FISCAL YEAR 2023 BUDGET PRIORITIES: MEMBERS' DAY

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

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FISCAL YEAR 2023 BUDGET PRIORITIES: MEMBERS' DAY

TUESDAY, MAY 17, 2022

HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET
Washington, DC.

The Committee met, pursuant to notice, at 10:04 a.m., in room 210, Cannon Building, Hon. John A. Yarmuth [Chairman of the Committee] presiding.

Present: Representatives Yarmuth, Plaskett; Smith, Kelly, Grothman, Smucker, Carter, Donalds, Obernolte, and Carey.

Chairman YARMUTH.

[Audio malfunction] participating remotely, the Chair or staff designated by the Chair may mute a participant's microphone when the participant is not under recognition for the purpose of eliminating inadvertent background noise. If you are participating remotely and are experiencing connectivity issues, please contact staff immediately so those issues can be resolved.

Members participating in the hearing room or on the remote platform are responsible for unmuting themselves when they seek recognition. We are permitted to unmute Members unless they explicitly request permission. If you are participating remotely and I notice you have not unmuted yourself, I will ask you if you would like staff to unmute you. If you indicate approval by nodding, staff will unmute your microphone. They will not unmute your microphone under any other circumstances.

Members must have their cameras on and be visible on screen in order to be recognized. Members may not participate in more than one committee proceeding simultaneously. If you are on the remote platform and choose to participate in a different proceeding, please turn your camera off.

Finally, we have established an email box for submitting documents before and during committee proceedings. And we have distributed that email address to your staff.

I now yield myself five minutes for an opening statement.

Good morning once again and welcome to the Budget Committee's Members' Day hearing. This day is a longstanding tradition for the Budget Committee, and each year I look forward to this opportunity to hear from our colleagues on their budget priorities.

Our last Members' Day hearing was in March 2021, and the world looked undeniably different then. In the year since, we have made tremendous progress in our fight against COVID and in our economic recovery. We have gone from approximately 53 million

Americans fully vaccinated to more than 220 million Americans fully vaccinated.

A record number of jobs were created in the U.S. last year, with 8.3 million created since President Biden took office. The number of people relying on unemployment benefits has dropped from 18 million to approximately 1 million, the lowest level since 1970. And just last year, Americans started 5.4 million new businesses, more than any other year on record.

This progress was neither predicted nor guaranteed. It was largely the result of the investments in the American Rescue Plan and it is the main reason our economic recovery is far outpacing most of our global competitors.

But Congress' work is not done. American families and our economy still face interconnected challenges that threaten to destabilize households and slow our record-breaking recovery.

Vladimir Putin's unprovoked war in Ukraine, a persistent mismatch between supply and demand, and pandemic-related supply chain issues have put upward pressure on prices not just in the U.S., but around the world. The U.S. is among the many advanced economies that are experiencing inflation above 5 percent right now. This includes countries that did not enact major recovery legislation like the American Rescue Plan.

So, we have a global, multinational problem and our Republican colleagues are insisting it has a uniquely American cause. Why? I think we all know why and it is certainly not helpful to the American people, but I will move on.

The Federal Reserve is best positioned to tackle immediate inflation concerns, and Congress can and must do everything it can to lower costs for American families overall. Smart and necessary investments in early education and childcare, healthcare, and affordable housing would be enormously helpful to families while expanding opportunities for parents and children.

Commonsense reforms to rebalance our tax code to reward work, not wealth, will cut taxes for families and ensure that huge corporations are paying their fair share. In the short term, these investments will improve the lives of American families and strengthen our recovery. In the long term, they will foster increased opportunities and a more equitable and productive economy. That is what the American people want from their government, and that is what the American people need from their government.

I am sure my colleagues on the other side of the dais will have lots to say about inflation today. I, for one, would welcome an explanation on how the American Rescue Plan also managed to cause high inflation in France, the UK, Brazil, and so many other countries around the world. I would also like to know why on Earth they think raising taxes on half of Americans, from teachers to firefighters, is a solution to high inflation. That is the only Republican leadership plan I have seen put forward, and it would be devastating to American families.

But the true purpose of this hearing is to get as much helpful input as possible. We are here to listen to our colleagues and learn about the concerns of their constituents. It is my hope that today's hearing will provide insight into the issues and longer-term budgetary challenges this Committee should examine as we work to build an economy that works for all Americans.

Once again, I want thank Members for taking time out of their busy schedules to appear before our Committee today, and I look forward to their testimony.

With that, I would like to yield to the Ranking Member, Mr. Smith, for five minutes for his opening statement.

[The prepared statement of Chairman Yarmuth follows:]

Chairman John A. Yarmuth
Hearing on Fiscal Year 2023 Budget Priorities: Members' Day
Opening Statement
May 17, 2022

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I would like to thank members for taking time out of their busy schedules to appear before our Committee today, and I look forward to their testimony.

Mr. SMITH. Thank you, Mr. Yarmuth. Thank you, Chairman Yarmuth. It is fair to say the country is in a different place since our last Members' Day and not a good place. Inflation has risen 11 percent since President Biden took office and it continues to run at a 40-year high. Gas hit its highest price ever this week, and over 2.4 million illegal immigrants have been apprehended at the southern border; and now families are facing a national shortage of baby formula.

The President's signature piece of legislation, the so-called "American Rescue Plan," was jammed through this Committee before we even had a chance to organize. It added $2 trillion to the deficit and sparked an inflationary fire that has driven a massive rise in prices to all Americans.

Then, a few months later, you were at it again, pushing through the President's $5 trillion Build Back Broke agenda—the most expensive bill in American history. But since this is our annual "Members' Day" hearing—I would like to mention the things that Members on our side wish this Committee would focus and spend its time on:

No. 1—can we actually debate a budget this year? It's been over 1,400 days, Mr. Chairman, 1,400 days since we marked up a budget resolution in this Committee. Are we going to keep spending without a plan? Will Democrats once again forfeit their responsibility and smuggle topline spending numbers into another bill, so they don't have to debate them?

No. 2—can we fulfill our obligation under Committee and House rules to actually hold some oversight hearings? It is beyond time for this Committee to examine the trail of waste and abuse left behind by the American Rescue Plan. $783 million for checks to prisoners, $40 million for libraries in the President's home state of Delaware, $2 million for trees to be planted in New York, and the list goes on and on. If we are not doing a budget this year, then perhaps we can use that time to have an oversight hearing on that spending—an idea, Mr. Chairman, that one of your Democrat colleagues on this Committee agreed was needed at a recent hearing.

No. 3—when are we going to talk about the impact mounting debt is having on our budget and American families? The Federal Reserve is raising interest rates to deal with the President's inflation crisis. Higher rates will make it even harder for families to buy a house, small businesses to expand, and farmers to buy equipment. But it will also impact our government's bottom line.

Earlier this month, I released a report that shows the destructive effects higher interest rates would have on the federal budget. For example, if rates return to their 50-year average, the federal government will be paying $1.3 trillion in interest on our national debt today. If they rise to the levels we saw the last time inflation was this high, today's interest payments would be $2.6, $2.6 trillion.

Mr. Chairman, I ask unanimous consent to insert the report into the record.

Chairman YARMUTH. Without objection.

[Report submitted for the record follows:]

The Consequences of Higher Interest Rates to the Federal Budget

A Report from the U.S. House Committee on the Budget, Republican Leader Jason Smith

May 5, 2022

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Executive Summary

The federal debt held by the public is currently projected to grow to $134 trillion in 2051—in 2000, it was $3 trillion. Interest rates are a key variable to the federal budget outlook since a component of the federal budget is interest payments on the debt. This report looks at the impact on the federal budget of five illustrative scenarios for interest rates. The projections in this analysis are based on current law spending and revenue projections. The analysis does not account for President Joe Biden's fiscal year (FY) 2023 budget that would increase spending by 66 percent over the next 10 years as compared to the previous decade—adding significantly worse debt to the long-term budget outlook and the scenarios outlined in this report.

This report looks at the federal debt held by the public and debt interest payments under the following scenarios:

CBO Baseline Interest Rate Forecast – 3.0 Percent Average. Under the Congressional Budget Office's (CBO) most recent projections, the federal public debt will increase from $24 trillion today to $134 trillion by 2051. These projections are also known as the CBO "baseline" and assume what will occur under current law. Under this scenario, **interest payments on the debt climb from $331 billion in 2021 to almost $6 trillion per year in 2051.**

CBO Higher Interest Rate Scenario – 3.9 Percent Average. Under CBO's higher interest rate scenario—which was provided in CBO's most recent Long-Term Budget Outlook—the federal public debt climbs from $24 trillion today to $173 trillion by 2051. Under this scenario, **interest payments on the debt are projected to grow from $331 billion in 2021 to $10 trillion per year in 2051.**

Interest Rate at 50-Year Average – 5.7 Percent. Under a scenario where interest on the debt returns to this level for the next three decades, the federal public debt would be projected to grow from $24 trillion today to $215 trillion in 2051. **Interest payments on the debt would be projected to grow from $331 billion in 2021 to $11 trillion per year by 2051.**

Interest Rate at Level of 1990s – 6.9 Percent. Under a scenario where interest on the debt returns to this level for the next three decades, the federal public debt would be projected to grow from $24 trillion today to $280 trillion in 2051. **Interest payments on the debt would be projected to grow from $331 billion in 2021 to $18 trillion per year by 2051.**

Interest Rate at 1982 Level – 10.8 Percent. Under a scenario where interest on the debt averages this level for the next three decades, the federal public debt would be projected to grow from $24 trillion today to $693 trillion in 2051. **Interest payments on the debt would be projected to grow from $331 billion in 2021 to $67 trillion per year by 2051.**

Introduction

The federal debt held by the public has increased by 600 percent since 2000, growing from over $3 trillion to $24 trillion. Over the same period, the debt has tripled as a share of the United States' gross domestic product (GDP), increasing from slightly more than one-third of the U.S. economy in 2000 to approximately equaling the size of the U.S. economy today.[1] By 2051, the debt is projected to grow by an additional nearly 500 percent, reaching $134 trillion—more than twice the size of the U.S. economy and the equivalent of $1.4 million per family of four.[2]

A key variable in the federal budget outlook, and the American people's ability to finance a growing debt, is the future of interest rates. Today, the federal government pays 1.4 percent interest on the federal debt, the lowest level in American history. **In recent memory, rates have been far higher, averaging 6.0 percent in the 1970s, 9.1 percent in the 1980s, and 6.9 percent in the 1990s. Over the last 50 years the average is 5.7 percent, with a peak of 10.8 percent in 1982.**

The consequences of interest rates to the federal budget are an increasing concern given the spending and debt trajectory currently being discussed in Washington. That is why in January 2022, House Budget Committee Republican Leader Jason Smith (MO-08) requested CBO to study the impact of rising inflation and rising interest rates on the federal debt and provide an analysis. CBO provided a largely qualitative analysis in March 2022 built around existing data the agency had previously compiled on a higher interest rate scenario which made it important that the House Budget Committee do an additional analysis that would broaden the scope of study.

The policies put forward by the Biden Administration and Congressional Democrats would substantially worsen the federal budget outlook. Deficits would exceed one trillion dollars every year under the FY 2022 budget resolution enacted by the Democratic Majority as well as the FY 2023 budget recently proposed by President Biden, and the federal debt would grow by another $16 trillion.[3] This is assuming interest rates remain at historically low levels. In 2021, to enact part of the Democrats' agenda, the U.S. House of Representatives passed $7.5 trillion in new spending.[4] The President's FY 2023 budget proposes $73 trillion in spending over the next decade—a 66 percent increase over the previous 10 years. Such plans and proposals would substantially increase the size of the national debt beyond current projections and thus further inflate the effect of rising interest rates on the nation's budget outlook.

