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February 28, 2008

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
United States House of Representatives
207 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344), and in response to your letter of January 18, 2008, this letter transmits the Views and Estimates of the Committee on Ways and Means on those aspects of the Federal budget for the fiscal year 2009 that fall within the Committee's jurisdiction.

Congress will consider this year's budget at a time of significant uncertainty for the economy as a whole, with many regions and individuals experiencing economic hardship. Some positive trends of recent years continued last year, with the economy having expanded for the last six years and the budget deficit falling for the third consecutive year. However, the deficit is all but certain to increase this year and some analysts believe the economy will enter into a recession or even that one has already begun, ending an economic expansion that is already the fifth longest on record.

No matter what the outlook for the overall economy, some regions of the country already may be in a recession; job growth has, at best, slowed in recent months; overall economic growth was very low in the fourth quarter of last year; income inequality remains a concern; retirement security is eroding even as an aging population presents new opportunities and challenges; and estimators project growing budget deficits in both the short- and long-term.

Congress and the Administration have responded to some of these concerns with enactment of an economic stimulus package that the Committee hopes will help forestall a recession, or failing that, minimize its duration and impact. The Committee will continue to monitor the state of the economy and its impact on all Americans, the effectiveness of the stimulus package, and our current and future fiscal outlook and consider whether further action is

necessary. The Committee will work to promote a healthy economy and fiscal responsibility in its consideration and adoption of appropriate legislation.

The Committee intends to take a bipartisan approach in examining these issues and developing legislation. Such an approach would allow the Committee to benefit from hearing and considering diverse viewpoints. Developing a consensus approach where possible will also make the Committee's legislative products more likely to become law and more likely to have a lasting impact.

The Committee's priorities include addressing the growing burden of the Alternative Minimum Tax, reviewing tax reform proposals, considering the tax gap, strengthening our health care system, examining retirement security and continuing oversight of Social Security and Medicare, increasing economic opportunity and reducing poverty, and expanding and shaping international trade to maximize the benefits and minimize the costs of globalization and economic integration, including by assisting those for whom globalization has brought increased economic uncertainty.

I. Legislative Issues with Budgetary Impact

- A. **Income Security** – The Committee will carefully evaluate the impact of the current economic weakness on workers and their families, with a particular focus on the adequacy of unemployment benefits. The Committee will continue to review recent changes to the Temporary Assistance for Needy Families (TANF) and child support enforcement programs, as well as oversee other programs providing assistance to low-income individuals and protecting vulnerable children. The Committee recognizes the need to extend the supplemental grants under the TANF program and to extend the adoption incentives program.
- B. **Medicare, Other Health Issues and Health Reform** – The Committee will monitor the Medicare program to ensure it is functioning effectively for beneficiaries, providers and taxpayers well into the future. In particular, the Committee will continue its efforts to oversee the Medicare Advantage program and Part D, and to address issues relating to Medicare's physician reimbursement policy. The Committee will also examine broader issues relating to health systems and health reform, including insurance trends, adequacy of current coverage, national health spending, efforts to improve quality and efficiency, and other related topics.

The Committee also intends to work with the Government Accountability Office (GAO), the Office of the Inspector General (OIG) and others to investigate and address waste, fraud and abuse in Medicare and other programs under our jurisdiction. Particular GAO reports that have been called to the Committee's attention involve the Medicare Advantage and Part D programs. In addition, the OIG has noted serious concerns about the Part D program and its vulnerability to fraud and abuse. The Committee intends to follow the work of these agencies and pursue changes as warranted.

