

110TH CONGRESS  
1ST SESSION

# H. R. 3958

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, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 24, 2007

Mrs. BACHMANN (for herself, Mr. RYAN of Wisconsin, Mr. KIRK, Mr. FEENEY, Mr. HERGER, Mrs. BLACKBURN, Mrs. BONO, Mr. ROHR-ABACHER, Mr. MILLER of Florida, Mr. SOUDER, Mr. FLAKE, Mr. HOEKSTRA, Mr. SHADEGG, Mr. GOODE, Mr. DOOLITTLE, Mr. FORTUÑO, Mrs. MYRICK, Mr. WELDON of Florida, Ms. FOXX, Mr. CARTER, Mr. DANIEL E. LUNGREN of California, Mr. COOPER, Mr. HENSARLING, Mr. GARRETT of New Jersey, Mr. CAMPBELL of California, Mr. CULBERSON, Mr. SENSENBRENNER, Mr. BURTON of Indiana, Mr. DAVIS of Kentucky, Mr. BARTLETT of Maryland, Mr. CONAWAY, Mr. PITTS, Mr. LUCAS, Mr. CANTOR, Mr. DAVID DAVIS of Tennessee, Mr. WALBERG, Mr. KLINE of Minnesota, Mr. GOHMERT, Mr. BARRETT of South Carolina, and Mr. PAUL) introduced the following bill; which was referred to the Committee on Oversight and Government Reform, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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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, and for other purposes.

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 2007”.

6 **SEC. 2. PREPARATION OF NET PRESENT VALUE CALCULA-**  
7 **TION OF MAJOR FISCAL EXPOSURES OF THE**  
8 **FEDERAL GOVERNMENT.**

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

12               “(3) NET PRESENT VALUE CALCULATION AND  
13 OTHER CALCULATIONS.—

14               “(A) MATTERS COVERED.—The financial  
15 statement shall include a calculation under poli-  
16 cies in effect during the fiscal year covered by  
17 the statement of the net present value of the  
18 overall fiscal exposures of the United States  
19 Government. The calculation shall include—

20                       “(i) the outstanding debt held by the  
21 public;

22                       “(ii) calculations of the net present  
23 value of commitments and receipts of the  
24 Federal Old-Age and Survivors Insurance  
25 (OASI) Trust Fund, the Federal Disability

1 Insurance (DI) Trust Fund, the Federal  
2 Hospital Insurance (HI) Trust Fund, and  
3 the Federal Supplementary Medical Insur-  
4 ance (SMI) Trust Fund using the most re-  
5 cent available long-term, intermediate pro-  
6 jections by the Trustees of such Trust  
7 Funds of revenues, expenditures, and dis-  
8 count factors, as represented in such an-  
9 nual reports;

10 “(iii) calculations of the net present  
11 value of commitments and receipts of the  
12 Railroad Retirement and Black Lung (part  
13 C) programs;

14 “(iv) calculations of the net present  
15 value of commitments and receipts of the  
16 Federal retirement and health insurance  
17 systems, both civil and military.

18 “(B) TIME HORIZON.—(i) For each cal-  
19 culation under subparagraph (A), calculations  
20 shall be provided for—

21 “(I) a 75-year horizon; and

22 “(II) an indefinite time horizon.

23 “(ii) For the 75-year horizon under clause  
24 (i)(I), each calculation shall take each year’s  
25 projected expenditures minus revenues, divide

1           this difference by the projected discount factor  
2           for that year, and add the resulting 75 annual  
3           discounted flows to obtain the program's net  
4           present value imbalance. The long-term dis-  
5           count and growth rates used in these calcula-  
6           tions shall be discussed in the financial state-  
7           ment and shall be consistent with those used by  
8           the Department of Treasury and other Govern-  
9           ment agencies with regard to other long-term fi-  
10          nancial calculations. For purposes of the cal-  
11          culations in clauses (ii), (iii), and (iv) of sub-  
12          paragraph (A), revenues shall include payroll  
13          taxes as allocated by law to the respective Trust  
14          Funds (currently the case for OASI, DI, and  
15          HI), participant premiums and State transfer  
16          income (for SMI), general revenue receipts from  
17          the taxation of benefits, as currently allocated  
18          by law to the OASI, DI, and HI Trust Funds,  
19          and funding for the Federal retirement and  
20          health insurance systems, both civil and mili-  
21          tary. For purposes of this calculation, revenues  
22          shall not include interest income on Trust Fund  
23          and transfers of general revenue to SMI, Social  
24          Security, or Medicare.

1           “(iii) For the indefinite time horizon under  
2           clause (i)(II), the calculations shall follow the  
3           procedures provided in clause (ii), but shall be  
4           based on extended projections for a number of  
5           years sufficiently beyond 75 years that would  
6           result in the present value sum increasing by  
7           less than 0.05 percent if an additional year  
8           were added to the projection.