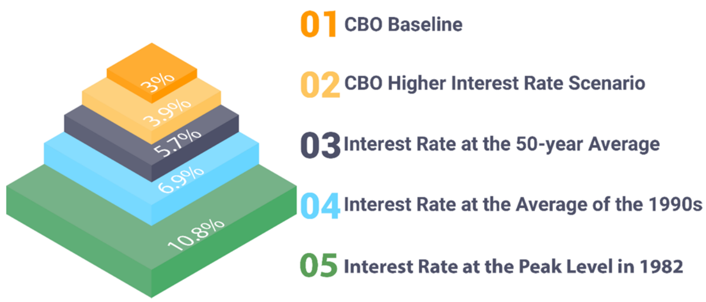
Spending on the scale envisioned by President Biden and Congressional Democrats—and in the case of the $2 trillion American Rescue Plan Act, spending enacted—will further fuel inflationary pressures that have already driven the highest spike in consumer prices in over 40 years. This rise in inflation—currently at a rate of 8.5 percent—has driven the Federal Reserve to

[1] Congressional Budget Office, "Budget and Economic Outlook: 2021 to 2031," July 2021, https://www.cbo.gov/data/budget-economic-data.
[2] Congressional Budget Office, "The 2021 Long-Term Budget Outlook," March 2021, https://www.cbo.gov/system/files/2021-03/56977-LTBO-2021.pdf.
[3] Committee Print, S.Con.Res.14, https://www.budget.senate.gov/imo/media/doc/CPRT-117SPRT45298.pdf.
[4] House Budget Committee Republicans, Budget Balance Sheet: 1 Year of Total Democrat Control, https://republicans-budget.house.gov/wp-content/uploads/2021/12/Budget-Balance-sheet-One-Year-of-Democrat-Total-Control.pdf.

begin increasing interest rates in an attempt to combat it. Those higher rates will inevitably impact the cost of borrowing for the federal government. In short, the consequences of higher interest rates to the federal budget are not simply hypothetical concerns; they are real and present today.

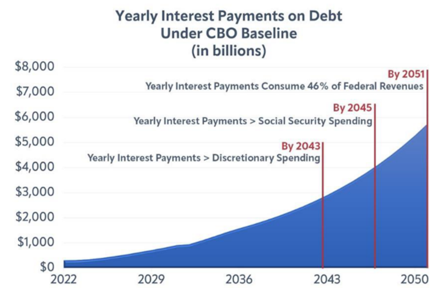
The future of interest rates is uncertain but holds immense consequences for budgetary policy. This report looks at the impact on the federal budget of five illustrative scenarios for interest rates assuming spending and revenue projections under current law:

1. 3.0 percent average - CBO extended baseline projections.
2. 3.9 percent average - CBO higher interest rate scenario.
3. 5.7 percent - Interest rate at the 50-year average.
4. 6.9 percent - Interest rate at the average of the 1990s.
5. 10.8 percent - Interest rate at the peak level in 1982.



Scenario One
CBO Baseline Interest Rate Forecast – 3.0 Percent Average

Interest payments on the debt are influenced by both the amount of debt and the rate of interest. In 2021, the average interest rate paid on the federal debt was 1.4 percent—the lowest level on record. CBO projects interest paid on the federal debt to gradually increase, reaching 2.4 percent by 2031 and 4.6 percent by 2051, an average of 3.0 percent. At the time CBO made these projections, it was looking at an economic environment where the Federal Reserve had yet to increase rates in response to the rising inflationary pressures and had in fact not raised interest rates since 2018. Today, with inflation at 8.5 percent—having risen quite rapidly over the past year—the Federal Reserve raised interest rates in March and again in May and has signaled its intent to further raise rates.



Nevertheless, even at the interest rates included in its baseline, CBO already projects a substantial deterioration in the nation's fiscal outlook. Specifically:

- **Higher Debt:** Under the CBO baseline, the federal debt is projected to grow from $24 trillion today to $36 trillion in 2031[5] and to $134 trillion in 2051[6]. As a percentage of the U.S. economy, the debt would be 106 percent of GDP in 2031, **the highest debt burden in American history**, and 202 percent of GDP in 2051. Debt has averaged 44 percent of GDP over the last five decades.

- **Higher Interest Payments on the Debt:** Under the CBO baseline, interest payments on the debt are projected to almost triple from $331 billion (1.5 percent of GDP) in 2021 to $910 billion (2.7 percent of GDP) in 2031. Long-term, interest payments on the debt are projected to grow to almost $6 trillion (8.6 percent of GDP) by 2051, **becoming the largest single expenditure in the federal budget**.

- **Interest Payments Grow to Consume Increasing Share of Federal Revenue:** Under the CBO baseline, interest payments on the debt are projected to grow from nine percent of federal revenue in 2021 to 15 percent of federal revenue in 2031 and to 46 percent of

[5] Congressional Budget Office, "Budget and Economic Outlook: 2021 to 2031," July 2021, https://www.cbo.gov/data/budget-economic-data.
[6] Congressional Budget Office, "The 2021 Long-Term Budget Outlook," March 2021, https://www.cbo.gov/system/files/2021-03/56977-LTBO-2021.pdf.

federal revenue in 2051. **Americans will see more and more of their tax dollars going solely to finance the nation's debt rather than toward government activities and services.**

Under CBO's baseline projections, interest spending on the debt will eventually be the majority of deficit spending. By 2036, CBO projects interest spending will comprise a greater share of budget deficits (4.0 percent of GDP) than the primary budget deficit (3.9 percent of GDP)—a "primary" budget deficit being when federal spending exceeds federal revenues before factoring in interest payments on the debt. **By 2051, 65 percent of the total projected deficit (at 13.3 percent of GDP) will consist of spending on interest on the federal debt**.

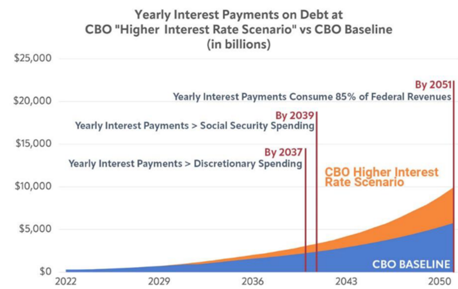
Even under the optimistic assumption that interest rates remain well below the levels of recent history, the federal budget outlook is unsustainable. The growing federal debt will cause interest payments to comprise an ever-increasing share of future projected federal tax collections. According to CBO, the current debt path would increase "the risk of a fiscal crisis—that is, a situation in which the interest rate on federal debt rises abruptly because investors have lost confidence in the U.S. government's fiscal position."[7]

[7] Congressional Budget Office, "The 2019 Long-Term Budget Outlook," June 2019, https://www.cbo.gov/system/files/2019-06/55331-LTBO-2.pdf.

Scenario Two

CBO Higher Interest Rate Scenario – 3.9 Percent Average

As noted previously, CBO has provided an alternative interest rate scenario in its most recent Long-Term Budget Outlook. According to CBO, if interest rates are one percentage point higher than the agency currently projects in its baseline, the federal deficit would increase by over $2 trillion over 10 years.[8] Under CBO's higher interest rate scenario, interest rates will average 3.9 percent over the next three decades (still below the 50-year average of 5.7 percent) and reach 6.6 percent by 2051.[9] In CBO's March 20, 2022 response to House Budget Committee Republican Leader Smith's request for additional information on the impact of higher interest rates on the federal debt, the agency describes some of the budgetary and economic consequences flowing from higher interest rates of this magnitude as follows:



> "In the first scenario, CBO's analysis starts with the boost to borrowing rates, which increases the government's interest costs. Deficits therefore grow. Those larger deficits decrease private investment, reducing the amount of capital per worker. The reduction in the amount of capital per worker means that the value of any additional capital is now higher than it would otherwise have been. Put differently, the return on capital grows, further pushing up interest rates. Those interest rates include the federal borrowing rate, which thus rises more than the initial boost."

This would cause the federal budget outlook to substantially worsen compared to CBO's baseline projections discussed in the previous section. Specifically:

- **Higher Debt:** Under this scenario, the federal debt in 2051 would be projected to grow from $24 trillion today to $173 trillion by 2051. As a percentage of the U.S. economy, the debt would grow to 260 percent of GDP. As previously mentioned, CBO estimates a one percentage point increase in interest rates above the baseline translates into an increase in the federal deficit of over $2 trillion over the 10-year window.

[8] Congressional Budget Office, "Workbook for How Changes in Economic Conditions Might Affect the Federal Budget," June 2021, https://www.cbo.gov/publication/57191.

[9] Congressional Budget Office, "Federal Debt Under Alternative Paths for Interest Rates," March 10, 2022, https://www.cbo.gov/system/files/2022-03/57907-Smith.pdf.

- **Higher Interest Payments on the Debt:** Under this scenario, interest payments on the debt are projected to grow from $331 billion (1.5 percent of GDP) in 2021 to $10 trillion per year (15.8 percent of GDP) in 2051.

- **Interest Payments Grow to Consume Most Federal Revenue:** CBO currently projects federal revenue to be $12 trillion in 2051. If interest rates grow at CBO's higher interest rate scenario, interest payments on the debt would consume 85 percent of projected federal revenues by 2051. **With further deficit spending, more than 100 percent of tax collections could be dedicated just to paying interest on the federal debt**.

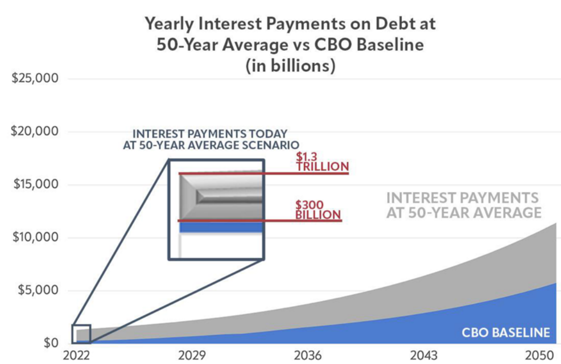
Scenario Three
Interest Rate at 50-Year Average – 5.7 Percent

The House Budget Committee has analyzed three alternative scenarios for interest rates, based on recent history.

Under the first alternative scenario, interest rates on the debt average 5.7 percent over the next three decades, consistent with the 50-year average. At current debt levels, 5.7 percent interest rates would cause interest payments on the debt to increase from just above $300 billion to $1.3 trillion. This is 30 percent of federal revenue and would be the single largest item in the federal budget. Over the next three decades, this scenario would significantly increase the federal debt and cause payments on the debt to grow to unsustainable levels. Specifically:

- **Higher Debt:** Under this scenario, the federal debt would be projected to grow from $24 trillion today to $49 trillion in 2031, $105 trillion in 2041, and $215 trillion in 2051.

- **Higher Interest Payments on the Debt:** Under this scenario, interest payments on the debt are projected to grow from $331 billion in 2021 to $3 trillion per year in 2031, $6 trillion per year by 2041, and $11 trillion per year by 2051.

