II

117TH CONGRESS
1ST SESSION

S. 2548

To provide for fiscal gap and generational accounting analysis in the legislative process, the President's budget, and annual long-term fiscal outlook reports.

IN THE SENATE OF THE UNITED STATES

JULY 29, 2021

Mr. BRAUN (for himself, Ms. LUMMIS, Mr. SCOTT of Florida, and Mr. CRUZ) introduced the following bill; which was read twice and referred to the Committee on the Budget

A BILL

To provide for fiscal gap and generational accounting analysis in the legislative process, the President's budget, and annual long-term fiscal outlook reports.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Intergenerational Financial Obligations Reform Act''.

SEC. 2. THE CONGRESSIONAL BUDGET OFFICE REPORT.

Section 202 of the Congressional Budget Act of 1974 (2 U.S.C. 602) is amended—

(1) in subsection (e), by adding at the end the following:

"(4) For any legislation or resolution considered in the Senate or the House of Representatives that would impact revenues or mandatory spending by greater than 0.5 percent of the gross domestic product over the following 10-fiscal-year period and upon request relating to any other legislation or resolution by the Chairman or Ranking Member of the Committee on the Budget of the House of Representatives or of the Committee on the Budget of the Senate, the Congressional Budget Office shall provide with respect to such legislation or resolution a report that includes—

"(A) a fiscal gap report and a generational account report, including changes in the fiscal gap and generational accounts relative to the baseline estimates for purposes of each such report;

"(B) Federal deficits as of the end of the fiscal year that is 75 years after the budget year with respect to the legislation, under a baseline estimate and an alternative scenario estimate; and

"(C) outstanding Treasury liabilities as of the end of the fiscal year that is 75 years after the budget year with respect to the legislation, under a baseline estimate and an alternative scenario estimate."; and

(2) by adding at the end the following:

"(h) DEFINITIONS.—In this section:

"(1) ALTERNATIVE SCENARIO ESTIMATE.—The term 'alternative scenario estimate' means an estimate assuming laws, as in effect during the budget year, continue to be in effect for each subsequent fiscal year.

"(2) BASELINE ESTIMATE.—The term 'baseline estimate' means an estimate based on laws enacted through the date of the estimate.

"(3) BUDGET YEAR.—The term 'budget year' has the meaning given that term in section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900(c)).

"(4) DIRECT SPENDING.—The term 'direct spending' has the meaning given that term in section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900(c)).

"(5) EXPLICIT DEBT.—The term 'explicit debt' means the total amount of Treasury liabilities outstanding on the last day of the budget year.

"(6) FISCAL GAP.—The term 'fiscal gap' means the sum of the explicit debt and the implicit debt.

"(7) FISCAL GAP POLICY OPTION.—

"(A) IN GENERAL.—The term 'fiscal gap policy option' means the permanent across-the-board change in particular (combinations of) Federal revenues or the permanent across-the-board change in particular (combinations of) Federal expenditures required to make the fiscal gap equal to zero.

"(B) TIMING.—The change in revenues or expenditures for purposes of subparagraph (A)—

"(i) may be calculated under alternative timings of when the policy change begins; and

"(ii) shall, at a minimum, include policy change options starting 1, 5, 10, 15, and 25 fiscal years after the budget year.

"(C) POLICY OPTIONS.—The potential combinations of changes in Federal revenues and Federal expenditures that are a part of a fiscal gap policy option may include—

"(i) income taxes imposed under chapter 1 of the Internal Revenue Code of 1986;

"(ii) taxes described in clause (i), taxes on self-employment income under chapter 2 of the Internal Revenue Code of 1986, employment taxes imposed under chapters 21 and 22 of such Code, and offsetting receipts;

"(iii) taxes and receipts described in clause (ii), excise taxes imposed under subtitles D and E of the Internal Revenue Code of 1986, estate and gift taxes imposed under subtitle B of such Code, customs duties, and other receipts;

"(iv) discretionary appropriations (with no changes to offsetting receipts);

"(v) direct spending and expenditures under the Federal old-age, survivors, and disability insurance benefits program under title II of the Social Security Act, the Medicare program under parts A and B of title XVIII of the Social Security Act, and Medicare Prescription Drug Coverage under part D of title XVIII of the Social Security Act;

"(vi) direct spending and expenditures described in clause (v) and all other direct spending including the supplemental nutrition assistance program, supplemental security income benefits, child, earned income, and other tax credits, child nutrition programs, the temporary assistance for needy families program, housing assistance programs, and civilian and military retirement programs; and

"(vii) discretionary appropriations and direct spending, except interest payments on outstanding Treasury liabilities.

