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Third-Quarter Report Card for Congress: Improvement Needed

Edited by Brian M. Riedl, Ronald D. Utt. Ph.D., and Alison Acosta Fraser

As the 109th Congress draws closer to its conclusion, there is growing disappointment among many Members and voters over how little has been accomplished since the 109th convened in February 2005. Federal budgets for fiscal years 2005 and 2006 were not completed until several months into the next fiscal year, the earmark epidemic has been linked to corruption, the much-maligned highway bill was enacted two years late (and gained nothing in quality from the delay), the new Medicare drug benefit plan will add more than $1 trillion to the federal budget over the next 10 years, and the financially shaky Social Security system remains untouched and unreformed.

With such a disappointing record, incumbents have every reason to be nervous about their prospects for re-election in November. Indeed, as the accompanying third-quarter report card reveals, both the House and the Senate are flirting with a failing grade for their performance.

As with academic report cards, the purpose of this exercise is to guide the recipient to better performance by noting deficiencies and suggesting how they might be remedied. Because some in Congress might find this exercise an unwelcome intrusion on their legislative independence, and because it comes without earlier notice, final grades for the session will be based only on House and Senate activity in the final months of this session. In other words, Members will not be graded on past performance, and votes for legislative disgraces already enacted, such as the highway bill and prescription drug benefits plan, will not

Talking Points

- So far in 109th Congress, federal budgets for FY 2005 and FY 2006 were not completed until several months into the next fiscal year, the earmark epidemic has been linked to corruption, the highway bill was enacted two years late (and gained nothing from the delay), the new Medicare drug benefit plan will add more than $1 trillion to the budget over the next 10 years, and Social Security remains financially shaky and unreformed.
- Incumbents have every reason to be nervous about their prospects for re-election in November. Both the House and the Senate are flirting with a failing grade for their performance.
- Over the past few weeks, however, Congress has shown exceptional resolve on a number of controversial issues. If members of the House and Senate maintain this pace, they could very easily complete the needed work on the issues included in this third-quarter report card.

This paper, in its entirety, can be found at:
www.heritage.org/research/budget/bg1947.cfm

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be counted against them in calculating their grades. Instead, final grading will be limited only to domestic legislative issues that are still in play and subject to future votes by one or both houses.

The report card grades a dozen major economic domestic policy issues: spending restraint, budget process reform, earmark reform, property rights, Social Security reform, pension reform, energy, tax relief, tax reform, Medicare, Medicaid, and health care reform. Details and the third-quarter grade for each issue follow.

Spending Levels

Brian M. Riedl

By the time fiscal year (FY) 2006 comes to a close, federal spending will have leaped 45 percent since 2001. The popular scapegoat, defense, accounts for just over one-quarter of this increase, as even non-defense discretionary spending has increased twice as fast under President George W. Bush as it did under President Bill Clinton. The past five years have seen the most expensive education, agriculture, highway, and Medicare bills in American history. Recent massive entitlement expansions overwhelm last year's modest entitlement reconciliation bill. The increasing reliance on supplemental bills offers a loophole for additional spending. Within a decade, unless spending is reined in, taxes will have to rise by nearly $7,000 per household just to balance the budget.

In this budget environment, the House recently passed an FY 2007 budget resolution that expands non-emergency discretionary spending by 3.5 percent, with most of the increase concentrated in defense. Regrettably, lawmakers have failed to fundamentally restructure existing programs to deal with new budget realities. The proposed $6 billion in entitlement savings over five years would barely affect the $80 billion annual increases in entitlement spending.

Even worse, the Senate budget resolution initially added $16 billion more in discretionary spending than the President's and House of Representatives' $873 billion figure before finally acceding to their target. The Senate budget makes no reductions in runaway entitlement spending. Both the House and Senate appear willing to shift money out of defense and then replenish those funds by adding to future supplemental bills.

Senate Grade: D

House Grade: D+

Needed Improvements: Lawmakers should stick to the $873 billion spending level and reject the gimmick of shifting defense dollars into other programs and then replenishing that defense spending in the next supplemental bill. Lawmakers should also terminate low-priority spending and significantly reform entitlement spending.

