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# S. 1915

To ensure that the Government fully accounts for both its explicit liabilities and implicit commitments and adopts fiscal and economic policies that enable it to finance and manage these liabilities and commitments, to honor commitments to the Baby Boom and subsequent generations with regard to social insurance programs, and to provide for the national defense, homeland security, and other critical governmental responsibilities.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 21, 2003

Mr. LIEBERMAN introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs, with instructions that if one committee reports, the other committee have thirty days to report or be discharged

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## A BILL

To ensure that the Government fully accounts for both its explicit liabilities and implicit commitments and adopts fiscal and economic policies that enable it to finance and manage these liabilities and commitments, to honor commitments to the Baby Boom and subsequent generations with regard to social insurance programs, and to provide for the national defense, homeland security, and other critical governmental responsibilities.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Honest Government Accounting Act of 2003”.

4 (b) TABLE OF CONTENTS.—The table of contents for  
5 this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Findings.
- Sec. 3. Preparation of net present value calculation of major liabilities and commitments.
- Sec. 4. Presidential plan for reducing the net present value of overall liabilities and commitments.
- Sec. 5. Commission on Long-Term Government Liabilities and Commitments.
- Sec. 6. Submission of net present value calculation and plan to accompany legislative recommendations included in the President’s budget.
- Sec. 7. Congressional budget resolution.
- Sec. 8. Point of order established against legislation adversely affecting net present value of Government’s overall liabilities and commitments.
- Sec. 9. Trustees report of liabilities.
- Sec. 10. Treasury Department analysis of tax provisions present value.
- Sec. 11. Bar use of expedited procedures to enact legislation that aggravates the budget deficit or reduces the budget surplus.
- Sec. 12. Reinstatement of pay-as-you-go enforcement.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) Due to a variety of factors, in the last 2  
9 years the Federal budgetary aggregates for the next  
10 decade have swung from a projected \$5.6 trillion  
11 surplus to policies that could generate a \$5.5 trillion  
12 deficit (Goldman Sachs September 2003), a decline  
13 of \$11.1 trillion. Though this is a substantial deterioration  
14 in the country’s financial condition, these  
15 short-term projections substantially understate the  
16 Nation’s long-term fiscal imbalance.

1           (2) The United States Government has incurred  
2           different types of long-term liabilities and commit-  
3           ments, including \$3.3 trillion debt held by the public  
4           net of holdings of the Federal Reserve System and  
5           also commitments to future beneficiaries of critical  
6           social insurance entitlement programs such as Social  
7           Security and Medicare.

8           (3) Congress and the public are well-informed  
9           about the long-term liabilities that arise from budget  
10          deficits and debt owed to the public. They are not  
11          well-informed about the commitments that arise  
12          from Government promises to pay social insurance  
13          entitlement benefits, to the Baby Boom and subse-  
14          quent generations.

15          (4) These different types of liabilities and com-  
16          mitments are similar in many respects. While prom-  
17          ised Social Security and Medicare benefits are not li-  
18          abilities in the sense that government bills, notes,  
19          and bonds are liabilities, and the terms of these ben-  
20          efits have been modified many times in the past,  
21          participants do rely on these promises in planning  
22          for retirement and the programs are funded by a  
23          separate and dedicated payroll tax paid into a Trust  
24          Fund.

1           (5) In order to ensure that the Government has  
2 income and net assets sufficient to cover these long-  
3 term liabilities and commitments, as well as its on-  
4 going discretionary spending for the national de-  
5 fense, homeland security, and other critical prior-  
6 ities, it is necessary that Congress and the public be  
7 fully apprised of the types and dimensions of these  
8 long-term liabilities and commitments and take ac-  
9 tions to manage them prudently.

10           (6) The Government's liability to holders of  
11 public debt instruments is the outstanding value of  
12 the debt itself, net of holdings of the Federal Re-  
13 serve System, currently \$3.3 trillion.

14           (7) The net present value of the commitment to  
15 pay social insurance entitlement benefits, which rep-  
16 resent obligations in addition to the debt held by the  
17 public net of Federal Reserve holdings, can be cal-  
18 culated. It is the present value of projected future  
19 social insurance entitlement benefits, minus the  
20 present value of future dedicated receipts. This dif-  
21 ference equals the amount that, if put aside today,  
22 would be just sufficient to cover the imbalance be-  
23 tween program benefits and receipts. But calcula-  
24 tions of this imbalance are not widely publicized or  
25 understood. This is due in part to the widely re-

1       ported surpluses in the Social Security and Medicare  
2       Trust Funds, which convey a misleading picture of  
3       the long-term fiscal health of these social insurance  
4       entitlement programs. Reporting the accumulation  
5       of assets but not comparing them to commitments  
6       on a net basis is inconsistent and misleading.

7           (8) The Social Security surpluses of the last  
8       several decades thus create the illusion of solvency of  
9       the program and the lending of these surpluses to  
10      the government disguises the accumulation of  
11      mounting deficits in the rest of the Federal budget.  
12      For example, in fiscal year 2003, the reported sur-  
13      pluses in Social Security and Medicare Trust Funds  
14      exceeded \$179 billion and these surpluses were used,  
15      in the budget and other budgetary aggregates, to de-  
16      crease the reported total budget deficit for fiscal  
17      year 2002 from \$317 billion to \$158 billion and for  
18      fiscal year 2003 from \$553 billion to \$374 billion.  
19      Had the commitments to pay future entitlement ben-  
20      efits been reflected in their annual results, their re-  
21      ported surpluses would have disappeared and the  
22      Trust Funds would have reported annual losses of  
23      \$1.5 trillion. In the coming years, the annual Social  
24      Security and Medicare surpluses are projected to  
25      rise to more than \$200 billion per year. Unless our

1       system of budgetary accounting for Social Security  
 2       and Medicare is reformed, these surpluses will con-  
 3       tinue to disguise the size of our annual deficit and  
 4       distort our budgetary priorities. Presenting Social  
 5       Security and Medicare's financial condition in a  
 6       more realistic manner would not only clarify the true  
 7       extent of the country's mounting long-term liabilities  
 8       and commitments but also encourage responsible  
 9       and timely reform of the Social Security and Medi-  
 10      care programs.

11           (9) Comparing the present value of receipts and  
 12      expenditures is standard operating procedure in  
 13      mortgage lending and investment banking. But it  
 14      plays no meaningful role in assessing the Govern-  
 15      ment's overall fiscal position. Instead, the Govern-  
 16      ment works on a short-term obligation and cash-  
 17      based budgets basis that only looks a few years into  
 18      the future.

19           (10) The most appropriate way to assess Gov-  
 20      ernment finances is to calculate its net assets under  
 21      current policies: The net present value of all pro-  
 22      spective receipts minus the net present value of all  
 23      prospective outlays and minus outstanding debt held  
 24      by the public. Net present value accounting differs  
 25      from accrual accounting. Although appropriate for

1 private sector entities whose operations can poten-  
2 tially terminate in the future, accrual accounting is  
3 potentially misleading and incomplete for an entity  
4 such as the Federal Government that is expected to  
5 continue operating indefinitely. For Government so-  
6 cial insurance programs such as Social Security and  
7 Medicare accrual accounting would count only the li-  
8 abilities accrued to date. Moreover, these commit-  
9 ments would be calculated in such a way as to as-  
10 sume that these programs are immediately termi-  
11 nated and that the Government must pay off exist-  
12 ing obligations according to a particular method of  
13 evaluating their size. By way of contrast, a focus on  
14 net present values includes liabilities and income we  
15 know will accrue in the future for future bene-  
16 ficiaries (e.g. the Baby Boomers and all future gen-  
17 erations). These values focus squarely on the extent  
18 to which current programs such as entitlements are  
19 sustainable into the future. They seek to redress the  
20 short sightedness and potentially misleading focus  
21 we find in the current Budget Act and Budget reso-  
22 lutions and public discourse about cash flow meas-  
23 ures of Government finances, deficits, and public  
24 debt.

