THE REPUBLICAN STUDY COMMITTEE

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Legislative Bulletin……………………………….………February 7, 2012

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H.R. 3581—Budget and Accounting Transparency Act (Rep. Garrett, R-NJ)

Order of Business: The bill is scheduled to be considered on Tuesday, February 7, 2012 under a structured rule (one hour of general debate controlled by the House Budget Committee) that makes in order three amendments described on page 2.

Summary: In general, the legislation will require federal credit programs to be accounted for on a **fair value** accounting basis. This means that federal accounting would have to consider not just the borrowing costs to the federal government, but *also* the cost of the market risk the federal government is incurring. The purpose of the bill is to bring federal budgeting practices in line with the private-sector in order to paint a more accurate picture of federal finances.

CBO provides the following useful short description of what types of federal spending fair value accounting would now apply to:

"The federal government provides credit assistance in the form of direct loans and guaranteed loans. Most of that assistance is offered through a few large programs; together, the Federal Housing Administration's (FHA's) mortgage guarantee programs and the Department of Education's student loan programs account for about 60 percent of outstanding federally backed credit. Other major credit programs include the Department of Veterans Affairs' mortgage guarantee programs, the Department of Agriculture's credit programs for rural utilities, and the Small Business Administration's loan and loan guarantee programs. More than 150 smaller credit programs currently provide assistance for a variety of other activities including international trade and investments in new energy technologies."

Brings Fannie Mae and Freddie Mac On-Budget: The legislation adds the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to the President's budget request, the congressional budget resolution, and the Balanced Budget and Emergency Deficit Control Act of 1985. This would cause the budget implications of the federal government's responsibility for Fannie Mae and Freddie Mac to be reflected in budget data.

Study on Budgeting for Costs of Federal Insurance Programs: The bill requires, within a year of enactment, the Directors of OMB and CBO to prepare studies, and make recommendations, on “the feasibility of applying fair value concepts to budgeting for the costs of Federal insurance programs.” These programs are currently accounted for on a cash flow basis.

Study on Budgetary Terms Related to Money: Within one year of enactment, the OMB Director is required to prepare a study on the history of offsetting collections against expenditures and the amount of receipts collected annually. The study would further review the application of the terms “revenue,” “offsetting collections,” and “offsetting receipts” and make recommendations to the Senate and House Budget Committees on whether the use of these terms should be continued or modified.

Disclosure of Agency Budget Justifications: The legislation requires agencies to post budget justification documents publicly online whenever the justification is sent to any committee in the House or Senate. The legislation also requires these documents be searchable and easily readable.

Amendments Made in Order Under Rule:

1. ***Jackson-Lee (D-TX).*** Within six months of enactment, the Directors of OMB and CBO are required to prepare a study and make recommendations to Congress on the feasibility of applying fair value concepts to budgeting for the costs of federal insurance programs. The underlying bill requires this study within one year.

2. **Dold (R-IL)/*Quigley (D-IL)*.** The amendment requires the Director of OMB to prepare all of the budgets submitted by the President according to both accrual accounting procedures and the cash basis accounting method.

3. **Tonko (D-NY).** The amendment would create a new six member commission that would be allowed to delay implementation of the bill and propose new recommendations. The six member commission would consist of:

   - The Director of the CBO;
   - The Director of the OMB; and
   - 4 other appointees.

   The recommendations from the commission would be intended to 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.”

   The amendment states Congress would be required to vote on the recommendations within 45 days (though it does not set in place a process for how that would happen).

Committee Action: The legislation was introduced on December 7, 2011. On January 31, 2012 the House Budget Committee reported the legislation (as amended).

Administration Position: No Statement of Administration Policy (SAP) is available at press time.

Cost to Taxpayers: The legislation would lead to $14 million of authorized spending (subject to appropriation) over six years. The legislation also would give a more accurate picture of the federal budget. In so doing, the legislation would show a $55 billion higher deficit in FY 2012 (the difference between fair value procedures and current procedures).

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Does the Bill Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: No. According to the committee report: "In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 3581 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI."

Constitutional Authority: The sponsor states: "Congress has the power to enact this legislation pursuant to the following: Article I, Section 9, Clause 7."

That portion of the Constitution reads: "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."

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