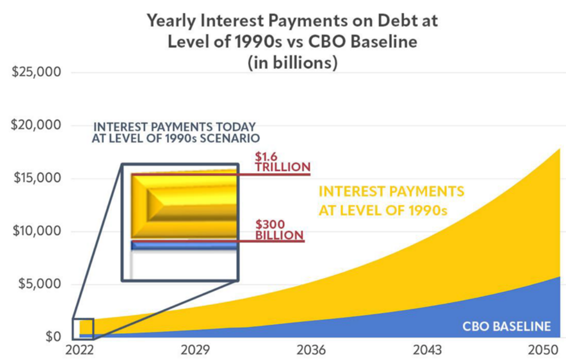


Scenario Four
Interest Rate at Level of 1990s – 6.9 Percent

Under this scenario, interest rates on the debt average 6.9 percent over the next three decades, consistent with the average of the 1990s. At current debt levels, 6.9 percent interest rates would cause interest payments on the debt to increase from just above $300 billion to $1.6 trillion. This is 36 percent of federal revenue, and more than double Medicare spending. Over the next three decades, this scenario would worsen the federal budget outlook as follows:

- **Higher Debt:** Under this scenario, the federal debt would be projected to grow from $24 trillion today to $54 trillion in 2031, $126 trillion in 2041, and $280 trillion in 2051.

- **Higher Interest Payments on the Debt:** Under this scenario, interest payments on the debt are projected to grow from $331 billion in 2021 to $3 trillion per year by 2031, $8 trillion per year by 2041, and $18 trillion per year by 2051.

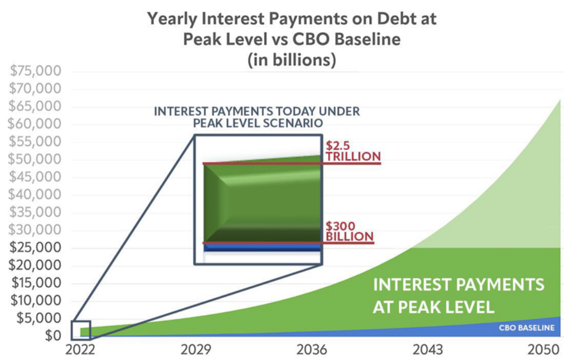


Scenario Five
Interest Rate at 1982 Level – 10.8 Percent

Under this scenario, interest rates on the debt average 10.8 percent over the next three decades, consistent with the peak in 1982. At current debt levels, 10.8 percent interest rates would cause interest payments on the debt to increase from just above $300 billion to $2.5 trillion. This is 57 percent of federal revenue and equivalent to all spending on Social Security, Medicare, and Medicaid combined. Over the next three decades, this scenario would cause the federal debt and associated interest payments to grow exponentially, as follows:

- **Higher Debt:** Under this scenario, the federal debt would be projected to grow from $24 trillion today to $75 trillion in 2031, $234 trillion in 2041, and $693 trillion in 2051.

- **Higher Interest Payments on the Debt:** Under this scenario, interest payments on the debt are projected to grow from $331 billion in 2021 to $7 trillion per year by 2031, $23 trillion per year by 2041, and $67 trillion per year by 2051.



Volatility of Interest Rates on Federal Debt

To finance the federal government's debt, Treasury issues a variety of securities with different maturity dates, including Treasury bills, notes, and bonds. Treasury bills are short-term securities that mature in one year or less. Treasury notes include securities that mature within two, three, five, seven or 10 years. Treasury bonds are long-term securities that mature in either 20 or 30 years. Given the different maturity lengths, the interest paid on each of these vary to compensate for the additional risk associated with longer maturity dates, with Treasury bills having the least risk and consequently the lowest interest rates of the three.

Because Treasury bills have a quicker turnover rate, the effective interest paid on these securities is more volatile, responding more quickly to market fluctuations and Federal Reserve actions. Consider the changes in interest rates for each of these securities from March 31, 2019, the most recent pre-pandemic interest rate peak for Treasury bills, to June 30, 2021, its most recent trough:

- **Treasury Bills:** From March 31, 2019, to June 30, 2021, the interest rate on Treasury bills declined from its most recent pre-pandemic peak of 2.5 percent to less than 0.1 percent—a drop of more than 2.4 percentage points or 98 percent. Since June, the interest rate on bills has increased to 0.3 percent, as of March 31, 2022—a 631 percent increase. There are currently $3.9 trillion in outstanding Treasury bills, which account for approximately 16.9 percent of the federal public debt.

- **Treasury Notes:** During the same period, the interest rate on Treasury notes declined from 2.1 percent to 1.5 percent—a drop of about 0.6 percentage points or 29 percent. Since June, that interest rate has further declined to 1.4 percent—a drop of 0.1 percentage points or 7.4 percent. There are currently $13.3 trillion in outstanding Treasury notes, which account for approximately 57.3 percent of the federal public debt.

- **Treasury Bonds:** During the same period, the interest rate on Treasury bonds declined from 4.0 percent to 3.2 percent—a drop of about 0.8 percentage points or 20 percent. Since June, this interest rate has further declined to 3.0 percent—a drop of 0.2 percentage points or 6.5 percent. There are currently $3.6 trillion in outstanding Treasury bonds, which account for approximately 15.6 percent of the federal public debt.

Both in terms of magnitude and proportion, Treasury bills have experienced significantly larger swings in interest rates. As interest rates rise, these securities are impacted first. Since March 31, 2019, total outstanding Treasury bills has increased from $2.5 trillion to $3.9 trillion, a 58.4 percent increase, comprising 17 percent of the debt. Combining this with the remaining Treasury securities set to mature in the next year brings the total short-term debt to over $6 trillion, or 25 percent—all of which will need to be replaced with new debt at higher interest rates.

Conclusion

While the future of interest rates is unpredictable, **the debt cannot continue to grow faster than the economy without eventually causing a spike in interest rates**. The 50-year average for interest rates on the federal debt amounts to 5.7 percent, with a peak of 10.8 percent in 1982. The buildup to this peak in 1982 coincided with the high inflation that ran from the mid-1970s through the end of the Carter Administration in 1981.

Since then, the U.S. has experienced both low inflation and declining interest rates, that is, until now. With the highest level of inflation since 1981, reaching 8.5 percent over the last year, there are sure to be ripple effects in the economy. Surges in inflation such as this deteriorates the incentive to save and boosts the demand for credit, putting upward pressure on interest rates. This organic market pressure towards higher interest rates combined with the Federal Reserve's actions, which is currently considering raising rates again and again and at a faster pace than previously expected, is sure to result in higher-than-projected interest rates.[10]

As has been shown, under the most subdued projection of interest rate increases—CBO's baseline projection—interest on the federal public debt will become the largest single expenditure in the federal budget by 2045. In the environment we have today, where inflation is at levels not seen in 40 years, there exists substantial pressure for interest rates to rise above baseline projections. Under the scenarios described in this analysis, rates rise to the point where more than 100 percent of annual tax revenues are dedicated just to paying interest on the federal debt (under CBO's higher interest rate projections) and interest rate payments range from an $11 trillion per year expenditure (under a 50-year average interest rate) to as high as a $67 trillion annual expenditure (under the peak interest rate of 1982).

Future debt increases will be paid back by future generations with higher taxes, higher interest rates, interest payments on the debt crowding out other federal budget priorities, lower economic growth, and lower average incomes.

Aside from the economic harms resulting from debt-induced higher interest rates, as interest payments on the debt climb as a share of the federal budget, the ability of the federal government to respond to future economic, public health, and international challenges will be greatly compromised.

[10] *Minutes of the Federal Open Market Committee December 14-15, 2021*, Board of Governors of the Federal Reserve System, December 14-15, 2021, https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20211215.pdf.

Mr. SMITH. Thank you, Mr. Chairman.

No. 4—how about getting to the bottom of the causes and consequences of inflation? President Biden's strategy of blaming inflation on a new villain every month is failing. First he denied inflation existed, then he called it temporary, and now it is Putin's fault. The truth is, is that inflation rose 7 ½ percent before Putin's army stepped foot in Ukraine. The real culprit that helped spark inflation, according to economists, was the American Rescue Plan.

And No. 5—this Committee should examine the billions President Biden is spending through executive orders. The endless student loan moratorium costs $4.3 billion every month. Six million is being paid every day to DOD contractors to babysit $350 million in unused border wall materials. Taxpayers who are struggling to pay for basic necessities should not be on the hook for these costly executive actions.

These are things this Committee should be focused on. I yield back, Mr. Chairman.

[The prepared statement of Jason Smith follows:]

HOUSE
BUDGET
REPUBLICANS

Rep. Jason Smith
Republican Leader

Smith Opening Statement: House Budget Committee Members' Day Hearing

May 17, 2022
As prepared for delivery

Thank you, Mr. Chairman.

It is fair to say the country is in a different place since our last Members' Day – and not a good place. Inflation has risen 11 percent since President Biden took office and continues to run at a 40-year high; gas hit its highest price ever this week; over 2.4 million illegal immigrants have been apprehended at the southern border; and now families are facing a national shortage of baby formula.

The President's signature piece of legislation, the so-called "American Rescue Plan," was jammed through this Committee before we even had a chance to organize. It added $2 trillion to the deficit and sparked an inflationary fire that has driven a massive rise in prices. Then, a few months later, you were at it again, pushing through the President's $5 trillion Build Back Broke agenda – the most expensive bill in American history.

But since this is our annual "Members Day" hearing – I'd like to mention the things that Members on our side wish this committee would focus and spend its time on:

Number one – Can we actually debate a budget this year? It's been over 1,400 days since we marked up a budget resolution in this Committee. Are we going to keep spending without a plan? Will Democrats once again forfeit their responsibility and smuggle topline spending numbers into another bill, so they don't have to debate them?

Number two – Can we fulfill our obligation under Committee and House Rules to actually hold some Oversight hearings? It is beyond time for this Committee to examine the trail of waste and abuse left behind by the American Rescue Plan. $783 million for checks to prisoners, $40 million for libraries in the President's home state of Delaware, $2 million for trees in New York, and the list goes on and on.

If we are not doing a budget this year, then perhaps we can use that time to have an oversight hearing on that spending – an idea one of our Democrat colleagues on this Committee agreed was needed at a recent hearing.

Number three – when are we going to talk about the impact mounting debt is having on our budget and American families? The Federal Reserve is raising interest rates to deal with the President's inflation crisis. Higher rates will make it even harder for families to buy a house, small businesses to expand, and farmers to buy equipment. But it will also impact our government's bottom line.

Earlier this month, I released a report that shows the destructive effects higher interest rates would have on the federal budget. For example, i rates return to their 50-year average, the federal government will be paying $1.3 trillion in interest on our national debt today. If they rise to the levels we saw the last time inflation was this high, today's interest payments would be $2.6 trillion.

Mr. Chairman, I ask unanimous consent to insert the report into the record.

Number four – how about getting to the bottom of the causes and consequences of inflation? President Biden's strategy of blaming inflation on a new villain every month is failing. First he denied inflation existed, then called it "temporary," and now it's Putin's fault. The truth is that inflation rose 7.5 percent before Putin's army stepped foot in Ukraine. The real culprit that helped spark inflation, according to economists, was the American Rescue Plan.

Number five – this committee should examine the billions President Biden is spending through executive orders. The endless student loan moratorium costs $4.3 billion every month. $6 million is being paid every day to DOD contractors to babysit $350 million in unused border wall materials. Taxpayers who are struggling to pay for basic necessities should not be on the hook for these costly executive actions.

These are things this Committee should be focused on.

I yield back.

###

Chairman YARMUTH. I thank the Ranking Member for his opening remarks.

Members appearing before the Committee today will have five minutes to give their oral testimony and their written statements will be made part of the formal record. I ask unanimous consent that Members have until the end of the day to submit any written materials for the record. Without objection, so ordered.

In addition, Members of the Committee will be permitted to question witnesses following their statements. But out of consideration of our colleagues' time, I would ask that you please keep your comments brief.