1           (11) Although they are not well-publicized and  
 2           play no formal role in budget and planning, calcula-  
 3           tions of the Government's commitment to pay social  
 4           insurance entitlement benefits to the Baby Boom  
 5           and subsequent generations already are provided  
 6           routinely in public Government documents. For sev-  
 7           eral decades, calculations under current policies have  
 8           been provided for a 75-year period, but recently cal-  
 9           culations are being prepared for an indefinite time  
 10          period. Examples of such reports are as follows:

11                   (A)(i) The Financial Report of the United  
 12                   States Government, prepared by the Treasury  
 13                   Department, presents a calculation of the dif-  
 14                   ference between the present value of projected  
 15                   future entitlement payments and projected fu-  
 16                   ture payroll tax and other dedicated receipts  
 17                   over a 75-year period. The 2002 report issued  
 18                   by Treasury Secretary John Snow finds that,  
 19                   excluding the trust fund balances, the net  
 20                   present value of benefit payments for Social Se-  
 21                   curity (OASDI) in excess of contributions and  
 22                   earmarked taxes is \$4.562 trillion. For Medi-  
 23                   care (Part A, HI) it is \$5.126 trillion. Trust  
 24                   Fund balances are excluded according to the re-  
 25                   port because to finance Trust Fund redemp-



tions “the Government must raise taxes, increase borrowings from the public, cut spending for other programs, retire less debt, or some combination thereof.” For Supplemental Medical Insurance (Medicare Part B) the 2002 report calculated the shortfall to be \$8.125 trillion. The total negative cash flow, calculated as a net present value, is \$18 trillion, which is roughly 5 times as great as the debt held by the public, \$3.1 trillion. Taken together, this measure of the public debt and long-term social insurance entitlement commitments is equal to more than twice the current year United States Gross Domestic Product, which is approximately \$10.5 trillion.

(ii) The fiscal year 2004 budget provides an update of the same imbalance over a 75-year period. It calculates that the “combined shortfall in Social Security and Medicare” is \$18 trillion. It asserts, “It would take an additional \$18 trillion in today’s dollars to pay for the obligations of these systems as they are now constituted.” With regard to Medicare, it calculates “the (Medicare prescription drug) bills that advanced furthest in the last Congress would have

1 increased the Medicare long-term unfunded  
2 promise liability by an estimated \$4.6 trillion  
3 and \$5.9 trillion, respectively.” Putting the \$18  
4 trillion in perspective is the fact that total  
5 household wealth in the United States in 2002  
6 was \$42.4 trillion (2001 Survey of Consumer  
7 Finances). “This means that the Federal Gov-  
8 ernment would have to confiscate almost half of  
9 all household wealth to have the resources nec-  
10 essary to close both of these programs’ future  
11 financial gaps,” it concludes.

12 (B)(i) The net present value of Social Se-  
13 curity and Medicare commitments would be sig-  
14 nificantly larger if calculated over a horizon  
15 longer than 75 years, because of the substantial  
16 imbalance between revenues and expenditures  
17 that is projected for the end of the 75-year pe-  
18 riod and likely to continue well beyond it. As all  
19 future cash flows are relevant, calculations of  
20 the full present value commitment should be  
21 based on the longest time period for which pro-  
22 jections are feasible. A 75-year time period  
23 credits all of the payroll tax revenues from indi-  
24 viduals alive during this period but compares  
25 them only to the benefit payments that will be

1           made to them during the 75-year period and  
2           not the full benefit payments that are due.

3           (ii) The former Deputy Assistant Secretary  
4           for Economic Policy for the Treasury Depart-  
5           ment, and a Senior Economist of the Federal  
6           Reserve Bank of Cleveland, have published cal-  
7           culations they prepared for the Government of  
8           the net present value of the negative cash flow  
9           for Social Security and Medicare based on an  
10          infinite-horizon measure. Using policy-inclusive  
11          budget projections and economic growth and  
12          discount rate assumptions of the Office of Man-  
13          agement and Budget, their analysis finds that  
14          the fiscal imbalance for Social Security is \$7  
15          trillion and for Medicare (parts A and B) is  
16          \$36.6 trillion. Taken together this imbalance is  
17          over 14 times the debt held by the public and  
18          roughly equal to the total family net worth of  
19          the 104 million United States households  
20          (\$42.4 trillion). They find that the Federal  
21          Government's fiscal imbalance equals 16.6 per-  
22          cent of the present discounted value of future  
23          payrolls, and that if the Government fails to set  
24          aside these funds, the fiscal imbalance will grow  
25          by \$1.6 trillion each year during the next 4

1 years. They calculate that the Medicare pre-  
2 scription drug bills that advanced the furthest  
3 in the last Congress in the House and Senate  
4 would have increased the Medicare long-term  
5 unfunded promise liability by \$12 trillion and  
6 \$24 trillion, respectively. An option that would  
7 close most but not all of the imbalance is to  
8 permanently eliminate  $\frac{1}{2}$  of all that Govern-  
9 ment does, aside from Social Security and  
10 Medicare.

11 (iii) The 2003 report of the Social Security  
12 Trustees includes a calculation under current  
13 policies of the net present value of the negative  
14 cash flow for Social Security commitments  
15 based on an infinite-horizon measure. Using  
16 their own economic growth and discount rate  
17 assumptions and not counting the Treasury se-  
18 curities held in the OASDI programs' Trust  
19 Funds, the Social Security Trustees find that  
20 the fiscal imbalance for that program amounts  
21 to \$11.9 trillion. The Social Security Trustees'  
22 measure excludes Trust Funds' securities be-  
23 cause these assets of the OASDI programs con-  
24 stitute liabilities of the Treasury and, thus, do  
25 not constitute a net asset for the Federal Gov-

1           ernment as a whole. Its calculation of the net  
2           present value of the shortfall over 75 years is  
3           \$4.927 trillion. The report states, “Over em-  
4           phasis of summary measures . . . for the 75-  
5           year period can lead to incorrect perceptions  
6           and policy that fails to address sustainability.”

7           (12) Another way to view this challenge is to  
8           calculate under current policies how much, as a  
9           share of Gross Domestic Product, our Government  
10          would have to put aside every year in order to fi-  
11          nance a major imbalance between receipts and bene-  
12          fits. Based on the Gross Domestic Product projec-  
13          tions and discount factors in last year’s Social Secu-  
14          rity and Medicare Trustees Report, the amount  
15          needed to meet an imbalance is approximately 3.3  
16          percent of Gross Domestic Product, annually, for the  
17          full 75-year or indefinite period. For 2002, that  
18          would be approximately \$362 billion per year with  
19          reference to the calculation under current policies  
20          for the 75-year period and \$679 billion per year in  
21          2002 dollars with reference to the calculation for the  
22          indefinite period.