Additional Background: Brian M. Riedl, "Federal Spending: By the Numbers," Heritage Foundation *WebMemo* No. 989, February 6, 2006, at *www.heritage.org/Research/Budget/wm989.cfm*.

Budget Process Reform

Brian M. Riedl

Created in 1974, the current budget process has been subject to more than 30 years of abuse and loopholes from lawmakers seeking to exploit its structural flaws. These flaws are numerous: No statutory spending caps exist to require that lawmakers restrain spending, set priorities, and make trade-offs. Even modest congressional budget restraints are routinely overridden by a simple majority vote in the House and a three-fifths vote in the Senate.

Once the appropriations process begins, two-thirds of the budget is deemed "uncontrollable" and excluded from the oversight of annual appropriations. Emergency spending is also typically excluded from annual appropriations bills and instead relegated to *ad hoc* budgeting outside of normal budget constraints. Static tax scoring and baseline budgeting create biases in favor of spending increases and against tax cuts. Budgeting by credit card, Congress does not even measure its own long-term financial commitments. Overall, the broken budget process has enabled Congress's spending spree.

For years, Congress has stubbornly refused to repair the budget process, even allowing the successful discretionary spending caps to expire in 2002. The House defeated the Republican Study

Committee's Family Budget Protection Act reforms in 2004, and recent spending restraints proposed by the Democrats' Blue Dog coalition went ignored. Although the "Taxpayers' Bill of Rights" model of limiting spending increases to the inflation rate plus population growth has been popular in several states, no Member of Congress has proposed legislation applying that standard to Congress.

Congress will finally take up budget process reform this summer in response to the President's proposed line-item veto. In doing so, the Senate will debate Senator Judd Gregg's (R–NH) new Stop Over-Spending (SOS) Act, which would cap discretionary and entitlement spending, create commissions to reform entitlements and wasteful spending, and bring about biennial budgeting and a line-item veto. It is a strong step in favor of fiscal responsibility. The House recently passed a line-item veto and may take up additional budget reforms.

Senate Grade: F

House Grade: D

Needed Improvements: The House and Senate need to fix the federal budget process by adopting strict caps on discretionary and entitlement spending such as the Taxpayers' Bill of Rights; create budget mechanisms to address long-term obligations of Social Security, Medicare, and Medicaid; and strengthen budget enforcement.

Additional Background: Brian M. Riedl, "What's Wrong with the Federal Budget Process," Heritage Foundation *Backgrounder* No. 1816, January 26, 2005, at *www.heritage.org/Research/Budget/bg1816.cfm*, and Alison Acosta Fraser, "Time for the Federal Budget Process to Include Unfunded Entitlement Obligations," Heritage Foundation *Backgrounder* No. 1818, February 3, 2005, at *www.heritage.org/Research/Budget/bg1818.cfm*.

Property Rights

Ronald D. Utt, Ph.D.

On June 23, 2005, the U.S. Supreme Court sent shock waves through America's homeowners and small businesses when it ruled that eminent domain could be used for economic development purposes. The case in question was *Kelo v. City of New London*, and under the Court's controversial ruling, private property could be taken from one private owner and transferred to another if the new owner would utilize that property in a manner that created more jobs and more tax revenues than would be the case under the previous owner.

In response, many in Congress introduced legislation that would limit the scope of the Court's ruling and provide greater protection to homeowners and small businesses. In the House, Judiciary Committee Chairman James Sensenbrenner (R–WI) introduced the Private Property Protection Act of 2005 (H.R. 4128) to prevent any government entity receiving federal funds from using eminent domain for economic development. A violation of the prohibition would disqualify that entity from receiving federal funds for two years. H.R. 4128 was passed in November 2005 by a vote of 376 to 38 and sent to the Senate for consideration.