We will have two panels today. I would now like to call up our first panel, the gentleman from Virginia, Mr. Wittman; the gentleman from Hawaii, Mr. Case; the gentlewoman from Texas, Ms. Garcia; and the gentlewoman from California, Ms. Porter, who will testify virtually.

I now recognize the gentleman from Virginia, Mr. Wittman, for five minutes. You may begin when you are ready.

STATEMENTS OF HON. ROBERT WITTMAN, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA; HON. ED CASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII; HON. SYLVIA R. GARCIA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

STATEMENT OF ROBERT WITTMAN

Mr. WITTMAN. Well, thank you, Chairman Yarmuth and Ranking Member Smith. I want to thank you for allowing me to testify before you and the Members of the Budget Committee today. I am honored to highlight some of the perspectives I, as well as may constituents, have to improve the operations of the U.S. Congress and the budget process.

In order to craft a responsible budget plan that addresses the needs of the United States, Congress must make the difficult decisions, but essential decisions, about spending and challenging head-on the fiscal threats we face. Our repeated failure to control federal spending and address our mounting debt truly is the greatest long-term danger to this nation. Congress should fulfill their constitutional duty to produce a budget resolution that puts our nation on a fiscally sustainable path.

Sound fiscal footing fosters an environment for a strong economy, opportunities for growth, and prosperity for all people. If we keep letting our debt spiral out of control, we put our country at risk of a financial crisis.

The federal government has an outstanding public debt of more than $30 trillion. Every year since 1997, Congress has failed to maintain a fiscally responsible budget and, instead, has relied on too much raising of our debt ceiling.

Our current normal of not passing a balanced budget is irresponsible and poses a major national security threat. In fact, at the time, Admiral Mike Mullen, who was Chairman of the Joint Chiefs, was asked what is the greatest threat to our national security? And he said the national debt. Both parties have failed to restore regular order in the budget and appropriations process and become comfortable with passing irresponsible continuing resolutions and omnibus spending legislation.

To address this issue, I have introduced multiple pieces of legislation. First, the No Budget, No Pay Act. The No Budget, No Pay Act would prohibit Members of the House or Senate from receiving pay if their respective chamber does not pass a budget by April 15th of each year, which is a requirement. You cannot continue to budget on this step-by-step process and create the certainty necessary for the federal agencies and the American people.

Next, Inaction Has Consequences Act. The Inaction Has Consequences Act mandates that if Members of Congress do not complete appropriations bills by the end of the fiscal year, their pay is withheld. If Members cannot get their most basic responsibility of funding our government done, we must be held accountable.

Finally, the Stay on Schedule Resolution. The Stay on Schedule Resolution changes congressional procedures to prohibit the House from taking a recess in August unless it has passed all 12 appropriations bills individually by July 31st of 2022. This resolution, in conjunction with my other legislation—the No Budget, No Pay Act and the Inaction Has Consequences Act—will put the proper accountability measures in place to ensure Congress gets its primary job done on time.

It is time to finally pass measures like mine that will hold Members to a higher standard and complete the work of the people.

Chairman Yarmuth and Ranking Member Smith, thank you for allowing me the time to testify before you today. And I look forward to working with you and the rest of the Committee to restore America's fiscal footing.

[The prepared statement of Robert Wittman follows:]

Representative Robert J. Wittman, VA-01
Budget Committee Members' Day Testimony
May 16, 2022

Chairman Yarmuth and Ranking Member Smith,

Thank you for allowing me to testify before you and the members of the Budget Committee today. I am honored to highlight some of the perspectives I, as well as my constituents, have to improve the operations of the United States Congress and the Budget Process.

In order to craft a responsible budget plan that addresses the needs of the United States, Congress must make the difficult, but essential, decisions about spending and challenging head-on the fiscal threats we face. Our repeated failure to control federal spending and address our mounting debt truly is the greatest long-term danger to this nation. Congress should fulfill their constitutional duty to produce a budget resolution that puts our nation on a fiscally sustainable path.

Sound fiscal footing fosters an environment for a strong economy, opportunities for growth, and prosperity for all people. If we keep letting our debt spiral out of control, we put our country at risk of a financial crisis.

The federal government has an outstanding public debt of more than $30 trillion. Every year, since 1997, Congress has failed to maintain a fiscally responsible budget and, instead, has relied too much on raising the debt ceiling.

Our current normal of not passing a balanced budget is irresponsible and poses a major national security threat. Both parties have failed to restore regular order in the budget and appropriations process and have become comfortable to passing irresponsible continuing resolutions and omnibus spending legislation.

To address this issue, I have introduced multiple pieces of legislation.

No Budget, No Pay Act:

The No Budget, No Pay Act would prohibit members of the House or Senate from receiving pay if their respective chamber does not pass a budget by April 15th of the year. You cannot continue to budget on this step-by-step process and create the certainty necessary for the federal agencies and the American people.

Inaction Has Consequences Act:

The Inaction Has Consequences Act mandates that if Members don't complete appropriations bills by the end of the fiscal year, their pay is withheld. If Members of Congress cannot get their most basic responsibility of funding our government done, we must be held accountable.

Stay on Schedule Resolution:

Finally, the Stay on Schedule Resolution changes congressional procedure to prohibit the House from taking a recess in August, unless it has passed all twelve appropriations bills individually by July 31, 2022.

This Resolution, in conjunction with my other legislation – the No Budget No Pay Act and the Inaction has Consequences Act – will put the proper accountability measures in place to ensure Congress gets its primary job done on time.

It's time to finally pass measures, like mine, that will hold Members to a higher standard and complete the work of the people.

Chairman Yarmuth and Ranking Member Smith, thank you for allowing me the time to testify before you today. I look forward to working with you and the rest of the committee to restore America's fiscal footing.

Chairman YARMUTH. Mr. Wittman, thank you for your comments. Is there any Member who wishes to ask a question of Mr. Wittman?

Mr. SMUCKER. Mr. Chairman?

Chairman YARMUTH. Yes, sir.

Mr. SMUCKER. Thank you, Mr. Chairman. Thank you, Mr. Wittman. I just want to point out that is an interesting comment from the admiral. And at the time he made that, we were at about 60 percent debt-to-GDP, I believe.

Mr. WITTMAN. Yes, that is correct.

Mr. SMUCKER. If I remember correctly. And how we are at about 133 percent debt-to-GDP. And so I think you are exactly right in identifying this as a major threat potentially to the country going forward and something that we should be addressing in Congress.

And I think looking at that particular measure, debt-to-GDP, it is going to be tough to balance the budget anytime in the future, but it took us a long time to get here.

Mr. WITTMAN. Mm-hmm.

Mr. SMUCKER. And we should be thinking about how we can change the trajectory. And instead of continuing to grow that debt-to-GDP, we could start to see that tail off. And if we do that, I think we do have a pathway out of this. If we don't, if we continue to spend trillions and we continue to add to the debt, particularly as a measure compared to GDP I think is a great way to look at it, we are in potentially serious trouble. We have had—every time in history when a country has gone that path and not changed course, it hasn't ended well.

And so, really appreciate you bringing that to our attention. I think any kind of measures like that that can hold us accountable are very, very important. And I think it is really important what that budget looks like, as well. And we have to change the trajectory going forward.

So, thank you so much. Appreciate you speaking out on this.

Mr. WITTMAN. Thank you. Yes, I agree and especially with inflation today. It is going to exacerbate what we pay in interest on the national debt. The fiscal challenges to this nation are only going to get greater.

Mr. SMUCKER. Yes, I think every percentage in inflation—I mean, I am sorry, every percentage in interest we are spending about $150 billion more in interest, and so that is a real problem going forward. Thanks.

Chairman YARMUTH. I thank the gentleman. Is there any other Member who wishes to ask for time?

I will just make one comment. Just kind of for the record, back in 2017, we had a Joint Select Committee on Budgetary and Appropriations Processes. Steve Womack, who was then the chairman of this Committee, was the chair of that group. And many of the ideas that you mentioned were discussed at length in both in hearings that that Joint Committee had and also in deliberations of the group. But, unfortunately, we couldn't get any of those proposals even put before the House through that process.

And I think the conclusion of the group was that while they all seemed to make some sense, that ultimately, if the will of the individual Members of Congress is not there, that no procedures are going to change things. But those proposals are certainly worthy of further discussion. I thank you.

I now yield five minutes to the gentleman from Hawaii, Mr. Case.

STATEMENT OF ED CASE

Mr. CASE. Thank you so much, Chair Yarmuth and Ranking Member Smith, Members of the Committee. Thank you so much for the opportunity to share some broader thoughts with you today. And I do deeply appreciate this Committee's Member Day tradition.

I need not dwell on the true state of our national budget. By any measure—annual deficits, total debt, debt-to-GDP, interest as a percentage of, and on and on—it is severe and worsening. The only measure cited as positive, year-over-year deficit improvement, is meaningless against a baseline of necessary but actual record COVID deficit spending.

For those dwindling few who care about budgets and deficits and debts and other such annoying and obstructive concepts, these are hard times. We are told they don't matter, that we can have our cake and eat it, too. Budgets are treated as pure balancing exercises, if that, as opposed to fiscal, monetary, economic, and social policy direction. Guardrail rules like PAYGO against our worst inclinations toward rationalization, short-term gratification, and avoidance are ignored; budget rules like reconciliation are co-opted; the honest reporters, like the Congressional Budget Office, are demonized. We are stuck in an endless debate and gyration between feed the beast and starve the beast, united only by a common purpose of driving the budget into a deeper hole.

How do we return to a fiscally and, yes, thus economically and socially sustainable path? Do we dare to start by attempting to agree on some common principles as in stabilizing annual deficits and the national debt will fight inflation, will promote economic growth, work, and investment, will slow the growth of federal interest costs, and will secure our major trust funds for future generations?

Can we also agree that the inverse is equally true and destructive? Can we then pursue some difficult but constructive advances toward some restored discipline and stability? Here are just a few.

No. 1, the Sustainable Budget Act. This proposal, introduced by me and others this Congress on a bipartisan, bicameral basis, would establish a National Commission on Fiscal Responsibility and Reform to identify policies to achieve fiscal sustainability over the long term. This commission would have access to expedited legislative procedures to pass recommendations to balance the budget and meaningfully improve the long-term fiscal outlook. Yes, similar approaches in the past have not ultimately succeeded, but it was not for lack of constructive effort and, measured against the alternative of the current status quo, which is virtually nothing, it is at least demonstrated effort and progress.

No. 2, the TRUST Act. This proposal, also bipartisan and bicameral by me and others, would take steps to secure the endangered species of Social Security and Medicare by similar means. To critics, same comments as the Sustainable Budget Act.

No. 3, transparent budget information and analysis. It seems so obvious that accurate information about the true impacts of legislation on the fiscal health of the nation is essential. Yet from the sounds of it, that is a mortal threat. This year, for example, over puzzling obstacles, the House passed the Fiscal State of the Nation Resolution, a good first step.

However, in many ways, we are still legislatively blind to the full impacts of our own decisions by our own hands. We too often proceed with floor votes without COB scoring. Furthermore, CBO scoring does not include the cost of servicing the debt, which means every time legislation increases the debt, we are not accounting for the full cost of that legislation on the federal budget. We must change all that.

And finally, the Conrad Rule. We must reexamine how Congress approaches budget reconciliation, a process that was and is focused on budget discipline and decision, not as a general filibuster circumvention tool. We should adopt legislation that I have introduced to reinstate the Conrad Rule, which would require all reconciliation bills to be budget-neutral, to go with renewed scrutiny on any appropriate reconciliation.

These are just a few baby steps down a long and difficult road back to some form of fiscal sustainability. I hope we can take them step by step before it is too late. Thank you very much.