23          (13) Because, the fiscal imbalance estimate is  
24          similar to a “stock of debt” it is more appropriate  
25          to compare it to another stock measure such as the

1 present discounted value of the Gross Domestic  
2 Product or a tax base out of which the overall (or  
3 each particular program's) fiscal imbalance would be  
4 financed. Although some view it useful to calculate  
5 the share of each year's Gross Domestic Product  
6 that must be set aside to pay for the imbalance, the  
7 entire Gross Domestic Product does not (and is not  
8 likely to ever) constitute the base on which taxes are  
9 levied. For example, the service flow from the Na-  
10 tion's housing stock and depreciated capital are not  
11 currently (nor are ever likely to be) included in the  
12 Federal tax base. Hence, it would be better to cal-  
13 culate the share of a tax base that must be set aside  
14 annually to finance the imbalance. For example, it  
15 would be most useful to show the imbalance arising  
16 from Social Security and Medicare programs as a  
17 share of the present discounted value of their respec-  
18 tive revenue bases, and the fiscal imbalance on ac-  
19 count of the rest of Federal operations (non-Social  
20 Security and non-Medicare) as a share of the  
21 present discounted value of the revenue base exclud-  
22 ing the payroll tax base.

23 (14) The net present value of the debt held by  
24 the public of \$3.3 trillion is approximately \$11,290  
25 for each American citizen (292,285,000). By way of

1 comparison, the value of the entitlement commit-  
2 ments funding imbalance of \$43.6 trillion is  
3 \$149,175 per United States citizen. Adding this  
4 debt held by the public (\$3.3 trillion), the possible  
5 increase in this debt held by the public due to cur-  
6 rent policy measures (\$5.5 trillion), and the implicit  
7 entitlement commitments (\$43.6 trillion)—a net  
8 present value of \$52.5 trillion—the per capita  
9 amount is \$178,600.

10 (15) The staggering size of these alternative  
11 requisite fiscal adjustments reflects the enormous so-  
12 cial insurance entitlement commitments associated  
13 with the imminent retirement of the Baby Boom  
14 generation and the shortfall in payroll tax receipts to  
15 cover them. There are 77 million individuals in the  
16 Baby Boom generation. In addition, America has ab-  
17 sorbed 8 million immigrants in this age group. It is  
18 by far the largest generation in United States his-  
19 tory. On September 2, 2011, the first Baby  
20 Boomers, defined as those born after the end of  
21 World War II through 1964, will turn 66 and begin  
22 to draw full Social Security benefits. This is only 8  
23 years from now. Baby Boomers can begin drawing  
24 full Medicare benefits in 2010 at age 65.

1           (16) In focusing on the dimensions of the Gov-  
2           ernment's promise to pay social insurance entitle-  
3           ment benefits, it is useful and necessary also to  
4           focus on the relationship of other Government  
5           spending programs and other Government revenues.  
6           Focusing only on the funding of social insurance en-  
7           titlement benefits and not on the funding available  
8           for other commitments gives policy makers a per-  
9           verse incentive to arbitrage funding for the former  
10          at the expense of the latter.

11          (17) Policies that substantially increase rather  
12          than retire the debt held by the public, whether  
13          through increases in spending or reduction in reve-  
14          nues, will make it much more difficult to cover the  
15          Government's long-term social insurance entitlement  
16          commitments. It is well understood that two options  
17          to reduce or eliminate the funding imbalances in So-  
18          cial Security and Medicare are reducing promised  
19          benefits to beneficiaries and bringing more revenues  
20          into the systems, either from payroll tax increases,  
21          transfers of general revenue, or borrowing. Both the  
22          level of debt held by the public and the long-term  
23          fiscal balance of the rest of the Government affect  
24          its ability to fund and absorb these measures. There-  
25          fore, it is necessary to track the long-term fiscal im-



1 balance in the rest of the budget as well as in Social  
2 Security and Medicare. The options for honoring  
3 these commitments, managing the change in demo-  
4 graphics for these programs, and putting these pro-  
5 grams on a sustainable basis are exponentially more  
6 challenging as the Government's general revenue  
7 base, annual deficits, and public debt deteriorate.  
8 Every proposal to substantially increase spending or  
9 reduce revenues must be analyzed for its impact on  
10 the ability of the Government to fund and absorb  
11 these measures. It will be very difficult under cur-  
12 rent policies for the Government to cover these com-  
13 mitments, make needed infusions of general revenue,  
14 and maintain any level of financial support for the  
15 national defense, homeland security, education, and  
16 other priorities. It is also true that even if we retire  
17 the debt held by the public, we face a huge shortfall  
18 in dedicated receipts to cover these commitments  
19 and massive pressure on general revenue funded pro-  
20 grams if the Government provides infusions of gen-  
21 eral revenue to cover the shortfall in social insurance  
22 entitlement program payroll tax receipts.

23 (18) The methodology for preparing net present  
24 value calculations is well understood. The Federal  
25 Government utilizes, and requires private sector en-

1       tities to utilize, net present value calculations in a  
2       variety of contexts such as the following:

3               (A) Office of Management and Budget uti-  
4       lizes net present value analysis under OMB Cir-  
5       cular A-94 and every agency of the Govern-  
6       ment is already experienced in utilizing these  
7       analyses as an integral element of their deci-  
8       sionmaking. The Circular applies this type of  
9       analysis broadly to “any analysis to support  
10      Government decisions to initiate, renew, or ex-  
11      pand programs or projects which would result  
12      in a series of measurable benefits or costs ex-  
13      tending for three or more years into the fu-  
14      ture.” This includes any analysis of the “ben-  
15      efit-cost or cost-effectiveness of Federal pro-  
16      grams or policies,” “regulatory impact anal-  
17      ysis,” “analysis of decisions to lease or pur-  
18      chase,” and “asset valuation and sale analysis.”  
19      The use of this methodology is found to “pro-  
20      mote efficient resource allocation through well-  
21      informed decision-making by the Federal Gov-  
22      ernment.” The Circular finds that the “stand-  
23      ard criterion for deciding whether a government  
24      program can be justified on economic principles  
25      is net present value—the discounted monetized

1 value of expected net benefits (i.e., benefits  
2 minus costs).” It specifies, “Net present value  
3 is computed by assigning monetary values to  
4 benefits and costs, discounting future benefits  
5 and costs using an appropriate discount rate,  
6 and subtracting the sum total of discounted  
7 costs from the sum total of discounted benefits.  
8 Discounting benefits and costs transforms gains  
9 and losses occurring in different time periods to  
10 a common unit of measurement. Programs with  
11 positive net present value increase social re-  
12 sources and are generally preferred. Programs  
13 with negative net present value should generally  
14 be avoided.

15 (B) Under the Internal Revenue Code and  
16 the Employee Retirement Income Security Act  
17 (ERISA), the Federal Government requires pri-  
18 vate companies to calculate the present values  
19 of their accrued pension liabilities to determine  
20 the sustainability and integrity of their private  
21 defined-benefit pension and other benefit plans.  
22 This calculation adds together the current  
23 year’s benefit payout and the increase in the  
24 present value of the firm’s accrued benefits dis-  
25 counted at a prespecified interest rate. The esti-

mate of accrued benefits uses information on the age profile and expected mortality of the company's workforce and the company's benefit formulae for determining expected future payouts. The present value of current plus accrued future benefits is then compared to the balance in the company's pension fund dedicated to paying pension benefits to determine the plan's financial adequacy. If the pension fund is underfunded (it's balance covers less than 90 percent of the firm's current plus accrued future liabilities), the firm is required to make additional "deficit reduction contributions" intended to returning the fund to financial adequacy over time. The Federal Government currently does not require any similar funding requirement for its public pension and health-care systems, including Social Security and Medicare.

