

[Roll No. 39]

YEAS—239

Adams Goodlatte Nunes
 Aderholt Gosar Nunnelee
 Akin Gowdy Olson
 Alexander Granger Palazzo
 Altmire Graves (GA) Graves (GA)
 Amash Graves (MO) Pearce
 Amodei Griffin (AR) Pence
 Austria Griffith (VA) Petri
 Bachmann Grimm Pitts
 Bachus Guinta Platts
 Barletta Guthrie Poe (TX)
 Bartlett Hall Pompeo
 Barton (TX) Hanna Posey
 Bass (NH) Harper Price (GA)
 Benishek Harris Reed
 Berg Hartzler Rehberg
 Biggart Hastings (WA) Reichert
 Bilbray Hayworth Renacci
 Bilirakis Heck Ribble
 Bishop (UT) Hensarling Rigell
 Black Herger Rivera
 Blackburn Herrera Beutler Roby
 Bonner Huelskamp Roe (TN)
 Bono Mack Huiזengα (MI) Rogers (AL)
 Boustany Hultgren Rogers (KY)
 Brady (TX) Hunter Rogers (MI)
 Brooks Hurt Rohrabacher
 Broun (GA) Issa Rokita
 Buchanan Jenkins Rooney
 Bucshon Johnson (IL) Ros-Lehtinen
 Buerkle Johnson (OH) Roskam
 Burgess Johnson, Sam Ross (FL)
 Burton (IN) Jones Royce
 Calvert Jordan Runyan
 Camp Kelly King (IA)
 Campbell King (IA) King (WI)
 Canseco King (NY) Scalise
 Cantor Kingston Schilling
 Capito Kinzinger (IL) Schmidt
 Carter Klime Schock
 Cassidy Labrador Schweikert
 Chabot Lamborn Scott (SC)
 Chaffetz Lance Scott, Austin
 Coble Landry Scott, David
 Coffman (CO) Lankford Sensenbrenner
 Cole Latham Sessions
 Conaway LaTourette Shimkus
 Cravaack Latta Shuster
 Crawford Lewis (CA) Simpson
 Crenshaw LoBiondo Smith (NJ)
 Culberson Long Smith (TX)
 Davis (KY) Lucas Southerland
 Denham Luetkemeyer Speier
 Dent Lummis Stearns
 DesJarlais Lungren, Daniel Stivers
 Diaz-Balart E. Stutzman
 Dold Mack Sullivan
 Dreier Manzullo Terry
 Duffy Marchant Thompson (PA)
 Duncan (SC) Marino Thornberry
 Duncan (TN) Matheson Tiberi
 Emerson McCarthy (CA) Tipton
 Farenthold McCaul Turner (NY)
 Fincher McClintock Turner (OH)
 Fitzpatrick McCotter Upton
 Flake McHenry Walberg
 Fleischmann McKeon Walden
 Fleming McKinley Walsh (IL)
 Flores McMorris Webster
 Forbes Rodgers West
 Foxx Meehan Westmoreland
 Franks (AZ) Mica Whitfield
 Frelinghuysen Miller (FL) Whitfield
 Gallegly Miller (MI) Wilson (SC)
 Gardner Miller, Gary Wittman
 Garrett Mulvaney Wolf
 Gerlach Murphy (PA) Womack
 Gibbs Myrick Woodall
 Gibson Neugebauer Yoder
 Gingrey (GA) Noem Young (FL)
 Gohmert Nugent Young (IN)

NAYS—181

Ackerman Boren Chandler
 Andrews Boswell Chu
 Baca Brady (PA) Cicilline
 Baldwin Braley (IA) Clarke (MI)
 Barrow Brown (FL) Clarke (NY)
 Bass (CA) Butterfield Clay
 Becerra Capps Cleaver
 Berkley Capuano Clyburn
 Berman Cardoza Cohen
 Bishop (GA) Carnahan Conyers
 Bishop (NY) Carney Cooper
 Blumenauer Carson (IN) Costa
 Bonamici Castor (FL) Costello

Courtney Johnson (GA) Quigley
 Critz Johnson, E. B. Rahall
 Crowley Kaptur Rangel
 Cuellar Keating Reyes
 Cummings Kildee Richardson
 Davis (CA) Kind Richmond
 Davis (IL) Kissell Ross (AR)
 DeFazio Kucinich Rothman (NJ)
 DeGette Langevin Roybal-Allard
 DeLauro Larsen (WA) Ruppertsberger
 Deutch Larson (CT) Rush
 Dicks Lee (CA) Ryan (OH)
 Dingell Levin Sánchez, Linda
 Doggett Lewis (GA) T.
 Donnelly (IN) Lipinski Sanchez, Loretta
 Doyle Loeb sack Sarbanes
 Edwards Lofgren, Zoe Schakowsky
 Engel Lowey Schiff
 Eshoo Luján Schrader
 Farr Lynch Maloney Schwartz
 Fattah Maloney Scott (VA)
 Filner Markey Serrano
 Frank (MA) Matsui Sewell
 Fudge McCarthy (NY) Sherman
 Garamendi McCollum Shuler
 Gonzalez McDermott Slaughter
 Green, Al McGovern Smith (WA)
 Green, Gene McIntyre Stark
 Grijalva Meeks Thompson (CA)
 Gutierrez Michaud Miller (NC) Thompson (MS)
 Hahn Hahn Miller, George Tierney
 Hanabusa Miller, George Moore
 Hastings (FL) Moran
 Heinrich Grijalva Nadler
 Higgins Nadler Napolitano
 Himes Napolitano Neal
 Hinchey Hinojosa Oliver
 Hirono Owens Pallone
 Hochul Pallone Pascrell
 Holden Pascrell Pastor (AZ)
 Holt Pastor (AZ) Pelosi
 Honda Hoyer Perlmutter
 Hoyer Perlmutter Peters
 Inslee Peters Peterson
 Insee Peterson Pingree (ME)
 Jackson (IL) Pingree (ME) Polis
 Jackson Lee Poliss Price (NC)
 (TX) Yarmuth

NOT VOTING—13

Connolly (VA) Murphy (CT) Smith (NE)
 Ellison Paul Sutton
 Eilmlers Payne Young (AK)
 Fortenberry Quayle
 McNeerney Sires

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). There is 1 minute remaining.

□ 1449

So the resolution was agreed to.
 The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:
 Mr. QUAYLE. Mr. Speaker on rollcall No. 39, had I been present, I would have voted "yea."

BUDGET AND ACCOUNTING TRANSPARENCY ACT OF 2012

Mr. RYAN of Wisconsin. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on H.R. 3581.

The SPEAKER pro tempore (Mr. HURT). Is there objection to the request of the gentleman from Wisconsin?

There was no objection.
 The SPEAKER pro tempore. Pursuant to House Resolution 539 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the consideration of the bill, H.R. 3581.

□ 1449

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 3581) to amend the Balanced Budget and Emergency Deficit Control Act of 1985 to increase transparency in Federal budgeting, and for other purposes, with Mrs. MILLER of Michigan in the chair.

The Clerk read the title of the bill.
 The CHAIR. Pursuant to the rule, the bill is considered read the first time.

The gentleman from Wisconsin (Mr. RYAN) and the gentleman from Maryland (Mr. VAN HOLLEN) each will control 30 minutes.

The Chair recognizes the gentleman from Wisconsin.

□ 1450

Mr. RYAN of Wisconsin. Madam Chair, I yield myself such time as I may consume.

I want to begin by thanking my colleagues who helped pass the Pro-Growth Budgeting Act and the Baseline Reform Act in the House last week. Today, we are here to continue that work, focused on changing Washington's culture of spending and ensuring policymakers serve as responsible stewards of hardworking American tax dollars.

I stand in strong support of the Budget and Accounting Transparency Act offered by the vice chairman of the Budget Committee, Congressman SCOTT GARRETT of New Jersey.

While it's well known that Washington has a spending problem, it is less well known that Washington isn't being fully honest about how much it is spending. This bill would increase transparency and accuracy in budgeting for Federal credit programs, the housing-related government-sponsored enterprises Fannie Mae and Freddie Mac, and the publication of budget justification materials.

First, it would require fair-value accounting, which recognizes the market risks that the government is incurring by issuing a loan or a loan guarantee for all Federal programs that make loan or loan guarantees. Market risk is already accounted for in several government programs like TARP and GSEs, and it's a very common practice in the private sector.

Second, this bill would bring Fannie Mae and Freddie Mac on budget. These enterprises rack up billions in liabilities hidden from the public income tax payers. Last June, the CBO testified that it puts the total cost of the mortgage commitments made by these two entities at \$291 billion and that that cost would ultimately rise even higher.

Third, this bill increases transparency for information contained in agency budget requests by requiring that they be made public on the Internet at the same time as they are provided to Congress. Government agencies have an obligation to taxpayers to justify every dollar spent in Washington.

Madam Chair, no budget process reform can substitute for political will when it comes to tackling our greatest fiscal and economic challenges. Getting America back on track will require a Senate and a President willing to get serious about the structural drivers of the debt and the continued impediments we have to economic growth. But being honest about the size and scope of our challenges, as this reform calls for, offers us a concrete step in the right direction.

At this time, Madam Chair, I would like to yield the remainder of our time for the purposes of managing the bill to the author of this bill, Mr. GARRETT, the vice chairman of the Budget Committee.

With that, we will reserve the balance of our time.

The CHAIR. The gentleman from New Jersey will be recognized.

Mr. VAN HOLLEN. Madam Chair, I yield myself such time as I may consume.

Here we are on the floor of the House, another day when we haven't taken up the President's jobs bill that he presented right here before a joint session of Congress last September. We have had some good news in the economy, some numbers that show that we have a fragile recovery going on. It would be a huge mistake not to do everything we can to nurture that recovery. So I hope we will finally take up the President's proposal, and I hope that the ongoing conference committee on the payroll tax cut will complete its work in an expeditious manner.

Now, with respect to this particular bill that is before us, it raises some very serious and very complicated issues regarding budget accounting for credit programs, and I want to commend Mr. GARRETT from New Jersey. I want to commend him for raising some legitimate issues as part of this conversation, issues that deserve our attention. But it is totally premature to bring this bill to the floor without having more hearings and more review.

In the Budget Committee, we've not had a single hearing on the comprehensive question of how we deal with all the credit programs and how to account for them. We had one hearing with respect to whether we apply this to the FHA, the Federal Housing Administration; but this bill goes way beyond that and would direct CBO to change its method of accounting for credit programs like student loan programs and for other programs throughout the U.S. Government.

It has very far-reaching consequences. This is a matter on which people who've spent their lives looking at the budget disagree, and so the Budget Committee at the very least could spend a few hours on a hearing to understand fully the consequences of doing this.

I just want to read from a letter that was sent to us from the former head of the nonpartisan, independent Congressional Budget Office, Robert

Reischauer. He says, I strongly oppose this change. He goes on to say: "The accounting convention used since the enactment of the Credit Reform Act of 1990 already reflects the risk that borrowers will default on their loan or loan guarantees." He goes on to say: "H.R. 3581 proposes to place an additional budgetary cost on top of the actual cash flows." And he goes on to explain what is a very complicated issue, a very complicated matter.

I would say to my colleagues, not that this isn't an appropriate question for the Budget Committee to take up, but it's totally inappropriate for the Congress to direct the Congressional Budget Office to take up a different accounting measure which is not ready for prime time and for which we have not had the time to fully review all of its consequences.

With that, I reserve the balance of my time.

ROBERT D. REISCHAUER,
Bethesda, MD, January 23, 2012.

HON. CHRIS VAN HOLLEN,
Longworth H.O.B.,
Washington, DC.

DEAR REPRESENTATIVE VAN HOLLEN, I am writing in response to your request for my views on the desirability of adopting "fair value accounting" of federal direct loan and loan guarantee costs in the budget as proposed in H.R. 3581. I strongly oppose such a change.

The accounting convention used since enactment of the Credit Reform Act of 1990 already reflects the risk that borrowers will default on their loans or loan guarantees. Under Credit Reform, costs already are based on the expected actual cash flows from the direct loans and guarantees (with an adjustment to account for the timing of the cash flows). H.R. 3581 proposes to place an additional budgetary cost on top of the actual cash flows. This additional cost is supposed to reflect a cost to society that stems from the fact that, even if the cash flows turn out to be exactly as estimated, the possibility that the credit programs would cost more (or less) than estimated imposes a cost on a risk-averse public. Under the proposal, this extra cost would be the difference between the currently estimated cost of direct loans and loan guarantees to the federal government and the cost of those loans and loan guarantees if the private market were providing them.

A society's aversion to risk may be an appropriate factor for policymakers to take into account in a cost-benefit assessment of any spending or tax proposal but adding a cost to the budget does not make sense. Nor is clear that the cost of societal risk aversion should be based on individual or institutional risk which is what the private market reflects. Inclusion of a risk aversion cost for credit programs would be inconsistent with the treatment of other programs in the budget (many of which have costs that are at least as uncertain as the costs of credit programs—for instance, many agriculture programs and Medicare—and would add a cost element from a traditional cost-benefit analysis without adding anything based on the corresponding benefit side of such an analysis. It would also make budget accounting less straightforward and transparent.

H.R. 3581 represents a misguided attempt to mold budget accounting to facilitate a cost-benefit analysis, with the result that neither the budget nor the cost-benefit analysis would serve their intended purposes well.

I would be glad to discuss these issues in more detail if you would like.

With best wishes.

ROBERT D. REISCHAUER.

Mr. GARRETT. Madam Chair, I yield myself such time as I may consume.

At the start, I would like to thank Chairman RYAN and the Budget Committee staff for their hard work with regard to H.R. 3581, the Budget and Accounting Transparency Act. Unless you've been living someplace else other than here for the last several years, you will not be surprised to hear that this country is broke. And it should not surprise you that the true extent of our country's debt crisis is a lot worse than anyone in Washington is letting on to. How much worse? Well, that's something that people really don't know, and we'll never know unless we reform the broken budget process here in Washington, D.C. Many have talked before about the fact that our process is broken. Simply put, we need to make the budget process more transparent and accountable.

Fortunately, today we are taking a step in the right direction with this bill. The bill before us today, the Budget and Accounting Transparency Act, is, as I say, a commonsense approach to introduce more sunshine and common sense into the budget-making process.

So what would the bill do? First of all, specifically, the bill recognizes the budgetary impact of the GSEs, Fannie and Freddie, by bringing back onto budget and closes that black hole that's out there and brings them out of the shadow and into the light.

This bill also requires that the Federal Government apply the very same credit accounting standards as the private sector is doing right now when guaranteeing loans.