"(D) DYNAMIC EFFECTS.—Calculations of fiscal gap policy options shall incorporate dynamic effects from induced changes in labor supply, national saving, and capital formation, as relevant to each particular policy option among those described in subparagraphs (C).

"(8) FISCAL GAP REPORT.—

"(A) IN GENERAL.—The term 'fiscal gap report' means a report that, in accordance with this paragraph—

"(i) specifies the amount of explicit debt, the implicit debt, and the fiscal gap;

"(ii) provides fiscal gap policy options; and

"(iii) incorporates a fiscal gap sensitivity analysis.

"(B) SEPARATE REPORTING FOR TRUST FUNDS.—

"(i) IN GENERAL.—A fiscal gap report shall address each item specified in clauses (i), (ii), and (iii) of subparagraph (A) separately for each social insurance program.

"(ii) FISCAL GAP POLICY OPTIONS.—The fiscal gap policy options provided for each Federal social insurance program shall be limited to changes in receipts and expenditures from the applicable trust fund.

"(iii) CALCULATION.—

"(I) IN GENERAL.—For purposes of calculations relating to the fiscal gap in connection with a social insurance program, the calculations shall be determined as the sum of—

"(aa) the projected budget-year-end value of Treasury securities and other assets held in the applicable trust fund; and

"(bb) the present discounted value of annual expenditures from the applicable trust fund over future fiscal years minus the present discounted value of receipts paid into the applicable trust fund excluding transfers from other Federal funds over future fiscal years.

"(II) EXPENDITURES AND RECEIPTS.—For purposes of subclause (I), expenditures and receipts shall include expenditures and receipts projected through the future fiscal year described in paragraph (15)(B).

"(iv) LIMITING.—For each social insurance program, a fiscal gap report shall separately address each item specified in clauses (i), (ii), and (iii) of subparagraph (A) as specified and after limiting the calculation under clause (iii)(I)(bb) to the closed group of past and current adult program participants (as described in paragraph 11(B)(i)), both taxpayers and beneficiaries.

"(C) SCENARIOS.—A fiscal gap report shall address each item specified in clauses (i), (ii), and (iii) of subparagraph (A) under—

"(i) a baseline estimate; and

"(ii) an alternative scenario estimate.

"(D) AMOUNTS.—A fiscal gap report shall provide information with respect to each item specified in clauses (i), (ii), and (iii) of subparagraph (A)—

"(i) in present-discounted dollars;

"(ii) as percentages of present-discounted value of future gross domestic product projected through the future fiscal year described in paragraph (15)(B); and

"(iii) as a percentage of the amount of taxes projected to be collected under sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1986 through the future fiscal year described in paragraph (15)(B).

"(9) FISCAL GAP SENSITIVITY ANALYSIS.—

"(A) IN GENERAL.—The term 'fiscal gap sensitivity analysis' means estimates of changes to the fiscal gap amounts specified in paragraph (8)(D) calculated under alternative economic and demographic assumptions for a given scenario described in paragraph (8)(C).

"(B) REQUIRED ALTERNATIVES.—The alternative economic assumptions for any fiscal gap sensitivity analysis shall include the following:

"(i) Projected annual rate of population growth that is 25 basis points larger and 25 basis points smaller than the baseline population growth-rate projection specified under paragraph (15)(C). In making the estimates, the applicable agency may use reasonable alternative symmetric basis point variations around baseline population-growth projections consistent with uncertainty associated with underlying growth components of fertility, mortality, and immigration rates.