- C. Social Security – The Committee will examine the Social Security Administration’s (SSA's) operational challenges, including reducing its backlog of unprocessed disability claims and program integrity activities, and monitor proposed procedural changes to the adjudication of applications for disability benefits to ensure fairness and efficiency. The Committee will continue to pursue legislation to better protect individuals from identity theft related to the proliferation of use and misuse of the Social Security Number. The Committee will continue oversight of the implementation and effectiveness of SSA’s Ticket to Work program and its related work incentives. The Committee also will oversee and review the importance of Social Security for American workers and their families, the essential role it plays in ensuring economic security, and how best to manage the challenges and opportunities presented by an aging society. This oversight will include an examination of the potential impact of relevant proposals in the President's Fiscal Year 2009 Budget.

The Committee has been closely monitoring SSA’s plan for reducing its substantial backlog of unprocessed disability claims, including reviewing relevant recommendations by the Government Accountability Office. While the agency is on track to make progress in reducing the backlog, due to resource constraints, this progress is at the cost of service delivery declines and increasing backlogs in other agency workloads, including program integrity activities. The Committee recommends sufficient administrative funding to allow SSA to make significant progress toward reducing the disability claims backlog without declines in other areas. In addition, the Committee will continue to monitor the operation of the agency, including reports made by its Inspector General, to prevent waste, fraud and abuse.

- D. Tax - The Committee will consider issues such as the growing burden of the Alternative Minimum Tax in a broad context, the tax gap and Internal Revenue Service (IRS) administration of the tax laws, and retirement security. The Committee will examine the effects of the current tax structure on the economy in terms of both individual and corporate taxpayers, and continue its efforts to examine possible reforms. The Committee’s Oversight Subcommittee will continue its activities to monitor the operations of the IRS. Past Subcommittee efforts indicate that governmental performance at IRS would be improved by: increasing the electronic filing of individual income tax returns; at some point, developing a bar coding system for certain paper returns; measuring the quality of return preparation at IRS walk-in sites; and ensuring IRS’s volunteer programs serve needed populations.
- E. Trade – The Committee supports expanding and shaping international trade to create equitable, broad-based growth for all Americans, and to raise living standards both here and abroad. The Committee will focus on eliminating foreign trade barriers and unfair trade practices that affect U.S. producers and service

providers, including by supporting meaningful trade agreements and eliminating foreign trade barriers through use of U.S. law. The Committee will seek to assist those whose circumstances are negatively affected by international trade by extending and improving trade adjustment assistance programs for workers and firms. The Committee will continue its oversight responsibilities with respect to the World Trade Organization negotiations, accessions and disputes and bilateral free trade agreements. The Committee will continue to oversee the budget and activities of the trade-related agencies, and explore ways to improve the efficacy of U.S. preference programs.

While it will be difficult for the Committee to find offsets within its jurisdiction, the Committee intends to finance legislation in the above areas, in compliance with the House's new paygo rule.

II. The Fiscal Year 2009 Budget

The Committee is reviewing the President's Fiscal Year 2009 Budget, which assumes the deficit will increase this year, fall back to approximately last year's level in Fiscal Year 2010, and reach a surplus in Fiscal Year 2012. The budget proposes significant changes in a number of areas within the Committee's jurisdiction. Over the course of the year, the Committee will continue to examine and consider the proposals and assumptions in the President's budget.

III. The Public Debt Limit.

The current statutory public debt limit is \$9.815 trillion. Current budget projections from both the Office of Management and Budget and the Congressional Budget Office indicate that the debt will reach that limit in Fiscal Year 2009. The level of public debt and precise time at which the statutory limit will be reached will depend on the level of incoming federal receipts, the outlay rates of both discretionary and mandatory spending, and the cost of any new legislation that is enacted. The Committee notes that it has been the practice of the House to pass a resolution raising the debt ceiling to the level necessary to accommodate the assumptions of the budget resolution for its first fiscal year. The Committee will continue to monitor the level of outstanding debt, and will take any necessary action to ensure the consistent financing of government operations.

The Committee on Ways and Means looks forward to working with the Committee on the Budget as we promote prosperity, opportunity, and security while maintaining fiscal prudence.

Sincerely,



Charles B. Rangel
Chairman