You know, back in September of 2008 as the country was reeling from the fallout of the financial collapse, the GSEs, Fannie and Freddie, were placed into conservatorship by the FHA. Under this agreement, FHA took control of the two companies and the Treasury Department risked literally hundreds of billions of dollars, taxpayer dollars, to bail them out. Today, the American taxpayer has sunk over \$183 billion and counting into those failed institutions. As if this weren't enough, they've added \$1.2 trillion in debt and \$5.3 trillion in mortgage-backed securities.

Because Fannie and Freddie have become the explicit financial responsibility of all of us via the Federal Government, it only makes sense, don't you think, that we treat them the same way that we'd treat any other obligation of the Federal Government, by formally bringing them onto the budget. The CBO even says this. They took a step several years ago by the Office of Management and Budget, but they resisted the change, preferring to obscure the total Federal exposure of Fannie and Freddie. It's time that the Obama administration does the same thing.

So bringing Fannie and Freddie exposes some of the ugly—and maybe we'll call them inconvenient—truths; but I know that the American people did not send us here to play a shell game, but did send us here to bring out the facts.

The combined debt obligation of Fannie and Freddie isn't the only black cloud hanging over us. There's inaccuracies and lack of transparency in budgeting for Federal credit programs across the field. We can talk about the Solyndra situation that makes the news. That fiasco was an example of a loan guarantee gone sour. Federal loan guarantees are contractual obligations between the taxpayer, the private creditor, and the borrower. In that case, it went south. But, unfortunately, under current law when the government issues a loan guarantee, the inherent risk is not reflected in the loan or loan guarantee cost. In fact, the CBO estimates that our current Federal obligations under these accounting rules today understate the cost of credit programs by some \$55 billion a year.

□ 1500

Because the rules do not account for market risk, that is why we need to change it. And with that, Madam Chair, I reserve the balance of my time only to say that this does three important things: provides the clarity, the transparency, and the accountability that we are looking for in these and other aspects of the Federal Government programs.

Mr. VAN HOLLEN. I yield 3 minutes to the gentleman from New Jersey, a member of the Budget Committee, Mr. PASCRELL.

Mr. PASCRELL. Madam Chair, with regard to the title of this legislation, the Budget and Accounting Transparency Act, maybe they should have stopped there, Madam Chair, because the rest of the bill is not transparency at all. We still want to deal in the mist, we still want to believe that if we don't pay our bills and if we don't pay the bills that we have, the Federal Government, that everything is going to be all right. The bond rating agencies don't think so, nor does anyone else. So when you put the country in jeopardy of not paying its own bills, here is who you hurt: you hurt the middle class, you hurt the working poor, and you hurt the poor.

This bill is nothing more than a backdoor method to politicize and eliminate important Federal investments. They've been trying to do that, Madam Chair, for 4 years. It hurts the middle class, hurts the working folks, and it hurts the economy.

The use of the fair value accounting is the ax that these extreme methods will take to spending on our education, our small businesses, and the next generation of clean technology. This bill that we are discussing right now requires that certain programs that make loans, whether they be student loans, Small Business Administration

loans, or Department of Energy loans for clean energy projects, be scored to cost more than the government actually spends. And you don't even deny it.

In short, fair value accounting doesn't call a nickel a nickel, it calls it 10 cents. Artificially inflating spending levels in loan payments, in loan programs, puts the squeeze on important Federal programs that families rely on, particularly in difficult times.

You can laugh all you want, Madam Chair, but this is the truth. Families are being squeezed out there. And I know that you know—you know—Madam Chair, that this is important to the daily living of folks that you represent and I represent. And I'm not getting personal. I'm saying that we, as representatives, have got to represent the people in our district whether they're hurting or not. And I understand that we've had many bills on the floor of this House in the past 3 years to squeeze the economy. And what has it resulted in? You squeezed the States, you squeezed the municipalities—

The CHAIR. The time of the gentleman has expired.

Mr. VAN HOLLEN. I yield the gentleman 1 additional minute.

Mr. PASCRELL. You squeezed them so they lay off police officers, they lay off teachers, and they lay off firefighters, and you're telling America, Madam Chair, don't worry about it, this will all be over, this is simply that we all have to have shared pain. Yeah, sure, shared.

This bill will jeopardize our economic recovery by putting the brakes on the housing market. It would bring us closer to another debt ceiling debate. Madam Chair, I think that's where we want to head, some of us: let's have another debate over the debt ceiling, let's have another debate as to whether we should pay our bills so we can shut down the place.

For you to preside over and get folks to believe that if you shut the government down, maybe that wouldn't be so bad either, not paying our debts wouldn't be so bad, I don't know what planet we're living on. This country needs pro-growth economic policies. We need to take action, and the action we should take is to vote down this transparency act.

Mr. GARRETT. Madam Chair, just as we recognize that the American taxpayer has already been squeezed by such expenditures as \$527 million for the failed loans to Solyndra, we recognize that they must put these on the record so we understand what they truly cost. And the gentleman who has been a leader in this regard from the very beginning in his time in Congress, a leader in the area of budget transparency and in fixing the American budget and here in Congress, is the gentleman from Texas (Mr. HENSARLING). I yield 2 minutes to the gentleman from Texas.

Mr. HENSARLING. I thank the gentleman for yielding. I appreciate his

leadership, and certainly his leadership as one of the foremost budget hawks in the entire United States Congress.

Madam Chair, we just learned that the President will not be a day late and a dollar short with his budget. Instead, he will be a week late and a trillion dollars short on his budget. We also learned from the Congressional Budget Office this will not be his first year, his second year, his third year, but his fourth year to be a trillion dollars short on his budget.

Now, Madam Chair, we received a little good news last month: 200,000 of our fellow citizens were able to find work. Unfortunately, 13 million—almost 13 million—remain unemployed, more people are on food stamps than ever before, and half of all Americans are either low-income or in poverty under the policies of this President. It is clear that this President's policies have failed. They have made our economy worse. And because he cannot run on his record, he has regrettably turned to the politics of division and envy.

To help the economy, to help create more jobs, Madam Chair, number one, we've got to quit spending money we don't have. And second of all, the American people and job creators have to be able to know that they have a fact-based budget, one that is as honest as the American people themselves.

We need fair value accounting. If you're a small business in the Fifth District of Texas and you don't have fair value accounting, you'll probably go broke. Well, the Federal Government doesn't use fair value accounting, and guess what? The Federal Government is broke. That's why we must pass the gentleman from New Jersey's bill, the Budget and Accounting Transparency Act. No more Fannie and Freddie's, no more Solyndras. Let's ensure that we account for these costs as part of the Republican plan for America's job creators to give our job creators the confidence they need to hire and grow this economy.

Mr. VAN HOLLEN. Madam Chair, it's unfortunate that some of our Republican colleagues can't take just a moment away from politics to celebrate the fact that we did have some good economic news over the last month. Over 250,000 private sector jobs were created. That's good news. Is it enough? Of course not. Of course, we need to do more, which is why we'd like to see our Republican colleagues bring the President's jobs bill to the floor of the House. It's still sitting somewhere around here.

It includes a proposal to invest in our infrastructure, in our roads, in our bridges and broadband so that we can make sure that we have an economy that can compete and win with respect to our global competitors. So it would be great if we could take up that bill. In the past, investment in infrastructure has always been a bipartisan initiative, but the President's proposal is still languishing.

With that, I yield 2 minutes to the gentlelady from Wisconsin, a member of the Budget Committee, Ms. MOORE.

Ms. MOORE. I thank the gentleman for yielding.

Madam Chair, I rise today to join my fellow Democratic members of the House Budget Committee to express my confusion and disbelief over our colleagues' decision to make a spectacle out of the so-called budget process reform bills rather than using our time to wisely address serious economic policy and make long-term, overdue process improvements.

I admire my Republican colleagues for raising the issue of the need to have a better budgeting process. But these are just spectacles. This so-called Budget and Accounting Transparency Act is an example of that.

H.R. 3581 would change the way we budget for government loans by requiring that estimates for these loans—examples are student loans, energy loans, housing, small business loans—be done on the so-called fair value basis.

□ 1510

These estimates account for so-called “market-based” risk.

Now, experts argue that so-called fair-value estimates overstate the true cost of government credit programs because the estimates include a risk premium that never materializes in the government's cash flow.

It's also critical to note that in every single discussion of H.R. 3581 and fair-value estimates, that if we applied this policy not just to credit products, but government-wide—like to Medicare or to ag programs, or some of the other favored programs of the majority—it would increase estimated subsidy costs to the government for all loan programs by more than \$50 billion. But you know what, that may in fact be consistent with what the authors and proponents of this bill want to see.

We heard, Madam Chair, our good friend, Mr. GARRETT, start his opening speech with how the country is broke. We heard Mr. HENSARLING talk about the food stamp President.

The CHAIR. The time of the gentlewoman has expired.

Mr. VAN HOLLEN. I yield the gentlelady an additional minute.

Ms. MOORE. I've got to talk about the food stamp President a little bit—and talking about how we ought to stop spending. Well, this in fact accomplishes that purpose. By overstating the budget risk, the accounting risk that's already accounted for in the Credit Reform Act of 1990, by overstating the cost of these programs, it in effect reduces the base for our budgets. And if that is their mission, it will be accomplished with passage of these bills.

It doesn't make any sense, Madam Chair, to try to put Freddie and Fannie on budget when right now in the Financial Services Committee, on which some of these Members sit, we are trying to make a major overhaul of

Freddie and Fannie, and their fate has not been determined yet.

The OMB, the CBO, both of the institutions that we rely upon for budgeting, are not prepared to bring this online. This is not ready for prime time, and I would urge the body to reject these proposals that have not been vetted.

Mr. GARRETT. Madam Chair, I yield myself such time as I may consume.

I thank the lady for commending us for raising these issues. But actually, we're doing something more than just simply raising the issue. We're addressing it and solving this problem as well.

I appreciate the fact that the gentlelady raises the fact about a list of experts who have questions about this. Well, I have experts too, but I actually have the name. A former CBO Director, Doug Holtz-Eakin, now with American Action Forum, writes us here to express support of H.R. 3581.

The gentlelady may also know, since she serves on the committee, when it comes to this issue that we had this issue up in committee recently, and we asked the current CBO Director does he support with regard to moving towards fair value. And he said that is the more appropriate basis of evaluating the obligations of the Federal Government. So we have the experts.

AMERICAN ACTION FORUM,
January 30, 2012.

Hon. PAUL RYAN,
Longworth House Office Building,
Washington, DC.

DEAR CHAIRMAN RYAN: I am writing to express my support for H.R. 3581, “The Budget and Accounting Transparency Act of 2011,” in particular those provisions that would incorporate fair value accounting (FVA) into the federal budget process. As you are well aware, a core objective in federal budgeting is to accurately display the scale and timing of the expenditure of taxpayer resources. Since sovereign tax and borrowing powers should always be used judiciously, there is a premium on doing so as accurately as possible.

In some cases this is straightforward. Consider, for example, a discretionary appropriation. The scale of the overall commitment is clear and in some cases it is straightforward to budget the timing of the ultimate outlays as well. Federal credit programs, however, present particular difficulties. The timing of budgetary cash flows differs dramatically between direct loans and federal loan guarantees—even in cases when the ultimate economic impact is identical. The Federal Credit Reform Act of 1990 (FCRA) took an important step forward by equalizing the timing of their budgetary treatment. Direct loans and loan guarantees are both recorded in the budget during the year in which the commitment is incurred, regardless of the duration and timing of the federal assistance.

This was an important step in the right direction. However, estimating the scale of required taxpayer resources remains problematic. In particular, the ability of loan recipients to make timely and complete repayments will be influenced by future individual, household, and economy-wide economic conditions. In the same way, the obligation of the federal government to undertake guarantee payments will be driven by similar forces.

While such future individual and economic conditions are uncertain, reliable techniques

exist to estimate the likely size of the taxpayer obligation. Unfortunately, FCRA needlessly restricts the analyses to credit risk—the probability of failure to fully repay—while ignoring the fact that the timing of those failures matters enormously. As the past few years have starkly reminded every American, the need to tax, borrow and otherwise deprive the private sector of another dollar has far greater implications during the depths of economic distress than during periods of robust economic growth. Adoption of FVA would rectify this oversight.

I recognize that significant reform to budget procedures should not be undertaken lightly. However, my views are informed by the fact that during my tenure as director, the Congressional Budget Office undertook a number of studies of the implications of accounting fully for economic risks in the budgetary treatment of financial commitments like credit programs. In example after example (pension guarantees; deposit insurance; flood insurance; student loans; and assistance for Chrysler and America West Airlines), it becomes clear that an incomplete assessment of risks leads to misleading budget presentations and may engender poor policy decisions. FVA would be a significant step toward improving this informational deficit.

My views are echoed by a wide array of budget experts. In March 2010, CBO issued a new report recommending the use of FVA for federal student loan programs on the grounds that budget rules do “not include the costs to taxpayers that stem from certain risks involved in lending.” In addition, the Pew-Peterson Commission on Budget Reform proposed “fair-value accounting” for credit programs and the President's National Commission on Fiscal Responsibility and Reform advocated for reform of budget concepts that would more accurately reflect costs.

In addition to these research views, there is a track record of success. FVA has already been used successfully for the budgetary treatment of the Temporary Asset Relief Program of 2008 (TARP) and the federal assistance to Fannie Mae and Freddie Mac.

Last but not least H.R. 3581 would also fix another shortcoming of FCRA; namely that the administrative costs associated with federal operations are not included in the budget cost and must be provided for elsewhere. H.R. 3581 would require that administrative costs (called “essential preservation services”) to be accounted for up-front, thereby balancing the playing field.

In sum, I believe that the Congress should adopt fair value accounting and, in particular, pass H.R. 3581 in a timely fashion. I would be happy to discuss any aspect of this issue in greater detail.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

With that, I yield 1 minute to the gentleman from California (Mr. MCCLINTOCK).

Mr. MCCLINTOCK. I thank the gentleman for yielding.

Madam Chair, a family that excludes from its family budget the mortgage payments it knows it must make is deluding itself and it's sabotaging its finances. That's precisely what the Federal Government is doing right now with respect to billions of dollars of liabilities that arise from its ill-fated sponsorship of Fannie Mae and Freddie Mac.

This bill takes a small step toward restoring honest and accurate accounting to our government's finances by requiring that the enormous liabilities

incurred by Fannie and Freddie be accounted for in the Federal budget process, using exactly the same accounting standards for loans that we already insist upon with mortgage lenders.

I wish this bill abolished Fannie and Freddie outright. I wish it restored the days when banks and borrowers who made bad decisions took responsibility for them and didn't demand that their neighbors pay for their mistakes. But can't we at least agree that the public has a right to expect that the cost of this folly is honestly accounted for in our Nation's budget?