The Senate, however, has not yet acted on H.R. 4128 or on any of the similar bills introduced by Senator John Ensign (R–NV) and by Senator John Cornyn (R–TX). All property rights protection bills introduced in the Senate have been referred to the Senate Judiciary Committee, where they have been bottled up.

Senate Grade: D–

House Grade: A+

Needed Improvements: The Supreme Court's *Kelo* decision has made it imperative that Congress act to protect individual property rights. The policies embodied in H.R. 4128 represent a constructive approach to meeting this need. It is now time for the Senate to act.

Additional Background: Ronald D. Utt, "Kelo Backlash Could Lead to Restoration of Property Rights Lost to Smart Growth and Eminent Domain Abuses," Heritage Foundation *WebMemo* No. 781, June 29, 2005, at *www.heritage.org/Research/SmartGrowth/wm781.cfm*.

Earmark Reform

Ronald D. Utt, Ph.D.

During the past several years, Congress has increasingly abused its constitutional responsibility over federal spending to target substantial sums of taxpayer dollars, or other valuable government assets and resources, to influential constituents. Under this practice, referred to as earmarks or "pork-barrel" spending, the typical abuse would allocate a certain sum of money for a defined purpose to a specific community, business, or institution, usually located in the Member's home state or district. At the most wasteful extreme is the infamous $220 million "Bridge to Nowhere" to connect a city of 9,000 people to an island with just 50 inhabitants, but more typical is the $400,000 for an "Uptown Jogging, Bicycle, Trolley Trail in Columbus, Georgia." The 2005 highway reauthorization bill contained more than 7,000 such earmarks, while another 15,000 peppered that year's appropriations bills, according to the Congressional Research Service.

When it became apparent that many of the recent lobbying scandals—notably that involving former Representative Randy Cunningham (R–CA)—involved paying bribes to Members in return for costly earmarks, the public was outraged. Pressure from the media and voters forced Congress to consider reforming the earmark process, and legislation of varying strictness was introduced and considered.

The Senate passed its lobbying/earmark reform legislation (S. 2949) on March 29, 2006. Because the bill's scope is limited only to earmarks that emerge in conference committee and are not part of the initial legislation, critics contend that modest changes in Senate practices would allow most earmarks to escape scrutiny and rejection. The House passed its lobbying/earmark reform bill (H.R. 4975) on May 3 2006, but its earmark control mechanism is even weaker than the Senate's. House members would be required to challenge an entire bill, not just the individual earmarks within it. The limited action is further circumscribed by its application only to appropriations bills; it excludes authorization and tax bills, which the Senate's version covers.

Senate Grade: C–

House Grade: D

Needed Improvements: House and Senate conferees need to strengthen the earmark control provisions by making all earmarks in all bills subject to a point of order.

Additional Background: Ronald D. Utt, "A Primer on Lobbyists, Earmarks, and Congressional Reform," Heritage Foundation *Backgrounder* No. 1932, April 27, 2006, at *www.heritage.org/Research/Budget/bg1924.cfm*.

Social Security Reform

David C. John

Social Security's financial future remains dim. The May 2006 report of the program's trustees says that, starting in 2017, it will begin to pay more in annual benefits than it will receive in taxes and that these deficits will continue indefinitely. In 2005, President George Bush pushed for changes in benefits for future upper-income retirees and for allowing younger workers to redirect a portion of their payroll taxes into a personal retirement account to make up the difference.

Neither the House nor the Senate took any action. Although several legislators introduced bills, not even one was considered. The House Ways and Means Committee conducted an extensive series of hearings but ended up bowing to leadership pressure to do nothing. Senate Finance Committee Chairman Charles Grassley (R–IA) made a major attempt to build a consensus on his committee but ultimately failed. An attempt by Senators Jim DeMint (R–SC) and Rick Santorum (R–PA) to bring a bill to stop spending the Social Security surplus to the floor was blocked by a procedural technicality. The only vote by either house was a DeMint–Mike Crapo (R–ID) amendment to the Senate budget resolution on March 16, 2006, which called for Congress to stop spending the Social Security surplus and allowed younger workers to own at least part of their benefits. It failed by a 46–53 vote.

