

**Rep. Paul D. Tonko**  
**Rules Committee Hearing on H.R. 3581**  
**Tonko Amendment to H.R. 3581 *Budget Accounting and Transparency Act***  
**February 6, 2012**

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H.R. 3581 is the latest in a line of budget process bills that the Republican leadership is bringing to the floor to kick off the new year. Although we have significant differences between the two parties on budget priorities, there is no question among us that we need to cut the deficit and get on a more fiscally sustainable path.

I sit on the Budget Committee, and I want to highlight another area of rare bipartisan consensus that has emerged with regard to budget process reform. We have heard from Republican witnesses, like former Budget Committee Chairman Jim Nussle, and Democratic witnesses, like former CBO staff member Dr. Philip Joyce, that Congress already has the procedural tools it needs to balance the budget. We just need to use them. My concern is that instead of spending time in the Budget Committee finding bipartisan areas of agreement on how to rein in the deficit, we have spent months dealing haphazardly with procedural “fixes” that experts from both sides of the aisle tell us are – at best – superfluous.

Sadly, the reason we are not seeing those attempts at consensus-building is that my Republican colleagues have demonstrated a saddening lack of political will in their refusal to face the facts and reach a compromise on balancing the budget. Until we all acknowledge that we need a balanced approach to surmount our economic and budgetary challenges, we will never address the urgent need to put Americans back to work and get our country on a path to long-term fiscal sustainability. And yet, here we are, considering a bill that does not create a single job, cut a single cent of federal spending, or reform a single line of our tax code.

What H.R. 3581 does do is mandate a change in how we calculate the costs of government loans and loan guarantee programs. It tosses credit estimates that have been in use since 1990 and replaces them with “fair value” estimates. At the end of the day, this is a way for Republicans to mandate an accounting method that makes government loans look more expensive.

This legislation is based on the argument that we need CBO cost projections to reflect the “risk” involved in federal lending. That is certainly a rational proposition – which is why we already do it. In a letter strongly opposing H.R. 3581, former CBO Director Robert Reischauer wrote that the accounting method we have used to assess federal lending since 1990 “already reflects the risk that borrowers will default on their loans or loan guarantees.”

H.R. 3581 places an *additional* cost on top of the actual cash flows. That extra cost is the difference between the current approach that estimates the cost of the loan or guarantee to the federal government and the Republican proposal to estimate the cost of the loan or guarantee if the private market were providing them.

The problem with that thinking is that the private market is *not* providing these loans. No private actor is in the same position as the government with the ability to borrow at Treasury rates and

the ability to spread risk across such a broad portfolio. And that is where the controversy over fair value estimates begins.

Because no private actor is in the same position as the federal government, CBO has to guess. They have to develop a measure of value through a series of assumptions. The result is that under this proposal, CBO would take a guess at how a private actor might value a loan or guarantee, rather than the current method that simply asks what it costs the Treasury to provide the loan. For a bill with the word “transparency” in its title, that sounds like some pretty murky math.

In their cost estimate of this bill, CBO noted that if the Republican accounting proposal were used starting in 2012, we would see the federal deficit jump by \$55 billion. These changes would affect our determinations of whether we can afford things like housing loans, student loans, small business loans, and even mortgage guarantee programs for vets by creating the appearance that those loans now cost more. With such a tremendous impact, it is deeply troubling that H.R. 3581 has not been the subject of a full examination and hearing by the Budget Committee.

At a time when our housing market has been devastated, when our workforce is struggling to attain the knowledge and skills they need in a difficult job market, when small businesses are fighting their way out of the worst recession since the 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 the 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 we all came here to represent.

That is why I have made this modest request. 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. Within 45 days, we can vote on the Commission’s recommendations, and – if reforms are deemed wise – we can move forward with the smartest course of action and a policy that brings all our federal loan and loan guarantee estimates into uniformity.

I urge you to support this straightforward amendment. After so many look at Congress and shake their heads at our partisan bickering, let’s take a moment to be objectively smart rather than just politically savvy about our policy decisions.