(19) The Government and public need to face these realities, understanding the scope and magnitude all of the Government's long-term liabilities and commitments. The Government and the public must prepare and adopt realistic long-term financial plans, not aggravate the challenge by adding to the debt held by the public, and take decisive steps to

1 prepare for the retirements of the Baby Boomers  
2 and subsequent generations. The Government needs  
3 to ensure that its liabilities can be met, its commit-  
4 ments to beneficiaries are realistic, and that the im-  
5 pact of these liabilities and commitments does not  
6 undermine the ability of the Government to fund  
7 other critical priorities.

8 (20) A prudent financial plan would reduce the  
9 Government's net long-term liabilities and commit-  
10 ments from approximately 16.6 percent of the  
11 present discounted value of future payrolls to less  
12 than 1.25 percent (\$5 trillion). It is plausible that  
13 the Government can finance a liability and commit-  
14 ment of this magnitude through higher taxes or less  
15 spending in the future and it becomes increasingly  
16 implausible if the liability and commitment exceeds  
17 1.25 percent of the discounted value of payrolls.  
18 Such a plan would also place constraints on pro-  
19 posals and actions that would adversely affect the  
20 net present value of these long-term liabilities and  
21 commitments and would remove constraints that  
22 prevent the consideration of responsible actions and  
23 reforms. At a minimum, it is not prudent for the  
24 Government to add to the debt held by the public  
25 and net present value of its social insurance entitle-

1       ment commitments. The longer our Government fails  
 2       to face reality and take action to prepare for the  
 3       Baby Boom retirements, the greater the pain will be  
 4       and the fewer options for reform it will have.

5   **SEC. 3. PREPARATION OF NET PRESENT VALUE CALCULA-**  
 6                   **TION OF MAJOR LIABILITIES AND COMMIT-**  
 7                   **MENTS.**

8       (a) IN GENERAL.—Section 331(e) of title 31, United  
 9   States Code, is amended by adding at the end the fol-  
 10   lowing:

11               “(3)(A) The financial statement of liabilities re-  
 12       quired by paragraph (2) shall include a calculation  
 13       under current policies of the net present value of the  
 14       overall liabilities and commitments of the United  
 15       States Government which shall include—

16               “(i) calculations of the net present value of  
 17       all future government spending other than  
 18       spending incident to servicing the current and  
 19       future net debt held by the public; the net  
 20       present value of all future government tax and  
 21       nontax receipts, including tax receipts, net in-  
 22       come of public enterprises, fees, and other levies  
 23       imposed on United States citizens and resi-  
 24       dents; and net annual transfers to the Treasury  
 25       from the Federal Reserve System;

1           “(ii) the outstanding debt held by the pub-  
2           lic;

3           “(iii) calculations of the net present value  
4           of commitments and receipts of the Federal  
5           Old-Age and Survivors Insurance (OASI) Trust  
6           Fund, the Federal Disability Insurance (DI)  
7           Trust Fund, the Federal Hospital Insurance  
8           (HI) Trust Fund, and the Federal Supple-  
9           mentary Medical Insurance (SMI) Trust Fund  
10          using the most recent available long-term, inter-  
11          mediate projections by the Trustees of such  
12          Trust Funds of revenues, expenditures, and dis-  
13          count factors, as represented in such annual re-  
14          ports;

15          “(iv) calculations of the net present value  
16          of commitments and receipts of the Railroad  
17          Retirement and Black Lung (part C) programs;

18          “(v) calculations of the net present value  
19          of receipts to the Federal retirement and health  
20          insurance systems, both civil and military; and

21          “(vi) the present discounted values of pay-  
22          roll and nonpayroll tax bases separately. The  
23          items to be estimated are the present dis-  
24          counted values of—

1 “(I) payroll subject to taxes on ac-  
2 count of OASDI;

3 “(II) payroll subject to taxes on ac-  
4 count of HI-Part A;

5 “(III) premiums on account of HI-  
6 Part B;

7 “(IV) personal income taxes;

8 “(V) corporate income taxes;

9 “(VI) excise taxes;

10 “(VII) customs duties;

11 “(VIII) estate and gift taxes;

12 “(IX) Federal retirement contribu-  
13 tions;

14 “(X) unemployment insurance pre-  
15 miums; and

16 “(XI) miscellaneous receipts not in-  
17 cluded in subclauses (I) through (X).

18 “(B)(i) For each calculation under subpara-  
19 graph (A), calculations shall be provided for—

20 “(I) a 75-year horizon; and

21 “(II) an indefinite time horizon.

22 “(ii) For the 75-year horizon under clause  
23 (i)(I), each calculation shall take each year’s expend-  
24 itures minus revenues, divide this difference by the  
25 projected discount factor for that year, and add the



1       resulting 75 annual discounted flows to obtain the  
2       program's net present value imbalance. The long-  
3       term discount and growth rates utilized in these cal-  
4       culations shall be discussed in the report and con-  
5       sistent with those utilized by the Department of  
6       Treasury and other Government agencies with re-  
7       gard to other long-term financial calculations. For  
8       purposes of the calculations in clauses (iii), (iv), and  
9       (v) of subparagraph (A), revenues will include pay-  
10      roll taxes as allocated by law to the respective Trust  
11      Funds (currently the case for OASI, DI, and HI),  
12      participant premiums (for SMI), general revenue re-  
13      ceipts from the taxation of benefits, as currently al-  
14      located by law to the OASI, DI, and HI Trust  
15      Funds, and funding for the Federal retirement and  
16      health insurance systems, both civil and military.  
17      For purposes of this calculation, revenues will not  
18      include interest income on Trust Fund and transfers  
19      of general revenue to SMI, Social Security, or Medi-  
20      care.

21           “(iii) For the indefinite time horizon under  
22      clause (i)(II), the calculations shall follow the proce-  
23      dures provided in clause (iii), but shall be based on  
24      extended projections that go beyond the 75-year pro-  
25      jections currently available.

1           “(4) The financial statement shall include a cal-  
2           culation under current policies of the net present  
3           value of benefits and projected benefits to past and  
4           current participants described in clauses (iii), (iv),  
5           and (v) of paragraph (3)(A), including the present  
6           value of projected benefits to current participants,  
7           less the present value of projected taxes paid by cur-  
8           rent participants less the current trust fund balances  
9           (the Closed Group Unfunded Obligation).

10           “(5) The financial statement shall include a cal-  
11           culation under current policies of the net present  
12           value of benefits and projected benefits to past, cur-  
13           rent, and future participants described in clauses  
14           (iii), (iv), and (v) of paragraph (3)(A), including the  
15           present value of projected benefits to current and fu-  
16           ture participants, less the present value of projected  
17           taxes paid by current and future participants less  
18           the current trust fund balances (the Open Group  
19           Unfunded Obligation).

20           “(6) The financial statement shall include a cal-  
21           culation under current policies of the net present  
22           value of the overall revenues and expenditures of the  
23           United States Government, aside from commitments  
24           to the programs described in clauses (ii), (iii), and  
25           (iv) of paragraph (3)(A), over—

1 “(i) a 75-year horizon; and

2 “(ii) an indefinite time horizon.