Mr. VAN HOLLEN. Madam Chair, I reserve the balance of my time.

Mr. GARRETT. I yield 2 minutes to the gentleman from Oklahoma (Mr. LANKFORD).

Mr. LANKFORD. Madam Chair, I'm grateful that we're getting a chance to shine some light into the area of the credit costs and the credit issues. If you went to any bank in America, any community bank, any other bank you wanted to go to and talked to them about fair value, they would know exactly what we're talking about because we as the Federal Government require that of them. Now, this is another one of those instances that the Federal Government has exempted themselves from the rules that everyone else has to live under.

Fair value is not some radical, different proposal. It takes into effect the real risks that are sitting out there on the horizon and says those need to be taken into account. It's what we evaluate every single bank on dealing with their safety and soundness.

This bill addresses three real issues. Let me try to address those three. The real cost, that's number one. The real cost in Washington is incredibly difficult to find nowadays. You have all these different estimates, all these things that move around. If we want to know what is the real cost with the risk involved, this is the only way to be able to get it is in this fair-value estimate.

The second real—the real issue in the past couple of years is Fannie and Freddie. We all know it, we're all aware of it, and for the first time we're getting to the real issue and starting to deal with how do we handle Fannie and Freddie, where do we go from here.

So we're getting the real costs. We're beginning to deal with the real issue, which is Fannie and Freddie.

And, finally, we're finally getting real transparency. We should let every American see what's in our budget and how we're handling it and the costs that are out there. This puts it online and gets out there for every single American to be able to take a look at it and say, okay, what are the proposals? What is out there? What's the real cost? How are we going to handle this in real ways? And how do we get real transparencies?

Mr. VAN HOLLEN. Madam Chair, I yield myself such time as I may consume.

Look, if this legislation only dealt with Fannie and Freddie, that's something that I certainly would support. In fact, the Congressional Budget Office already puts Fannie and Freddie online. I know it's an easy catch phrase, but the reality is, behind the discussion of Fannie and Freddie is a whole other discussion about whether we want to apply these rules to things like student loans. And the reality is that if you apply this methodology to student loans, you will systematically overestimate the cost in the budget in terms of outlays.

I would just like, Madam Chair, to refer the body to a report that was written by two of the prime advocates for this. It's called "Reforming Credit Reform." Deborah Lucas was one of the coauthors. This was in "Public Budgeting & Finance," winter of 2008. Just let me read a portion because it says: Including a risk premium in subsidy cost produces a cost estimate that on average exceeds outlays for realized losses. That discrepancy between cash flows and subsidy costs must be reconciled in the budget so that over the life of a credit cohort, actual cash flows match budget costs in expectation.

Now, as I said, this is a complicated issue, and that sounds like a lot of complicated budgetary gobbledygook. Bottom line is, what this bill does is systematically overestimate the costs in the budget on a cash-flow basis. And it's important that everybody understand this.

Right now, when the Federal Government budgets for credit risk, we take into account the default rate. In other words, whether it's student loans, whether it's clean energy loans, whether it's Fannie and Freddie, people make an assessment about what the likely default rate is. That is taken into account and then discounted for present value when you put together your budget.

Now, even the advocates of this legislation concede that. That's not a question; we already do that. And even the advocates of this legislation concede that it will, again, systematically, in the budget, have a higher cost number associated with outlays than reality will dictate.

What do I mean by that? It will say that student loans are actually more expensive on a cash basis than they really are. Let me repeat that. If you direct that the Congressional Budget Office move to this kind of accounting, the numbers that will appear in the budget on a cash basis will systematically exaggerate, inflate the costs of the credit program. What that means is if you're a Member of Congress and you're looking at a proposed student loan program and you're looking at the numbers that are forecast, you're going to think that it's more expensive in cash terms to the taxpayer than it really is, on average, over time. Therefore, you're going to be less likely to make that investment, potentially.

□ 1520

So I think it's important as we look at this that we recognize that in place of something that, as I said, the former head of CBO, Bob Reischauer, has said provides an accurate picture of the costs on a cash basis to replace that with something that systematically gives us a different picture, and one that systematically exaggerates the costs would be a mistake.

And again, I just end this portion here by saying we just don't think this is ready for prime time. We don't think that we've fully understood all the impacts. There are experts on both sides of this issue, but it seems to me the Budget Committee could at least devote one hearing to this general topic. Again, we had one hearing on applying this to FHA. If you want to apply it to Fannie Mae and Freddie Mac, CBO already does that, no problem. But this leaps from that to applying it throughout the budget, including student loan programs, and I don't think we've begun to understand what impact that would have on the affordability of going to college and the other impacts throughout the budget.

I reserve the balance of my time.

Mr. GARRETT. Madam Chairman, I yield myself such time as I may consume.

The gentleman from Maryland speaks of the report of Marvin Phaup from 2008, I guess that was, and also speaks in reference to the Center on Budget and Policy Priorities. In front of me, and I'll ask, under general leave to enter this into the RECORD as well. Just recently, just this week, I guess, he has now issued the final report, and this report says as follows:

"This comment responds to a recent release from the"—as the gentleman's referring to—"from the Center on Budget and Policy Priorities (CBPP)."

And what does he say?

"My view is that the CBPP misrepresents our work"—that you were referring to. They misrepresent his work—"and more fundamentally incorrectly characterizes the purposes and consequences of moving to a fair value approach to credit valuation in the budget."

One of his main points is the legislation before us would do what? It "would remove 'phantom' gains to the government from the budgetary treatment of direct lending and loan guarantee programs. These illusory gains mislead public policymakers about the costs of their policy decisions."

What does that mean? What that means is, in the numbers that the gentleman from Maryland was talking about that are actually making more and, over time, exceeds outlay, Marvin Phaup is here saying, no, just the opposite, that this bill would address that. It would remove those gains and show it for the reality of what it is.

FAIR MARKET VALUES AND THE BUDGETARY TREATMENT OF FEDERAL CREDIT: COMMENT ON CBPP'S RELEASE ON H.R. 3581

(By Marvin Phaup)

This Comment responds to a recent release from the Center on Budget and Policy Priorities (CBPP). The release asserts that the federal budget currently measures the cost of direct loans and loan guarantees comprehensively and that as a result the costs of cash and credit programs are directly comparable. CBPP asserts further that enacting H.R. 3581, which would require the use of fair market values in calculating the budget cost of federal loans and guarantees, would add a cost of risk that the government does not incur. Consequently, it claims, this would overstate federal costs and the budget deficit and create a bias against the use of credit programs. CBPP also refers critically to my earlier work with Deborah Lucas, showing that government credit activities are subject to the same market risk as private credit and exploring the implications of this finding for budgeting. My view is that CBPP misrepresents our work and more fundamentally incorrectly characterizes the purposes and consequences of moving to a fair value approach to credit valuation in the budget.

In this note, I make the following points:

H.R. 3581 would remove "phantom" gains to the government from the budgetary treatment of direct lending and loan guarantee programs. Those illusory gains mislead policy makers about the costs of their policy decisions.

Illusory gains on federal credit also encourage budget gimmickry. For example, FCRA would permit the government to balance its budget immediately on paper by issuing large amounts of Treasury debt and using the proceeds to invest in an equally large portfolio of risky loans. This result would be absurd because in issuing a dollar of debt and buying a dollar of risky loans at market prices, the government's net financial position is unchanged.

If the current practice of using the prices of Treasury securities to value risky loans rather than the market value of the risky securities themselves were extended to other assets, then the government could—with the same logic—direct the Treasury to buy a ton of lead, value it at the price of gold, and record the gain as deficit reduction.

The cost of market risk should be a budget cost because it is a cost to government stakeholders and its absorption by some yields an unrecognized subsidy to others. CBPP would include this cost in cost-benefit analyses where the purpose is to decide if a federal activity produces a net gain but not in the budget. Budgeting without an evaluation function, however, is little more than a redundant projection of Treasury's borrowing requirements.

The cost of market risk should not be excluded from the budget on grounds that the money isn't paid out by the government. Both the Universal Service Fund and the United Mine Workers of America Benefit Funds are included in the budget, even though the money is untouched by federal hands.

PURPOSES OF BUDGETING, FAIR VALUE, AND COST COMPARISONS

Budgetary costs serve several purposes, but arguably the primary one is to measure the value of public resources devoted to an activity by the government. For many activities, such as the purchase of goods and services, this purpose is well-served by a cash measurement focus and basis of accounting. The cash costs that appear in the budget for these activities are fair value costs because they are based on the market prices of the goods and services purchased

(directly, or indirectly through the use of grants and transfers) by the government. When the government buys a fleet of trucks, the budgetary cost is based on the market price of the trucks.

Accounting for the cost of credit on a fair value basis would similarly identify the budgetary cost of credit with its market price, thereby putting credit and non-credit activities on a conceptually level playing field.

Under the Federal Credit Reform Act of 1990 (FCRA), the budget records the cost of direct loans and loan guarantees on an accrual basis. FCRA mandates that the budget record the estimated lifetime cost of a direct loan or loan guarantee when the loan is disbursed as the government's loss on the transaction. FCRA requires that for a direct loan, the government's loss is the difference between the value of the cash disbursed and the loan asset acquired, where the latter is valued as the present value of expected repayments of principal, interest and fees discounted at low-risk (Treasury) rates rather than rates applied in the market to risky cash flows. The loss on loan guarantees is calculated similarly in that the government's expected net payments to honor its commitment are also discounted as though they were Treasury bonds.

The use of Treasury interest rates to value risky future cash flows means that a risky loan is assigned an FCRA budget value greater than its market value. Thus the FCRA budget cost of a federal loan or guarantee is less than the cost incurred by private lenders or guarantors. This is because people are risk-averse and require compensation—in the form of higher expected investment returns—on investments that expose them to risks that cannot be avoided by holding a diversified portfolio or buying insurance. In particular, they are averse to "market risk," which is the risk that low investment returns will coincide with periods during which the overall economy is weak, and resources are the most valuable. The government effectively transfers to the public the market risk associated with its activities through the tax and transfer system. The CBPP example involving a coin toss does not illustrate this line of reasoning because it involves a risk that is easily diversifiable by both individuals and the government.

Market risk also affects the price of non-financial assets purchased by the government, and those costs are reflected in the budget. For example, the cash price of a navy ship includes a return to the capital used in its production. The expected return built into the ship's price depends on the risk premium associated with ship-building. From that perspective, the CBPP characterization that the proposal will "add a further amount to reflect private-sector risk aversion" is misleading. It is more accurate to say that incorporating a market risk premium into FCRA estimates would make them more comparable to cash estimates, which already reflect the full market price of the associated risk.

Fair value estimates of the value of federal direct loans and guarantees include the cost of market risk. Effectively, they use the same estimates of uncertain future cash flows as FCRA estimates (assuming those projections are as accurate as possible), but they use market discount rates (or "risk-adjusted" discount rates) in place of Treasury rates for discounting. Risk-adjusted discount rates can be represented as the sum of a Treasury rate and a risk premium.

One implication of the meaning of fair value is that, contrary to CBPP's view, discounting expected cash flows (net of expected default losses) does not double count those losses. If the expected net losses are

certain, then the expected cash flows are certain and the fair market value is obtained by discounting at risk-free rates. This is rare. Otherwise, net expected cash flows must be discounted at rates appropriate to the market risk of the cash flows to obtain fair market values.

"FLAWS" OF THE FAIR VALUE APPROACH

CBPP gives a list of reasons why the fair value proposal is thought to be flawed. The first is that government may be less risk averse than individuals. The authors offer several reasons why that might be the case, and point to the government's ability to borrow at low Treasury rates. Those arguments have several shortcomings:

The idea that low Treasury borrowing rates are a reason for the government to be less concerned about risk neglects that Treasury rates are only low because bondholders are protected from risk by taxpayers, who must absorb the market risk associated with the government's activities. For example, when a risky loan has insufficient returns to repay the Treasury debt that notionally is used to fund it, taxes must be raised or other spending cut. Under FCRA accounting, that risk to taxpayers is treated as being free to the government.

In fact, the government could be more risk averse than individuals rather than less risk averse. For example, the government may be more concerned about the risks of global warming than is reflected in market prices because it puts more weight on the welfare of future generations.

In practice, adjusting budgetary costs based on conjectures about the government's preferences would undermine the discipline and transparency of the budget process.

The second alleged flaw is that risk aversion is not a budgetary cost. As discussed already, a consistent basis for measuring budgetary cost is to use market prices, which are affected by risk aversion and by the preferences of people generally. Further, as noted, that government does not write checks for the market risk of direct loans and guarantees is not dispositive of the appropriate treatment of an activity.

A further criticism is that the proposal does not treat all programs the same. Specifically, it raises the concern that the change would make credit programs appear more expensive to Treasury than other programs. The opposite is generally true: cash basis estimates incorporate the price of the associated market risk because they are accounted for at market prices, whereas FCRA estimates are relatively downward biased. In any case, the examples given suggest a misunderstanding of the type of risks that would be incorporated into fair value estimates. For instance, the paper notes the uncertainty associated with the future costs of many programs, including Medicare, and points out that no adjustment is made for the cost of that uncertainty. However, the same type of uncertainty exists for credit programs, and the risk adjustment associated with a fair value approach does not address those sources of uncertainty:

First, future Medicare costs do not affect the current year budget deficit because those programs are budgeted for on a cash basis, not on an accrual basis. The budget enables policymakers to compare the cost of current-year spending on Medicare with the estimated lifetime cost of new current-year credit assistance. Measuring the cost of new current-year credit assistance on a fair value basis makes it more comparable to current-year Medicare expenditures, which reflect the market prices of doctor salaries, hospital, and medical equipment.

Just as with future Medicare expenditures, the volume and cost of new future-year credit assistance from ongoing programs is uncertain. However, that dimension of uncertainty does not figure into fair value calculations (or into FCRA estimates).

To the contrary, a problem with FCRA accounting is that it treats different credit programs as too much the same. That is, some credit programs expose taxpayers to much more market risk than others, but FCRA accounting does not recognize those differential costs between credit programs.

CBPP both endorses FCRA accrual accounting and criticizes an accounting practice necessitated by the uses of accruals in a mostly cash-basis budget, described in the release as “phantom offsets.” Under FCRA, direct loans cause the government’s cash shortfall (and hence its need to issue additional debt) to be higher initially than the reported deficit in the year the loan is made. That is because the loan principal paid out (not included in the deficit) is generally much larger than the recorded subsidy cost (included in the deficit). Similarly recognizing the time value of money in federal credit transactions requires adjustments to the cash deficit. Loan guarantees also necessitate “phantom offsets” to reconcile the cash deficit with the expected cost of loan defaults which are included in the deficit when guaranteed loans are disbursed. Furthermore, accruals involve uncertain future cash flows, and subsequent adjustments (FCRA refers to them as “re-estimates”) are always needed to reconcile accrual projections with cash realizations. However, there are multiple account structures that would achieve the comprehensive up front recognition of the lifetime cost of new credit assistance and reconcile those costs with Treasury’s cash borrowing requirements.