''(ii) Projected annual rates of labor productivity growth that is 50 basis points larger and 50 basis points smaller than the baseline labor productivity growth-rate projection specified under paragraph (15)(C). In making the estimates, the applicable agency may use reasonable alternative, symmetric basis-point variations around baseline labor-productivity growth rates consistent with uncertainty associated with underlying components of inflation rates, technological change, capital intensity, and labor efficiency.

''(iii) Projected discount rates that are 75 basis points larger and 75 basis points smaller than the baseline long-term discount rate projection specified under paragraph (15)(D). In making the estimates, the applicable agency may use reasonable alternative, symmetric basis-point variations as appropriate around baseline interest rate projections consistent with uncertainty associated with long-term government borrowing rates. All interest rate variations reported shall be consistent with maintaining a net positive average long-term interest rate after subtracting the long-term average labor productivity growth rate of the economy of the United States.

“(10) GENERATION.—The term ‘generation’ means a 1-year birth cohort of individuals of a given gender born during a given fiscal year.

“(11) GENERATIONAL ACCOUNT.—

“(A) IN GENERAL.—The term ‘generational account’ means the actuarially present-valued amount per capita for a given generation of annual net Federal tax burdens during that generation’s remaining lifetime under a particular Federal fiscal policy.

“(B) AGES.—A report regarding generational accounts shall include generational accounts for—

“(i) selected individual generations born not less than 18 years before the report; and

“(ii) selected individual generations born or who will be born after the date that is 18 years before the report, including those born after the budget year.

"(C) CALCULATION.—Generational accounts of children and future generations described in subparagraph (B)(ii) shall be calculated such that—

"(i) their total over all members equals the sum of—

"(I) Treasury liabilities projected to be outstanding at the end of the budget year; and

"(II) the present value of projected discretionary (non-transfer) Federal spending minus the sum of the generational accounts of adult generations described in subparagraph (B)(i);

"(ii) the ratio of the generational account of males of each generation among children and future generations described in subparagraph (B)(ii) to the generational account of females born in the same year is set equal to the ratio of the generational accounts of males and females born 18 years before the calculation; and

"(iii) the generational accounts of members of children and future generations described in subparagraph (B)(ii) increases with the year of their births at the projected growth rate of labor productivity.

"(12) GENERATIONAL ACCOUNT POLICY EFFECTS.—

"(A) IN GENERAL.—The term 'generational account policy effects' means the changes to the generational accounts of adults described in paragraph (11)(B)(i) and children and future generations described in paragraph (10)(B)(ii) and to the generational net-tax-burden gap from changes to particular (combinations of) Federal taxes and to particular (combinations of) Federal expenditures.

"(B) DYNAMIC EFFECTS.—Calculations of generational accounts policy options shall incorporate dynamic effects from induced changes in employment, national saving, and capital formation, as relevant to each particular policy option described in paragraph (7)(C).

"(13) GENERATIONAL ACCOUNT REPORT.—

"(A) IN GENERAL.—The term 'generational account report' means a report that, in accordance with this paragraph, includes generational accounts and a discussion of generational account policy effects.

"(B) SCENARIOS.—A generational account report shall address generational accounts, including net Federal tax burdens, under—

"(i) a baseline estimate; and

"(ii) an alternative scenario estimate.

"(14) GENERATIONAL NET-TAX-BURDEN GAP.—The term 'generational net-tax-burden gap' means the ratios of the generational account of males and females born 17 years before the budget year to the generational accounts of males and females, respectively, born 18 years before the budget year minus 1 times 100.

"(15) IMPLICIT DEBT.—

"(A) IN GENERAL.—The term 'implicit debt' means the difference between—

"(i) the discounted present value of projected annual Federal spending during the period of the budget year and not less than the ensuing 75 fiscal years, excluding spending for net interest and principal payments on Treasury liabilities; and

"(ii) the discounted present value of Federal tax and non-tax receipts during the period of the budget year and not less than the ensuing 75 fiscal years.

"(B) PROJECTION PERIOD.—Annual Federal noninterest spending and receipts used to calculate implicit debt shall be projected through a future fiscal year, at least 75 years beyond the budget year, and such that the accrual to the fiscal gap by extending the calculation by 1 additional fiscal year is within 0.1 percent of the fiscal gap without extending the calculation by 1 fiscal year.