3 “(7)(A) The ratio of the fiscal imbalance aris-  
4 ing from OASDI as a share of the present dis-  
5 counted value of clause (vi)(I).

6 “(B) The ratio of the fiscal imbalance arising  
7 from the HI program (parts A and B) as a share  
8 of the present discounted value of clause (vi) (II)  
9 and (III).

10 “(C) The ratio of the fiscal imbalance arising  
11 from the rest of Federal operations as a share of the  
12 sum of present discounted values in clause (vi) (IV)  
13 through (XI).

14 “(8) The financial statement shall include the  
15 assumptions and details of the methods used in  
16 making the calculations in paragraph (3)(A). It shall  
17 separately identify and provide a detailed description  
18 of the methods and assumptions used in making  
19 projections of tax revenues, premiums, other receipts  
20 from all sources including inter-fund transfers and  
21 interest income on securities held in trust funds,  
22 benefit outlays distinguished by the type of benefit,  
23 and administrative expenses. The financial state-  
24 ment shall also provide details regarding demo-  
25 graphic assumptions such as fertility, mortality, im-

1 migration, and labor-force participation rates, de-  
 2 pendency ratios, and economic assumptions such as  
 3 trust fund interest rates, discount rates, revenue and  
 4 benefit growth rates, health-care expenditure growth  
 5 rates, productivity growth rates, and inflation rates.  
 6 The information should include a description of all  
 7 other intermediate steps and variables used and pro-  
 8 jected in making these calculations.”.

9 (b) FIRST CALCULATION.—The first calculations re-  
 10 quired by section 331(e)(3) of title 31, United States  
 11 Code, as added by subsection (a), shall be submitted 180  
 12 days following the date of enactment of this Act unless  
 13 such date falls within 60 days of March 31. Subsequent  
 14 calculations under that section shall be included in the fi-  
 15 nance report required by section 331(e)(3)(A)(i) of title  
 16 31, United States Code.

17 (c) GOVERNMENT’S OVERALL LIABILITIES AND COM-  
 18 MITMENTS.—In this Act, the term “Government’s overall  
 19 liabilities and commitments” shall refer to calculations  
 20 prepared under section 331(e)(3)(A)(i) of title 31, United  
 21 States Code, enacted herein.

22 (d) PRESENT DISCOUNTED VALUE OF ALL FUTURE  
 23 PAYROLLS.—In this Act, the term “present discounted  
 24 value of all future payrolls” means the present discounted

1 value of gross wages and salaries and all federally taxable  
2 compensation.

3 **SEC. 4. PRESIDENTIAL PLAN FOR REDUCING THE NET**  
4 **PRESENT VALUE OF OVERALL LIABILITIES**  
5 **AND COMMITMENTS.**

6 (a) IN GENERAL.—If the total of debt held by the  
7 public added to the calculation under current policies of  
8 the net present value of the overall liabilities and commit-  
9 ments of the United States Government published, as re-  
10 quired by section 331(e)(3)(A)(i) of title 31, United States  
11 Code, exceeds 1.25 percent of the present discounted value  
12 of all future payrolls not later than September 15, 2005,  
13 the President shall submit to Congress and the Commis-  
14 sion on Long-Term Government Liabilities and Commit-  
15 ments established by section 5 a plan or plans that will  
16 reduce the total to a level in net present value calculated  
17 as of September 2, 2011, no greater than 1.25 percent  
18 of such discounted value of all future payrolls as of Sep-  
19 tember 2, 2011. Plans shall be submitted with regard to  
20 calculations based both on a 75-year horizon and an in-  
21 definite horizon. The assumptions and details of the meth-  
22 ods used in making the calculations incorporated in the  
23 plan or plans shall be consistent with those utilized in the  
24 financial statement published under section 331(e) of title  
25 31, United States Code.

1 (b) CONTENTS.—The plan or plans required by sub-  
 2 section (a) shall include alternative strategies to meet the  
 3 goal.

4 **SEC. 5. COMMISSION ON LONG-TERM GOVERNMENT LIABIL-**  
 5 **ITIES AND COMMITMENTS.**

6 (a) IN GENERAL.—There is established a commission  
 7 to be known as the “Commission on Long-Term Govern-  
 8 ment Liabilities and Commitments” (referred to in this  
 9 section as the “Commission”).

10 (b) RECOMMENDATIONS FOR REFORM.—Not later  
 11 than December 15, 2005, the Commission shall make rec-  
 12 ommendations to the President and Congress of reforms  
 13 that will reduce the total of debt held by the public added  
 14 to the calculation under current policies of the net present  
 15 value of the Government’s overall liabilities and commit-  
 16 ments published, as required by section 331(e)(3)(A)(i) of  
 17 title 31, United States Code, to a level that is not greater  
 18 than 1.25 percent of the percent discounted value of all  
 19 future payrolls, as of September 11, 2011. The assump-  
 20 tions and details of the methods used in making the cal-  
 21 culations incorporated in the recommendations shall be  
 22 consistent with those utilized in the financial statement  
 23 published under section 331(e) of title 31, United States  
 24 Code, unless the Commission elects to make recommenda-  
 25 tions based on other assumptions and methods for which

1 a detailed explanation and rationale is presented. The rec-  
2 ommendations of the Commission shall be approved by a  
3 two-thirds vote of the members of the Commission.

4 (c) CONTENTS.—The recommendations required by  
5 subsection (a) shall—

6 (1) include several alternative strategies to meet  
7 the goal including strategies that meet this goal sole-  
8 ly by—

9 (A) reducing Government expenditures;  
10 and

11 (B) increasing Government revenues; and

12 (2) include an evaluation of the recommenda-  
13 tions submitted to Congress and the Commission by  
14 the President, as required by section 4.

15 (d) LEGISLATIVE LANGUAGE.—The recommenda-  
16 tions required under subsection (a) shall include legislative  
17 language necessary for carrying out such recommenda-  
18 tions. The Commission shall develop such legislative lan-  
19 guage after conducting such public hearings and con-  
20 sulting with such public or private entities as the Commis-  
21 sion considers necessary and appropriate to make the rec-  
22 ommendations required under subsection (a).

23 (e) MEMBERSHIP.—

24 (1) IN GENERAL.—The Commission shall be  
25 composed of 17 members as follows:

1           (A) One congressional Member shall be ap-  
2           pointed by the Speaker of the House of Rep-  
3           resentatives.

4           (B) The Chairman of the Committee on  
5           Ways and Means of the House of Representa-  
6           tives.

7           (C) One congressional Member shall be ap-  
8           pointed by the Minority Leader of the House of  
9           Representatives.

10          (D) The Ranking Member of the Com-  
11          mittee on Ways and Means of the House of  
12          Representatives.

13          (E) One congressional Member shall be ap-  
14          pointed by the Majority Leader of the Senate.

15          (F) The Chairman of the Committee on  
16          Finance of the Senate.

17          (G) One congressional Member shall be ap-  
18          pointed by the Minority Leader of the Senate.

19          (H) The Ranking Member of the Com-  
20          mittee on Finance of the Senate.

21          (I) The Secretary of the Treasury.

22          (J) The Secretary of Labor.

23          (K) The Secretary of Health and Human  
24          Services.