Senate Grade: D–

House Grade: F

Needed Improvements: Both the House and the Senate need to improve Social Security's financial future and allow workers the option to invest a portion of their Social Security taxes in a personal retirement account.

Additional Background: David C. John, "How to Fix Social Security," Heritage Foundation *Back-*

grounder No. 1811, November 17, 2004, at *www.heritage.org/Research/SocialSecurity/bg1811.cfm*.

Pension Reform

David C. John

The retirement security of millions of workers who are covered by defined benefit pension plans is at risk because many of those plans do not have enough money to pay all of the benefits they have promised. While the federal Pension Benefit Guaranty Corporation (PBGC) has had to take over underfunded pension plans from a number of airlines and most of the steel industry, worse is yet to come. The auto industry is also feeling the crush of massive pension obligations. The end result may be a massive bailout of PBGC that costs taxpayers tens of billions of dollars.

Regrettably, this situation is not likely to be significantly improved by the Pension Security and Transparency Act (H.R. 2830), which is being considered by a House–Senate conference committee. Pension funding rules are already horribly complex and generate results that are often very far from reality. Both the House and Senate bills did contain provisions that would significantly improve the current rules, but conference committee members will have to withstand industry and labor pressure to keep those features in the final version.

One of the worst features of this legislation is a Senate provision that would give the airlines—and perhaps other failing industries as well—20 years to fund their pension plans instead of the seven years that would apply to other pension plan sponsors. This unjustified move would only delay the inevitable failure of their pension plans while providing a precedent that would make it harder to deal with other politically powerful industries.

Senate Grade: D (If the section of the Senate bill giving airlines special treatment was dropped, this grade would improve to a B.)

House Grade: B–

Needed Improvements: The House–Senate conference committee should report legislation that requires much higher funding of pension plans. It should also eliminate current distortions that disguise the true state of pension plans and drop the special treatment to airline pension plans.

Additional Background: David C. John, "Avoiding the Next Taxpayer Bailout: A Strong Pension Bill or No Pension Bill," Heritage Foundation *WebMemo* No. 1056, May 3, 2006, at *www.heritage.org/Research/SocialSecurity/wm1056.cfm*.

Energy

Ben Lieberman

Rising energy prices—particularly for oil and gasoline, but also for natural gas—have re-emerged as a major issue in recent years. Thus far, however, Congress has done little of benefit, and its massive Energy Policy Act of 2005 has actually made things worse for the American consumer. Along with the long list of special-interest tax breaks and giveaways to various segments of the energy industry, the bill created a federal requirement that ethanol be added to the gasoline supply. This costly additive has added several cents to the price per gallon.

Congress has not even corrected any of its past mistakes that contribute to today's problems. During the 1980s and 1990s, Washington placed many energy-rich areas off-limits to drilling, including Alaska's Arctic National Wildlife Refuge (ANWR) and 85 percent of the nation's offshore areas. It also saddled the refining sector with numerous regulatory requirements that have done more economic harm than environmental good. Measures to open up these areas to domestic drilling and streamline the regulations have thus far failed to gain passage.

To its credit, the House recently passed H.R. 5254, a modest measure to increase refinery capacity. The House is also considering H.R. 4671, the Deep Ocean Energy Resources Act of 2006, just approved by the House Resources Committee. A much stronger step when compared to the refinery bill, H.R. 4671 would end the federal offshore restrictions and grant coastal states the authority to either allow or restrict drilling off their shores. Both the House and the Senate also have passed bills opening ANWR, but they have not managed to do so in the same bill.

In sum, high energy prices are partially a self-imposed problem, but Congress has yet to do anything constructive about them.

Senate Grade: F

House Grade: D

Needed Improvements: Congress should improve domestic energy supplies by opening up ANWR, streamlining burdensome refinery regulations, and allowing coastal states to opt out of offshore drilling restrictions. Counterproductive price gouging legislation of the sort passed by the House should be avoided.

