

“jaw dropping,” and House Budget Committee Chairman Jack Spratt (D-SC) was suffering “sticker shock.”<sup>4</sup> They and their ranking member counterparts have encouraged lawmakers to tackle the long-term budget problems posed by these entitlement programs. Conrad and Senator Judd Gregg (R-NH) have urged Congress to link the stimulus with action to address the long-term budget crisis.<sup>5</sup>

If President-elect Obama is serious about fiscal responsibility, he and responsible Members of Congress must insist on budget reforms to prevent further deterioration of an already alarming long-term budget problem and require action to tackle these challenges directly. To that end, he and responsible lawmakers should insist on these four key budget reform measures being included in any stimulus package:

1. Put long-term obligations from Social Security, Medicare, and Medicaid front and center in the budget process, with an up-or-down vote on any budget that will increase debts on future generations. Such a measure could easily be incorporated into the annual budget resolution. This would provide a more accurate and transparent assessment of the federal government's commitments and provide all Americans with a vivid picture of the problem. All major policy changes should be scored over the long term to indicate what impact they would have on the total unfunded obligations of the government. That would provide lawmakers and the public with a better understanding of the true long-term costs of new legislation. And to put Members on record on their attitude to burdening our children and grandchildren, they should have to vote during the annual budget process if the proposed budget will increase long-term obligations.<sup>6</sup>

2. Enact a bipartisan congressional commission to develop a package of long-term reforms that will make these programs affordable. Bipartisan legislation to implement this type of commission was introduced in the previous Congress: the SAFE Act (H.R. 3654), co-sponsored by Representatives Jim Cooper (D-TN) and Frank Wolf (R-VA), and the Bipartisan Task Force for Responsible Fiscal Action Act (S. 2063), co-sponsored by Conrad and Gregg. Under both bills, a commission would craft detailed recommendations for a fast-track vote in Congress. The SAFE Act would have the added advantage of a two-step process. Its first phase would be a series of nationwide public hearings to talk frankly about the long-term fiscal problem and the tough options for fixing it and to build public support for congressional action on a broad plan of action.<sup>7</sup>

3. Establish equitable policies for assessing and enforcing spending and revenues changes in the budget. Any budget enforcement mechanism is based on changes in projected spending and revenues. The CBO projects a spending baseline by assuming that all the laws authorizing spending—such as the highway or farm programs, or even appropriations—will be extended year after year and spending levels will continue even if they expire regularly under existing law. But when it comes to taxes, the CBO's baseline is current statute, and any rates reductions, deductions, credits, etc., that are scheduled to expire are assumed to do so. The lopsided result is that spending is given a free ride under the baseline while any reduction in the growth of taxes is assumed to be temporary.

This skewed baseline means current “PAYGO” rules are biased toward tax increases. Thus, for any enforcement mechanism to be considered fair and to be effective, it must be based on the same baseline treatment for both spending and revenues. Indeed, Obama's own advisors have already

criticized this lopsided policy treatment, which stacks the deck in favor of higher spending and higher taxes.<sup>8</sup>

4. Create a long-term budget for entitlement spending. Unlike “discretionary” programs such as defense and education, “mandatory” entitlement programs like Medicare and Social Security are not budgeted annually. Entitlement spending grows on autopilot, in conjunction with the programs' regulatory framework, so there is not an open or transparent consideration of priorities or budgetary trade-offs. And since spending levels are simply the product of individuals using their entitlement, there is in a sense no budget just a projection of likely total costs. And as they grow unchecked, these entitlements crowd out other programs and priorities.

This must change, by constraining entitlement programs with a real budget. To be sure, retirement programs require longer time horizons and planning than typical discretionary programs so that beneficiaries will not face unexpected annual changes in benefits. Therefore, Congress should create a long-term framework for a constrained entitlement budget that would be periodically evaluated to ensure that these programs are sustainable and affordable over the long term. This could be done by creating a long-term budget window—for example, 30 years. All spending would be reviewed every five years, and the commission could recommend measures for Congress to ensure that the programs live within this budget framework.<sup>9</sup>

There are many reasons to be concerned over the unprecedented stimulus spending now being proposed, including the ineffectiveness of Keynesian pump priming, the perils of such an immense hike in government spending, and the creation of new permanent government programs. With the first baby boomers recently retiring, America is experiencing the first waves of the entitlement tsunami. The stimulus legislation could set the stage for a permanent sea of red ink and an even larger tsunami of debt. Substantive budget reforms are needed to prevent such a scenario from occurring.

Truly Serious? If President-elect Obama insists on a massive spending bill, he must ensure it does not result in huge permanent new government programs and thus potentially trillions of dollars in new burdens on our children and grandchildren. He must demonstrate his commitment to tackle the long-term entitlement challenges by working with Members of Congress to build sound budget process reform measures into the stimulus legislation. If he does not do so, the young Americans who voted for him should question how serious he is about protecting their financial future.

#### ENDNOTES

1. Estimated FY 2008 appropriations \$1.154 trillion, prior to all enacted supplementals. Office of Management and Budget, “Budget of the United States Government Fiscal Year 2009: Historical Tables,” Table 5.4, at [www.whitehouse.gov/omb/budget/fy2009/hist.html](http://www.whitehouse.gov/omb/budget/fy2009/hist.html) (January 9, 2009).