"(C) FEDERAL BUDGET PROJECTIONS.—The growth of Federal noninterest spending and receipts over future fiscal years shall be consistent with the baseline projections of population growth, general price inflation (Personal Consumption Expenditures index), and labor-productivity-growth factors including technological change, capital intensity, and labor efficiency, as determined by the applicable agency.

"(D) DISCOUNT RATES.—For purposes of calculating the implicit debt, the discount rates shall be the interest rate projections of the Congressional Budget Office over the projection horizon on Treasury bonds with prospective maturity of at least 20 years and longer.

"(16) NET FEDERAL TAX BURDEN.—The term 'net Federal tax burden' means the difference between Federal taxes paid and transfer payments received.

"(17) SOCIAL INSURANCE PROGRAM.—The term 'social insurance program'—

"(A) means a social insurance program that is funded out of a Federal trust fund; and

"(B) includes the Federal old-age, survivors, and disability insurance benefits program under title II of the Social Security Act, the Medicare program under parts A and B of title XVIII of the Social Security Act, and the Medicare Prescription Drug Coverage under part D of title XVIII of the Social Security Act.

"(18) TREASURY LIABILITIES.—The term 'Treasury liabilities' means the face amount of obligations issued under chapter 31 of title 31, United States Code, and the face amount of obligations whose principal and interest are guaranteed by the United States Government (except guaranteed obligations held by the Secretary of the Treasury)—as in section 3101(b) of title 31.".

SEC. 3. CBO ANNUAL REPORT.

(a) REQUIREMENT.—

(1) IN GENERAL.—The Congressional Budget Office shall produce a fiscal gap and generational accounting analysis, which shall be reported as a separate section within its annual ''Long-Term Budget Outlook''.

(2) DEFINITIONS.—In this subsection, the terms ''fiscal gap'' and ''generational account'' have the meanings given such terms in subsection (h) of section 202 of the Congressional Budget Act of 1974 (2 U.S.C. 602), as added by section 2.

(b) PUBLIC REPORT.—The Director of the Congressional Budget Office shall post the report described in subsection (a) on the Congressional Budget Office public website.

SEC. 4. GAO ANNUAL REPORT.

(a) REQUIREMENT.—

(1) IN GENERAL.—The Comptroller General shall produce annually a report on fiscal gap and generational accounting analysis consistent with the assumptions of the Government Accountability Office with respect to baseline projections of population growth, general price inflation (Personal Consumption Expenditures index), and labor-productivity-

growth factors including technological change, capital intensity, and labor efficiency.

(2) DEFINITIONS.—In this subsection, the terms ''fiscal gap'' and ''generational account'' have the meanings given such terms in subsection (h) of section 202 of the Congressional Budget Act of 1974 (2 U.S.C. 602), as added by section 2.

(b) PUBLIC REPORT.—The Comptroller General shall post the report described in subsection (a) on the General Accountability Office public website.

SEC. 5. THE PRESIDENT'S BUDGET.

Section 1105 of title 31, United States Code, is amended—

(1) in subsection (a), by adding at the end the following:

''(40) an analysis including—

''(A) a fiscal gap report and a generational account report, including changes in the fiscal gap and generational accounts relative to the baseline estimates for purposes of each report;

''(B) Federal deficits as of the end of the fiscal year that is 75 years after the budget year, under a baseline estimate and an alternative scenario estimate; and

"(C) outstanding Treasury liabilities as of the end of the fiscal year that is 75 years after the budget year, under a baseline estimate and an alternative scenario estimate."; and

(2) by adding at the end the following:

"(i)(1) For purposes of subsection (a)(40), the terms 'alternative scenario estimate', 'baseline estimate', 'fiscal gap', 'fiscal gap report', 'generational account', 'generational account report', and 'Treasury liabilities' have the meanings given such terms in section 202(h) of the Congressional Budget Act of 1974 (2 U.S.C. 602(h)).

"(2) For purposes of subsection (a)(40), the terms defined in paragraph (1) shall be calculated using the assumptions of the President of baseline projections of population growth, general price inflation (Personal Consumption Expenditures index), and labor-productivity-growth factors including technological change, capital intensity, and labor efficiency.".

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