Additional Background: Ben Lieberman, "Correcting Mistakes of the 1990s Should Top the Energy Agenda for 2006," Heritage Foundation *Backgrounder* No. 1921, March 20, 2006, at *www.heritage.org/Research/EnergyandEnvironment/bg1921.cfm*.

Tax Rates

Daniel J. Mitchell, Ph.D.

High marginal tax rates discourage people from engaging in productive behavior. Individuals are much more likely to work, save, and invest, for instance, if they can keep 80 cents rather than 65 cents of every dollar of wealth they generate for the economy. Policymakers also should be aware that effective marginal tax rates can be punitively high if certain types of income are taxed more than one time. Unfortunately, it is possible for income to be taxed as many as four times, thanks to the combination of the capital gains tax, corporate income tax, personal income tax, and death (estate) tax.

Legislation has been adopted to extend the lower tax rates on dividends and capital gains. Instead of expiring at the end of 2008, they now will expire at the end of 2010. This postpones for another two years the possibility of a significant increase in the double-taxation of income that is saved and invested. Moreover, the House of Representatives has voted to repeal the death tax permanently beginning in 2010. In the Senate, 57 Senators voted for repeal of the tax, but the measure failed because 60 votes were required to overcome a procedural hurdle. The House has responded to the failure of the Senate by passing a reform bill that would lower death tax rates and significantly increase the exempt amount before taxpayers must pay this tax.

The House generally has been more sympathetic to pro-growth tax policy. In conferences between the two chambers, the Senate has resisted constructive reforms.

Senate Grade: C–

House Grade: B

Needed Improvements: Both the House and the Senate should extend the pro-growth provisions of the 2001 and 2003 tax bills. Specifically, the lower income tax rates, lower tax rates on dividends and capital gains, and death tax repeal should be made permanent.

Additional Background: Daniel J. Mitchell, "A Supply-Side Success Story," Heritage Foundation *WebMemo* No. 755, June 7, 2005, at *www.heritage.org/Research/Taxes/wm755.cfm*.

Tax Reform

Daniel J. Mitchell, Ph.D.

Fundamental tax reform can boost economic performance not only by lowering marginal tax rates, but also by removing distortions in the tax code that encourage people to misallocate labor and/or capital solely to reduce tax liabilities, even if those decisions do not make economic sense. Tax reform also can improve economic efficiency by dramatically lowering compliance costs and allowing individuals and businesses to use resources more productively.

In a competitive global economy, tax reform is especially important. Indeed, about a dozen nations now have simple and fair flat tax systems. In the United States, tax reform has been placed on the back burner, in part because of the absence of a proposal from the Administration. The news is not entirely bleak, however, since many tax policy changes in recent years—such as lower income tax rates, reduced double-taxation of dividends and capital gains, and potential repeal of the death tax—shift the tax code closer to a simple and fair flat tax.

Senate Grade: C–

House Grade: B

Needed Improvements: The House and Senate should generate support for fundamental tax reform by holding hearings on the adverse impact of the current Internal Revenue Code and exploring the benefits of a simple and fair flat tax.

Additional Background: Daniel J. Mitchell, Ph.D., "A Brief Guide to the Flat Tax," Heritage Foundation *Backgrounder* No. 1866, July 7, 2005, at *www.heritage.org/Research/Taxes/bg1866.cfm*.

Medicare

Robert E. Moffit, Ph.D.

With passage of the Medicare Modernization Act of 2003, creating a new prescription drug program, Congress authorized the largest entitlement expansion since the Great Society. Casting aside proposals to fundamentally reform Medicare, Congress empowered Medicare's hulking bureaucracy to enforce 1,100 pages of new regulations for the drug program alone. Meanwhile, America's taxpayers are faced with a total Medicare long-term debt of $32.4 trillion, a stunning $8 trillion of which is directly attributable to the Medicare drug provisions alone. Congress has been warned repeatedly that the drug entitlement would impose huge costs but insists on ignoring these warnings.