In conclusion, there appears to be general agreement that the primary purposes of budgeting are better served if the budget is supported by an accounting process that measures the public resources devoted to an activity comprehensively, comparably across programs, and up-front at the time of decision. By that standard, the use of fair values for direct loans and loan guarantees in the budget would unambiguously improve federal budgetary accounting.

With that, I yield 2 minutes to the gentleman from Kansas (Mr. HUELSKAMP).

Mr. HUELSKAMP. Madam Chairman, today I rise in support of H.R. 3581, the Budget and Accounting Transparency Act.

The first step in treating an addiction is admitting you have a problem. An addict has to be honest with himself before he can overcome his dependence. In that same vein, Washington needs to be honest about its addiction to overspending, and this bill will force Washington to do just that. It will force Washington to be honest, not only with itself but, more importantly, with the American people.

By bringing Fannie and Freddie on budget, Washington will be honest that these expensive programs have become the financial responsibility of the Federal Government. By requiring risk to be assessed and accounted for in loans or loan guarantees, Washington will be honest about the gains or losses taxpayers can anticipate. And by requiring every agency to post their budget requests online, Washington will have to be honest with the American taxpayers about where their money goes.

A lot of honesty is needed now, Madam Chairman, but a little bit will go a long way in restoring the trust of the American people and the fiscal discipline of Washington.

Can we restore the trust of the American people? Yes, we can. Can we restore fiscal discipline in Washington? Yes, we can. Yes, we will, with passage of this bill.

Mr. VAN HOLLEN. Madam Chair, I yield myself such time as I may consume.

I was actually reading from the original document, “Reforming Credit Reform,” by Marvin Phaup and Deborah Lucas, where they say straight-out here that including a risk premium in subsidy costs produces a cost estimate that, on average, exceeds outlays for realized losses.

Now, we can argue whether that’s an appropriate methodology or not. But the reality is it will, as a budgetary matter, systematically inflate the cash outlays for different credit programs going forward.

I reserve the balance of my time.

Mr. GARRETT. I would advise my colleague from Maryland that we have no further speakers.

Mr. VAN HOLLEN. Madam Chair, again, I wish we were here debating the President’s jobs plan. I wish we were focused on bringing to the floor the conference committee report so that we could provide relief to 160 million Americans through the payroll tax cut.

With respect to the budget bill before us, as I indicated, it’s just not ready for prime time. You would think that before undertaking a change which seems small, is very complicated, and could have lots of unintended consequences, especially with respect to things like student loans—as I’ve said, if we were confining this debate and this bill to things like Fannie Mae and Freddie Mac, I have no problem. In fact, the Congressional Budget Office already applies this methodology to Fannie Mae and Freddie Mac. But the scope of this is much, much broader than that. It goes, as I said, to all credit programs, including student loan programs, and will, as a matter of accounting, show in the budget greater dollar outlays than will actually reflect the ongoing costs of things like student loans, again, in a systematic way.

The last point I want to make, Madam Chair, is one that was raised by one of my colleagues, which is: Where do you actually draw the line when it comes to moving in the direction of this other kind of accounting?

Now, this bill applies to all credit programs, but there are other programs funded by the Federal Government where the costs rise and fall based on what’s happening in the market, based on what’s happening in the economy. There are lots of ag programs that rise and fall based on what’s happening in the economy. Medicaid is a program whose costs rise and fall based on the economy. And in talking to lots

of people, it’s not clear where you draw a bright line, and I certainly don’t know where the argument ends with respect to moving toward this kind of accounting. Before we begin to move even further in this direction, I think we should have a debate on what exactly that would mean for our budget and for the American people.

Again, I commend the gentleman for raising an issue, especially as it’s been in the context of Fannie Mae and Freddie Mac. I think this deserves a lot more attention before you expand it throughout all the credit programs of the United States Government. I’m particularly concerned the impact it would have on the affordability of going to college and student loans. And then, as I said, there’s no clear demarcation between credit programs and the argument that’s being applied here and to some of the other programs where the risk to the taxpayer also fluctuates based on market risk and the performance of the economy.

Madam Chair, I would urge my colleagues to oppose this legislation.

I yield back the balance of my time.

Mr. GARRETT. I yield myself such time as I may consume.

And again, I’ll say to the gentleman as well, as your colleague did as well, commended us for raising this important issue, and I do agree that it is an important issue. But I think the American public is tired of Washington simply raising important issues and discussing important issues and having committee hearings on important issues. I think the American public is looking for Washington, once and for all, to take some decisive action in the name of the American public, in the name of the hardworking taxpayers whose money it is that is on the line. It is the people’s money that we are talking about in all of these bills. It is the people’s money that has been put on the line when the Federal Government issues loans and loan guarantees.

And I want to remind the gentleman from Maryland of how much money we’ve been talking about in all these things. When we talk about all the bailouts that the American public stood and railed against, rightfully so, as did I, whether it was the oil bailouts or the bank bailouts or the Wall Street bailouts, they all pale in comparison to the bailouts that we’re talking about here with the GSEs, \$186 billion and counting. The gentleman, Mr. RYAN, raised the issue before that, I believe, it was going to go up to \$280, \$290 billion and counting.

That’s not Washington’s money or the government’s money or the gentleman from Maryland’s money. That’s the hardworking American taxpayers’ money that was initially put at risk without any idea what the real risk was going to be for all these other loan programs and now is going out as outlays.

□ 1530

Now it is going out without any prospect whatsoever of being repaid. The

gentleman says these exceed these estimates of fair value accounting, and they exceed outlays. Well, they exceed it until they don't. They exceed it until the loan fails. They exceed it until you're talking about a Solyndra situation where you guarantee over \$500 million, and then the company goes bust. That's what we're trying to address here, to make sure that you're actually properly grading and accounting for this. We're not asking for something extraordinary.

I know the gentleman from New Jersey came to the floor and he said this is extreme, what we are asking for here. Extreme? Why do we ask the private sector to use this same sort of accounting? Why do we ask the mom-and-pop shops, the big Wall Street firms, and everything in between to use this sort of accounting when they do so? When you ask for a student loan, a car loan, a house loan, whatever, we ask local banks to use this same form of accounting. If it is good enough for the rest of society, if it is good enough for all of my constituents and your constituents, if it is good enough for all of the businesses back at home, I think it's good enough for the Federal Government to play by the same rules. That's all we're asking for here.

He says, how far should we go? I think we should go as far as to say that the Federal Government should have to do the exact same thing, play by the exact same rules that our businesses back at home have to do. That's all this bill does. It shines the light of day on what we're spending, and if we are spending too much, then we have to do what we are elected to do: set priorities, decide where we want to spend it on this program or that program, or maybe cut back on this program and expand someplace else. But we can't make those decisions until we actually have the information before us. We can't say this one is working and this one is not working, this one is worthwhile and this one is not worthwhile until we actually have that information before us. That's the long and short of it. That's all this bill does. It gives both sides of the aisle and the American public that information.

With that, I would call for support of this legislation of sunshine and accountability and transparency in the way the Federal Government runs their business.

I yield back the balance of my time.

Mr. GARRETT. Madam Chair, I would first like to thank Chairman RYAN and the Budget Committee staff for their hard work on H.R. 3581, the Budget and Accounting Transparency Act.

Unless you've been living on Mars the last year, it should not come as a surprise to hear that our country is broke. However, what should surprise you is that the true extent of our country's debt crisis is a lot worse than anyone in Washington is letting on.

How much worse? That's the thing, nobody knows; and we won't ever know until we reform the broken budget process in Washington, DC.

As many have talked about before, our budget process is broken. Simply put, we need to make the budget process more transparent.

Fortunately, today we are taking a step in the right direction with H.R. 3581, the Budget and Accounting Transparency Act of 2011. I introduced this bill in December, along with Chairman RYAN, as part of a comprehensive set of reforms to overhaul Washington's broken budget process.

The bill before the House today—the Budget and Accounting Transparency Act—is a common-sense attempt to introduce more “sunshine” and “common sense” into our budget process.

What would this legislation do?

Specifically, this bill recognizes the budgetary impact of government-sponsored enterprises Fannie Mae and Freddie Mac by bringing these black holes of debt out from the shadows into the sunshine and on-budget.

This bill also requires that the federal government apply the same credit accounting standards as the private sector when making or guaranteeing loans.

In September 2008, as the country was reeling from the fallout from the financial collapse, Fannie and Freddie were placed into conservatorship by the Federal Housing Finance Agency (FHFA).

Under this agreement, FHFA took control of the two companies and the Treasury Department risked hundreds of billions of taxpayer dollars to bail out the government-backed mortgage twins.

To date, the American taxpayers have sunk over \$183 billion and counting into these failed institutions. As if this weren't enough, Fannie and Freddie have also issued more than \$1.2 trillion in debt and hold or guarantee about \$5.3 trillion in mortgage-backed securities (MBS).

Because Fannie and Freddie have become the explicit financial responsibility of the federal government, it only makes sense that we treat them the same as we would any other obligation of the federal government by formally bringing them on-budget.

The non-partisan Congressional Budget Office took this step several years ago, but the Office of Management and Budget has resisted the change preferring to obscure the total federal exposure to Fannie Mae and Freddie Mac.

It's time the Obama administration did the same.

Bringing Fannie and Freddie on-budget exposes some ugly and inconvenient truths. But I know the American people did not send us here to play a shell game with taxpayer dollars.

The combined debt obligation of Fannie and Freddie isn't the only black cloud hanging over us; inaccuracies and a lack of transparency in budgeting for federal credit programs also loom large.

Take the case of Solyndra, for example—the poster child of government loans gone bad. As we saw with the Obama administration's \$527 million “investment” into the solar energy company, when Washington makes a bad bet, it's the American taxpayers left holding the bag.

Federal loan loan guarantees are contractual obligations between the taxpayer, private creditors and a borrower such as Solyndra.

Loan guarantees are a promise by the American taxpayer that they will cover the bor-

rower's loan in the event that the borrower defaults. If the American taxpayer is on the hook for default, shouldn't we have a better idea of the cost of the loan in the first place?

Unfortunately, under current law, when the government issues a loan or loan guarantee, the inherent riskiness of that loan is not reflected in the loan or loan guarantee's cost.

In fact, the non-partisan Congressional Budget Office estimates that our current federal accounting rules understate the cost of credit programs by some \$55 billion a year, because the rules do not account for market risk.

Why shouldn't Washington play by the same rules that every American family and business must play by when taking out a loan?

The Budget and Accounting Transparency Act fixes this shortcoming by requiring market risk to be explicitly included in estimates of federal credit programs, bringing federal budgeting practices in line with what's long been standard practice in the private sector.

Specifically, it requires the executive branch and Congress to use “fair value” accounting in calculating the costs of federal credit programs that consider not only the borrowing costs of the federal government, but also the costs of the market risk the federal government is incurring by issuing a loan or loan guarantee.

Accounting for market risk is the key—you local banker does it every time you apply for a home or auto loan. The federal government should be doing the same.

In fact, during the House Budget Committee's consideration of this legislation, the director of the non-partisan Congressional Budget Office stated:

“We believe that the fair-value method of accounting for federal credit transactions provides a more comprehensive measure of a [program's] true cost.”

While the Budget and Accounting Transparency Act won't prevent future presidents from making similarly risky bets, at least it will force them to be honest with the American people about the true upfront cost of their boondoggles.

Lastly, the legislation before us today increases the amount and timeliness of information on agency budget requests, requiring that these budget justifications be provided to the public when they are sent to Congress.

It's the people's money and they ought to know what agencies are planning to do with it.

These provisions would go a long way to fixing our broken budget process and bring much-needed transparency to the way Congress functions.

For too many years, Washington has played by a “special” set of rules.

With mounting debt and lackluster job growth, it's time to force government to play by the same economic rules as every American family and business.

For too long, we have not been honest with the American people about the cost of government. If we truly are committed to reversing our country's race towards bankruptcy, as we say we are, we need to be honest with ourselves and the American people about the true cost of government.

Today, I say we put our words to action by bringing sunlight and transparency back into our budgeting process.

Mr. DUNCAN of South Carolina. Madam Chair, I rise today to support H.R. 3581, which will bring better accountability and transparency to our budget process.

I would also note, Madam Chair, that many loan programs that are impacted by this legislation have an excellent history of loan repayment, most notably the Rural Utilities Service loans that electric co-ops like the ones in my district have used for years. Some of these loan programs have provided a positive return on the taxpayers investments, making more for the taxpayers than was at risk while allowing rural co-ops the ability to expand services in underserved areas. I hope that while we achieve much greater accountability and transparency for taxpayers as a result of this legislation, especially as it relates to Freddie and Fannie, we ensure that we don't throw the baby out with the bath water and hurt our rural utilities and their customers.

The CHAIR. All time for general debate has expired.

Pursuant to the rule, the bill shall be considered for amendment under the 5-minute rule.

In lieu of the amendment in the nature of a substitute recommended by the Committee on the Budget, printed in the bill, it shall be in order to consider as an original bill for the purpose of amendment under the 5-minute rule an amendment in the nature of a substitute consisting of the text of the Rules Committee print 112-13. That amendment in the nature of a substitute shall be considered read.

The text of the amendment in the nature of a substitute is as follows:

H.R. 3581

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Budget and Accounting Transparency Act of 2012".

TITLE I—FAIR VALUE ESTIMATES

SEC. 101. CREDIT REFORM.

(a) IN GENERAL.—Title V of the Congressional Budget Act of 1974 is amended to read as follows:

"TITLE V—FAIR VALUE

"SEC. 501. PURPOSES.

"The purposes of this title are to—

"(1) measure more accurately the costs of Federal credit programs by accounting for them on a fair value basis;

"(2) place the cost of credit programs on a budgetary basis equivalent to other Federal spending;

"(3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and

"(4) improve the allocation of resources among Federal programs.

"SEC. 502. DEFINITIONS.

"For purposes of this title:

"(1) The term 'direct loan' means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender and financing arrangements that defer payment for more than 90 days, including the sale of a Government asset on credit terms. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation.

"(2) The term 'direct loan obligation' means a binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower.

"(3) The term 'loan guarantee' means any guarantee, insurance, or other pledge with re-

spect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

"(4) The term 'loan guarantee commitment' means a binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

"(5)(A) The term 'cost' means the sum of the Treasury discounting component and the risk component of a direct loan or loan guarantee, or a modification thereof.