1           (L) Six members to be appointed by the  
 2           President by and with the advise and consent of  
 3           the Senate to be individuals from the private  
 4           sector with expertise in government fiscal pol-  
 5           icy, long-term macroeconomic policy, retirement  
 6           and health care plan structure and funding,  
 7           intergenerational accounting, and demo-  
 8           graphics.

9           (2) DEADLINE FOR APPOINTMENTS.—The  
 10          members of the Commission shall be appointed not  
 11          later than February 1, 2005.

12          (3) CO-CHAIRMEN.—The Commission shall des-  
 13          ignate 2 members of the Commission to serve as Co-  
 14          chairmen of the Commission, one of whom shall be  
 15          the individual appointed under subparagraph (C),  
 16          (D), (G), or (H) of paragraph (1).

17          (4) TERMS.—Each member of the Commission  
 18          shall serve on the Commission and, with respect to  
 19          the Co-chairmen, in such capacity, until the earlier  
 20          of the date the Commission terminates or September  
 21          30, 2005.

22          (5) VACANCIES.—Any vacancy in the member-  
 23          ship of the Commission shall be filled in the manner  
 24          in which the original appointment was made and

1       shall not affect the power of the remaining members  
2       to execute the duties of the Commission.

3       (f) QUORUM.—A quorum shall consist of 7 voting  
4 members of the Commission.

5       (g) MEETINGS.—

6           (1) IN GENERAL.—The Commission shall meet  
7       at the call of the Co-chairmen or a majority of its  
8       members.

9           (2) INITIAL MEETING.—The Commission shall  
10      conduct its first meeting not later than March 1,  
11      2005.

12          (3) OPEN MEETINGS.—Each meeting of the  
13      Commission, other than meetings in which classified  
14      information is to be discussed, shall be open to the  
15      public.

16      (h) POLICIES AND PROCEDURES.—The Commission  
17      shall establish policies and procedures for carrying out the  
18      functions of the Commission under this section.

19      (i) STAFF DIRECTOR AND STAFF.—

20          (1) STAFF DIRECTOR.—The Co-chairmen, with  
21      the advice and consent of the members of the Com-  
22      mission, shall appoint a Staff Director who is not  
23      otherwise, and has not during the 1-year period pre-  
24      ceding the date of such appointment served as, an  
25      officer or employee in the executive branch and who

1 is not and has not been a Member of Congress. The  
2 Staff Director shall be paid at a rate not to exceed  
3 the rate of basic pay payable for level IV of the Ex-  
4 ecutive Schedule under section 5315 of title 5,  
5 United States Code.

6 (2) STAFF.—

7 (A) IN GENERAL.—The Staff Director,  
8 with the approval of the Commission, may ap-  
9 point and fix pay of additional personnel. The  
10 Staff Director may take such appointments  
11 without regard to the provisions of title 5,  
12 United States Code, governing appointment in  
13 the competitive service, and any personnel so  
14 appointed may be paid without regard to the  
15 provisions of chapter 51 and subchapter III of  
16 chapter 53 of such title relating to classification  
17 and General Schedule pay rates, except that an  
18 individual so appointed may not receive pay in  
19 excess of the annual rate of basic pay payable  
20 for level V of the Executive Schedule under sec-  
21 tion 5316 of such title.

22 (B) DETAILEES.—Upon request of the  
23 Staff Director, the head of any Federal depart-  
24 ment or agency may detail any of the personnel  
25 of that department or agency to the Commis-

1           sion to assist the Commission in carrying out  
2           its duties under this Act. Not more than  $\frac{1}{3}$  of  
3           the personnel employed by or detailed to the  
4           Commission may be on detail from any single  
5           Federal agency.

6       (j) POWERS.—

7           (1) HEARINGS AND OTHER ACTIVITIES.—For  
8           the purpose of carrying out its duties, the Commis-  
9           sion may hold such hearings and undertake such  
10          other activities as the Commission determines to be  
11          necessary to carry out its duties.

12          (2) STUDIES BY GENERAL ACCOUNTING OF-  
13          FICE.—Upon the request of the Commission, the  
14          Comptroller General shall conduct such studies or  
15          investigations as the Commission determines to be  
16          necessary to carry out its duties.

17          (3) COST CALCULATIONS BY CONGRESSIONAL  
18          BUDGET OFFICE.—Upon the request of the Commis-  
19          sion, the Director of the Congressional Budget Of-  
20          fice shall provide to the Commission such cost esti-  
21          mates as the Commission determines to be necessary  
22          to carry out its duties.

23          (4) TECHNICAL ASSISTANCE.—Upon the re-  
24          quest of the Commission, the head of a Federal  
25          agency shall provide such technical assistance to the

1 Commission as the Commission determines to be  
2 necessary to carry out its duties.

3 (5) USE OF MAILS.—The Commission may use  
4 the United States mails in the same manner and  
5 under the same conditions as Federal agencies, and  
6 shall, for purposes of the frank, be considered a  
7 commission of Congress as described in section 3215  
8 of title 39, United States Code.

9 (6) OBTAINING INFORMATION.—The Commis-  
10 sion may secure directly from any Federal agency  
11 information necessary to enable it to carry out its  
12 duties, if the information may be disclosed under  
13 section 552 of title 5, United States Code. Upon re-  
14 quest of the Co-chairmen of the Commission, the  
15 head of such agency shall furnish such information  
16 to the Commission.

17 (7) ADMINISTRATIVE SUPPORT SERVICES.—  
18 Upon the request of the Commission, the Adminis-  
19 trator of General Services shall provide to the Com-  
20 mission on a reimbursable basis such administrative  
21 support services as the Commission may request.

22 (8) ACCEPTANCE OF DONATIONS.—The Com-  
23 mission may accept, use, and dispose of gifts or do-  
24 nations of services or property.

1           (9) PRINTING.—For purposes of costs relating  
 2           to printing and binding, including the costs of per-  
 3           sonnel detailed from the Government Printing Of-  
 4           fice, the Commission shall be deemed to be a com-  
 5           mittee of Congress.

6           (k) TERMINATION.—The Commission shall terminate  
 7           15 days after the date of submission of the recommenda-  
 8           tions for reform required under subsection (b).

9           (l) AUTHORIZATION OF APPROPRIATIONS.—There is  
 10          authorized to be appropriated to carry out this section,  
 11          \$5,000,000 for the Commission to carry out its duties  
 12          under this section.

13       **SEC. 6. SUBMISSION OF NET PRESENT VALUE CALCULA-**  
 14                               **TION AND PLAN TO ACCOMPANY LEGISLA-**  
 15                               **TIVE RECOMMENDATIONS INCLUDED IN THE**  
 16                               **PRESIDENT’S BUDGET.**

17          (a) NET PRESENT VALUE CALCULATION.—

18               (1) IN GENERAL.—The President shall submit  
 19               to Congress for any proposed permanent changes in  
 20               law calculations under current policies of the impact  
 21               on the net present value of Government’s overall li-  
 22               abilities and commitments over 75 years and over an  
 23               indefinite time horizon for any legislative rec-  
 24               ommendation or recommendations other than annual  
 25               appropriations included in the Budget of the United

1 States with an adverse impact in the aggregate  
2 greater than 0.25 percent of the present discounted  
3 value of all future payrolls over 75 years or over an  
4 indefinite time horizon.

