline shall be calculated using the following assumptions regarding all amounts other than those covered by subsection (b):*

*(1) ESTIMATED APPROPRIATIONS.—Budgetary resources other than unobligated balances shall be at the level provided for the budget year in full-year appropriation Acts. If for any account a full-year appropriation has not yet been enacted, budgetary resources other than unobligated balances shall be at the level available in the current year.*

*(2) CURRENT-YEAR APPROPRIATIONS.—If, for any account, a continuing appropriation is in effect for less than the entire current year, then the current-year amount shall be assumed to equal the amount that would be available if that continuing appropriation covered the entire fiscal year. If law permits the transfer of budget authority among budget accounts in the current year, the current-year level for an account shall reflect transfers accomplished by the submission of, or assumed for the current year in, the President's original budget for the budget year.*

*(d) UP-TO-DATE CONCEPTS.—In calculating the baseline for the budget year or each of the nine ensuing outyears, current-year amounts shall be calculated using the concepts and definitions that are required for that budget year.*

*(e) ASSET SALES.—Amounts realized from the sale of an asset shall not be included in estimates under section 251, 251A, 252, or 253 of this part or section 5 of the Statutory-Pay-As-You-Go Act of 2010 if that sale would result in a financial cost to the Government as determined pursuant to scorekeeping guidelines.*

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## CONGRESSIONAL BUDGET ACT OF 1974

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## TITLE II—CONGRESSIONAL BUDGET OFFICE

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### DUTIES AND FUNCTIONS

SEC. 202. (a) * * *

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(e) REPORTS TO BUDGET COMMITTEES.—

(1) * * *

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*(4)(A) After the President's budget submission under section 1105(a) of title 31, United States Code, in addition to the baseline projections, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate a supplemental projection assuming extension of current tax policy for the fiscal year commencing on October 1 of that year with a supplemental projection for the 10 fiscal-year period beginning with that fiscal year, assuming the extension of current tax policy.*

*(B) For the purposes of this paragraph, the term "current tax policy" means the tax policy in statute as of December 31 of the current year assuming—*

*(i) the budgetary effects of measures extending the Economic Growth and Tax Relief Reconciliation Act of 2001;*

*(ii) the budgetary effects of measures extending the Jobs and Growth Tax Relief Reconciliation Act of 2003;*

*(iii) the continued application of the alternative minimum tax as in effect for taxable years beginning in 2011 pursuant to title II of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, assuming that for taxable years beginning after 2011 the exemption amount shall equal—*

*(I) the exemption amount for taxable years beginning in 2011, as indexed for inflation; or*

*(II) if a subsequent law modifies the exemption amount for later taxable years, the modified exemption amount, as indexed for inflation; and*

*(iv) the budgetary effects of extending the estate, gift, and generation-skipping transfer tax provisions of title III of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.*

*(5) On or before July 1 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate, the Long-Term Budget Outlook for the fiscal year commencing on October 1 of that year and at least the ensuing 40 fiscal years.*

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## VIEWS OF COMMITTEE MEMBERS

Clause 2(l) of rule XI of the Rules of the House of Representatives requires each committee to provide two days to Members of the committee to file Minority, additional, supplemental, or dissenting views and to include such views in the report on legislation considered by the committee. The following views were submitted:

## MINORITY VIEWS

Although there are large differences in budget priorities between the parties, we share a common goal of putting the federal budget on a fiscally sustainable path. We all want the federal government to be efficient, to focus scarce resources where they can do the most good, and to not waste a single dime of taxpayer dollars. And we want our budget laws to help support those goals.

Budget process rules and laws can make a difference. For instance, the PAYGO principle that has been in effect at different periods has played a useful role in preventing the deficit from getting even worse. But budget process changes will never be a substitute for tackling the difficult fiscal questions facing us today. It is not that the budget process does not work, it is that Congress has failed to follow the rules already on the books.

The Budget Committee has held two hearings on the general topic of budget process reform and the recommendations crossed party lines. Former Budget Committee Chairman Jim Nussle, a Republican witness, testified that "It may not be that the budget process is broken. It may not be, in other words, that tools are broken, but it may be the fact that the tools are not even being used." Similarly, Dr. Philip Joyce, former Congressional Budget Office (CBO) staff member and a Democratic witness, testified that "My main message is that most of the tools that you need to solve the budget problems faced by the country are already in your toolbox. If the goal is to deal with the larger fiscal imbalance that faces us, the most important thing to do is to make use of them, not search for more tools."

The reason we are not following the existing budget rules is that Republicans have shown a lack of political will and an unwillingness to compromise. Until Republicans are willing to support a balanced approach, we will never address the urgent need to put Americans back to work and to put our nation on a path toward long-term fiscal sustainability. Unfortunately, the Baseline Budget Reform Act of 2012 does nothing to create a single job, to reduce the deficit by a single penny, or to put the country on a fiscally sustainable path.

Instead, this bill would obscure the size of the fiscal problem facing us. The bill mandates a fundamental change in how CBO forecasts future discretionary spending in its baseline, requiring CBO to assume that current spending is set below real purchasing power levels in all future years rather than have it track growth in overall prices. Over the next few years, this change may not affect CBO's baseline total estimate of discretionary spending because the total baseline will reflect the discretionary caps under the Budget Control Act. However, a permanent approach to budgeting and forecasting that fails to account for the real cost of goods and services will present a distorted picture of the federal budget outlook.

The American public should not be deceived to believe that the government can maintain the same level of services while real funding is cut. Over time, as programs are slowly starved, backlogs will increase and program failures, such as terrible conditions at the former Walter Reed Army Medical Center that came to light in 2007, are inevitable.

Other provisions in the bill ask for supplemental information and reports that are already being produced by CBO on a routine basis. Requiring this information via legislation is not necessary, and does nothing to move us forward to improve the government's fiscal outlook or the economy.

It is imperative that we get Americans back to work and get our fiscal house in order. The bill does nothing to achieve either goal. Instead, it pretends that budget process reform in the form of changing the way the discretionary baseline is calculated is the answer to solve our very real problems.

CHRIS VAN HOLLEN.
MIKE M. HONDA.
EARL BLUMENAUER.
PAUL TONKO.
BILL PASCRELL, Jr.
GWEN MOORE.
BETTY MCCOLLUM.
ALLYSON Y. SCHWARTZ.
DEBBIE WASSERMAN SCHULTZ.
KAREN BASS.