"(B) The Treasury discounting component shall be the estimated long-term cost to the Government of a direct loan or loan guarantee, or modification thereof, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.

"(C) The risk component shall be an amount equal to the difference between—

"(i) the estimated long-term cost to the Government of a direct loan or loan guarantee, or modification thereof, estimated on a fair value basis, applying the guidelines set forth by the Financial Accounting Standards Board in Financial Accounting Standards #157, or a successor thereto, excluding administrative costs and any incidental effects on governmental receipts or outlays; and

"(ii) the Treasury discounting component of such direct loan or loan guarantee, or modification thereof.

"(D) The Treasury discounting component of a direct loan shall be the net present value, at the time when the direct loan is disbursed, of the following estimated cash flows:

"(i) Loan disbursements.

"(ii) Repayments of principal.

"(iii) Essential preservation expenses, payments of interest and other payments by or to the Government over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries, including the effects of changes in loan terms resulting from the exercise by the borrower of an option included in the loan contract.

"(E) The Treasury discounting component of a loan guarantee shall be the net present value, at the time when the guaranteed loan is disbursed, of the following estimated cash flows:

"(i) Payments by the Government to cover defaults and delinquencies, interest subsidies, essential preservation expenses, or other payments.

"(ii) Payments to the Government including origination and other fees, penalties, and recoveries, including the effects of changes in loan terms resulting from the exercise by the guaranteed lender of an option included in the loan guarantee contract, or by the borrower of an option included in the guaranteed loan contract.

"(F) The cost of a modification is the sum of—

"(i) the difference between the current estimate of the Treasury discounting component of the remaining cash flows under the terms of a direct loan or loan guarantee and the current estimate of the Treasury discounting component of the remaining cash flows under the terms of the contract, as modified; and

"(ii) the difference between the current estimate of the risk component of the remaining cash flows under the terms of a direct loan or loan guarantee and the current estimate of the risk component of the remaining cash flows under the terms of the contract as modified.

"(G) In estimating Treasury discounting components, the discount rate shall be the average interest rate on marketable Treasury securities of similar duration to the cash flows of the direct loan or loan guarantee for which the estimate is being made.

"(H) When funds are obligated for a direct loan or loan guarantee, the estimated cost shall be based on the current assumptions, adjusted

to incorporate the terms of the loan contract, for the fiscal year in which the funds are obligated.

"(6) The term 'program account' means the budget account into which an appropriation to cover the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account.

"(7) The term 'financing account' means the nonbudget account or accounts associated with each program account which holds balances, receives the cost payment from the program account, and also includes all other cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991.

"(8) The term 'liquidating account' means the budget account that includes all cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made prior to October 1, 1991. These accounts shall be shown in the budget on a cash basis.

"(9) The term 'modification' means any Government action that alters the estimated cost of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment) from the current estimate of cash flows. This includes the sale of loan assets, with or without recourse, and the purchase of guaranteed loans (or direct loan obligations) or loan guarantees (or loan guarantee commitments) such as a change in collection procedures.

"(10) The term 'current' has the same meaning as in section 250(c)(9) of the Balanced Budget and Emergency Deficit Control Act of 1985.

"(11) The term 'Director' means the Director of the Office of Management and Budget.

"(12) The term 'administrative costs' means costs related to program management activities, but does not include essential preservation expenses.

"(13) The term 'essential preservation expenses' means servicing and other costs that are essential to preserve the value of loan assets or collateral.

"SEC. 503. OMB AND CBO ANALYSIS, COORDINATION, AND REVIEW.

"(a) IN GENERAL.—For the executive branch, the Director shall be responsible for coordinating the estimates required by this title. The Director shall consult with the agencies that administer direct loan or loan guarantee programs.

"(b) DELEGATION.—The Director may delegate to agencies authority to make estimates of costs. The delegation of authority shall be based upon written guidelines, regulations, or criteria consistent with the definitions in this title.

"(c) COORDINATION WITH THE CONGRESSIONAL BUDGET OFFICE.—In developing estimation guidelines, regulations, or criteria to be used by Federal agencies, the Director shall consult with the Director of the Congressional Budget Office.

"(d) IMPROVING COST ESTIMATES.—The Director and the Director of the Congressional Budget Office shall coordinate the development of more accurate data on historical performance and prospective risk of direct loan and loan guarantee programs. They shall annually review the performance of outstanding direct loans and loan guarantees to improve estimates of costs. The Office of Management and Budget and the Congressional Budget Office shall have access to all agency data that may facilitate the development and improvement of estimates of costs.

"(e) HISTORICAL CREDIT PROGRAMS COSTS.—The Director shall review, to the extent possible, historical data and develop the best possible estimates of adjustments that would convert aggregate historical budget data to credit reform accounting.

"SEC. 504. BUDGETARY TREATMENT.

"(a) PRESIDENT'S BUDGET.—Beginning with fiscal year 1992, the President's budget shall reflect the Treasury discounting component of direct loan and loan guarantee programs. Beginning with fiscal year 2015, the President's budget shall reflect the costs of direct loan and loan

guarantee programs. The budget shall also include the planned level of new direct loan obligations or loan guarantee commitments associated with each appropriations request.

“(b) APPROPRIATIONS REQUIRED.—Notwithstanding any other provision of law, new direct loan obligations may be incurred and new loan guarantee commitments may be made for fiscal year 1992 and thereafter only to the extent that—

“(1) new budget authority to cover their costs is provided in advance in an appropriation Act;

“(2) a limitation on the use of funds otherwise available for the cost of a direct loan or loan guarantee program has been provided in advance in an appropriation Act; or

“(3) authority is otherwise provided in appropriation Acts.

“(c) EXEMPTION FOR DIRECT SPENDING PROGRAMS.—Subsections (b) and (e) shall not apply to—

“(1) any direct loan or loan guarantee program that constitutes an entitlement (such as the guaranteed student loan program or the veteran’s home loan guaranty program);

“(2) the credit programs of the Commodity Credit Corporation existing on the date of enactment of this title; or

“(3) any direct loan (or direct loan obligation) or loan guarantee (or loan guarantee commitment) made by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

“(d) BUDGET ACCOUNTING.—

“(1) The authority to incur new direct loan obligations, make new loan guarantee commitments, or modify outstanding direct loans (or direct loan obligations) or loan guarantees (or loan guarantee commitments) shall constitute new budget authority in an amount equal to the cost of the direct loan or loan guarantee in the fiscal year in which definite authority becomes available or indefinite authority is used. Such budget authority shall constitute an obligation of the program account to pay to the financing account.

“(2) The outlays resulting from new budget authority for the cost of direct loans or loan guarantees described in paragraph (1) shall be paid from the program account into the financing account and recorded in the fiscal year in which the direct loan or the guaranteed loan is disbursed or its costs altered.

“(3) All collections and payments of the financing accounts shall be a means of financing.

“(e) MODIFICATIONS.—An outstanding direct loan (or direct loan obligation) or loan guarantee (or loan guarantee commitment) shall not be modified in a manner that increases its costs unless budget authority for the additional cost has been provided in advance in an appropriation Act.

“(f) REESTIMATES.—When the estimated cost for a group of direct loans or loan guarantees for a given program made in a single fiscal year is re-estimated in a subsequent year, the difference between the reestimated cost and the previous cost estimate shall be displayed as a distinct and separately identified subaccount in the program account as a change in program costs and a change in net interest. There is hereby provided permanent indefinite authority for these re-estimates.

“(g) ADMINISTRATIVE EXPENSES.—All funding for an agency’s administrative costs associated with a direct loan or loan guarantee program shall be displayed as distinct and separately identified subaccounts within the same budget account as the program’s cost.

“SEC. 505. AUTHORIZATIONS.

“(a) AUTHORIZATION FOR FINANCING ACCOUNTS.—In order to implement the accounting required by this title, the President is authorized to establish such non-budgetary accounts as may be appropriate.

“(b) TREASURY TRANSACTIONS WITH THE FINANCING ACCOUNTS.—

“(1) IN GENERAL.—The Secretary of the Treasury shall borrow from, receive from, lend to, or pay to the financing accounts such amounts as may be appropriate. The Secretary of the Treasury may prescribe forms and denominations, maturities, and terms and conditions for the transactions described in the preceding sentence, except that the rate of interest charged by the Secretary on lending to financing accounts (including amounts treated as lending to financing accounts by the Federal Financing Bank (hereinafter in this subsection referred to as the ‘Bank’) pursuant to section 405(b) and the rate of interest paid to financing accounts on uninvested balances in financing accounts shall be the same as the rate determined pursuant to section 502(5)(G).

“(2) LOANS.—For guaranteed loans financed by the Bank and treated as direct loans by a Federal agency pursuant to section 406(b)(1), any fee or interest surcharge (the amount by which the interest rate charged exceeds the rate determined pursuant to section 502(5)(G) that the Bank charges to a private borrower pursuant to section 6(c) of the Federal Financing Bank Act of 1973 shall be considered a cash flow to the Government for the purposes of determining the cost of the direct loan pursuant to section 502(5). All such amounts shall be credited to the appropriate financing account.

“(3) REIMBURSEMENT.—The Bank is authorized to require reimbursement from a Federal agency to cover the administrative expenses of the Bank that are attributable to the direct loans financed for that agency. All such payments by an agency shall be considered administrative expenses subject to section 504(g). This subsection shall apply to transactions related to direct loan obligations or loan guarantee commitments made on or after October 1, 1991.

“(4) AUTHORITY.—The authorities provided in this subsection shall not be construed to supersede or override the authority of the head of a Federal agency to administer and operate a direct loan or loan guarantee program.

“(5) TITLE 31.—All of the transactions provided in the subsection shall be subject to the provisions of subchapter II of chapter 15 of title 31, United States Code.

“(6) TREATMENT OF CASH BALANCES.—Cash balances of the financing accounts in excess of current requirements shall be maintained in a form of uninvested funds and the Secretary of the Treasury shall pay interest on these funds. The Secretary of the Treasury shall charge (or pay if the amount is negative) financing accounts an amount equal to the risk component for a direct loan or loan guarantee, or modification thereof. Such amount received by the Secretary of the Treasury shall be a means of financing and shall not be considered a cash flow of the Government for the purposes of section 502(5).

“(c) AUTHORIZATION FOR LIQUIDATING ACCOUNTS.—(1) Amounts in liquidating accounts shall be available only for payments resulting from direct loan obligations or loan guarantee commitments made prior to October 1, 1991, for—

“(A) interest payments and principal repayments to the Treasury or the Federal Financing Bank for amounts borrowed;

“(B) disbursements of loans;

“(C) default and other guarantee claim payments;

“(D) interest supplement payments;

“(E) payments for the costs of foreclosing, managing, and selling collateral that are capitalized or routinely deducted from the proceeds of sales;

“(F) payments to financing accounts when required for modifications;

“(G) administrative costs and essential preservation expenses, if—

“(i) amounts credited to the liquidating account would have been available for administrative costs and essential preservation expenses under a provision of law in effect prior to October 1, 1991; and

“(ii) no direct loan obligation or loan guarantee commitment has been made, or any modification of a direct loan or loan guarantee has been made, since September 30, 1991; or

“(H) such other payments as are necessary for the liquidation of such direct loan obligations and loan guarantee commitments.

“(2) Amounts credited to liquidating accounts in any year shall be available only for payments required in that year. Any unobligated balances in liquidating accounts at the end of a fiscal year shall be transferred to miscellaneous receipts as soon as practicable after the end of the fiscal year.

“(3) If funds in liquidating accounts are insufficient to satisfy obligations and commitments of such accounts, there is hereby provided permanent, indefinite authority to make any payments required to be made on such obligations and commitments.

“(d) REINSURANCE.—Nothing in this title shall be construed as authorizing or requiring the purchase of insurance or reinsurance on a direct loan or loan guarantee from private insurers. If any such reinsurance for a direct loan or loan guarantee is authorized, the cost of such insurance and any recoveries to the Government shall be included in the calculation of the cost.

“(e) ELIGIBILITY AND ASSISTANCE.—Nothing in this title shall be construed to change the authority or the responsibility of a Federal agency to determine the terms and conditions of eligibility for, or the amount of assistance provided by a direct loan or a loan guarantee.

“SEC. 506. TREATMENT OF DEPOSIT INSURANCE AND AGENCIES AND OTHER INSURANCE PROGRAMS.

“This title shall not apply to the credit or insurance activities of the Federal Deposit Insurance Corporation, National Credit Union Administration, Resolution Trust Corporation, Pension Benefit Guaranty Corporation, National Flood Insurance, National Insurance Development Fund, Crop Insurance, or Tennessee Valley Authority.

“SEC. 507. EFFECT ON OTHER LAWS.

“(a) EFFECT ON OTHER LAWS.—This title shall supersede, modify, or repeal any provision of law enacted prior to the date of enactment of this title to the extent such provision is inconsistent with this title. Nothing in this title shall be construed to establish a credit limitation on any Federal loan or loan guarantee program.

“(b) CREDITING OF COLLECTIONS.—Collections resulting from direct loans obligated or loan guarantees committed prior to October 1, 1991, shall be credited to the liquidating accounts of Federal agencies. Amounts so credited shall be available, to the same extent that they were available prior to the date of enactment of this title, to liquidate obligations arising from such direct loans obligated or loan guarantees committed prior to October 1, 1991, including repayment of any obligations held by the Secretary of the Treasury or the Federal Financing Bank. The unobligated balances of such accounts that are in excess of current needs shall be transferred to the general fund of the Treasury. Such transfers shall be made from time to time but, at least once each year.”.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking the items relating to title V and inserting the following:

“TITLE V—FAIR VALUE

“Sec. 501. Purposes.

“Sec. 502. Definitions.

“Sec. 503. OMB and CBO analysis, coordination, and review.

“Sec. 504. Budgetary treatment.

“Sec. 505. Authorizations.

“Sec. 506. Treatment of deposit insurance and agencies and other insurance programs.

“Sec. 507. Effect on other laws.”.

SEC. 102. EFFECTIVE DATE.

The amendment made by section 101 shall take effect beginning with fiscal year 2014.

SEC. 103. BUDGETARY ADJUSTMENT.

(a) *IN GENERAL.*—Section 251(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new sentence: “A change in discretionary spending solely as a result of the amendment to title V of the Congressional Budget Act of 1974 made by the Budget and Accounting Transparency Act of 2012 shall be treated as a change of concept under this paragraph.”.