[The prepared statement of Ed Case follows:]

Testimony to the Budget Committee

Rep. Ed Case

May 17th, 2022

Chair Yarmuth, Ranking Member Smith, Members of the Committee, thank you for the opportunity to share thoughts with you today.

I need not dwell on the state of our national budget. By any measure – annual deficits, total debt, debt-to-GDP, interest as a percentage of on and on – it is severe and worsening. The only measure cited as positive – year-over-year deficit improvement – is meaningless against a baseline of record COVID deficit spending.

For those dwindling few who care about, budgets and deficits and debts and other such annoying and obstructive concepts, these are hard times. We are told they don't matter, that we can have our cake and eat it too. Budgets are treated as pure balancing exercises, if that, as opposed to fiscal, monetary, economic and social policy direction. Guardrail rules like PAYGO against our worst inclinations towards rationalization, short-term gratification and avoidance are ignored; budget rules rule like reconciliation co-opted; the honest reporters like the Congressional Budget Office demonized. We are stuck in an endless debate and gyration between feed the beast and starve the beast, united only by a common result of driving the budget into a deeper hole.

How do we return to a fiscally, and yes thus economically and socially, sustainable path? Do we dare to start by attempting to agree on some common principles, as in: stabilizing annual deficits and the national debt will fight inflation, promote economic growth, work and investment, slow the growth of federal interest costs, and secure our major trust funds for future generations, and the inverse is equally true and destructive?

Can we then pursue some difficult but constructive advances toward some restored discipline and stability? Here are just a few that are before us now:

(1) Sustainable Budget Act. This proposal, introduced by me and others this Congress on a bipartisan, bicameral basis, would establish a National Commission on Fiscal Responsibility and Reform to identify policies to achieve fiscal sustainability over the long term. This commission would have access to expedited legislative procedures to pass recommendations to balance the budget and meaningfully improve the long-term fiscal outlook. Yes, similar approaches in the past have not ultimately succeeded, but it wasn't for lack of constructive effort, and measured against the alternative of the current status quo, virtually nothing, it is progress.

(2) TRUST Act. This proposal, also bipartisan, bicameral by me and others, would take steps to secure the endangered species of Social Security and Medicare for future generations. The bill would establish Congressional rescue committees for the major social contract trust fund programs. These committees would develop recommendations and legislation to improve the programs and provide for the solvency of the trust funds. To critics, ame comments as the Sustainable Budget Act.

(3) Transparent budget information and analysis. It seems so obvious that accurate information about the true impacts of legislation on the fiscal health of the nation is essential, yet from the sounds of it that's a threat. This year, over puzzling obstacles, the House passed the Fiscal State of the

Nation resolution, a good first step. However, in many ways, we still legislate blindly to the full impacts of our decisions on the nation's fiscal health. Too often, Congressional Budget Office scores are not available for legislation that is on the Floor for a vote, making it impossible for lawmakers to make fiscally informed decisions. Furthermore, Congressional Budget Office scores do not include the cost of servicing the debt, which means each time legislation increases the debt we are not accounting for the full cost of that legislation on the federal budget. We must change all this.

(4) Conrad Rule. Finally, we must reexamine how Congress approaches budget reconciliation, a process that was and is focused on budget discipline and decision, not as general filibuster circumvention tool. We should adopt legislation that I have introduced to reinstate the Conrad Rule, which requires all reconciliation bills to be budget neutral, to go with renewed scrutiny on appropriate reconciliation

These are just a few baby steps down a long and difficult road back to some form of fiscal sustainability. I hope we take them before it is truly too late.

Thank you.

Chairman YARMUTH. Thank you, Mr. Case. Is there any Member who would like to speak or ask a question of Mr. Case? If not, we thank you for your testimony.

And now I yield five minutes to the gentlewoman from Texas, Ms. Garcia.

STATEMENT OF SYLVIA R. GARCIA

Ms. GARCIA. Thank you, Mr. Chairman. And good morning, everyone. I, too, want to thank the Chairman, Ranking Member Smith, and Committee Members for having me here today to share my priorities for the Fiscal Year 2023 budget. I am proud to represent the 29th congressional District in Texas, which includes parts of Houston, South Houston, Pasadena—yes, there is a Pasadena in Texas—Jacinto City, and Galena Park. My district is 77 percent Latino and, therefore, adequate government funding is critical to support our communities in my district and to help my constituents.

I thank President Biden and your leadership, Chairman Yarmuth, in delivering a responsible, caring budget that intends to serve all Americans and robustly funds critical antipoverty programs. I want to discuss a portion of the President's Budget under the Department of Transportation, which I am particularly pleased with and I urge your consideration of the Consolidated Railroad Infrastructure and Crisis Improvements Grants Program.

Trains are a problem in my district. This program supports a wide range of freight and intercity passenger rail projects that furthers the Department of Transportation's safety, economic, equity, and climate goals. Specifically, the Consolidated Rail Infrastructure and Safety Improvements Grants are intended to improve the safety, efficiency, and reliability of passenger and freight rail systems.

These grants can also provide the values of the Justice40 Initiative and, as such, the Fiscal Year 2023 President's budget proposes to dedicate at least $200 million to this grant program to mitigate the detrimental safety and quality-of-life effects rail transportation can have on underserved and disadvantaged communities like mine. Mr. Chairman, trains sometimes block traffic for more than 30 minutes, sometimes even as high as an hour, blocking children from getting to school, EMS services and ambulance services getting to their patients, and other critical needs. I am here today to request Members of the Budget Committee do what it can to maintain the strong funding levels championed by the President for this critical program.

Further, I wanted to flag a bill which I have championed since the last Congress, which encourages a $200 million investment in institutions of higher education which provide high-quality training for careers in maritime education. My bill was H.R. 987. Educating the next generation of maritime workers is a huge priority of mine, and this is a bipartisan effort, which I hope to see reflected as we work on the budget this year.

But broadly speaking, Mr. Chairman, we need to focus on helping Americans recover from the economic impacts of the COVID–19 pandemic through work force training, investments in research, and development of and in up-and-coming industries and STEM.

I would also encourage us to look at budget priorities to advance the President's Build Back Better agenda as much as we can. And also any priorities that would help the uninsured. Recently, after we got the latest community surveys numbers, my district was named the district in the country with the highest number of uninsured people. That is the number one list I do not want to be on. Anything that we can do to better fund, robustly fund programs to help the uninsured would be really great for my district. And the other programs, like expanding the Child Tax Credit, free childcare and preschool, and clean energy tax credits, would also be a boost.

Let us buildupon the great work President Biden has done, what appropriators have achieved, and, Chairman Yarmuth, people like you have worked on for many years. So, thank you again for your consideration and I yield back the balance of my time.

[The prepared statement of Sylvia R. Garcia follows:]

Budget Committee Members' Day

Hearing Remarks

Congresswoman Sylvia R. Garcia, TX-29

Good morning, everyone. Thank you Chairman Yarmuth, Ranking Member Smith and Committee Members, for having me here today to share my priorities for the FY23 Budget. I am proud to represent Texas' 29th Congressional District, which includes Houston, South Houston, Pasadena, Jacinto City, and Galena Park. My district is 77% Latino, and therefore adequate government funding is critical to support communities in my district and help my constituents.

I thank President Biden and your leadership, Chairman Yarmuth, in delivering a responsible, caring budget that intends to serve all Americans and robustly funds critical anti-poverty programs.

- **I want to discuss a portion of the President's Budget, under the Department of Transportation, which I am particularly pleased with, and I urge your consideration of--the Consolidated Railroad Infrastructure and Safety Improvements Grants Program (CRISI).This program supports a wide range of freight and intercity passenger rail projects that furthers the Department of Transportations' safety, economic, equity, and climate goals. Specifically, the Consolidated Rail Infrastructure and Safety Improvements Grants are intended to improve the safety, efficiency, and reliability of passenger and freight rail systems. CRISI can also promote the values of the Justice40 initiative, and as such, the FY 2023 President's Budget proposes to dedicate at least $200 million in CRISI funds to rail line relocations and other projects to mitigate the detrimental safety and quality of life effects rail**

transportation can have on underserved or disadvantaged communities. I am here today to request members of the budget committee do what it can to maintain the strong funding levels championed by the President for this critical program. Furthermore, I want to flag a bill which I have championed since last Congress, which encourages a $200 million investment in institutions of higher education which provide high quality training for careers in maritime education, HR 987. Educating the next generation of maritime workers is a huge priority of mine, and this is a bipartisan effort, which I hope to see reflected as we work on the budget this year.

- **But broadly speaking Mr. Chairman, we need to focus on helping Americans recover from the economic impacts of the COVID-19 pandemic, through workforce training, investments in research and**

development in up-and-coming industries and STEM. I would also encourage us to look at budget priorities that advance the President's Build Back Better agenda as much as we can. These include expanding the Child Tax Credit, free childcare and preschool, and clean energy tax credits.

Let's build upon the great work, President Biden, appropriators, and Chairman Yarmuth have already worked on.Thank you for your consideration and I yield back.

Chairman YARMUTH. Thank you for your testimony. Is there anyone who has a question for Ms. Garcia? Yes, Mr. Grothman.

Mr. GROTHMAN. We are going to give it to all three of you. First of all, I was a little bit amazed by that testimony. I mean, our big problem in this country right now is inflation, which is entirely caused by past excessive spending. And you just gave us a long list of programs which you could argue really aren't even constitutional programs. And I think, at least in Wisconsin, and I am under the impression in other states, the states are running surpluses, big surpluses. So, why we under any circumstances would allow people back home to believe it is up to ask the federal government for more things when the states are running surpluses, I don't know.

But I am going to give the same question to all three of you. Just a quick yes or no. And by the way, this is a shot at Republicans, just like Democrats, because when we were in charge and had all three we did an abysmal job. Would each one of the three of you, would you be supportive of a budget out of this Committee that is zero across the board, just, boom, zero across the board? Because I know there is waste everywhere. Should we ask them that?

That is what I am going to try to talk to Mr. Yarmuth about.

Chairman YARMUTH. It is your time. You can ask them if you want to. You wanted to ask them, so, I mean, they can respond.

Mr. WITTMAN. Mr. Grothman, I am in full support of zero-based budgeting.

Mr. GROTHMAN. I mean zero budget on all——

Ms. GARCIA. No, he is saying zero budget, not zero-based budget.

Mr. GROTHMAN. It is just out of this Committee zero, same as last year.

Mr. WITTMAN. Oh, zero increase. Yes, OK, zero increase. Yes, I am all for whatever we can on fiscal control, zero increase, whatever we can do to be able to manage our spending, yes.

Mr. CASE. I mean, sir, I am for PAYGO, bottom line. I think there are areas that we do need to increase spending, but they should be budgeted and controlled.

Mr. GROTHMAN. Rare. Rare. You should be able——

Mr. CASE. Well, we could have a debate over that. But my point to you and the testimony is at least do that on a budget-responsible basis. And so that is going to lead you to reductions or increases in taxes, reductions or increases in spending as long as you do it on a budget-sustainable basis over time. We can then engage in a broader policy debate about what we are actually talking about right now. But unless we get to that baseline of responsible fiscal principles, the bottom line is we are going to drive the bigger picture budget into a hole and that is going to have consequences.

Ms. GARCIA. I would not support just zero. I think it is—frankly, I have never heard such a recommendation before. I was formerly the city controller at Houston and oversaw the budget and investments for a very large city, multibillion-dollar budget and investment portfolio. I think if anyone would have presented that to me back then I would have, frankly, just laughed because there are just so many things that happen that are out of control: insurance increases, cost of employees, budget things that are out of our control that just happen with time that you couldn't run a government if you just did zero. So I would say no.

