



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

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Chris Van Hollen,
Ranking Democrat

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VOTE NO ON BASELINE BUDGET REFORM ACT, H.R. 3578

- **This bill does nothing to address the economic challenges facing America's families. It does not create a single job.**

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

- **This bill does nothing to address our serious budgetary challenges.**

It does not increase revenues or reduce spending and thus does nothing to cut the deficit.

- **This bill obscures the size of the fiscal problem facing us.**

The bill mandates a fundamental change in how CBO forecasts future discretionary spending in its baseline, requiring CBO to assume that current spending is held constant in nominal terms in all future years rather than have it track growth in overall prices. This will make future deficits appear smaller than they are likely to be.

- **This definitional change may make it harder to provide needed discretionary funding for critical services like Head Start, veterans' health care, or education.**

By holding the baseline constant instead of allowing it to reflect increases in costs, simple inflation adjustments will look like increases in spending. Over time, as programs are slowly starved, backlogs will increase and program failures, such as terrible conditions at the former Walter Reed Army Medical Center that came to light in 2007, are inevitable.

- **It presents a deceptive view of what federal funding can provide.**

A permanent approach to budgeting and forecasting that fails to account for the real cost of goods and services will present a distorted picture of the federal budget outlook. The American public should not be deceived to believe that the government can maintain the same level of services while real funding is cut.

- **Ignoring increases in costs will dramatically lower real program levels in the baseline.**

If CBO had followed this rule for its March baseline last year, discretionary resources (excluding war funding) would have been \$275 billion lower by 2021, a reduction of 20%. At a time when inflation is higher than it is now, the cut in purchasing power would be even greater.

Details of the bill:

This bill changes the calculation of the discretionary baseline. Currently, the account level baseline assumes annual adjustments, primarily to reflect increased costs in future years (both inflation and pay raises). Under this bill, the discretionary baseline would assume the current year's level of budgetary resources in all years.

H.R. 3578 also makes two new requirements for CBO. It directs CBO to create supplemental projections that assume extension of current tax policy, defined as the Bush tax cuts, AMT relief, and the current estate and gift tax parameters. The bill also mandates a Long-Term Outlook report that would cover the next 40 years. In practice, CBO is already producing this report as well as alternative assumptions on the continuation of tax policy.