2. See Brian M. Riedl, “CBO Budget Baseline Shows Historic Surge in Spending and Debt,” Heritage Foundation WebMemo No. 2193, January 7, 2009, at <http://www.heritage.org/research/budget/wm2193> (January 9, 2009).

3. Department of the Treasury, “2008 Financial Report of the United States Government,” December 15, 2008, p. 41, at <http://fms.treas.gov/fr/index.html> (January 9, 2009).

4. Lori Montgomery, “Congress Urges Spending Restraint,” The Washington Post, January 8, 2009, at <http://www.washingtonpost.com/wp-dyn/content/article/>

2009/01/07/AR2009010701156.html?hpid=topnew (January 9, 2009).

5. Senators Kent Conrad and Judd Gregg, “A Fiscal Battle on Two Fronts,” The Washington Post, January 5, 2009, at [http://www.washingtonpost.com/wp-dyn/content/article/2009/01/04/AR2009010401436\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2009/01/04/AR2009010401436_pf.html) (January 9, 2009).

6. Alison Acosta Fraser, “Federal Budget Should Include Long-Term Obligations from Entitlement Programs,” Heritage Foundation Executive Memorandum No. 1004, June 22, 2006, at <http://www.heritage.org/Research/Budget/em1004.cfm>.

7. Alison Acosta Fraser, “The SAFE Commission Act (H.R. 3654) and the Long-Term Fiscal Challenge,” testimony before the Committee on the Budget, U.S. House of Representatives, June 25, 2008, at <http://www.heritage.org/Research/Budget/tst062508b.cfm>.

8. J.D. Foster, Ph.D., “Obama to CBO Revenue Baseline: Nuts—and He's Right!,” Heritage Foundation WebMemo No. 2019, August 11, 2008, at <http://www.heritage.org/Research/Budget/wm2019.cfm>.

9. Stuart M. Butler, Ph.D., Alison Acosta Fraser and Other Authors, “Taking Back Our Fiscal Future,” Heritage Foundation White Paper, March 31, 2008, at <http://www.heritage.org/Research/Budget/wp0408.cfm>.

#### THE NEW FRONTIER OF THE 21ST CENTURY

The SPEAKER pro tempore. The Chair recognizes the gentleman from Tennessee (Mr. COHEN) for 5 minutes.

Mr. COHEN. Madam Speaker, last week, the 111th Congress was convened, and we started by electing our Speaker, the Honorable NANCY PELOSI, for a second term of Speaker of the House.

The 111th Congress has much potential, much of it because the 107th, 108th and 109th Congresses failed as a Republican majority, and a Republican President let the free market dictate how our economy responded to economic pressures, and as a result, we have had the greatest economic catastrophe since the Great Depression.

Those Congresses—the 107th, 108th and 109th—allowed the Republican President, on faith, to take us into a war that has cost us 4,000 American lives, over 30,000 casualties and over a half trillion dollars that has robbed our citizens and our cities, Madam Speaker, of monies needed for health care, education and infrastructure.

The 110th Congress saw a Democratic majority come here, and it had an opportunity to pass legislation, some of which was approved by the President, was signed by the President or his veto was overridden. However, the President did veto several of our bills, including a children's health care plan, which we'll work on this week. We were unable to stop the hemorrhaging of our economy and of our young people's lives in the Middle East.

In both the election of a new President and in the 111th Congress's opportunity to work with President-elect Obama, I believe this Congress will be viewed as one of the most historic Congresses in the history of our country.

We have the opportunity to restore America's proper place in the world community as a nation that others see as a good and giving and intelligent country that shares the power of its ideas rather than the idea of its power, as President Clinton said, one that works in a multinational fashion to work with other countries to solve the problems around the globe.

I have great confidence that Secretary of State CLINTON will see to it that women's issues, children's issues and health care issues will be dealt with by the United States as a leader around the globe and that people will see us as a friend and not a foe, as someone to be respected and not feared.

Nevertheless, the military is always necessary for those who are incapable of seeing peace as the ultimate purpose in our time on Earth, and we will see to it that our military is effectively maintained.

Climate change threatens the very Earth we inhabit, and the Transportation and Infrastructure Committee, under the leadership of Representative Chairman JAMES OBERSTAR, will see to it that we address issues of importance that maintain the Earth as we know it, the flora and fauna as God has given them to us, and see that future generations aren't impacted as greatly as they would be.

The past Congresses did not deal with global warming. They did not sign the Kyoto Accord—the President did not—and they leave us with a problem there. So we've got a problem with the world community, a problem with the economy, a problem with the environmental standards that we need to adopt. Much to be done. It has all begun, but most of it won't really get into full swing until after the inauguration of January 20.

Madam Speaker, I urge every school system and every citizen to watch the inauguration of our next President on January 20. Allow students to watch that inauguration. Hopefully, it will instill in them the same spirit about government and the same hope that I had on January 20, 1961 when I watched John Kennedy take the oath of office.

