



FISCAL FUTURE COMMISSION: FREQUENTLY ASKED QUESTIONS

What is the Fiscal Future Commission?

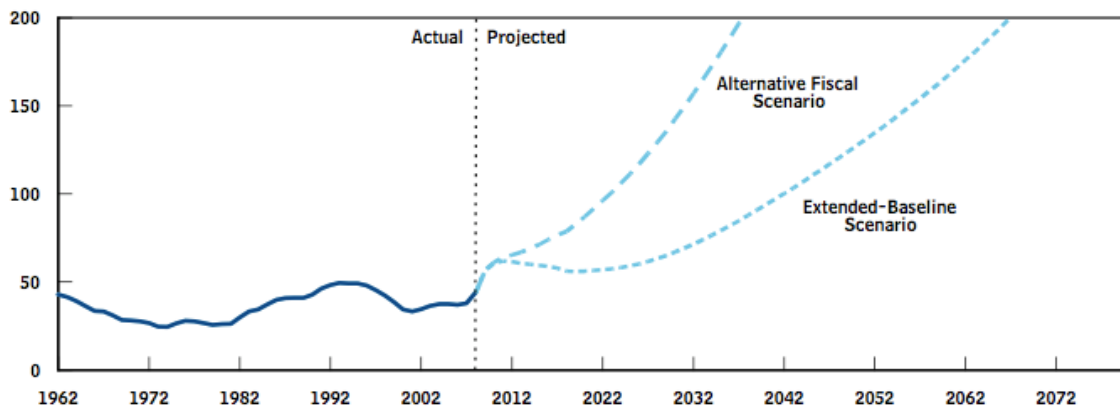
The Fiscal Future Commission is a bipartisan, independent body comprised of leaders from the legislative and executive branches as well as selected non-governmental experts. The Commission would engage with the American public and various key stakeholders to review the nation’s budget process, entitlement programs, savings rates, and tax policies and offer recommendations to Congress that would result in guaranteed vote in the Congress. Primarily, it would propose reforms that would, over time, reduce the nation’s deficits, relative debt burdens and dependency on foreign lenders.

Why is a Fiscal Future Commission needed?

The nation is on an unsustainable fiscal course. As of September 30, 2008, the federal government had over \$56 trillion in liabilities and unfunded promises for Social Security and Medicare, which equals a \$184,000 debt burden every American. The economic crisis and stimulus spending have worsened the situation, but most of the shortfall is the result of Social Security and Medicare spending that will accelerate when the “baby-boomer” generation enters retirement. Estimates from inside and outside the government show that the Federal Government’s projected revenue will not be sufficient to cover the costs of existing programs, let alone the projected increase in costs of such programs over time. If not addressed, this financial pressure will ultimately cripple the American economy, give foreign holders of our debt, like China, Japan and Saudi Arabia, greater influence over American policy, shatter international confidence in the American economy, and threaten future generations’ standard of living.

Federal Debt Held by the Public Under CBO’s Long-Term Budget Scenarios

(Percentage of gross domestic product)



Source: Congressional Budget Office.

Note: The extended-baseline scenario adheres closely to current law, following CBO’s 10-year baseline budget projections from 2009 to 2019 and then extending the baseline concept for the rest of the projection period. The alternative fiscal scenario deviates from CBO’s baseline projections, beginning in 2010, by incorporating some changes in policy that are widely expected to occur and that policy-makers have regularly made in the past.

The President and Congress have not directly addressed our nations' deteriorating financial condition. While there have been attempts to balance budgets and reduce the national deficit, no reform of the mandatory spending programs and tax preferences that have fueled this fiscal crisis has been attempted since the 1980's. The President has yet to announce a plan for addressing this issue and Congress, because of political pressures and the economic crisis, has delayed its attempts to do so. The President and a number of members in the Congress have acknowledged that something has to be done and have suggested that an extra-ordinary Commission maybe the only answer. At this point, the nation's challenges are too great to delay much longer. A Fiscal Future Commission would provide a basis to make the needed reforms to put the nation on a more prudent and sustainable fiscal path.

Who would be on the Fiscal Future Commission?

The commission should be comprised of a reasonable number (e.g., no more than 20) of voting members from the Administration, the Congress and selected non-governmental experts. For example, it could involve two Administration representatives, 12 members of Congress (six Democrats and six Republicans), and six non-governmental experts (two Democrats, two Republicans, and two Independents). It could also involve selected non-voting members (e.g., Comptroller General of the United States or the Director of the Congressional Budget Office).

What specific areas would the Commission examine?

The Commission would look at ways to confront the unsustainable imbalance between long-term projected Federal spending and projected Federal revenues; ways to increase national savings to promote for investment and economic growth; the implications of increased foreign ownership of U.S. debt; and how to improve the budget process to place greater emphasis on fiscal responsibility both today and tomorrow.

How would the Fiscal Future Commission do its job?

Over approximately two years, the Fiscal Future Commission would engage the American people and various key stakeholder groups. It would analyze options to confront the nation's financial crisis and issue legislative recommendations to the Congress. The Commission should engage representative groups of American citizens and hold at least one town-hall style meeting in each Federal Reserve District. This would allow the Commission members to brief the public on the nation's fiscal crisis while simultaneously providing the public an opportunity to voice its opinions and concerns. The Commission would also utilize technological opportunities offered by the Internet, social networking, and other electronic communication mediums to further increase its interaction with the public.

