

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5129

To amend title 31, United States Code, to require certain additional calculations to be included in the annual financial statement submitted under section 331(e) of that title.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 2006

Mr. CHOCOLA (for himself, Mr. KIRK, and Mr. COOPER) introduced the following bill; which was referred to the Committee on Government Reform

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## A BILL

To amend title 31, United States Code, to require certain additional calculations to be included in the annual financial statement submitted under section 331(e) of that title.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Truth in Accounting  
5       Act of 2006”.

1 **SEC. 2. PREPARATION OF NET PRESENT VALUE CALCULA-**  
2 **TION OF MAJOR LIABILITIES AND COMMIT-**  
3 **MENTS OF THE FEDERAL GOVERNMENT.**

4 (a) IN GENERAL.—Section 331(e) of title 31, United  
5 States Code, is amended by adding at the end the fol-  
6 lowing:

7 “(3) NET PRESENT VALUE CALCULATION AND  
8 OTHER CALCULATIONS.—

9 “(A) MATTERS COVERED.—The financial  
10 statement shall include a calculation under poli-  
11 cies in effect during the fiscal year covered by  
12 the statement of the net present value of the  
13 overall liabilities and commitments of the  
14 United States Government. The calculation  
15 shall include—

16 “(i) the outstanding debt held by the  
17 public;

18 “(ii) calculations of the net present  
19 value of commitments and receipts of the  
20 Federal Old-Age and Survivors Insurance  
21 (OASI) Trust Fund, the Federal Disability  
22 Insurance (DI) Trust Fund, the Federal  
23 Hospital Insurance (HI) Trust Fund, and  
24 the Federal Supplementary Medical Insur-  
25 ance (SMI) Trust Fund using the most re-  
26 cent available long-term, intermediate pro-

1           jections by the Trustees of such Trust  
2           Funds of revenues, expenditures, and dis-  
3           count factors, as represented in such an-  
4           nual reports;

5           “ (iii) calculations of the net present  
6           value of commitments and receipts of the  
7           Railroad Retirement and Black Lung (part  
8           C) programs;

9           “ (iv) calculations of the net present  
10          value of commitments and receipts of the  
11          Federal retirement and health insurance  
12          systems, both civil and military.

13          “(B) TIME HORIZON.—(i) For each cal-  
14          culation under subparagraph (A), calculations  
15          shall be provided for—

16               “(I) a 75-year horizon; and

17               “(II) an indefinite time horizon.

18          “(ii) For the 75-year horizon under clause  
19          (i)(I), each calculation shall take each year’s  
20          projected expenditures minus revenues, divide  
21          this difference by the projected discount factor  
22          for that year, and add the resulting 75 annual  
23          discounted flows to obtain the program’s net  
24          present value imbalance. The long-term dis-  
25          count and growth rates used in these calcula-

1 tions shall be discussed in the financial state-  
2 ment and shall be consistent with those used by  
3 the Department of Treasury and other Govern-  
4 ment agencies with regard to other long-term fi-  
5 nancial calculations. For purposes of the cal-  
6 culations in clauses (ii), (iii), and (iv) of sub-  
7 paragraph (A), revenues shall include payroll  
8 taxes as allocated by law to the respective Trust  
9 Funds (currently the case for OASI, DI, and  
10 HI), participant premiums and State transfer  
11 income (for SMI), general revenue receipts from  
12 the taxation of benefits, as currently allocated  
13 by law to the OASI, DI, and HI Trust Funds,  
14 and funding for the Federal retirement and  
15 health insurance systems, both civil and mili-  
16 tary. For purposes of this calculation, revenues  
17 shall not include interest income on Trust Fund  
18 and transfers of general revenue to SMI, Social  
19 Security, or Medicare.

20 “(iii) For the indefinite time horizon under  
21 clause (i)(II), the calculations shall follow the  
22 procedures provided in clause (ii), but shall be  
23 based on extended projections for a number of  
24 years sufficiently beyond 75 years that would  
25 result in the present value sum increasing by

1 less than 0.05 percent if an additional year  
2 were added to the projection.

3 “(C) GENERATIONAL IMBALANCE CAL-  
4 CULATION.—The financial statement shall in-  
5 clude a program-by-program calculation under  
6 policies in effect during the fiscal year covered  
7 by the statement of the net present value of  
8 benefits and projected benefits to current par-  
9 ticipants of the programs described in clauses  
10 (ii), (iii), and (iv) of subparagraph (A), includ-  
11 ing the present value of projected benefits to  
12 current participants, less the present value of  
13 projected contributions and earmarked taxes  
14 paid by, or on behalf of, current participants  
15 less the current trust fund balances.

16 “(D) FISCAL IMBALANCE CALCULATION.—  
17 The financial statement shall include a pro-  
18 gram-by-program calculation under policies in  
19 effect during the fiscal year covered by the  
20 statement of the net present value of benefits  
21 and projected benefits to current and future  
22 participants of the programs described in  
23 clauses (ii), (iii), and (iv) of subparagraph (A),  
24 including the present value of projected benefits  
25 to current and future participants over the in-

1 definite horizon, less the present value of pro-  
2 jected contributions and earmarked taxes paid  
3 by, or on behalf of, current and future partici-  
4 pants over the indefinite horizon, less the cur-  
5 rent trust fund balances.

6 “(E) PRESENTATION OF PUBLIC DEBT.—

7 The financial statement shall include the total  
8 amount of outstanding public debt (included in  
9 the statement pursuant to subparagraph  
10 (A)(i)), plus the total amount of fiscal imbal-  
11 ance calculations (included in the statement  
12 pursuant to subparagraph (D)), set forth sepa-  
13 rately by amount of debt per person, per  
14 fulltime worker, and per household.

15 “(F) METHODS USED.—The financial

16 statement shall include the assumptions and de-  
17 tails of the methods used in making the calcula-  
18 tions required under subparagraph (A). It shall  
19 separately identify and provide a detailed de-  
20 scription of the methods and assumptions used  
21 in making projections of tax revenues, pre-  
22 miums, other receipts from all sources, includ-  
23 ing inter-fund transfers and interest income on  
24 securities held in trust funds, benefit outlays  
25 distinguished by the type of benefit, and admin-

1            istrative expenses. The financial statement shall  
2            also provide details regarding demographic as-  
3            sumptions (such as fertility, mortality, immigra-  
4            tion, and labor-force participation rates), de-  
5            pendency ratios, and economic assumptions  
6            (such as trust fund interest rates, discount  
7            rates, revenue and benefit growth rates, health-  
8            care expenditure growth rates, productivity  
9            growth rates, and inflation rates). The informa-  
10          tion should include a description of all other in-  
11          termediate steps and variables used and pro-  
12          jected in making the calculations.”.

13          (b) EFFECTIVE DATE.—The information required  
14          under paragraph (3) of section 331(e) of title 31, United  
15          States Code, as added by subsection (a), shall be included  
16          in the first financial statement required under that section  
17          after the date of the enactment of this Act.

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