(b) *REPORT.*—Before adjusting the discretionary caps pursuant to the authority provided in subsection (a), the Office of Management and Budget shall report to the Committees on the Budget of the House of Representatives and the Senate on the amount of that adjustment, the methodology used in determining the size of that adjustment, and a program-by-program itemization of the components of that adjustment.

(c) *SCHEDULE.*—The Office of Management and Budget shall not make an adjustment pursuant to the authority provided in subsection (a) sooner than 60 days after providing the report required in subsection (b).

TITLE II—BUDGETARY TREATMENT**SEC. 201. CBO AND OMB STUDIES RESPECTING BUDGETING FOR COSTS OF FEDERAL INSURANCE PROGRAMS.**

Not later than one year after the date of enactment of this Act, the Directors of the Congressional Budget Office and of the Office of Management and Budget shall each prepare a study and make recommendations to the Committees on the Budget of the House of Representatives and the Senate as to the feasibility of applying fair value concepts to budgeting for the costs of Federal insurance programs.

SEC. 202. ON-BUDGET STATUS OF FANNIE MAE AND FREDDIE MAC.

Notwithstanding any other provision of law, the receipts and disbursements, including the administrative expenses, of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation shall be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of—

- (1) the budget of the United States Government as submitted by the President;
- (2) the congressional budget; and
- (3) the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 203. EFFECTIVE DATE.

Section 202 shall not apply with respect to an enterprise (as such term is defined in section 1303 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4502)) after the date that all of the following have occurred:

- (1) The conservatorship for such enterprise under section 1367 of such Act (12 U.S.C. 4617) has been terminated.
- (2) The Director of the Federal Housing Finance Agency has certified in writing that such enterprise has repaid to the Federal Government the maximum amount consistent with minimizing total cost to the Federal Government of the financial assistance provided to the enterprise by the Federal Government pursuant to the amendments made by section 1117 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289; 122 Stat. 2683) or otherwise.
- (3) The charter for the enterprise has been revoked, annulled, or terminated and the authorizing statute (as such term is defined in such section 1303) with respect to the enterprise has been repealed.

TITLE III—BUDGET REVIEW AND ANALYSIS**SEC. 301. CBO AND OMB REVIEW AND RECOMMENDATIONS RESPECTING RECEIPTS AND COLLECTIONS.**

Not later than one year after the date of enactment of this Act, the Director of the Office of Management and Budget shall prepare a study

of the history of offsetting collections against expenditures and the amount of receipts collected annually, the historical application of the budgetary terms “revenue”, “offsetting collections”, and “offsetting receipts”, and review the application of those terms and make recommendations to the Committees on the Budget of the House of Representatives and the Senate of whether such usage should be continued or modified. The Director of the Congressional Budget Office shall review the history and recommendations prepared by the Director of the Office of Management and Budget and shall submit comments and recommendations to such Committees.

SEC. 302. AGENCY BUDGET JUSTIFICATIONS.

Section 1108 of title 31, United States Code, is amended by inserting at the end the following new subsection:

“(h)(1) Whenever any agency prepares and submits written budget justification materials for any committee of the House of Representatives or the Senate, such agency shall post such budget justification on the same day of such submission on the ‘open’ page of the public website of the agency, and the Office of Management and Budget shall post such budget justification in a centralized location on its website, in the format developed under paragraph (2).

“(2) The Office of Management and Budget, in consultation with the Congressional Budget Office and the Government Accountability Office, shall develop and notify each agency of the format in which to post a budget justification under paragraph (1). Such format shall be designed to ensure that posted budget justifications for all agencies—

“(A) are searchable, sortable, and downloadable by the public;

“(B) are consistent with generally accepted standards and practices for machine-discoversability;

“(C) are organized uniformly, in a logical manner that makes clear the contents of a budget justification and relationships between data elements within the budget justification and among similar documents; and

“(D) use uniform identifiers, including for agencies, bureaus, programs, and projects.”.

The CHAIR. All points of order against that amendment in the nature of a substitute are waived. No amendment to that amendment in the nature of a substitute shall be in order except those printed in House Report 112-388. Each such amendment may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question.

The Chair understands that amendment No. 1 will not be offered.

AMENDMENT NO. 2 OFFERED BY MR. DOLD

The CHAIR. It is now in order to consider amendment No. 2 printed in House Report 112-388.

Mr. DOLD. Madam Chairman, I have an amendment at the desk.

The CHAIR. The Clerk will designate the amendment.

The text of the amendment is as follows:

At the end of the bill, add the following new title:

TITLE IV—PRESIDENT’S BUDGET SUBMISSION**SEC. 401. PREPARATION OF THE BUDGET.**

(a) *THE PRESIDENT.*—Section 1105(a) of title 31, United States Code, is amended—

(1) by redesignating the second paragraph (37) as paragraph (39); and

(2) by adding at the end the following new paragraph:

“(40) A summary of how the use of accrual accounting procedures would affect the estimated expenditures, appropriations, and receipts of the Government in the fiscal year for which the budget is submitted.”.

(b) *OFFICE OF MANAGEMENT AND BUDGET.*—The Director of the Office of Management and Budget shall prepare all of the budgets submitted to the President according to both accrual accounting procedures and the cash basis accounting method.

The CHAIR. Pursuant to House Resolution 539, the gentleman from Illinois (Mr. DOLD) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Illinois.

Mr. DOLD. Madam Chair, this is a bipartisan amendment, one that my colleague from Illinois (Mr. QUIGLEY) and I believe strongly about.

As part of this Congress’ effort to increase transparency and promote sound accounting practices in the Federal Government, this amendment would reform accounting practices at the Office of Management and Budget. Specifically, it would require the OMB Director to prepare all budgets submitted to the President using accrual-based accounting standards, in addition to the currently used cash-basis GAAP accounting standards.

Americans have a right to expect accountability, honesty, and transparency from their government, and right now, the mistrust of Congress, I believe, is at an all-time high. The use of accrual-based accounting at the Office of Management and Budget would provide a more accurate reflection of our Nation’s true fiscal state. For too long, the Federal Government has relied on unsound budgeting practices that understate the reality and distort important costs and liabilities held by the government.

As a small business owner, I know essentially how honest accounting is critical to financial decisionmaking, and in that respect, we should strive to make the Federal Government’s practices more like what we demand of the private sector. In fact, the government itself, Madam Chairman, demands that publicly traded companies use the accrual-based accounting method because the accrual-based accounting method gives a more accurate depiction of the true liabilities that are out there. In the cash basis, you’re able to distort reality and be able to manipulate things to make them look a little bit rosier.

The American people are looking for a fact-based budget, and they deserve no less. They deserve to know the truth about what our true liabilities are, and the truth is that the current practice of using only cash-basis accounting at the Office of Management and Budget

paints an incomplete picture of our Nation's future long-term liabilities. For example, the promise of Social Security and Medicare only shows up as a cost to the American taxpayer when money is actually paid out. Accrual accounting more accurately reflects our Nation's obligations so that a promise today is immediately recognized and accounted for, whether or not any money has been disbursed at that point in time.

Madam Chairman, I am confident that the House Budget Committee recognizes the importance of honest accounting, of honest accounting practices that accurately reflect the true fiscal state of this country. As a small business owner, I understand that it's absolutely critical when making decisions that impact not only the business but the people that I work with that we have a more accurate reflection of our liabilities. The government should be no different.

With that, I would like to yield to the gentleman from New Jersey.

Mr. GARRETT. First of all, let me just begin by saying I appreciate the gentleman's effort with regard to this legislation. I appreciate also the bipartisan nature and intentions behind the amendment as well. There are unquestionably circumstances where accrual accounting is the best way, the most appropriate way to display the Federal Government's budgetary costs and obligations.

Now, as you know, the underlying bill does focus on one such area where accrual accounting has long been in use, and what it does then is to try to build upon those years of experience and try to study the application of that as applied to Federal credit programs.

The underlying bill, I should say as an aside, also includes a study of another area—because I know there's a question of how far are we going in these things—where it might be appropriate to extend this, and this is with regard to the Federal insurance programs. Why is that? Well, it's because we don't have as many studies on that.

I might just add to the point of the gentleman from Maryland before, there have been a number of references on an area that we're looking to. CBO has done some with regard to student loans, with regard to housing, with regard to SBA and energy. CBO has issued a number of reports with fair value accounting included, and that is why we included it in this bill.

Again, I appreciate the gentleman's work on this amendment. I oppose it as it stands now, however.

Mr. DOLD. Reclaiming my time, if the chairman would work with me to try to make sure we have a fact-based, more accurate, and honest accounting, I would be happy to withdraw the amendment.

Mr. GARRETT of New Jersey. Not only will I work with you, I believe the chairman of the full committee will be intentioned to work with you on this as well. The goal is the same by all of

us here, and I think by the other side as well, to try to get as much information that is able to get out to come out, and we will be glad to work with you on this.

Mr. DOLD. With that, Madam Chairman, I ask unanimous consent to withdraw my bipartisan amendment in hopes that we can have some more accurate accounting in the future.

The CHAIR. Without objection, the amendment is withdrawn.

There was no objection.

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AMENDMENT NO. 3 OFFERED BY MR. TONKO

The CHAIR. It is now in order to consider amendment No. 3 printed in House Report 112-388.

Mr. TONKO. Madam Chair, I have an amendment at the desk.

The CHAIR. The Clerk will designate the amendment.

The text of the amendment is as follows:

At the end of the bill, add the following new title:

**TITLE IV—EFFECTIVE DATE;
ESTABLISHMENT OF COMMISSION**

SEC. 401. EFFECTIVE DATE; ESTABLISHMENT OF COMMISSION.

(a) EFFECTIVE DATE; ESTABLISHMENT.—The provisions of this Act are delayed until and may be superseded by the majority recommendations of a six member commission consisting of the Director of the Congressional Budget Office, the Director of the Office of Management and Budget, and four additional non-congressional members each appointed by the Speaker and Minority Leader of the House and the Majority and Minority leaders of the Senate. Such additional four Members shall have expertise in budgeting and accounting.

(b) RECOMMENDATIONS.—The recommendations of the commission shall reflect the best measure to accurately account for the costs of Federal credit programs, including an analysis of the fair value, market-based risk estimates, and the discount rates mandated by the Federal Credit Reform Act of 1990.

(c) CONGRESSIONAL VOTE REQUIRED.—Such recommendations shall take effect upon their enactment into law. Congress shall vote on the recommendations set forth in subsection (b) not later than 45 days after the date of submission of such recommendations to the Congress.

The CHAIR. Pursuant to House Resolution 539, the gentleman from New York (Mr. TONKO) and a Member opposed each will control 5 minutes.

The Chair recognizes gentleman from New York.

Mr. TONKO. Madam Chair, I rise today to offer an amendment to H.R. 3581, the Budget and Accounting Transparency Act.

My amendment restores a critical step that was skipped by my Republican colleagues. You see, we never once had a hearing in the Budget Committee devoted specifically to exploring the main proposal contained in this bill—the use of fair value estimates to determine the cost of Federal loans. If I could change that, I would, but my Republican colleagues have pushed this bill to the floor.

When so many at home look at Congress and shake their heads at the po-

litical gamesmanship that has come to dominate this institution, my amendment simply asks that we take a moment to be objectively smart rather than just politically savvy about a policy decision with major repercussions.

If this legislation took effect this year, CBO estimates that we would see the Federal deficit jump by \$55 billion. This is a bill that would impact things like housing loans, student loans, small business loans, and even our mortgage guarantee programs for vets. It would create the appearance that these loans and loan guarantees cost more with an accounting method that is relatively new and certainly under debate.

For a bill with “transparency” in its title, we're talking about using some pretty mirky math. My Republican colleagues will say that we need CBO estimates on loans to reflect the risk involved in Federal lending. That makes sense, which is why we already do it. The approach under current law already reflects the risk that borrowers will default on their loans or guarantees.

The real difference here is whether we think estimates of Federal loans should be based on how the government borrows and lends or, alternately, on how the private sector borrows and lends. I understand my colleagues have a great esteem for private sector business practices, and as a former small business owner myself, I share that admiration; but we have to understand that the Federal Government of the most powerful country on Earth isn't a private actor.

No private lender is in the same position as the Federal Government with its ability to borrow at Treasury rates and its ability to spread risk across such a broad portfolio. So, understandably, there is significant debate as to whether and how fair value estimates could be applied to government loans. The bottom line is that it would involve a lot of guesswork.

At a time when our housing market has been devastated, when our workforce is struggling to attain the knowledge and skill set it needs in a difficult job market, when small businesses are fighting their way out of the worst recession since our Great Depression, and when our vets are facing a higher jobless rate than the rest of the country, why on Earth would we make a change of this magnitude without consulting with the best budget and accounting minds in our country? The impact of this legislation is too big to be treated more like an election year talking point than a major policy change with very real impacts on the people that we are here to represent.

That is why I am offering this modest proposal. My amendment simply proposes that we convene a commission of budget and accounting experts to provide recommendations to Congress regarding the best measure to accurately account for the costs of Federal credit programs. Congress will then

have the opportunity to vote on the commission's recommendations, and if changes are deemed wise, we can move forward with the smartest course of action and with a policy that brings our Federal loan and loan guarantee estimates into uniformity. After all, as we heard on this very floor, it's the people's money we're dealing with.

I urge my colleagues to look before we jump on this one, and I urge support of my amendment.

With that, I yield back the balance of my time.

Mr. GARRETT. I rise in opposition to the amendment.

The CHAIR. The gentleman from New Jersey is recognized for 5 minutes.

Mr. GARRETT. Madam Chair, in essence, the amendment has the effect, as so many amendments often do that come to the floor, of basically gutting the entire bill.

The core reform made by this bill is to—what?—adopt for all Federal credit programs fair value accounting. Now, this is not a precipitous or rash decision that we're going to make here. The Budget Committee, both with the Republican and Democrat leadership, has, over time, studied and worked on the implications of moving to a fair value accounting for Federal credit programs.

The CBO, which we reference all the time, is an independent arbiter of what is right here and has studied these things, and other academics have conducted studies going back as far as the 1990s, if not earlier, on this question as well. In fact, there was a commission, a commission featuring 36 experts, including six former CBO Directors.

What did they recommend? They recommended moving to a fair value accounting in 2010.

Indeed, it was back in 2009 that this House, under Democrat leadership, voted to require the use of fair value accounting with respect to U.S. commitments made to the IMF, the International Monetary Fund. Additionally, the CBO has conducted analyses of dozens of Federal credit programs on a fair value basis.

So this bill is not precipitous. This bill is not rash. This bill is not extreme. This bill takes a cautious approach and applies fair value budgeting in those areas where we have the most experience while calling for a further study of those areas in which it makes sense to do study—Federal insurance programs.