5 (2) METHODOLOGY.—In making calculations  
6 under this subsection, the President shall utilize the  
7 same calculation methodology as provided in section  
8 331(e)(3) of title 31, United States Code, as added  
9 by this Act. The assumptions and details of the  
10 methods used in making the calculations incor-  
11 porated in the plan or plans shall be consistent with  
12 those utilized in the financial statement published  
13 under section 331(e) of title 31, United States Code.

14 (3) ASSUMPTIONS.—The calculation required by  
15 this subsection shall assume that the legislative rec-  
16 ommendation or recommendations other than annual  
17 appropriations will be a permanent change in law  
18 and disregard any changes in the terms of the legis-  
19 lative recommendation beyond the date of enact-  
20 ment, or any formula or mechanism for adjustments  
21 in the recommendations beyond this date to the ex-  
22 tent that such change, formula, or mechanism de-  
23 creases the net present value of the Government's  
24 overall liabilities and commitments over 75 years or  
25 an indefinite time horizon.

1       (b) PLAN.—If the net present value of the Govern-  
 2       ment’s overall liabilities and commitments of a legislative  
 3       recommendation or recommendations is found to have an  
 4       adverse impact greater than 0.25 percent of the present  
 5       discounted value of all future payrolls over 75 years or  
 6       an indefinite horizon, the President shall submit a plan  
 7       to accompany such recommendation or recommendations  
 8       that reduces the total of debt held by the public added  
 9       to the calculation of the net present value of the Govern-  
 10      ment’s overall liabilities and commitments published, as  
 11      required by section 331(e)(3)(A)(i) of title 31, United  
 12      States Code, to a level that exceeds 1.25 percent of the  
 13      present discounted value of all future payrolls as of Sep-  
 14      tember 11, 2011. Such plan shall be submitted with re-  
 15      gard to calculations based both on a 75-year horizon and  
 16      an indefinite horizon.

17      (c) CONTENTS.—The plan required by subsection (b)  
 18      shall include several alternative strategies to meet the  
 19      goal.

20      **SEC. 7. CONGRESSIONAL BUDGET RESOLUTION.**

21      Section 301(a) of the Congressional Budget Act of  
 22      1974 (2 U.S.C. 631(a)) is amended—

23               (1) in paragraph (6), by—

24                       (A) striking “For” and inserting “for”;

25                       and



1 (B) striking “and” after the semicolon;

2 (2) in paragraph (7), by—

3 (A) striking “For” and inserting “for”;

4 and

5 (B) striking the period; and

6 (3) by adding after paragraph (7) the following:

7 “(8) calculations for the immediately preceding  
8 fiscal year of the impact of the resolution on the net  
9 present value of the Government’s overall liabilities  
10 and commitments over—

11 “(A) a 75-year horizon; and

12 “(B) an indefinite time horizon;

13 as determined using the methodology of section  
14 331(e)(3)(A)(i) of title 31, United States Code.”.

15 **SEC. 8. POINT OF ORDER ESTABLISHED AGAINST LEGISLA-**  
16 **TION ADVERSELY AFFECTING NET PRESENT**  
17 **VALUE OF GOVERNMENT’S OVERALL LIABIL-**  
18 **ITIES AND COMMITMENTS.**

19 (a) REPORT.—Section 308(a)(1) of the Congressional  
20 Budget Act of 1974 (2 U.S.C. 639(a)(1)) is amended—

21 (1) in subparagraph (B), by striking “and”  
22 after the semicolon;

23 (2) in subparagraph (C), by striking the period  
24 and inserting “; and”; and

25 (3) by adding at the end the following:

1           “(D) calculations under current policies of  
 2           the impact on the net present value of the Gov-  
 3           ernment’s liabilities and commitments of any  
 4           measure with an adverse impact greater than  
 5           exceeds 0.25 percent of the present discounted  
 6           value of all future payroll taxes over 75 years  
 7           or an indefinite period as determined using the  
 8           methodology of section 331(e)(3)(A)(i) of title  
 9           31, United States Code. The assumptions and  
 10          details of the methods used in making this cal-  
 11          culation shall be consistent with those utilized  
 12          in the financial statement published under sec-  
 13          tion 331(e) of title 31, United States Code, un-  
 14          less the responsible official or agency elects to  
 15          make calculations based on other assumptions  
 16          and methods for which a detailed explanation  
 17          and rationale is presented.”.

18          (b) POINT OF ORDER.—Section 312 of the Congres-  
 19          sional Budget Act of 1974 (2 U.S.C. 643) is amended by  
 20          adding at the end the following:

21          “(g) NEGATIVE IMPACT ON NET PRESENT VALUE OF  
 22          GOVERNMENT’S OVERALL LIABILITIES AND COMMIT-  
 23          MENTS.—It shall not be in order in the House of Rep-  
 24          resentatives or the Senate to consider any bill or resolution  
 25          (or amendment, motion, or conference report on that bill

1 or resolution) that changes direct spending or revenues  
 2 that would, when considered together with any other legis-  
 3 lation passed by that House or enacted prior to such con-  
 4 sideration during that calendar year, cause an adverse im-  
 5 pact on the net present value of the Government’s overall  
 6 liabilities and commitments incurred by that measure over  
 7 75 years or an indefinite time horizon that is greater than  
 8 1.25 percent of the present discounted value of all future  
 9 payrolls. The calculation required by this subsection shall  
 10 assume that the legislative measure subject to the point  
 11 of order will be a permanent change in law and disregard  
 12 any changes in the terms of the legislative measure and  
 13 any formula or mechanism for adjustments in the rec-  
 14 ommendations beyond the date of enactment to the extent  
 15 that such change, formula, or mechanism increases the net  
 16 present value of the Government’s overall liabilities or  
 17 commitments over 75 years or an indefinite time hori-  
 18 zon.”.

19 (c) 60 VOTES.—Section 904 of the Congressional  
 20 Budget Act of 1974 (2 U.S.C. 621 note) is amended—

21 (1) in subsection (c)(1), by inserting “312(g),”  
 22 before “313”; and

23 (2) in subsection (d)(2), by inserting “312(g),”  
 24 before “313”.

1 **SEC. 9. TRUSTEES REPORT OF LIABILITIES.**

2       Section 201(c) of the Social Security Act (42 U.S.C.  
3 401(c)) is amended by adding at the end the following:  
4 “In such report the Trustees shall include a calculation  
5 of the present value of projected benefits to current par-  
6 ticipants, minus the present value of projected revenues  
7 from current participants and current trust fund balances  
8 (the Closed Group Unfunded Obligation), including all  
9 supplemental information required by Federal Financial  
10 Accounting Standard No. 17 Social Insurance. The report  
11 shall also include the net present value calculations related  
12 to the Trust Funds specified in section 3 and such other  
13 supplemental information as the Trustees deem appro-  
14 priate. In the annual report and other public statements  
15 regarding Trust Fund solvency, the Trustees shall give  
16 prominence to the Closed Group Unfunded Obligation and  
17 also the annual change in the Closed Group Unfunded Ob-  
18 ligation. To the extent that the annual performance of the  
19 Social Security system is consolidated into Federal budg-  
20 etary aggregates reported by the Congressional Budget  
21 Office, the General Accounting Office, or the Office of  
22 Management and Budget, annual changes in the Closed  
23 Group Unfunded Obligation shall be included.”.