Last year, the Senate ignored an innovative proposal by Senator John McCain (R–AZ) and Senate members of the Fiscal Watch Team to delay implementation of the drug program and instead create a drug benefit targeted to low-income seniors. In its place, the Senate proposed various administrative modifications, gutted the temporary incentives for the Medicare Advantage program, added new compliance rules on doctors and hospitals under the guise of "pay for performance," and imposed insulting year-end delays of Medicare payment to doctors and hospitals. The House proposed exactly nothing. The final product was a watered-down version of the Senate bill.

This year, President Bush's budget offered some modest initiatives, tinkering with government payment formulas and adding new "quality initiatives" and "competitive bidding" for clinical lab services, amounting to $36 billion in savings over five years. The Senate and House rejected even these modest, though flawed, changes.

Senate Grade: F

House Grade: F

Needed Improvements: Members of the House and Senate need to be more responsible and show some respect for current and future taxpayers. They should scale back the Medicare drug program to low-income seniors without coverage, accelerate means-testing for all medical services in Medicare, and start to replace Medicare's current defined benefit program with a new defined contribution system for the 77 million baby boomers set to retire in five short years.

Additional Background: David C. John and Robert E. Moffit, Ph.D., "Medicare and Social Security: Big Entitlement Costs on the Horizon," Heritage Foundation *WebMemo* No. 1054, May 1, 2006, at *www.heritage.org/research/budget/wm1054.cfm*.

Medicaid

Nina Owcharenko

With over 50 million enrollees, Medicaid—the joint federal–state government entitlement program for the poor and indigent—has compromised its mission to the poor: Efforts to expand coverage to new populations, loopholes enabling middle-class Americans to qualify for long-term care services, and cost containment measures such as low reimbursement rates for physicians and restricted access to prescription drugs directly affect the delivery of quality care. The National Governors' Association reports that Medicaid has surpassed educational spending in the states and consumed 22 percent of state budgets in 2003. The program's open-ended financing and rigid structural design contribute to short- and long-term federal budget problems.

In the Deficit Reduction Act, Congress made seemingly small but important changes in Medicaid. Congress slowed the overall rate of growth in the program and enacted key policy changes that give states greater flexibility in administering their Medicaid programs. For example, states can now vary benefit packages and cost-sharing requirements among Medicaid enrollees, implement consumer-directed models more easily, and consider a Health Savings Account–type arrangement. Moreover, stricter rules on eligibility for long-term care services were put in place, as were opportunities for states to partner with private long-term care insurance.

Since enacting these changes in the Deficit Reduction Act, the House and Senate have taken a passive status quo approach to Medicaid this year by monitoring the regulatory process and state response and action. The House Energy and Commerce Subcommittee on Health, however, held a hearing on "Planning for Long Term Care," which shows an understanding that the Deficit Reduction Act did not put an end to Medicaid reform, but rather was simply the first step toward lasting reform.

Senate Grade: C

House Grade: B–

Needed Improvements: Slowing the rate of growth and providing greater flexibility to the states through the Deficit Reduction Act was a good first step, but Congress must now prepare to tackle the larger, more difficult issues surrounding this federal–state program for the poor. The House and Senate should begin by evaluating the program's current federal matching structure and consider other changes that are consistent with the welfare reform model of reducing dependency and promoting self-sufficiency. The State Children's Health Insurance Program (SCHIP) is up for reauthorization next year, and Congress should begin to explore ways to expand individual choice and encourage private insurance within this program as well.

Additional Background: Nina Owcharenko, "A Road Map for Medicaid Reform," Heritage Foundation *Backgrounder* No. 1863, June 21, 2005, at *www.heritage.org/research/healthcare/bg1863.cfm.*

Health Care Reform

Robert E. Moffitt, Ph.D.

The Bush Administration's health care reform principles include tax equity in health care insurance; the promotion of portability in health insurance coverage; expanding coverage and coverage options; improving health savings accounts; and advancing information technology, preventive care, and federal medical liability reform. Regrettably, these proposals do not go far enough to reduce the number of the uninsured, and the congressional response to the health care insurance problem has been tepid.