So I urge my colleagues to oppose this amendment and to support the judicious and experience-based approach of the underlying bill.

I yield back the balance of my time.

The CHAIR. The question is on the amendment offered by the gentleman from New York (Mr. TONKO).

The question was taken; and the Chair announced that the noes appeared to have it.

Mr. TONKO. Madam Chair, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 187, noes 238, not voting 8, as follows:

[Roll No. 40]

AYES—187

Ackerman
Altmire
Andrews
Baca
Baldwin
Bass (CA)
Becerra
Berkley
Berman
Bishop (GA)
Bishop (NY)
Blumenauer
Bonamici
Boren
Boswell
Brady (PA)
Braley (IA)
Brown (FL)
Butterfield
Capps
Capuano
Cardoza
Carnahan
Carney
Carson (IN)
Castor (FL)
Chandler
Chu
Cicilline
Clarke (MI)
Clarke (NY)
Clay
Cleaver
Clyburn
Cohen
Connolly (VA)
Conyers
Cooper
Costa
Costello
Courtney
Critz
Crowley
Cuellar
Cummings
Davis (CA)
Davis (IL)
DeFazio
DeGette
DeLauro
Deutch
Dicks
Dingell
Doggett
Donnelly (IN)
Doyle
Engel
Eshoo
Farr
Fattah
Filner
Frank (MA)
Fudge
Garamendi
Gibson
Gonzalez
Green, Al
Green, Gene
Grijalva
Gutierrez
Hahn
Hanabusa
Hastings (FL)
Heinrich
Higgins
Himes
Hinchev
Hinojosa
Hirono
Hochul
Holden
Holt
Brown (NJ)
Honda
Hoyer
Inslee
Israel
Jackson (IL)
Jackson Lee
(TX)
Johnson (GA)
Johnson, E. B.
Kaptur
Keating
Kildee
Kind
Kissell
Kucinich
Langevin
Larsen (WA)
Larson (CT)
Lee (CA)
Levin
Lewis (GA)
Lipinski
Loebsack
Lofgren, Zoe
Lowey
Lujan
Lynch
Maloney
Markey
Matheson
Matsui
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
Meeke
Michaud
Miller (NC)
Miller, George
Moore
Moran
Murphy (CT)
Nadler
Napolitano
Neal

NOES—238

Adams
Aderholt
Akin
Alexander
Amash
Amodei
Austria
Bachmann
Bachus
Barletta
Barrow
Bartlett
Barton (TX)
Bass (NH)
Benishek
Berg
Biggett
Bilbray
Bilirakis
Bishop (UT)
Black
Blackburn
Bonner
Bono Mack
Boustany
Brady (TX)
Brooks
Broun (GA)
Buchanan
Bucshon
Buerkle
Burgess
Burton (IN)
Calvert
Camp
Campbell
Cansaco
Cantor
Capito
Carter
Cassidy
Chabot
Chaffetz
Coble
Coffman (CO)
Cole
Conaway
Cravaack
Crawford
Crenshaw
Culberson
Davis (KY)

Edwards
Ellison
LaTourette
Gibbs
Gingrey (GA)
Gohmert
Goodlatte
Gosar
Gowdy
Granger
Graves (GA)
Graves (MO)
Griffin (AR)
Griffith (VA)
Grimm
Guinta
Guthrie
Hall
Hanna
Harper
Harris
Hartzler
Hastings (WA)
Hayworth
Heck
Hensarling
Herger
Herrera Beutler
Huelskamp
Huizenga (MI)
Hultgren
Hunter
Hurt
Issa
Jenkins
Johnson (IL)
Johnson (OH)
Johnson, Sam
Jones
Jordan
Kelly
King (IA)
King (NY)
Kingston
Kinzinger (IL)
Kline
Labrador
Lamborn
Lance
Landry
Lankford
Latham
Latta
Lewis (CA)
LoBiondo
Long

Lucas
Luetkemeyer
Lummis
Lungren, Daniel
E.
Mack
Manzullo
Marchant
Marino
McCarthy (CA)
McCaul
McClintock
McCotter
McHenry
McKeon
McKinley
McMorris
Rodgers
Meehan
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Murphy (PA)
Myrick
Neugebauer
Noem
Nugent
Nunes
Nunnelee
Olson
Palazzo
Paulsen
Pearce
Pence
Peterson
Pitts
Platts
Poe (TX)
Pompeo
Posey
Price (GA)
Quayle
Reed
Rehberg
Reichert
Renacci
Ribble
Rigell
Rivera
Roby
Roe (TN)
Rogers (AL)
Rogers (KY)

Rogers (MI)
Rohrabacher
Rokita
Rooney
Ros-Lehtinen
Roskam
Ross (FL)
Royce
Runyan
Ryan (WI)
Scalise
Schilling
Schmidt
Schock
Schweikert
Scott (SC)
Scott, Austin
Sensenbrenner
Sessions
Shimkus
Shuster
Simpson
Smith (NE)
Smith (NJ)
Smith (TX)
Southernland
Stearns
Stivers
Stutzman
Sullivan
Terry
Thompson (PA)
Thornberry
Tiberi
Tipton
Turner (NY)
Turner (OH)
Upton
Walberg
Walden
Walsh (IL)
Webster
West
Westmoreland
Whitfield
Wilson (SC)
Wittman
Wolf
Womack
Woodall
Yoder
Young (AK)
Young (FL)
Young (IN)

NOT VOTING—8

Edwards
Ellison
LaTourette
McNerney
Mulvaney
Oliver
Paul
Payne

□ 1612

Mr. GARY G. MILLER of California changed his vote from "aye" to "no."

Messrs. ALTMIRE, PETRI, COHEN and HINOJOSA changed their vote from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

The Acting CHAIR (Mr. KLINE). The question is on the amendment in the nature of a substitute.

The amendment was agreed to.

The Acting CHAIR. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. DOLD) having assumed the chair, Mr. KLINE, Acting Chair of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 3581) to amend the Balanced Budget and Emergency Deficit Control Act of 1985 to increase transparency in Federal budgeting, and for other purposes and, pursuant to House Resolution 539, reported the bill back to the House with an amendment adopted in the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

The question is on the amendment in the nature of a substitute.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. WALZ of Minnesota. I have a motion at the desk, Mr. Speaker.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. WALZ of Minnesota. In its current form, I am, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. Walz of Minnesota moves to recommit the bill H.R. 3581 to the Committee on the Budget with instructions to report the same back to the House forthwith with the following amendment:

Page 3, line 21, insert "(i)" after "(C)".

Page 3, line 23, strike "(i)" and insert "(J)".

Page 4, line 7, strike "(ii)" and insert "(II)".

Page 4, after line 9, insert the following:

"(ii) For loans to students or veterans, the risk component is zero."

Mr. WALZ of Minnesota (during the reading). Mr. Speaker, I ask unanimous consent to dispense with the reading.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The SPEAKER pro tempore. The gentleman from Minnesota is recognized for 5 minutes.

Mr. WALZ of Minnesota. Mr. Speaker, I would like to say that the goals of this legislation that the gentleman and his supporters have put before us are noble. The supporters have stressed it is to improve accuracy in how we account for loan programs. That's, indeed, a laudable goal. As stewards of the taxpayer dollars, we all believe it's our responsibility to keep a careful eye on every dollar spent. This includes using the most accurate accounting measures possible. Unfortunately, we have no assurances.

Mr. Speaker, the intentions of this bill are laudable. The problem we have is there's no assurance that the piece of legislation we're doing today will encode that into law. Instead, what we have are half-finished ideas whose merit is disputed by nonpartisan budgeting experts and whose effects are still unknown.

We've heard concerns today that enactment of this bill could result in us systematically overestimating the cost of Federal loan programs. This will not just be inaccurate accounting; it could cause significant harm to millions of Americans who depend on these loans. As a school teacher and a 24-year veteran of the National Guard, I know that the two groups that depend on

these loans more than any other are students and our veterans. That's why I have this motion at the desk to amend the bill to ensure that, at the very least, as this experiment plays out, we hold harmless students and veterans.

This amendment does not kill the bill, and it changes nothing in it. It simply ensures that until we know how this policy is going to work out, we won't insist that we make it any harder for an Iraq or Afghanistan veteran to get a home loan. At the same time, when economic hardships and rising tuition costs are making it harder for our best and brightest, those very students that we depend on to make this Nation profitable, we need to make sure that they're not harmed by this process.

My amendment would ensure that we hold them, the veterans and the students, harmless until we know how this unvetted, untested piece of legislation will work. I simply encourage my colleagues to join me. Protect the students and the veterans in this. Go ahead and pass the bill, if that's what you want to do; but let's make sure there's a firewall between those that can least afford to have this go bad.

With that, I yield back the balance of my time, Mr. Speaker.

Mr. GARRETT. I rise in opposition to the motion.

The SPEAKER pro tempore. The gentleman from New Jersey is recognized for 5 minutes.

Mr. GARRETT. Mr. Speaker, the prior amendment that this House just overwhelmingly voted down would have gutted the underlying bill entirely. This motion to recommit will now try to gut the bill by approximately one-third. I commend the other side of the aisle for at least going in the right direction. But, Mr. Speaker, I remind us all of the words of the President of the United States when he stood in that same position where he speaks of fairness and the agenda that he proposes, and he speaks of fairness to the American public.

Well, Mr. Speaker, we know that the budget process in this country is broken. We know that there is no fairness in that. This amendment will undercut the legislation before us, and the underlying bill will try to restore it.

We need fairness to the hardworking American taxpayer who, at the end of the day, will be the one who will have to foot the bill when the loans go sour like we saw in the situation with Solyndra. We need to bring fairness to the small business owner who is already compelled to comply with the exact same requirements that we have in this bill. Mr. Speaker, we need to bring fairness to the American public who simply wants to know where their hardworking tax dollar is going.

Mr. Speaker, in conclusion, let me just say this: as we here in Washington travel through that great twilight which is that murky area of obscure accounting rules, let us commit our-

selves to one thing—that we will bring clarity, that we will bring transparency, that we will bring sunshine, and, most importantly, that we will bring fairness to the American public as to the spending of their tax dollars.

I recommend that we vote "no" on this motion to recommit.

I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the yeas appeared to have it.

Mr. WALZ of Minnesota. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—yeas 190, nays 238, not voting 5, as follows:

[Roll No. 41]

YEAS—190

Ackerman	Farr	McIntyre
Altmire	Fattah	McNerney
Andrews	Filner	Meeks
Baca	Frank (MA)	Michaud
Baldwin	Fudge	Miller (NC)
Barrow	Garamendi	Miller, George
Bass (CA)	Gonzalez	Moore
Becerra	Green, Al	Moran
Berkley	Green, Gene	Murphy (CT)
Berman	Grijalva	Nadler
Bishop (GA)	Gutierrez	Napolitano
Bishop (NY)	Hahn	Neal
Blumenauer	Hanabusa	Olver
Bonamici	Hastings (FL)	Owens
Boren	Heinrich	Pallone
Boswell	Higgins	Pascarell
Brady (PA)	Himes	Pastor (AZ)
Braley (IA)	Hinchey	Pelosi
Brown (FL)	Hinojosa	Perlmutter
Butterfield	Hirono	Peters
Capps	Hochul	Peterson
Capuano	Holden	Pingree (ME)
Cardoza	Holt	Polis
Carnahan	Honda	Price (NC)
Carney	Hoyer	Quigley
Carson (IN)	Inslee	Rahall
Castor (FL)	Israel	Rangel
Chandler	Jackson (IL)	Reyes
Chu	Jackson Lee	Richardson
Cicilline	(TX)	Richmond
Clarke (MI)	Johnson (GA)	Ross (AR)
Clarke (NY)	Johnson, E. B.	Rothman (NJ)
Clay	Jones	Roybal-Allard
Cleaver	Kaptur	Ruppersberger
Clyburn	Keating	Rush
Cohen	Kildee	Ryan (OH)
Connolly (VA)	Kind	Sanchez, Linda
Conyers	Kissell	T.
Cooper	Kucinich	Sanchez, Loretta
Costa	Langevin	Sarbanes
Costello	Larsen (WA)	Schakowsky
Courtney	Larson (CT)	Schiff
Critz	Lee (CA)	Schrader
Crowley	Levin	Schwartz
Cuellar	Lewis (GA)	Scott (VA)
Cummings	Lipinski	Scott, David
Davis (CA)	Loeb sack	Serrano
Davis (IL)	Lofgren, Zoe	Sewell
DeFazio	Lowey	Sherman
DeGette	Lujan	Shuler
DeLauro	Lynch	Sires
Deutch	Maloney	Slaughter
Dicks	Markey	Smith (WA)
Dingell	Matheson	Speier
Doggett	Matsui	Stark
Donnelly (IN)	McCarthy (NY)	Sutton
Doyle	McCollum	Thompson (CA)
Engel	McDermott	Thompson (MS)
Eshoo	McGovern	Tierney

Tonko	Walz (MN)	Welch
Towns	Wasserman	Wilson (FL)
Tsongas	Schultz	Woolsey
Van Hollen	Waters	Yarmuth
Velázquez	Watt	
Visclosky	Waxman	

NAYS—238

Adams	Gohmert	Nunes
Aderholt	Goodlatte	Nunnelee
Akin	Gosar	Olson
Amash	Gowdy	Palazzo
Amodei	Granger	Paulsen
Austria	Graves (GA)	Pearce
Bachmann	Graves (MO)	Pence
Bachus	Griffin (AR)	Petri
Barletta	Griffith (VA)	Pitts
Bartlett	Grimm	Platts
Barton (TX)	Guinta	Poe (TX)
Bass (NH)	Guthrie	Pompeo
Benishek	Hall	Posey
Berg	Hanna	Price (GA)
Biggert	Harper	Quayle
Bilbray	Harris	Reed
Bilirakis	Hartzler	Rehberg
Bishop (UT)	Hastings (WA)	Reichert
Black	Hayworth	Renacci
Blackburn	Heck	Ribble
Bonner	Hensarling	Rigell
Bono Mack	Herger	Rivera
Boustany	Herrera Beutler	Roby
Brady (TX)	Huelskamp	Roe (TN)
Brooks	Huizenga (MI)	Rogers (AL)
Broun (GA)	Hultgren	Rogers (KY)
Buchanan	Hunter	Rogers (MI)
Bucshon	Hurt	Rohrabacher
Buerkle	Issa	Rokita
Burgess	Jenkins	Rooney
Burton (IN)	Johnson (IL)	Ros-Lehtinen
Calvert	Johnson (OH)	Roskam
Camp	Johnson, Sam	Ross (FL)
Campbell	Jordan	Royce
Canseco	Kelly	Runyan
Cantor	King (IA)	Ryan (WI)
Capito	King (NY)	Scalise
Carter	Kingston	Schilling
Cassidy	Kinzinger (IL)	Schmidt
Chabot	Kline	Schock
Chaffetz	Labrador	Schweikert
Coble	Lamborn	Scott (SC)
Coffman (CO)	Lance	Scott, Austin
Cole	Landry	Sensenbrenner
Conaway	Lankford	Sessions
Cravaack	Latham	Shimkus
Crawford	LaTourette	Shuster
Crenshaw	Latta	Simpson
Culberson	Lewis (CA)	Smith (NE)
Davis (KY)	LoBiondo	Smith (NJ)
Denham	Long	Smith (TX)
Dent	Lucas	Southerland
DesJarlais	Luetkemeyer	Stearns
Diaz-Balart	Lummis	Stivers
Dold	Lungren, Daniel	Stutzman
Dreier	E.	Sullivan
Duffy	Mack	Terry
Duncan (SC)	Manzullo	Thompson (PA)
Duncan (TN)	Marchant	Thornberry
Ellmers	Marino	Tiberi
Emerson	McCarthy (CA)	Tipton
Farenthold	McCaul	Turner (NY)
Fincher	McClintock	Turner (OH)
Fitzpatrick	McCotter	Upton
Flake	McHenry	Walberg
Fleischmann	McKeon	Walden
Fleming	McKinley	Walsh (IL)
Flores	McMorris	Webster
Forbes	Rodgers	West
Fortenberry	Meehan	Westmoreland
Foxx	Mica	Whitfield
Franks (AZ)	Miller (FL)	Wilson (SC)
Frelinghuysen	Miller (MI)	Wittman
Gallely	Miller, Gary	Wolf
Gardner	Mulvaney	Womack
Garrett	Murphy (PA)	Woodall
Gerlach	Myrick	Yoder
Gibbs	Neugebauer	Young (AK)
Gibson	Noem	Young (FL)
Gingrey (GA)	Nugent	Young (IN)

NOT VOTING—5

Alexander	Ellison	Payne
Edwards	Paul	

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). There are 2 minutes remaining.