Mr. WITTMAN. Mr. Chairman, too, if I can add the one place where there would need to be some sort of statutory exception would be for national security in case of a national emergency. I think you would have to have that provision there.

Ms. GARCIA. His proposal would not allow any if it is at zero.

Mr. GROTHMAN. I don't think we—maybe if something happens in the future, but not now. We are not in an emergency yet.

Chairman YARMUTH. OK. Anyone else? With that—oh, yes, I am sorry. Mr. Donalds.

Mr. DONALDS. Thank you, Mr. Chairman. Members, thanks for coming.

I am going to piggyback a little bit off of Mr. Grothman. I know Mr. Grothman's essential proposal is a 0 percent increase in the budget baseline. And then you having us basically have a flat budget outlook moving forward, so we are not dealing with CBO essentially coming back to us with an inflation kicker that, frankly, nobody examines except for many a handful of staff and maybe the Chair and Ranking Member of the Budget Committee and the relevant appropriating committees.

I am going to tack a different way. In the budget apparatus there are 20 budget functions that basically create the 12 budgetary categories that we appropriate off of. These budget functions range from income security down to I forget the smallest one. What do you guys believe or what do you think about essentially taking the largest budget function and the smallest budget function, there are 20, and then Congress basically, for lack of a better phrase, zeroing out those budget functions and then in each calendar year you rebuild those two budget functions from the ground up? That way, let us take income security, that way if you zero it out, the relevant agencies that spend money in those budget functions would have to come to Congress and actually advocate for the money. Then Congress would have the responsibility of rebuilding the budget function from the ground up.

It is not saying there will be no money spent on income security. What it is saying is that in this calendar year we zero out income security, the relevant agencies come and actually have to ask for the money. And then Congress has the responsibility of rebuilding it so we can actually get at waste, get at ineffective programs that are outdated, probably get rid of programs that we just fund where there is no legislative authority anymore to fund them.

My question to the panel is what is your viewpoint on a proposal like that, which is a hybrid of Mr. Grothman's?

Mr. WITTMAN. Mr. Donalds, what you describe is exactly what zero-based budgeting is. Everybody starts at zero and then you build a budget each year based upon what the priorities are. And then you have to come in and substantiate what your request is. I am 100 percent in favor of zero-based budgeting.

Mr. CASE. Yes, I think it is different from what Mr. Grothman has described. You are just talking about basic zero-based budgeting, which I think is a concept that is wise and appropriate. I sit on the Appropriations Committee. We do try to go back and ask the basic questions every year, starting back to the beginning. Is this function a good function? Is it spending wisely? Should it be increased? Should it be reduced?

That is also, by the way, of course, the responsibility of all of the authorizing committees and the House Committee on Oversight. So, we all have a responsibility in taking ourselves back to the beginning every fiscal year. That is how our system is set up. The question is whether we are doing it wisely or not.

But I agree with you in principle, we need to be asking these questions every year.

Ms. GARCIA. I think the current budget system lends itself to doing that. I think each Member could start at zero and then move in whatever direction they want to when they come here, when they go through the whole process.

I think the bigger challenge, because our budget is so large and is so diverse in terms of those categories that you are talking about, the bigger challenge would be is to decide which is the most important function. And where are you going to start with zeroing out which function? And that is going to be—would be a bigger battle.

I think it is an interesting thought and it certainly merits some discussion.

Mr. DONALDS. Well, actually I have got a proposal for you. Glad you mentioned that. The proposal basically is——

Ms. GARCIA. I am not looking for a proposal of my life.

Mr. DONALDS. Well, here you go. So, I got one.

Ms. GARCIA. I wasn't talking about that kind of proposal.

Mr. DONALDS. We will talk about that later. Anyway, so what you essentially have is we have the 20 budget functions that do exist. Let us say we wanted to start next year. OK? So, next year Congress would essentially take the larger—or the House. Forget the Senate. The Senate can do their own thing. The House——

Ms. GARCIA. They always do.

Mr. DONALDS. I know, right? The House could essentially take the largest and smallest budget function next year——

Ms. GARCIA. You are saying largest and smallest by budget number?

Mr. DONALDS. By the amount that is spent.

Ms. GARCIA. OK.

Mr. DONALDS. So every budget function has their own dollar amount. Income security is the largest. It is about $1.7, $1.8 trillion. We zero out the largest, we zero out the smallest, leave the other 18. Congress just focuses, the House just focuses on those two.

Then in the subsequent year, we then take the second largest and a second smallest, focus on those. In the third year, so on and so forth. So, that what the House is really doing is that over a 10-year period, you have truly examined the budget because, to your point, it is so voluminous where is the time and the manpower to actually zero out the entire budget in one calendar year? I would argue it doesn't exist.

Ms. GARCIA. So, what happens to the other functions while you are examining the other two?

Mr. DONALDS. It would stay in place. They would stay in place and would follow the baseline that CBO would produce. But it would put Congress on a path to actually clearing out certain sectors of the budget in a systematic approach.

Sorry, Mr. Chairman, I am 20 seconds over. I yield back.

Chairman YARMUTH. Thank you, Mr. Donalds. I now yield five minutes to the gentlewoman from California, Ms. Porter.

Ms. PORTER. Hello. I apologize, but due to this panel running late, I am now boarding a flight following the shooting in my district. So, if I can go on the next panel, I will try to do that, but I have to board my flight after having to fly back because of the shooting. So, I unfortunately cannot give this testimony from an airplane jet bridge, so. But I enjoyed hearing all of the thoughtful ideas about budget processing, so I will try to log back on once I take my seat——

Chairman YARMUTH. Thank you, Ms. Porter. And obviously, you can submit your ideas and comments for the record if you can't work that out. We appreciate you trying.

With that, we will now seat the second panel. We have Mr. Fred Keller, Mr. Blake Moore, and Mr. Michael Cloud, and that is the panel.

Thank you for that quick transition. Our second panel today includes the gentleman from Pennsylvania, Mr. Keller; the gentleman from Utah, Mr. Moore; and the gentleman from Texas, Mr. Cloud. Welcome all of you.

As we mentioned in the first hearing, your testimony will be included in full in the record. You have five minutes to give your oral remarks. And I now recognize Mr. Cloud.

STATEMENTS OF HON. MICHAEL CLOUD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS; HON. KATIE PORTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA; HON. BLAKE MOORE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH; HON. FRED KELLER, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF MICHAEL CLOUD

Mr. CLOUD. Thank you, Mr. Chairman. And I would—I am from Texas, so. Not a big deal, but certainly want the folks at home to know.

Chairman YARMUTH. Yes, please. The gentleman from Texas.

Mr. CLOUD. Appreciate it, Mr. Chairman. Good afternoon, Chairman Yarmuth, Ranking Member Smith, and Members of the Committee. Thank you for having us here today.

This Committee is tasked with the important constitutional obligation placed on Congress in Article I, Section 8, to determine how the federal government should spend the revenue collected from taxpayers. The budget process is vital because it is within the budget framework that we evaluate the proposed legislation to ensure we are spending within agreed upon spending limits.

You mentioned, Mr. Chairman, that this Member Day is a longstanding tradition. My testimony today is becoming one. I was here last year and the year before. I came to talk to you about a bill I introduced, H.R. 638, the Cost Estimates Improvement Act. I have reintroduced the bill again and ask you to consider it and make it a permanent part of the congressional budgeting.

The bill would require the CBO and JCT to include debt servicing costs in their estimates. I have sent letters to this Committee in the past, asking it direct CBO and JCT to include debt servicing costs in their estimates. It is my understanding that this Committee has the authority to achieve this. We actually don't need the legislation. You could order it.

Otherwise, I hope to see the Committee to hold a markup on my bill and others that would help hold Congress accountable for how we spend taxpayer dollars.

While this issue is not new, it has now become even more pressing given our historically high levels of inflation burdening American families across the country. According to a new report from Penn Wharton Budget Model, inflation is costing the typical family $3,500 a year. Meanwhile, the Fed has begun raising interest rates, which means the amount we pay as a nation for interest on the debt will begin to rise even more rapidly.

Mr. Chairman, we do not have the luxury of ignoring the true costs of our spending decisions. Our nation's outstanding debt is 30 trillion. For reference, when I testified a little over a year ago, our nation's debt stood at 28 trillion. The year before it was at 23.4 trillion. These numbers are so big, it is hard for the average person to comprehend, but they represent a real threat to our nation's financial future.

And we are increasing the deficits and debts at these alarming rates without a full and complete picture of the legislation we are voting on in Congress because we regularly do not consider the interest costs.

As the Committee for a Responsible Federal Budget pointed out just a couple weeks ago, the federal government spends $330 billion per year, or $2,207 per taxpayer, on interest payments. That is more than on food stamps and disability insurance combined. Two-thirds of our debt is slated to roll over in the next five years, likely into higher interest rate bonds.

The folks back home understand this phenomenon. If they were to budget for their monthly car payment and not count the cost of interest in their payment, they would find that they were short month by month on what they expected to pay. In essence, Congress does this same thing by not considering the comprehensive budgetary impact of spending and taxing proposals. This distorts congressional decisionmaking in favor of more spending and debt accumulation than what otherwise might be the case. Simply put, including debt servicing costs in legislative cost estimates will better equip lawmakers to make informed spending decisions.

My legislation also does one more important thing that would help lawmakers make better spending decisions. It requires the cost estimates to include a list of duplicative programs with the covered legislation. If cost estimates were required to point out such duplication, it might give Members pause before voting to spend more taxpayer dollars that create new duplicative programs or expand existing programs that duplicate others.

But the good news is that while legislation requiring consideration of the interest cost is preferred, we do not need to wait for legislation to pass, as I have mentioned. Last month, I sent the Chairman and Ranking Member of this body, as well as your counterparts in the U.S. Senate, a letter signed by myself, Senator Mike Lee, and 40 of our colleagues. In the letter we asked that you direct the CBO to begin including debt servicing costs in all legislative cost estimates produced.

Mr. Chairman, reigning in our debt and deficits only gets harder the longer we wait. That is, in part, because our interest rates have been historically low. But that is already changing.

In order to address our inflation crisis, the Federal Reserve has already begun raising the interest rate, and has signaled it will implement a total of seven increases by the end of the year. Higher interest rates mean we can no longer afford to ignore the cost of interest on our debt.

Again, as the Committee for a Responsible Federal Budget pointed out just a couple weeks ago, for every 1 percentage point increase in interest rates, deficits grow by $2 trillion over a decade. That is on top of the nearly $13 trillion in projected borrowing over the next decade. This isn't a red or blue issue, Republican or Democrat. This is simply good governance and I hope you will consider this.

Thank you again and I yield back.

[The prepared statement of Michael Cloud follows:]

Congressman Michael Cloud (TX-27)
Testimony Before House Budget Committee: Members' Day
Including Servicing the Debt in Cost Estimates Provided to Congress
May 17, 2022

Good Afternoon, Chairman Yarmuth, Ranking Member Smith and Members of the Committee, thank you for having us here today.

This committee is tasked with the important Constitutional obligation placed on Congress in Article I, Section 8, to determine how the federal government should spend the revenue collected from taxpayers.

The budget process is vital because it is within the budget framework that we evaluate proposed legislation to ensure we are spending within agreed upon spending limits.

At least, that's how it's supposed to work.

Last year and the year before, I came to talk to you about a bill I introduced, H.R. 638, the Cost Estimates Improvement Act.

I have reintroduced the bill again and ask you to consider it and make it a permanent part of congressional budgeting.

This bill would require the CBO and JCT to include debt servicing costs in their estimates.