In addition to the aforementioned meetings with the public, the Commission would hold national hearings to understand the concerns and potential solutions offered by various key interest groups. While these groups are maligned by some, it is important that as the Commission addresses this national crisis it accounts for the positions, viewpoints, and solutions offered by a wide range of groups.

Based off the information gained during the meetings and its own research, the Commission will then draft legislative proposals to rectify the nation's funding shortfalls. Solutions and reforms may include: limiting the growth of entitlement spending; strengthening programs such as Social Security and Medicare so that they are more focused on those with greater needs; increasing private savings; reforming the U.S. tax code to simplify the system, increase efficiency and generate more revenues; imposing tough statutory budget controls; any combination of these and other means to address the Federal Government's unfunded liabilities.

What recommendations would the Fiscal Future Commission consider?

The Commission has been given a broad mandate to look at every potential solution for the nation's problems and weigh their benefits and costs. Since the looming financial shortfall is so great, it is important that the Fiscal Future Commission have every option available, thus allowing it to conduct the full review and reform of the Federal Government's budget spending, entitlement, and tax policy.

What would the Congress do with the recommendations of the Commission?

The recommendations from the Commission would go directly to the House and Senate Budget Committees. Each Committee Chair and Ranking Member would have ninety days to propose alternative amendments to the legislation (that does not increase the deficit) to the recommendations of the Commission. These recommendations would then proceed through the House Budget Committee, which would then report the legislation to the full House of Representatives and Senate. The legislation ultimately would receive an up-or-down vote from each body. Any amendments could not have an adverse effect on the fiscal path recommended by the Commission.

What are the advantages?

The Fiscal Future Commission would be able to avoid the political pressures that have doomed previous attempts to reform the nation's entitlement programs and tax policies. Entitlement reform and tax reform is a politically charged issue, and many members are reluctant to vote on them. However, they must be addressed for the sake of future generations and the health of the American economy.

The Commission would also be able to provide comprehensive solutions to the nation's fiscal problems, instead of piecemeal solutions that tackle the problems in one area while ignoring others. Only the Fiscal Future Commission would be able to address the issues of entitlements, other spending, taxation, savings and budget controls in a holistic manner. Such comprehensive reform would prevent the government from battling this issue four, or even ten, years from now.

At the same time, the Commission would also indicate a timeframe by which the nation can move away from short-term stimulus spending towards reforms that reduce deficits, related debt burdens, and increase national savings. Establishing such a timeframe would send a message to both the American people and the foreign holders of U.S. debt that the Federal government is committed to organizing its financial house.

Is this just another typical “Commission?”

No. Commissions are designed because the standard Constitutional policy-making process cannot always handle particularly divisive partisan disputes. This Commission is unique in that it is not simply a study and analysis of the current problems with our nation’s finances. Rather, this Commission’s findings will include proposing specific legislation that will receive guaranteed Congressional consideration and a vote.. Its bipartisan nature and the up-or-down vote process will enable both partisan and institutional compromises to work.

When the Commission submits its findings to Congress for a vote in two years, won’t it be too late to take action on this massive fiscal problem?

It is true that our fiscal situation may continue to deteriorate over the next two years, especially given the prospect of a second stimulus bill and the new initiatives proposed by the administration and Congress in the areas of health care and climate change. However, several factors make a Fiscal Future Commission a better way to address the looming fiscal crisis than the normal legislative process.

- First, due to the current economic situation, it was necessary to engage in some stimulus and financial rescue activity to lessen the impact of the crises in the financial, credit, and housing markets. Failure to do so would have deepened the current recession, making the future fiscal challenge even worse. However, our large and growing short-term deficits cannot be justified and they serve to threaten our collective future. The creation of the Fiscal Future Commission would send the imbalance thus providing some reassurance to the markets and foreign holders of U.S. debt.
- Second, there is no other politically feasible means for enacting major tax and entitlement reforms in a timely manner. The health care reform and other legislative proposals currently before Congress make it impossible to act on the fiscal challenge in 2009. Further, Congressional leaders face reelection in 2010, and will not want to vote to increase taxes or drastically reform entitlement programs in an election year.
- Third, the Fiscal Future Commission has the flexibility to provide its recommendations on an installment basis or all at once at the completion of its effort: Either way, these recommendations would be guaranteed consideration by the Congress.

What has President Obama said about the Fiscal Future Commission?

In a July 22nd interview with Washington Post editor Fred Hiatt, President Obama stated that the best way to deal with the deficit may be a commission where, “everything is going to have to be on the table.” He envisioned the commission reporting back after the 2010 election and providing a “pledge for action.”

Are there proposals for such a Commission being discussed in Congress?

At this time, there are several related legislative proposals in both the Senate and the House. For example, there are two pieces of legislation entitled the “Securing America’s Future Economy Commission Act” or the “SAFE Commission Act,” and another entitled the “National Commission on Entitlement Solvency Act.”

- The House Bill (H.R. 1557) was introduced by Rep. Jim Cooper (D-TN) and Rep. Frank Wolf (R-VA) and has 98 cosponsors. On March 17, 2009, it was referred to the House Budget Committee and the Rules Committee.
- The Senate Bill (S. 1056) was introduced by Sen. George Voinovich (R-OH), and cosponsored by Sen. Joseph Lieberman (I-CT) and has eight other cosponsors. This bill was referred to the Senate Budget Committee.
- Another Senate Bill (S. 276) was introduced by Sen. Dianne Feinstein (D-CA) and cosponsored by Sen. John Cornyn (R-TX) and has no other co-sponsors. This bill was referred to the Senate Finance Committee.