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

22          “(D) **FISCAL IMBALANCE CALCULATION.**—  
23          The financial statement shall include a pro-  
24          gram-by-program calculation under policies in  
25          effect during the fiscal year covered by the

1 statement of the net present value of benefits  
2 and projected benefits to current and future  
3 participants of the programs described in  
4 clauses (ii), (iii), and (iv) of subparagraph (A),  
5 including the present value of projected benefits  
6 to current and future participants over the in-  
7 definite horizon, less the present value of pro-  
8 jected contributions and earmarked taxes paid  
9 by, or on behalf of, current and future partici-  
10 pants over the indefinite horizon, less the cur-  
11 rent trust fund balances.

12 “(E) PRESENTATION OF PUBLIC DEBT.—

13 The financial statement shall include the total  
14 amount of outstanding public debt (included in  
15 the statement pursuant to subparagraph  
16 (A)(i)), plus the total amount of fiscal imbal-  
17 ance calculations (included in the statement  
18 pursuant to subparagraph (D)), set forth sepa-  
19 rately by amount of debt per person, per  
20 fulltime worker, and per household.

21 “(F) METHODS USED.—The financial

22 statement shall include the assumptions and de-  
23 tails of the methods used in making the calcula-  
24 tions required under subparagraph (A). It shall  
25 separately identify and provide a detailed de-

1           description of the methods and assumptions used  
2           in making projections of tax revenues, pre-  
3           miums, other receipts from all sources, includ-  
4           ing inter-fund transfers and interest income on  
5           securities held in trust funds, benefit outlays  
6           distinguished by the type of benefit, and admin-  
7           istrative expenses. The financial statement shall  
8           also provide details regarding demographic as-  
9           sumptions (such as fertility, mortality, immigra-  
10          tion, and labor-force participation rates), de-  
11          pendency ratios, and economic assumptions  
12          (such as trust fund interest rates, discount  
13          rates, revenue and benefit growth rates, health-  
14          care expenditure growth rates, productivity  
15          growth rates, and inflation rates). The informa-  
16          tion should include a description of all other in-  
17          termediate steps and variables used and pro-  
18          jected in making the calculations.”.

19           (b) REQUIREMENT FOR PRESIDENT TO USE FINAN-  
20          CIAL STATEMENT IN PREPARING BUDGET.—

21           (1) REQUIREMENT.—In preparing the budget  
22          for the United States Government for submission  
23          under section 1105 of title 31, United States Code,  
24          the President shall take into consideration the finan-  
25          cial statement prepared by the Secretary of the

1 Treasury under section 331(e) of such title, includ-  
2 ing the effect of the overall budget on the  
3 generational imbalance calculation and the fiscal im-  
4 balance calculation required under subparagraphs  
5 (C) and (D), respectively, of such section, and the  
6 effect of the overall budget on the net present value  
7 of the overall fiscal exposures of the United States  
8 Government.

9 (2) INCLUSION OF STATEMENT IN BUDGET.—  
10 Section 1105(a) of title 31, United States Code, is  
11 amended by adding at the end the following new  
12 paragraph:

13 “(36) A statement describing how the financial  
14 statement prepared by the Secretary of the Treasury  
15 under section 331(e) of this title was considered in  
16 preparing the budget, as required by section 2(b) of  
17 the Truth in Accounting Act of 2007, including a  
18 statement of the effect of the overall budget on the  
19 generational imbalance calculation and the fiscal im-  
20 balance calculation required under subparagraphs  
21 (C) and (D), respectively, of such section, and the  
22 effect of the overall budget on the net present value  
23 of the overall fiscal exposures of the United States  
24 Government.”.

1           (c) SECRETARY OF TREASURY TESTIMONY ON FI-  
2   NANCIAL STATEMENT.—Section 331(e) of title 31, United  
3   States Code, is further amended by adding at the end the  
4   following new paragraph:

5           “(4) The Secretary of the Treasury shall testify each  
6   year before Congress on the financial statement for the  
7   preceding fiscal year required by this section, including the  
8   generational imbalance calculation and fiscal imbalance  
9   calculation required under subparagraphs (C) and (D), re-  
10   spectively, of paragraph (3).”.

11          (d) COMPTROLLER GENERAL REPORT ON FINANCIAL  
12   CONDITION OF GOVERNMENT.—Section 331(e) of title 31,  
13   United States Code, is further amended by adding at the  
14   end the following new paragraph:

15          “(5) The Comptroller General shall testify each year  
16   before Congress upon request. Not later than January 30  
17   of each year, the Comptroller General of the United States  
18   shall submit to Congress a report containing an assess-  
19   ment of the financial condition of the United States Gov-  
20   ernment. The report shall include—

21                 “(A) an assessment of the generational imbal-  
22                 ance calculation and fiscal imbalance calculation re-  
23                 quired under paragraph (3);

1           “(B) a statement of whether the President met  
2           the requirements of section 2(b) of the Truth in Ac-  
3           counting Act of 2007;

4           “(C) the results of the most recent long-term  
5           fiscal model simulation of the Government Account-  
6           ability Office; and

7           “(D) such other fiscal matters the Comptroller  
8           General determines to be significant.”.

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

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