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CONGRESSWOMAN SHEILA JACKSON LEE OF TEXAS

H.R. 3578, "THE BASELINE REFORM ACT OF 2011"

AMENDMENT 1

TALKING POINTS

WEDNESDAY, FEBRUARY 1, 2012

Mr. Chairman, today I present my first Amendment to the Baseline Budget Reform Act of 2011." Over the past year this

Congress has seemingly become part of a Kabuki Theater over the very serious issues of debt and deficit reform.

Although some serious proposals have been put forth by several notable bi-partisan groups, such as Bowles-Simpson, there are also some that don't merit much time and attention but since this legislation might just pass out of this House, I bring up my amendment which calls on The CBO to prepare an analysis and study on the impact of the Baseline Reform Act on present and future Social Security recipients.

A week ago, the House Budget Committee passed legislation that would require the Congressional Budget Office and the Office of Management and Budget to assume, in constructing budget baselines that project funding levels for future years, which future annual appropriations will remain frozen indefinitely, with no adjustment for inflation.

The release, this morning of the Budget and Economic Outlook from the Congressional Budget Office serves as an important reminder that while our economy is gradually recovering from the worst recession since the Great Depression, we still have much work to do to tackle the deficit, create jobs, and return the budget to a long-term, fiscally sustainable path.

It is clear that part of the progress we've made so far is due to the pro-growth policies championed by Congressional Democrats and President Obama, and now is not the time to turn back the clock or return to the policies that got us into this mess in the first place.

Nonetheless, Mr. Chairman, the country still faces serious budget and economic challenges. Our first priority remains putting Americans back to work – it is not only the best way to boost economic growth, but it is the fastest, most effective way to reduce the deficit.

The CBO report also underscores the need for continued efforts to strengthen the economy. Congress can do that by providing a payroll tax cut to 160 million working Americans and extending unemployment insurance to those who are out of work through no fault of their own. We also need to pursue a balanced approach to long-term deficit reduction. I look forward to working with my colleagues to enact meaningful legislation that will create jobs, support working families, and keep the economy strong while putting the budget back on track.

Removing inflation adjustments from budget projections for discretionary programs would make the projections of deficits and debt look more favorable than they really are, by creating an unrealistic assumption that policymakers will cut funding for discretionary programs in real terms every year through a permanent, across-the-board funding freeze, irrespective of the level of inflation.

The staff whose salaries and benefits are paid, the goods and materials that agencies purchase, and the services that programs provide all would be assumed to be cut every year under the baseline, which is inconsistent with the reality of budgeting and economics. This lack of pragmatism and realism could lead many to believe that deficits will be lower than is likely the case and thus to conclude that costly new proposals are more affordable than they actually are.

This could also lessen pressure to enact the unpopular budget cuts and revenue increases that will be necessary over the coming decade to bring the budget to a sustainable and prudent long-term path.

To illustrate this point, note that last spring CBO compared a ten-year freeze in discretionary appropriations — both defense and non-defense — with its ten-year baseline, in which appropriations grow with inflation.

Relative to the baseline, a freeze would reduce expenditures for these programs by $1.3 trillion over the next ten years. Counting the resulting interest savings, the deficit would appear $1.6 trillion lower than if discretionary programs simply grew with inflation. This extra room could suggest that the nation could afford $1.3 trillion in new tax cuts or expansions in mandatory programs.

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H.R. 3578, "THE BASELINE REFORM ACT OF 2011"

AMENDMENT 2

TALKING POINTS

WEDNESDAY, FEBRUARY 1, 2012

Mr. Chairman, today I present my second amendment to the Baseline Budget Reform Act of 2011.

This amendment simply requires the Congressional Budget Office, to the extent practicable, prepare along with the Federal Reserve Bank, a study on the impacts on the Consumer Price Index, and other relevant indicators of inflation upon enactment of this bill.

Removing inflation adjustments from budget projections for discretionary programs would make the projections of deficits and debt look more favorable than they really are, by creating a rosy, and perhaps unrealistic assumption that policymakers will cut funding for discretionary programs in real terms every year through a permanent, across-the-board funding freeze, irrespective of the level of inflation.

The staff whose salaries and benefits are paid, the goods and materials that agencies purchase, and the services that programs provide all would be assumed to be cut every year under the baseline, which is inconsistent with the reality of budgeting and economics.

This lack of pragmatism and realism could lead many to believe that deficits will be lower than is likely the case and thus to conclude that costly new proposals are more affordable than they actually are.

Inflation is a real phenomenon; as prices rise, the value of a dollar shrinks. Consequently, the amount of goods or services that a dollar could buy last year is greater than what it can buy this year or will be able to buy ten years from now.

If, as H.R. 3578 proposes, discretionary programs are projected to be frozen for ten years, the baseline would be a benchmark that builds in real — and deep — cuts in federal programs, essentially creating chaos and uncertainty as organizations try to adjust.

Such a practice also would stand in contrast to budgeting practices for the rest of the federal budget. Key features of the tax code as well as major entitlement programs are indexed for inflation each year.

To be sure, a simple inflation adjustment may not always be the ideal way to create a neutral benchmark. Many programs and most administrative costs should be adjusted to account for changes in program caseloads. The number of elementary school children will grow slightly over the next decade while the number of elderly people will grow rapidly. These facts may suggest that some programs should be adjusted both for inflation *and* for the growth of segments of the U.S. population; if not, the benefits or services per person will likely erode over time.