I have sent letters to the Committee in the past, asking that it direct CBO and JCT to include debt servicing costs in their estimates.

It is my understanding that the Committee has the authority to achieve this.

Otherwise, I hope to see the Committee hold a markup on my bill and others that would help hold Congress accountable for how we spend taxpayer dollars.

While this issue is not new, it has now become more pressing given our historically high levels of inflation burdening American families across the country. A new report from the Penn Wharton Budget Model, inflation is costing the typical family $3,500 a year.

Meanwhile, the Fed has begun raising interest rates, which means the amount we pay as a nation for interest on the debt will begin to rise more rapidly.

Mr. Chairman, we do not have the luxury of ignoring the true costs of our spending decisions. Our nation's outstanding debt is $30 trillion. For reference, when I testified a little over a year ago, our nation's debt stood at $28 trillion. The year before it stood at $23.4 trillion.

These numbers are so big, it is hard for the average person to comprehend. But they represent a real threat to our nation's financial future.

And we are increasing the deficits and debt at these alarming rates without a full and complete picture of the legislation we are voting on in Congress because we regularly do not consider the interest costs.

As the Committee for a Responsible Federal Budget pointed out just a couple weeks ago:

> The federal government spends **$330 billion** per year, or **$2,207 per taxpayer**, on interest payments – more than on food stamps and disability insurance combined. And two-thirds of our debt is slated to roll over in the next five years, likely into higher interest rate bonds.

The folks back home understand this:

If they were budgeting for monthly car payments and only considered the list price of the car itself—and didn't factor in the extra cost of interest payments—they might discover later that the actual total cost was more than they could afford.

In essence, Congress does the same thing by not considering the comprehensive budgetary impact of spending and taxing proposals. This distorts congressional decision-making in favor of more spending and debt accumulation than might otherwise be the case.

Simply put, including debt servicing costs in legislative cost estimates will better equip lawmakers to make informed spending decisions.

My legislation also does one other important thing that would help lawmakers make better spending decisions. It requires cost estimates to include a list of duplicative programs with the covered legislation.

For example, the President Trump identified 91 federal programs that train healthcare professionals alone in his budget documents. And this is just one example of duplication across the federal government.

If cost estimates were required to point out such duplication, it might give members pause before voting to spend more taxpayer dollars that create new duplicative programs or expand existing programs that duplicate others.

But the good news is — that while legislation requiring consideration of interest cost is preferred — we do not need to wait for legislation to pass for us to begin counting the real cost of proposed legislation.

Last month, I sent the Chairman and Ranking Member of this body, as well as your counterparts in the United States Senate, a letter signed by myself, Senator Mike Lee, and 40 of our colleagues.

In the letter we asked that you direct the Congressional Budget Office to begin including debt servicing costs in all legislative cost estimates produced.

Mr. Chairman, reigning in our debt and deficits only gets harder the longer we wait. That is, in part, because our interest rates have been historically low. But that is already changing.

In order to address our inflation crisis, the Federal Reserve has already begun raising the interest rate, and has signaled it will implement a total of 7 increases by the end of the year. Higher interest rates mean we can no longer afford to ignore the cost of interest on our debt.

Again, as the Committee for a Responsible Federal Budget pointed out just a couple weeks ago:

> For every 1 percentage point increase in interest rates above projections, deficits grow by $2 trillion over a decade; that's on top of the nearly $13 trillion in projected borrowing over the next decade.
>
> Unfortunately, today's high inflation – driven in part by excessive stimulus – leaves the Federal Reserve with little choice but to raise rates. To limit the damage, lawmakers should use fiscal policy to help rather than hinder the Fed's efforts. That means paying for all new legislation, ending ongoing COVID relief like the student debt pause, and beginning to reduce our deficits and debt. There are plenty of options to reduce health care costs, close the tax gap, cut wasteful spending, and raise revenue that can help in the near term.

We owe it to our constituents and to future generations to make spending decisions with the most accurate information possible.

This isn't a red or blue — Republican or Democrat issue — this is simple good-governance.

I hope you will consider these cost estimate reform as an important step toward improving our budget process.

Again, thank you for this opportunity to appear here today.

Chairman YARMUTH. I thank the gentleman from Texas. I am going to use the discretion of the Chair to now recognize Ms. Porter, who is ready to testify. We will hold any questions for Mr. Cloud until after her testimony.

The gentlewoman from California is recognized for five minutes.

STATEMENT OF KATIE PORTER

Ms. PORTER. Thank you very much, Mr. Chair. I do appreciate that. Chairman Yarmuth, Ranking Member Smith, and Members of the Budget Committee, thank you so much for the opportunity to testify today.

As you prepare the Budget Resolution for Fiscal Year 2023, I urge you to consider increasing the budget authority for federal law enforcement programs included in Budget Function 750. This budget category includes important agencies, such as the Department of Justice, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco, Firearms, and Explosives, and the U.S. Customs and Border Protection. These agencies are responsible for confronting enormous challenges for our country and they need more resources to better serve Americans.

Just last week, the CDC reported that more than 107,000 Americans died from drug overdoses in 2021, the highest annual death toll on record. Since the 1970's, the number of drug overdose deaths has increased every year except one.

This devastating drug epidemic is happening at the same time as the nation grapples with an epidemic of gun violence. Last year was the worst year—there was a shooting in a church in my district on Sunday. More than 45,000 Americans died in gun-related incidents in 2020, an all-time high, with no sign of a decline in gun deaths over the past year. The record number of Americans dying from drugs and guns demands a crisis from our law enforcement agencies.

Law enforcement must also respond to the humanitarian crisis on our southern border. In March, Customs and Border Protection encountered the third-highest number of migrants entering the United States in a single month ever. Over the past decade, tens of thousands of unaccompanied children and families have arrived at our border seeking asylum. I have advocated for Congress to pass legislation as soon as possible to provide supplemental funding for law enforcement and humanitarian organizations at the border. This funding would improve our capacity to respond to the immediate crisis, but Congress needs to act now to address border and immigration for future years.

Congress must also act to address inflation, another crisis that demands a law enforcement response. For decades, antitrust enforcement has declined while corporations have grown bigger and stronger. Corporations now have market power to raise prices for consumers far beyond what is necessary to cover their costs. This is great for big business, but a disaster for ordinary Americans. Corporate profits hit a record high last year, growing 25 percent in just one year, while wages for workers only increased 4.5 percent.

President Biden's proposed budget would decrease the deficit, which will help slow down inflation. But cutting spending for law enforcement would be the wrong approach if we want lower prices for consumers. Instead, we need to increase the size of the Antitrust Division at the Department of Justice so that it can crack down on massive corporations that are exploiting their market power to price gouge Americans.

These four crises demand the attention of our federal government. They will not be solved without a sustained federal response over the next decade. Congress needs to provide our law enforcement agencies with adequate budgets to make real progress on addressing these long-term challenges.

As you consider fiscal priorities for 2023, I urge you to consider increasing legislative budgets related to oversight. As a Member dedicated to oversight work, my experiences have shown me firsthand that our oversight committees are not sufficiently funded to actively monitor our federal programs and agencies. Too often, we are sending money out the door without the safeguards in place to make sure that every dollar is spent wisely. The American people expect better stewardship of their taxpayer dollars, and they deserve more in the effort to prevent fraud and reduce waste. It is not enough to provide funding for inspector generals to conduct investigations and write reports. Congress has a constitutional duty to conduct its own oversight and we must fulfill that duty to the American people. The buck stops with us.

Thank you again for the opportunity to speak today and especially accommodating my travel situation. Thank you again. I yield back.

[The prepared statement of Katie Porter follows:]

Statement of Representative Katie Porter (CA-45)
House Committee on the Budget Members' Day
May 17, 2022

Chairman Yarmuth, Ranking Member Smith, and Members of the Budget Committee, thank you for the opportunity to testify today.

As you prepare the Budget Resolution for Fiscal Year 2023, I urge you to consider increasing the budget authority for the federal law enforcement programs included in Budget Function 750. This budget category includes important agencies such as the Department of Justice, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco, Firearms, and Explosives, and U.S. Customs and Border Protection.

These agencies are responsible for confronting enormous challenges for our country and they need more resources to better serve Americans. Just last week, the CDC reported that more than 107,000 Americans died from drug overdoses in 2021, the highest annual death toll on record. Since the 1970s, the number of drug overdose deaths has increased every year except one.

This devastating drug epidemic is happening at the same time as the nation grapples with an epidemic of gun violence. Last year was the worst year for gun violence in decades. More than 45,000 Americans died in gun-related incidents in 2020, an all-time high, with no signs of a decline in gun deaths over the past year. The record number of Americans dying from drugs and guns demands a crisis response from our law enforcement agencies.

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President Biden's proposed budget would decrease the deficit, which will help slow down inflation. But cutting spending for law enforcement would be the wrong approach if we want lower prices for consumers. Instead, we need to increase the size of the Antitrust Division at the Department of Justice so that it can crack down on the massive corporations that are exploiting their market power to price gouge Americans.

These four crises demand the attention of our federal government. They will not be solved without a sustained federal response over the next decade. Congress needs to provide our law enforcement agencies with adequate budgets to make real progress addressing these long-term challenges for our nation.

As you consider priorities for Fiscal Year 2023, I urge you to consider increasing legislative budgets related to oversight. As a member dedicated to oversight work, my experiences have shown me firsthand that our oversight committees are not sufficiently funded to actively monitor our federal programs and agencies. Too often, we are sending money out the door without the safeguards in place to make sure that every dollar is spent wisely. The American people expect better stewardship of their taxpayer dollars, and they deserve more effort to prevent fraud and reduce waste. It is not enough to provide funding for Inspectors General to conduct investigations and write reports. Congress must also conduct its own oversight to fulfill our duty to the American people. The buck stops with us.

Thank you again for the opportunity to speak today. I am happy to answer any questions.

Chairman YARMUTH. I thank the gentlewoman. We are in a very strange and uncomfortable position. We are obligated, we are required by House rules to adjourn for the joint session, which begins at 11. We have two witnesses left. If the two witnesses think they can get their testimony done in that period of time, we will proceed. And then we can have—if there is time for questions, fine. If not, we could have people submit questions or comments for the record. Is that agreeable?

All right. I recognize the gentleman from Utah, Mr. Moore.

STATEMENT OF BLAKE MOORE

Mr. MOORE. Excellent. And I will be—I will make my comments brief. I won't regurgitate a lot of the things. We know we are at $30 trillion in debt.

I appreciate the opportunity, Chairman and Ranking Member, to be here because this matters to every single office, whether you are on Budget Committee, whether you are on Ways and Means or not. This matter to every single congressional office. This matter to every single American. And I wanted to use this as an opportunity to share and highlight something that I have done in my district.

I have a group of about 15—10 to 12 people that are experts in their own fields, whether they are in manufacturing or they are an economist, they have engaged with me, whether they are former general in the Air Force, they have engaged with me on a deficit task force. This is not just a task force where we wanted to meet once and have a roundtable. We met quarterly and we put together an eight-page document with a framework that actually talks about what are some of the things that we can do.

And I am actually really excited as I have been listening to previous testimony that some of those ideas have already been incorporated. And I just wanted to communicate through this Member Day my commitment from Utah for Utahans to be one of the most financially—fiscally responsible states in the nation that carries a balanced budget and a rainy day fund every single year, to help share some of the ideas and ways that we can get this under control.

I remember when I first ran for office. The commentary that I would share was it has been 20 years, but we were able to do it. Congress was able to find a way to work together and get this to a balanced budget.

We have sustained a strong economic growth period up until 2020. And we need to take that as an opportunity to go after this.

