

Philadelphia



THE FINAL REPORT FROM A PROJECT BY
▪ The Concord Coalition ▪ The University of Pennsylvania ▪ The Peter G. Peterson Foundation ▪

Philadelphia Fiscal Stewardship Committee

Findings and Recommendations



**THE CONCORD
COALITION**

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The Report of the Philadelphia Fiscal Stewardship Committee

The United States is on an unsustainable fiscal course. The federal government cannot afford to continue living beyond its means and the projected increase in the nation's debt is worrisome from both an economic standpoint and from a moral one.

While there might exist a reasonable level of debt for the government to carry, the level projected for the future is too high. It is important for the generation now in power to leave future generations a strong and growing economy along with a budget environment that provides the flexibility to respond to future military or economic crises. Future generations should be able to make their own decisions about how to allocate their resources, instead of being overburdened with the debt of prior generations.

The sooner policymakers get working on solutions, the better. The current financial crisis confirms the need to address long-term problems before they become a crisis. Hard choices now, whether to reform entitlement spending, raise revenues, or re-prioritize current spending to focus on those investments that can increase economic growth in the future, can help stave off even harder and more drastic decisions in the future. This does not mean we feel that it is imperative to reduce the budget deficit immediately at the expense of efforts to mitigate the current crisis. It does mean that regardless of the decisions necessary now, we must develop a long-term fiscal strategy that reduces the deficit and the national debt to a sustainable level.

As the first Fiscal Stewardship Committee organized under the umbrella of The Concord Coalition's Fiscal Wake-Up Tour, our objective is to advance the main theme of the tour: that the difficult truth of our nation's fiscal future needs to be delivered to Americans across the country in an inclusive manner, with input from all political and ideological perspectives.

Of paramount importance is public education on the nature and scope of our fiscal problems. Furthermore, as the following recommendations make clear, there are a number of areas where the American public needs more information from their elected leaders, and only with this information and a major effort to deliver it to the public, can we ever hope to succeed in solving these problems in order to leave future generations a positive economic and fiscal environment.

Recommendation #1: Information and Education

There is bipartisan acknowledgment about the nature and scope of our country's unsustainable fiscal path. Information needs to be developed and disseminated in order for the public to be better able to understand the present situation and evaluate options for addressing it.

One of the most important starting points for any discussion of the fiscal future would be for Americans to be clear on the magnitude and reach of government spending and taxation, both generally and specifically as it relates to entitlement programs like Social Security, Medicare, and Medicaid.

To accomplish this, Congress and the president should present the information in a nonpartisan manner and in a very clear and accessible way. While much of this information is available through a variety of sources such as the Government Accountability Office (GAO), the Congressional Budget Office (CBO), the Treasury Department's Financial Report of the United States Government, and the Census Bureau's Consolidated Federal Funds Report, a more direct presentation, with the support of the President, would help raise awareness and understanding.

It may also be helpful to link the future projections for taxes and entitlement spending to locally concentrated data, enabling people to understand the effects of future federal budget constraints on local governments and on local economies.

There is also a need for more comprehensive research by either government agencies or the policy community on the economic effects of reducing entitlement spending to sustainable levels. This information must be looked at alongside research on the effects of taxes on economic growth. Such comparative knowledge will be essential for policymakers and the public in order to decide the best mix of taxes and spending going forward.

As a nation, we are living beyond our means and it is straining our budget resources. Looking toward the future, such constraints might become even greater as society ages and the workforce shrinks, especially if rising health care costs continue to outpace economic growth. Rather than ignoring these issues, deferring difficult choices, and stealing from future generations, we need to build an effective federal strategy to strengthen economic growth--thereby expanding our resources--and be more realistic about what federal government promises we can afford to keep. Only if armed with the right information can we make educated choices, instead of ones tainted by interest group politics, generational politics, or ideological blinders.

Recommendation #2: Commissions

Policymakers need to find a way to have a broad discussion about America's priorities removed from the day-to-day nature of congressional policymaking and from the constant concern about the electoral cycle. One way to accomplish this is to create a "fiscal stewardship commission" process similar to the BRAC commission process for military base closings. Any such committee process also needs to have a major public engagement component.

As discussed above, hard choices can only be made if the right information is available to both the public and policymakers. Developing a procedure that can allow policymakers to have the "safe space" in which to address our long-term challenges is essential. We believe a commission structure allows for this.

The commission membership should include current members of Congress, administration officials, non-partisan governmental experts and private citizens. This will increase the likelihood that commission recommendations will have the support of the broader community of elected officials, while ensuring that public education efforts are built on a foundation of citizen inclusion.

The commission also needs to develop actual legislation on which elected officials will be required to vote. Amendments should be allowed to the legislation, but with limitations that insure members of Congress are unable to duck hard choices before an up-or-down vote.

Importantly, any commission process must include outreach to the general public, including town-hall style presentations across the country. This outreach needs to be structured in such a way that all relevant cross sections of our population are given the opportunity to have their voices heard, especially young Americans, who will be dealing with the consequences of today's choices in the future.

Such an effort needs to represent a major investment in explaining to Americans what the problems are and what the solutions and hard choices mean to them individually, to their communities and to the nation as a whole. If the government can undertake a massive public education campaign about the digital television transition, it can attempt a similar effort with these more consequential decisions.

Finally, any commission process should be bi-partisan and undertake its work without preconditions. The issues we think the commission should address are:

1. Rising Health Care Costs (in the public and private sector)
2. A federal budget that balances consumption and investment
3. The projected costs of promised retirement benefits
4. An inefficient tax system

Recommendation #3: Budget Process Reform

Changes in the budget process can also assist policymakers in focusing on long-term challenges and priorities. Congress should look at adopting a capital budget for investments that can pave the way for future economic growth and expanding the economic pie. Process rules should also force members to deal with the long-term implications of policy changes, instead of focusing on budgeting in five or 10 year increments.

As the percentage of the budget devoted to mandatory spending programs on autopilot continues to grow, it becomes more important for Congress to build procedures that subject these programs to regular scrutiny. Similarly, no attempt is made to periodically review the huge tax expenditures in the budget and decide whether those preferences have outlived their initial justification. Adding these pieces to the budget process should push Congress to set more global priorities for the federal budget.

The rise of mandatory spending threatens our ability to allocate resources on investments that have the potential to increase future economic output. One way to avoid this would be for Congress to consider adopting the concept of capital budgeting for such spending so that members have a more complete picture of costs and benefits.

One last budget process change Congress should adopt is to charge the CBO with being more explicit in their scoring of legislation that might substantially alter the long-term budget outlook. Currently, the CBO only provides 10-year scoring of legislation. This allows Congress to "game the system" by adopting phony offsets or legislative sunsets in order to manipulate the 10-year reported costs. For legislation with sufficient long-term effects, the CBO should add a long-term analysis to their scoring reports. That might make legislative changes more transparent and

both enable Congress to get credit for taking action that reduces the long-term problem and allow opponents to attribute blame when they make it worse.

Conclusion

As Philadelphians active in our community, we know that the fiscal health of our nation is not just the concern of Washington policymakers, or one that we can put off indefinitely. The federal budget has a tremendous impact here within our neighborhoods and in the larger city of Philadelphia. We feel the pressure of federal budget constraints and the federal tax burden on our businesses, organizations, and educational institutions. We think it is important to act now, individually and as a committee, to raise an alarm that we cannot allow the nation's finances to continue on their current path. We ask and hope that our fellow citizens and elected representatives recognize the danger of postponing action and seriously consider our recommendations, and follow our example by working together in a bi-partisan fashion to address the looming and ever-growing challenge facing our country.

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