1 **SEC. 10. TREASURY DEPARTMENT ANALYSIS OF TAX PROVI-**  
2 **SIONS PRESENT VALUE.**

3 (a) **PRESENT VALUE.**—Not later than 6 months after  
4 the date of enactment of this Act, the Secretary of Treas-  
5 ury shall analyze and report to Congress regarding the  
6 methodology and utility of preparing calculations of the  
7 net present value of specific provisions of the Internal Rev-  
8 enue Code of 1986 that defer tax liability or cause long-  
9 term revenue effects that are not captured in a cash flow  
10 estimate over 5 or 10 years.

11 (b) **LONG-TERM.**—Not later than 12 months after  
12 the date of enactment of this Act, the President shall sub-  
13 mit to Congress a calculation under current policies of the  
14 impact on the net present value of the Government’s over-  
15 all liabilities and commitments over 75 years and over an  
16 indefinite time horizon for current tax expenditures and  
17 any tax legislative recommendation included in the Budget  
18 of the United States that have an adverse impact greater  
19 than exceeds 1.25 percent of the present discounted value  
20 of all future payrolls over 75 years and over an indefinite  
21 time horizon.

1 **SEC. 11. BAR USE OF EXPEDITED PROCEDURES TO ENACT**  
 2 **LEGISLATION THAT AGGRAVATES THE BUDG-**  
 3 **ET DEFICIT OR REDUCES THE BUDGET SUR-**  
 4 **PLUS.**

5 Section 310 of the Congressional Budget Act of 1974  
 6 (2 U.S.C. 641) is amended by adding at the end the fol-  
 7 lowing:

8 “(i) **LIMITATION TO BUDGET ENFORCEMENT.**—It  
 9 shall not be in order in the Senate or House of Represent-  
 10 atives to consider any reconciliation bill or resolution re-  
 11 ported pursuant to a concurrent resolution on the budget  
 12 that increases the deficit or reduces the surplus for the  
 13 budget year, for the total period of years covered by the  
 14 concurrent resolution on the budget or that changes direct  
 15 spending or revenues causing an adverse impact on the  
 16 net present value of United States Government liabilities  
 17 and commitments over 75 years or an indefinite time hori-  
 18 zon.”.

19 **SEC. 12. REINSTATEMENT OF PAY-AS-YOU-GO ENFORCE-**  
 20 **MENT.**

21 (a) **STATUTORY ENFORCEMENT.**—

22 (1) **IN GENERAL.**—Section 252 of the Balanced  
 23 Budget and Emergency Deficit Control Act of 1985  
 24 (2 U.S.C. 902) is amended—

25 (A) in subsection (a), by striking “enacted  
 26 before September 30, 2002,”;

1 (B) in subsection (b), by striking “enacted  
2 before September 30, 2002,”; and

3 (C) by adding at the end the following:

4 “(f) DECLARATION OF WAR.—Notwithstanding any  
5 other provision of this Act, subsection shall apply in any  
6 fiscal year unless a declaration of war is in effect.”.

7 (2) PAY-AS-YOU-GO ADJUSTMENT.—Upon the  
8 enactment of this section, the Director of the Office  
9 of Management and Budget shall change any bal-  
10 ance of direct spending and receipts legislation for  
11 fiscal year 2003 under section 252 of the Balanced  
12 Budget and Emergency Deficit Control Act of 1985  
13 to zero.

14 (b) PAY-AS-YOU-GO RULE IN CONGRESS.—

15 (1) POINT OF ORDER.—

16 (A) IN GENERAL.—It shall not be in order  
17 in the Senate or the House of Representatives  
18 to consider any direct spending or revenue leg-  
19 islation that would decrease the on-budget sur-  
20 plus, increase the on-budget deficit, or cause an  
21 on-budget deficit for any one of the three appli-  
22 cable time periods as measured in subpara-  
23 graphs (E) and (F).

24 (B) APPLICABLE TIME PERIODS.—For  
25 purposes of this paragraph the term “applicable

1           time period” means any one of the three fol-  
2           lowing periods:

3                   (i) The first year covered by the most  
4                   recently adopted concurrent resolution on  
5                   the budget.

6                   (ii) The period of the first five fiscal  
7                   years covered by the most recently adopted  
8                   concurrent resolution on the budget.

9                   (iii) The period of the five fiscal years  
10                  following the first five fiscal years covered  
11                  in the most recently adopted concurrent  
12                  resolution on the budget.

13           (C) DIRECT-SPENDING LEGISLATION.—For  
14           purposes of this paragraph and except as pro-  
15           vided in subparagraph (D), the term “direct-  
16           spending legislation” means any bill, joint reso-  
17           lution, amendment, motion, or conference re-  
18           port that affects direct spending as that term is  
19           defined by and interpreted for purposes of the  
20           Balanced Budget and Emergency Deficit Con-  
21           trol Act of 1985.

22           (D) EXCLUSION.—For purposes of this  
23           paragraph, the terms “direct-spending legisla-  
24           tion” and “revenue legislation” do not in-  
25           clude—



1 (i) any concurrent resolution on the  
2 budget; or

3 (ii) any provision of legislation that  
4 affects the full funding of, and continu-  
5 ation of, the deposit insurance guarantee  
6 commitment in effect on the date of the  
7 enactment of the Budget Enforcement Act  
8 of 1990.

9 (E) BASELINE.—Calculations prepared  
10 pursuant to this paragraph shall—

11 (i) use the baseline used for the most  
12 recently adopted concurrent resolution on  
13 the budget; and

14 (ii) be calculated under the require-  
15 ments of subsections (b) through (d) of  
16 section 257 of the Balanced Budget and  
17 Emergency Deficit Control Act of 1985 for  
18 fiscal years beyond those covered by that  
19 concurrent resolution on the budget.

20 (F) PRIOR SURPLUS.—If direct spending  
21 or revenue legislation decreases the on-budget  
22 surplus, increases the on-budget deficit, or  
23 causes an on-budget deficit when taken individ-  
24 ually, then it must also decrease the on-budget  
25 surplus, increase the on-budget deficit, or cause

1           an on-budget deficit when taken together with  
 2           all direct spending and revenue legislation en-  
 3           acted since the beginning of the calendar year  
 4           not accounted for in the baseline under sub-  
 5           paragraph (E)(i).

6           (2) WAIVER.—This subsection may be waived  
 7           or suspended in the Senate only by the affirmative  
 8           vote of three-fifths of the Members, duly chosen and  
 9           sworn.

10          (3) APPEALS.—Appeals in the Senate from the  
 11          decisions of the Chair relating to any provision of  
 12          this subsection shall be limited to 1 hour, to be  
 13          equally divided between, and controlled by, the ap-  
 14          pellant and the manager of the bill or joint resolu-  
 15          tion, as the case may be. An affirmative vote of  
 16          three-fifths of the Members of the Senate, duly cho-  
 17          sen and sworn, shall be required in the Senate to  
 18          sustain an appeal of the ruling of the Chair on a  
 19          point of order raised under this subsection.

20          (4) DETERMINATION OF BUDGET LEVELS.—  
 21          For purposes of this subsection, the levels of new  
 22          budget authority, outlays, and revenues for a fiscal  
 23          year shall be determined on the basis of calculations  
 24          made by the Committee on the Budget.

1           (5) DECLARATION OF WAR.—This subsection  
2       shall not apply in any fiscal year in which a declara-  
3       tion of war is in effect.

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