□ 1637

Mr. McNERNEY changed his vote from “no” to “aye.”

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. VAN HOLLEN. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 245, noes 180, not voting 8, as follows:

[Roll No. 42]

AYES—245

Adams	Flake	Long
Aderholt	Fleischmann	Lucas
Akin	Fleming	Luetkemeyer
Alexander	Flores	Lummis
Amash	Forbes	Lungren, Daniel
Amodei	Fortenberry	E.
Austria	Foxx	Mack
Bachmann	Franks (AZ)	Manzullo
Bachus	Frelinghuysen	Marchant
Barletta	Gallely	Marino
Barrow	Gardner	McCarthy (CA)
Bartlett	Garrett	McCaul
Barton (TX)	Gerlach	McClintock
Bass (NH)	Gibbs	McCotter
Benishek	Gibson	McHenry
Berg	Gingrey (GA)	McKeon
Biggert	Gohmert	McKinley
Bilbray	Goodlatte	McMorris
Bilirakis	Gosar	Rodgers
Bishop (UT)	Gowdy	Meehan
Black	Granger	Mica
Blackburn	Graves (GA)	Miller (FL)
Bonner	Graves (MO)	Miller (MI)
Bono Mack	Griffin (AR)	Miller, Gary
Boustany	Griffith (VA)	Mulvaney
Brady (TX)	Grimm	Murphy (PA)
Brooks	Guinta	Myrick
Broun (GA)	Guthrie	Neugebauer
Buchanan	Hall	Noem
Bucshon	Hanna	Nunes
Buerkle	Harper	Nunnelee
Burgess	Harris	Olson
Burton (IN)	Hartzler	Owens
Calvert	Hastings (WA)	Palazzo
Camp	Hayworth	Paulsen
Campbell	Heck	Pearce
Canseco	Hensarling	Pence
Cantor	Herger	Petri
Capito	Herrera Beutler	Pitts
Carter	Huelskamp	Platts
Cassidy	Huizenga (MI)	Poe (TX)
Chabot	Hultgren	Pompeo
Chaffetz	Hunter	Posey
Coffman (CO)	Hurt	Price (GA)
Cole	Issa	Quayle
Conaway	Jenkins	Quigley
Cooper	Johnson (IL)	Reed
Cravaack	Johnson (OH)	Rehberg
Crawford	Johnson, Sam	Reichert
Crenshaw	Jones	Renacci
Cuellar	Jordan	Ribble
Culberson	Kelly	Rigell
Davis (KY)	King (IA)	Rivera
DeFazio	King (NY)	Roby
Denham	Kingston	Roe (TN)
Dent	Kinzinger (IL)	Rogers (AL)
DesJarlais	Kissell	Rogers (KY)
Diaz-Balart	Kline	Rogers (MI)
Dold	Labrador	Rohrabacher
Dreier	Lamborn	Rokita
Duffy	Lance	Rooney
Duncan (SC)	Landry	Ros-Lehtinen
Duncan (TN)	Lankford	Roskam
Ellmers	Latham	Ross (FL)
Emerson	LaTourette	Royce
Farenthold	Latta	Runyan
Fincher	Lewis (CA)	Ryan (WI)
Fitzpatrick	LoBiondo	Scalise

Schilling	Stearns	Webster
Schmidt	Stivers	West
Schock	Stutzman	Westmoreland
Schweikert	Sullivan	Whitfield
Scott (SC)	Terry	Wilson (SC)
Scott, Austin	Thompson (PA)	Wittman
Sensenbrenner	Thornberry	Wolf
Sessions	Tiberi	Womack
Shimkus	Tipton	Woodall
Shuster	Turner (NY)	Yoder
Simpson	Turner (OH)	Young (AK)
Smith (NE)	Upton	Young (FL)
Smith (NJ)	Walberg	Young (IN)
Smith (TX)	Walden	
Southerland	Walsh (IL)	

NOES—180

Ackerman	Garamendi	Napolitano
Altmire	Gonzalez	Neal
Andrews	Green, Al	Nugent
Baca	Green, Gene	Olver
Baldwin	Grijalva	Pallone
Bass (CA)	Hahn	Pascarell
Becerra	Hanabusa	Pastor (AZ)
Berkley	Hastings (FL)	Pelosi
Berman	Heinrich	Perlmutter
Bishop (GA)	Higgins	Peters
Bishop (NY)	Himes	Peterson
Blumenauer	Hinchey	Pingree (ME)
Bonamici	Hinojosa	Polis
Boren	Hirono	Price (NC)
Boswell	Hochul	Rahall
Brady (PA)	Holden	Rangel
Braley (IA)	Holt	Reyes
Brown (FL)	Honda	Richardson
Butterfield	Hoyer	Richmond
Capps	Inslee	Ross (AR)
Capuano	Israel	Rothman (NJ)
Cardoza	Jackson (IL)	Roybal-Allard
Carnahan	Jackson Lee	Ruppersberger
Carney	(TX)	Rush
Carson (IN)	Johnson (GA)	Ryan (OH)
Castor (FL)	Johnson, E. B.	Sánchez, Linda
Chandler	T.	
Chu	Keating	Sanchez, Loretta
Ciçilline	Kildee	Sarbanes
Clarke (MI)	Kind	Schakowsky
Clarke (NY)	Kucinich	Schiff
Clay	Langevin	Schrader
Cleaver	Larsen (WA)	Schwartz
Clyburn	Larson (CT)	Scott (VA)
Coble	Lee (CA)	Scott, David
Cohen	Levin	Serrano
Connolly (VA)	Lewis (GA)	Sewell
Conyers	Lipinski	Sherman
Costa	Loeb sack	Shuler
Costello	Lofgren, Zoe	Sires
Courtney	Lowey	Slaughter
Critz	Lujan	Smith (WA)
Crowley	Lynch	Speier
Cummings	Maloney	Stark
Davis (CA)	Markey	Sutton
Davis (IL)	Matheson	Thompson (CA)
DeGette	Matsui	Tonko
DeLauro	McCarthy (NY)	Towns
Deutch	McCollum	Tsongas
Dicks	McDermott	Van Hollen
Dingell	McGovern	Velázquez
Doggett	McIntyre	Visclosky
Donnelly (IN)	McNerney	Walz (MN)
Doyle	Meeks	Wasserman
Engel	Michaud	Schultz
Eshoo	Miller (NC)	Waters
Farr	Miller, George	Watt
Fattah	Moore	Waxman
Filner	Moran	Welch
Frank (MA)	Murphy (CT)	Woolsey
Fudge	Nadler	Yarmuth

NOT VOTING—8

Edwards	Paul	Tierney
Ellison	Payne	Wilson (FL)
Gutierrez	Thompson (MS)	

□ 1644

Ms. JACKSON LEE of Texas changed her vote from “aye” to “no.”

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. ELLISON. Mr. Speaker, on February 7, 2012, I missed rollcall votes Nos. 36–42 due to commitments in my district. Had I been

present I would have voted "yes" on rollcall Votes 36, 37, 40, and 41 and "no" on rollcall Votes 38, 39, and 42.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 3521, EXPEDITED LEGISLATIVE LINE-ITEM VETO AND RE-SCISSIONS ACT OF 2012

Mr. WOODALL, from the Committee on Rules, submitted a privileged report (Rept. No. 112-389) on the resolution (H. Res. 540) providing for consideration of the bill (H.R. 3521) to amend the Congressional Budget and Impoundment Control Act of 1974 to provide for a legislative line-item veto to expedite consideration of rescissions, and for other purposes, which was referred to the House Calendar and ordered to be printed.

NOTICE OF INTENTION TO OFFER MOTION TO INSTRUCT CONFEREES ON H.R. 3630, TEMPORARY PAYROLL TAX CUT CONTINUATION ACT OF 2011

Mr. BISHOP of New York. Mr. Speaker, under rule XXII, clause 7(c), I hereby announce my intention to offer a motion to instruct on H.R. 3630, the conference report to extend the payroll tax, unemployment insurance, and SGR payments for doctors.

The form of the motion is as follows:

Mr. Bishop of New York moves that the managers on the part of the House at the conference on the disagreeing votes of the two Houses on the Senate amendment to the bill H.R. 3630 be instructed to file a conference report not later than February 17, 2012.

NEW YORK CITY NATURAL GAS SUPPLY ENHANCEMENT ACT

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the unfinished business is the question on suspending the rules and passing the bill (H.R. 2606) to authorize the Secretary of the Interior to allow the construction and operation of natural gas pipeline facilities in the Gateway National Recreation Area, and for other purposes, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Washington (Mr. HASTINGS) that the House suspend the rules and pass the bill, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

THE GOVERNMENT IS THE VIL-LAIN AGAINST RELIGIOUS BELIEFS

(Mr. POE of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. POE of Texas. Mr. Speaker, religious civil liberty is the bedrock of a free people, but today we face an unprecedented and unconstitutional act of aggression against our religious liberty sponsored by the U.S. Government. The President's health care edict forces Catholic organizations to choose between either violating their religious faith or not furnishing their employees with health care coverage.

No government has the legal or moral right to harass any religion and make them violate their religious convictions, especially ours. After all, the Constitution prevents this type of government oppression against religion. That's why Catholics, Protestants, and Jews are united in their effort to stand up against this government act of tyranny.

People came to this country to flee religious persecution. Now our own government is a villain to religion. But people of faith will not submit to a government war against religion. The holy line has been drawn by a coalition of all religions.

The head of the Catholic League, Bill Donahue, said it best: "This is going to be fought out with lawsuits, with court decisions, and, dare I say it, maybe even in the streets."

And that's just the way it is.

RECOGNIZING LOUIS MOORE

(Mr. THOMPSON of Pennsylvania asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. THOMPSON of Pennsylvania. Mr. Speaker, I rise today to recognize Professor Louis Moore for his long and distinguished career in the field of agriculture. After more than half a century of service, Lew will be retiring this year from Penn State, where most recently he served as a professor of agricultural economics.

Lew has been at the forefront of promoting Pennsylvania agriculture. Most notably, Lew was instrumental in the implementation and expansion of the PSU Agriculture Cooperative Extension, which helps citizens learn and connect with the various agriculture research and services that Penn State's Department of Agriculture provides Commonwealth farmers.

In 1955, Lew began work as a marketing agent for Cooperative Extension in northwestern Pennsylvania and later for the entire Commonwealth. In 1973, he joined Penn State as a professor of agricultural economics, where he also helped expand the Extension beyond Pennsylvania, working with foreign ministries of agriculture, farmers, universities, agribusinesses in countries across the world.

From his research and writings to his marketing and advocacy, Lew's contributions to the field of agriculture stand as a beacon to our State and our Nation.

Congratulations, Professor Moore, and we thank you for your service.

□ 1650

ACADEMY NOMINEES

(Mr. CRAWFORD asked and was given permission to address the House for 1 minute.)

Mr. CRAWFORD. Mr. Speaker, I rise today to recognize the nine students from Arkansas' First District whom I have the privilege to nominate to a U.S. service academy. All of these students have demonstrated exceptional skills in the classroom. Not only are these young men brilliant students, but they have also given much to their communities and deserve recognition.

Jordan Reed from Cabot is active in scouting, Future Farmers of America and Quiz Bowl.

Weston White from Blytheville was elected lieutenant governor at Boys State and is active in Future Business Leaders of America.

Sully Bigger from Walnut Ridge is on the track team and participates in cross-country racing.

Clayton Carpenter from West Memphis lettered in baseball and football where he was an academic All-Conference player.

Robert Raper from Colt is a cadet in the Naval Junior ROTC where he holds the position of cadet company commander.

Andrew Morgan from Mountain Home is a two-time All-Conference Academic selection in football.

Sean Gavan from Cabot is a member of the Air Force Junior ROTC where he is a lieutenant colonel and a logistics commander.

Jack Baltz from Pocahontas is class president and is an active church member.

Daniel Kyle Payne from Violet Hill was selected for the American Christian Honor Society and serves on the student council.

These young men are proof that America's Greatest Generation is not just a story of our Nation's past. With each new generation of Americans, our national spirit is renewed. It is an honor to represent young men like these who embody the hope and purpose that define America.

DEPARTMENT OF ENERGY'S LOAN GUARANTEE PROGRAM

(Mrs. BLACKBURN asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. BLACKBURN. Mr. Speaker, it's an interesting thing: there are programs around here that are completely out of control, and one is the Department of Energy's Loan Guarantee Program that our Energy and Commerce Committee has been investigating for the past year. I'll tell you, I was thinking about an old country song when we were talking about this program today, which is: when you're in a hole, stop digging. That is certainly what applies to the Department of Energy's Loan Guarantee Program, and that is what DOE needs to do.