John Kennedy gave my generation the belief that politics could be an honorable profession and that government could be a useful tool in seeing our country and our world as a better place. To a goodly extent, I think we've lost that hope that the new frontier brought some 40-some-odd years ago.

With the election of Barack Obama, hope again exists to the American people's hearts and minds. I expect his oratory to embody the spirit of America—a spirit of working together and a spirit of change that is for the betterment of this country and for the world. I hope everybody watches.

Please encourage your children to watch and to allow them to be inspired, for if they are, we'll have a generation that will participate, that will vote and that will see to it that we have a better tomorrow.

Madam Speaker, I am proud to serve in this Congress. I am very proud to serve with Speaker PELOSI. I am blessed to have the opportunity to serve with the new frontier of the 21st century, Barack Obama.

Thank you very much.

#### HONORING THE MEMORY OF ZACHARY COOK

The SPEAKER pro tempore. The Chair recognizes the gentleman from California (Mr. SHERMAN) for 5 minutes.

Mr. SHERMAN. I ask unanimous consent that the Chair consider recognizing the gentleman from Texas first and then recognize me.

The SPEAKER pro tempore. The Chair will do that as a matter of recognition.

Mr. SHERMAN. Thank you.

The SPEAKER pro tempore. The gentleman from Texas may proceed for 5 minutes.

Mr. EDWARDS of Texas. Madam Speaker, today I rise to honor the memory of Zachary Cook, a 22-year-old Army officer and a 2008 graduate of Texas A&M University and its Corps of Cadets. Zachary died tragically yesterday in an Army helicopter crash on the A&M campus in College Station, Texas, in my district during Rudder's Rangers annual winter field training. His loss brings a great sadness to his family and friends, the extended Texas A&M family, the Army, and to all of us deprived of this patriotic citizen who was dedicated to serving our great Nation in uniform. Zachary dreamed of flying Army helicopters and was thrilled to have received his recent Army commission. He was revered as a true friend to others, someone who truly inspired and mentored his friends.

Madam Speaker, I believe the families and loved ones of our servicemen and women are truly the unsung heroes and heroines in our Nation's defense, and that is why I want to express my regret and respect to the family of Mr. Cook. A grateful Nation owes them a deep debt of gratitude, and our thoughts and prayers are with them during this difficult time. I hope they take comfort in knowing that the spirit of service demonstrated by their loved one will touch and inspire the lives of others long after we are all gone from this Earth.

Our thoughts and prayers are also with the four Texas National Guard members who were seriously injured in the crash. We pray for their speedy recovery.

We humbly recognize that we can never repay fully Zachary or his family for their loss, but I hope that his family will know our Nation will never forget their sacrifice.

May God bless the spirit of Zachary Cook and keep him lovingly in His arms.

#### BAILOUT BILL IS BACK

The SPEAKER pro tempore. The Chair recognizes the gentleman from

California (Mr. SHERMAN) for 5 minutes.

Mr. SHERMAN. Well, the \$700 billion bankers' bailout bill is back. Many of my colleagues didn't enjoy voting on it twice last year, but it is back. It is back with two votes—one vote this week, one vote next week. This week, we will vote on Chairman FRANK's bill (H.R. 384) to improve the TARP legislation, the \$700 billion bill. I believe that Chairman FRANK's bill is a step in the right direction but insufficient. Then on Friday, the Senate is expected to take up a resolution of disapproval. As you remember, the bill we passed last year, TARP, says that the executive branch gets the last \$350 billion as soon as they ask for it, or 15 days after they ask for it, unless both the House and Senate pass a resolution of disapproval, and it provides for expedited consideration of such a resolution.

So next Friday, January 16th, the Senate is expected to vote on a resolution of disapproval. Then on the following Wednesday, January 21, we will vote on a resolution of disapproval. Such a resolution would be effective only in the unusual circumstance that it passes both Houses of Congress, and even then it is subject to a possible Presidential veto. Still, this House must carry out its responsibilities.

This week, hopefully the Rules Committee will allow us to consider amendments to strengthen Chairman FRANK's bill. And next week we have to vote on releasing the second \$350 billion. When we vote next week, we will at that point have before us just the existing statute passed last year, because even if Chairman FRANK's bill passes, even if it is made much stronger than it is now, it will be languishing in the Senate next week, and we in the House will have no idea whether it will ever become law. So when we vote to release the second \$350 billion, we're basically voting again for the TARP bill, except for three differences.

First, we know a lot more now than we knew then. Second, the unprecedented transfer of money and power to the administration will be to the new administration in which many of us have far greater faith. And, finally, we will hopefully have before us a letter from the incoming administration indicating how they will use the enormous power and discretion conveyed by the existing TARP statute.

It is my hope that such a letter be explicit, be unequivocal, and be comprehensive. Explicit, so that we know exactly what they're going to do and what rules they're going to live by. Unequivocal, hopefully signed by the President, and a clear statement of the rules the administration will live by, not just a statement of principles or present intentions. And, finally, comprehensive. It should deal with the concerns that we all have, or that so many of us have, about the existing TARP legislation.

Chairman FRANK's bill will deal with transparency and deal with home foreclosures. And my hope is that since