



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 “THE BUDGET AND ACCOUNTING TRANSPARENCY ACT,” H.R. 3581

- **Does nothing to address the critical economic challenges facing America’s families. Most notably, this bill does not create a single job.**
- **Does nothing to address our serious budgetary challenges. This bill does not increase revenues or reduce spending and thus does nothing to cut the deficit.**

- **Not yet ready for prime time.**

The bill mandates a change in scorekeeping for federal loan programs to a new approach which some prominent budget experts oppose. In addition, there are issues for implementation that require careful examination before mandating the use of fair value estimating. The Office Management and Budget (OMB) has not endorsed the change and the Budget Committee has not held a single hearing solely to examine these various viewpoints.

- **CBO and OMB have not completed estimates under new scoring approach.**

The bill mandates a switch from the approach used to score loan programs since 1990 to a “fair value” approach designed to add costs to reflect a market-based risk premium. But the Congressional Budget Office (CBO) has not completed new estimates for all the federal loan programs, and OMB is not ready to provide estimates on a fair value basis.

- **Congress has not resolved the fate of housing GSEs .**

The bill also brings on-budget the housing Government Sponsored Enterprises (Freddie Mac and Fannie Mae). But because Congress has not resolved the future of the housing GSEs, Congress should wait until it resolves their fate before changing the budgetary treatment of GSEs in the federal budget.

### **Summary of H.R. 3581, which contains four unrelated budget process changes:**

Fair Value – Requires that all estimates for direct loan and loan guarantee programs be prepared on a “fair value” basis beginning in 2014. A so-called fair-value estimate would attempt to reflect market-based risk of each loan portfolio to discount future cash flows, rather than continue to use the interest rates on U.S. Treasury securities that are currently used for all federal credit programs, as mandated by the Federal Credit Reform Act. CBO is still working towards developing fair value estimates across the wide array of government loan programs (the largest loan programs are for housing, student loans, and small businesses). OMB, which

would be required to begin using fair value estimates for the President's budget in 2015, has not supported the change.

If applied for all loan programs, fair value estimates would increase estimated subsidy costs to the government by about \$55 billion per year across all federal loans. Funding for most subsidy costs is provided in annual appropriations acts. The bill provides for an adjustment in the discretionary caps to reflect the increases necessary to cover the fair market cost of credit programs.

The bill also requires OMB and CBO to produce studies of whether fair value principles should be used for federal insurance programs, which are currently shown on a cash basis.

GSEs on-budget – H.R. 3581 would bring the housing GSEs (Freddie Mac and Fannie Mae) on-budget. The housing GSEs were non-budgetary for both OMB and CBO's purposes until the government took them into conservatorship. At that point, CBO included their transactions in budget authority and outlays but, largely because OMB has taken a different approach, has not moved to bring their debt outstanding into CBO's estimates of government debt.

Study of receipt classification – H.R. 3581 requires OMB to produce a study on the size and application of the various forms of receipts: those that show up as revenues in the budget, those that are on the outlay side and either offset spending at an aggregate level or offset spending within an individual account. OMB is to recommend any changes in classification, and CBO is to comment on the report and make its own recommendations. Note that Republicans showed the increase in Civil Service retirement employee contributions as offsets to outlays in their budget resolution even though they appear as revenues in the federal budget.

Congressional budget justifications – H.R. 3581 requires OMB to develop standardized, searchable formats for federal agencies to use in materials supporting their budgetary requests, which must be posted on each agency's public website as well as in a centralized location on OMB's website.