In 2005, the House of Representatives enacted the Small Business Health Fairness Act of 2005 (H.R. 525), creating association health plans, as well as federal medical malpractice reform. This narrow bill, however, provided only for business-based association health plans and ignored the need for individual membership association plans. A consumer-driven health care system would enable individuals and families to choose from a wide variety of options on a level playing field, not just employment-based options. The House leadership also ignored any serious tax credit proposal to help uninsured Americans secure private coverage. Moreover, the Health Care Choice Act, which would have allowed for interstate commerce in health insurance, allowing individuals and families to buy affordable coverage across state lines, was never even brought to the House floor for a vote.

In 2006, House and Senate leaders announced a summer "Health Week." The Senate scheduled debate on the Health Insurance Marketplace Modernization and Affordability Act (S. 1955), which would have established small-business association plans and harmonized rules governing health insurance in the states. With growing liberal and conservative opposition, the Senate bill was blocked from floor consideration and a vote. In effect, the Senate "Health Week" agenda simply fizzled out. The House reportedly plans to schedule votes on health care legislation before the July 4 recess.

Senate Grade: D

House Grade: F

Needed Improvements: Members of the House and Senate should fix the inequitable and inefficient tax treatment of health insurance; at the very least, they should provide refundable tax credits to help individuals and families buy the health plans

The Heritage Foundation Midterm Report Card for the 109th Congress, 2nd Session

Improvement Needed!

Issue	Midterm Grades Quarter III Senate	Midterm Grades Quarter III House	Final Grades Quarter IV Senate	Final Grades Quarter IV House
Spending Levels	D	D+		
Budget Process Reform	F	D		
Property Rights	D-	A+		
Earmark Reform	C-	D	See Note	
Social Security Reform	D-	F		
Pension Reform	D*	B-		
Energy	F	D		
Tax Rates	C-	B		
Tax Reform	C-	B		
Medicare	F	F		
Medicaid	C	B-		
Health Care Reform	D	F		
GPA	**1**	**1.6**		
Final Grade	**D**	**C-**		

*If the section of the Senate bill that gives airlines special treatment was dropped, this grade would improve to a B.

Note: Final grades will be given following adjournment before the election

that they want. Moreover, Congress should not consider any health care legislation that does not expand personal control over health care dollars, expand consumer choice and competition, and reduce the already excessive level of health care regulation.

Additional Background: Robert E. Moffit and Nina Owcharenko, "A Serious Senate Agenda for 'Health Week,'" Heritage Foundation *WebMemo* No. 1052, April 28, 2006, at *www.heritage.org/research/healthcare/wm1052.cfm*; Nina Owcharenko, Edmund F. Haislmaier, and Robert E. Moffit, "Competition and Federalism: The Right Remedy for Excessive Health Insurance Regulation," Heritage Foundation *WebMemo* No. 1060, May 5, 2006, at *www.heritage.org/research/healthcare/wm1060.cfm*; and Edmund F. Haislmaier, Robert E. Moffit, and Nina Owcharenko, "A Good Start: The House Health Care Reform Bills," Heritage Foundation *WebMemo* No. 803, July 22, 2005, at *www.heritage.org/research/healthcare/wm803.cfm*.

Conclusion

Although the time is short and the hurdles are daunting, there is no compelling reason why Members of Congress cannot rise to the challenge and raise their performance measures on these key domestic policy issues, many of which have already made some progress through the legislative process. Indeed, over the past few weeks, Congress has shown exceptional resolve on a number of controversial issues.

Specifically, the House defeated an effort to spend an additional $1.9 billion on air traffic controller compensation. House and Senate conferees stripped the Emergency Supplemental of egregious earmarks such as the $700 million for the "Train to Nowhere," $3.5 billion in additional farm subsidies, and the $500 million payment to a profitable defense contractor. The House also defunded Alaska's infamous "Bridge to Nowhere" and came very close to cutting Amtrak's subsidy by $300 million.

If members of the House and Senate maintain this pace, they could very easily complete the needed work on the issues included in this third-quarter report card.

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