I have four basic elements, four pillars for this framework: grow the economy, save and strengthen vital programs, focus America's spending, and fix Congress' budget process. And I think for this Committee the two that are most relevant given your area of jurisdiction is focus America's spending, that largely deals with discretionary, and fixing the Congress' budget process.

GDP, Americans will look to gross debt often as an indicator of economic health. Debt-to-GDP ratio is particularly useful in measuring our fiscal wellbeing. Our debt-to-GDP—our GDP has not grown to keep pace with our growing debt. And we are talking we are at a conservative estimate of 1.25, but it is well over. It could even be well over 1.3, back to World War II levels on what our debt-to-GDP ratio is, and this is dangerous.

And one of the items in here is to get it so we can have this debt-to-GDP markers instead of a debt ceiling. The debt ceiling has become almost an arbitrary thing every few years where we just constantly raise it and it is not really tied to how can go about, you know, achieving success and achieving results. And so, areas on that that are important that we can have really good, you know, progress that we need to make here. The American people need to see that we are adults in the room and we are making progress toward this crippling national security risk and that is what our debt is.

There are several other ideas. I will just, you know, highlight this today and I will hope to share it with every Member on the Committee, Republican and Democrat, so we can start to be serious about how we are going to go about taking some of this back.

And I will yield back my time. Thank you.

[The prepared statement of Blake Moore follows:]

Rep. Blake Moore
Budget Committee Testimony

- Thank you, Chairman Yarmuth and Ranking Member Smith, for the opportunity to share some of my priorities with the House Budget Committee.
- Even as we endure crises as the border and overseas in Ukraine and Afghanistan, one crisis remains largely unaddressed: our national debt crisis.
- The solution to this crisis starts here in this committee.
- Since I assumed office, the importance of addressing our nation's debt and deficit crisis has only grown.
- Last year, I convened a "Debt & Deficit Task Force," which is comprised of local leaders from Utah working to create a framework to address the national debt crisis and amplify the conservative principles of my home state.
- Last month, we released our inaugural annual recommendations, setting a framework for how we can get our fiscal house in order.
- Our framework stands on four pillars: grow the economy, save & strengthen vital programs, focus America's spending, and fix Congress's budget process.
- Today, I believe it is particularly important to focus on two of these pillars: focus America's spending and fix Congress's budget process.
- America is drowning in debt.
- Even though our underlying strength, resources, and entrepreneurial spirit remain intact, our gross national debt has now surpassed $30 trillion dollars when it stood at just $15.2 trillion only 11 years ago.

- While Americans look to gross debt often as an indicator of economic health, debt-to-GDP ratio is particularly useful in measuring our fiscal wellbeing.
- Our GDP has not grown to keep pace with our growing debt. The gross debt-to-GDP ratio now sits around a worryingly high 1.25.
- This is dangerous, and we must do all we can to refine our discretionary budget and reduce the amount of spending that is on autopilot.
- Additionally, we must work across the aisle to build consensus on programs that we ought to cap or eliminate.
- We can streamline these efforts by focusing on one of the pillars of my task force: Fixing Congress's Budget Process.
- Before joining Congress, I spent my career identifying broken systems and devising ways for success to flow naturally.
- Right now, Congress's budget process needs to be fixed to ensure the process breeds order, stability, and results.
- There are many ways to improve our budget process, but I will mention three here:
    - Incorporating debt-to-GDP targets in our debt ceiling
    - Creating commissions to address our debt and imperiled trust funds patterned after the proposals such as the *Sustainable Budget Act.*
    - Ensuring CBO scoring has an extended timeline and reflects the real world and not budgetary gimmicks by incorporating reforms like those proposed in Senator Lee's *CBO Show Your Work Act*.
- Incorporating debt-to-GDP targets into our budget process will allow us to do two things:

  - First, it will make the debt ceiling a measure that is actually reflective of economic health.
  - At the moment, our debt ceiling must repeatedly be raised, even if that growing raw gross debt is shrinking in comparison to our GDP.
  - This makes it a less helpful guardrail for Congress.
  - Second, because the debt ceiling is an unhelpful guardrail, it has become a political football
  - Leaders have disregarded it and it has failed to incentivize change in the behavior of leaders
  - If well-constructed, a proposal to incorporate debt-to-GDP targets in our debt ceiling would actually encourage a change in behavior.
  - For the first time, we could have a debt ceiling that actually helps restrain our spending.
- Thank you again for the opportunity to speak here today.
- This is one of, if not the, most pressing issue facing our nation today.
- I look forward to continuing to working with the committee and all of my colleagues in Congress to address our debt crisis, and I yield back.

Chairman YARMUTH. I thank the gentleman. And I have said, your entire statement will be included in the record in full.

I now recognize the gentleman from Pennsylvania, Mr. Keller.

STATEMENT OF FRED KELLER

Mr. KELLER. Thank you, Chairman Yarmuth and I thank the Ranking Member Smith for having this hearing and listening to what the Members have to say.

I just want to highlight what we all know, that every American who earns a paycheck understands that raising a family and they are running their business, they know that they make decisions, and they know that their expenses cannot exceed their income. You can't do that. That is not sustainable.

But, you know, with inflation hitting a—recently it hit a 40-year high and Americans are paying historically high prices for things like gas, food, if they travel, air travel. We in Congress need to make government more efficient and get spending under control, just like families and businesses do with their own budgets.

You know, and I heard some of the testimony here about, you know, how you can and can't do things. But I tell you what, businesses do it all the time. I heard somebody said in the previous panel that, oh, we don't understand, you know, things increase that are out of our control. Well, I will tell you what, we have a lot more impact on that than the families and the businesses that rely on us to make good decisions.

And, you know, one thing that has impact is seeing the President's budget. His plan for fiscal 2023, it is clear that he doesn't understand how to budget responsibly. And it is likely because he has been in Washington, DC, since 1973.

President Biden's budget will spend $73 trillion over the next 10 years and grow our debt to $45 trillion by 2032. That is not responsible. We can't do that.

In 2019, the Congressional Budget Office said if we did nothing differently, by the year 2025 we would spend more on debt service than we do defense. We need to abandon this reckless proposal. It should raise a red flag for everyone in Washington, Democrats, Republicans, anybody that wants to facilitate this kind of reckless spending. Americans have already seen the cost of President Biden's tax-and-spend policies at the pump, at the grocery store, and on the farm, as well as Main Street America.

In response to the President's budget proposal, to date Democrats in the House have yet to release a budget resolution for Fiscal Year 2023. The national debt is nearly $30 ½ trillion and we are seven months into 2022. The Democrats haven't produced a solution. It is poor planning and, quite frankly, it is irresponsible.

Meanwhile, we are—when it comes to providing oversight for federal programs authorized by the American Rescue Plan, how much fraud and waste have we seen come from this law? And how effective have those dollars been at providing the stated purpose of COVID–19 pandemic relief? It is estimated that only 9 percent of the ARPA funds went directly to combatting COVID–19. This raises some serious questions on how we hold accountable and how we do our budgeting.

You know, many states, as was mentioned earlier, many states are holding onto recovery funds. Some of them are showing surpluses. It is more important than ever that these funds are being spent responsibly and are actually tied to the pandemic. And an example of what we can see is that, you know, there is still roughly $1 trillion of unspent funds that are still remaining. It might be time to consider reevaulating what should be considered pandemic relief in some of these areas. It has caused a fiscal mess and record high inflation.

The example I want to mention is there is $2 billion that have been diverted from COVID–19 vaccines and tests to house illegal immigrants due to President Biden's border crisis. Additionally, our team recently discovered that sponsors who house unaccompanied alien children, or UACs, are not required to lawfully be present in the country themselves. On top of that, according to the Department of Justice, only about half of the unaccompanied alien children actually show up for their required court hearings.

We are spending money on these things and it is creating a crisis. This should be concerning on many fronts. And it begs the question how much taxpayer money is going to fund different things other than what it was intended to, like, you know, the crisis we are seeing with the unaccompanied minor children?

One way to better provide accountability over these programs is for this Committee to produce a budget resolution that puts us on a path to fiscal sanity. It is time to stop leaving the financial disaster for the next generation and put together a budget that meets the needs of the American people, not of President Biden or Speaker Pelosi.

Thank you and I yield back.

[The prepared statement of Fred Keller follows:]

Rep. Fred Keller – Budget Committee Members' Day Testimony

May 17, 2022

THANK YOU CHAIRMAN YARMUTH AND RANKING MEMBER SMITH FOR HOLDING TODAY'S HEARING AND FOR ALLOWING ME TO TESTIFY BEFORE THE COMMITTEE.

EVERY AMERICAN WHO EARNS A PAYCHECK UNDERSTANDS THAT RAISING A FAMILY OR RUNNING A BUSINESS REQUIRES YOU TO MAKE DECISIONS THAT ENSURE YOUR EXPENSES DO NOT EXCEED EARNINGS. WITH INFLATION RECENTLY HITTING A 40 YEAR HIGH AND AMERICANS PAYING HISTORICALLY HIGH PRICES FOR THINGS LIKE GAS, GROCERIES, AND AIR TRAVEL, WE IN CONGRESS NEED TO MAKE GOVERNMENT WORK MORE EFFICIENTLY AND GET SPENDING UNDER CONTROL – JUST LIKE FAMILIES AND BUSINESSES DO WITH THEIR OWN BUDGETS.

YET, AFTER SEEING PRESIDENT BIDEN'S BUDGET PLAN FOR FISCAL YEAR 2023, IT'S CLEAR THAT HE DOESN'T HAVE A CLUE HOW TO BUDGET RESPONSIBLY, LIKELY BECAUSE HE HAS BEEN IN WASHINGTON SINCE 1973.

PRESIDENT BIDEN'S BUDGET WILL SPEND 73 TRILLION DOLLARS OVER THE NEXT TEN YEARS AND GROW AMERICA'S DEBT TO 45 TRILLION DOLLARS BY 2032.

THAT ALONE SHOULD BE ENOUGH TO ABANDON THIS WHOLE PROPOSAL AND RAISE A RED FLAG FOR WASHINGTON DEMOCRATS WHO ARE FACILITATING THIS KIND OF RECKLESS SPENDING.

AMERICANS HAVE ALREADY SEEN THE REAL COST OF PRESIDENT BIDEN'S TAX-AND-SPEND POLICIES AT THE PUMP, IN THE GROCERY STORE, ON THE FARM, AND ON MAIN STREET AMERICA.

IN RESPONSE TO THE PRESIDENT'S BUDGET PROPOSAL, TO DATE, DEMOCRATS IN THE HOUSE HAVE YET TO RELEASE A BUDGET RESOLUTION FOR FY23. THE NATIONAL DEBT IS NEARLY 30 TRILLION AND HALF DOLLARS AND 7 MONTHS INTO FY22, THE DEMOCRATS HAVE NO SOLUTION? THIS IS POOR

PLANNING AND – QUITE FRANKLY - AS IRRESPONSIBLE AS IT GETS.

MEANWHILE, WHERE ARE WE WHEN IT COMES TO PROVIDING OVERSIGHT OF FEDERAL PROGRAMS AUTHORIZED BY THE AMERICAN RESCUE PLAN? HOW MUCH FRAUD, WASTE AND ABUSE HAS COME FROM THE LAW AND HOW EFFECTIVE HAVE THOSE DOLLARS BEEN AT PROVIDING THE STATED PURPOSE OF COVID-19 PANDEMIC RELIEF? IT IS ESTIMATED THAT ONLY 9 PERCENT OF ARPA FUNDS WENT DIRECTLY TO COMBATTING COVID-19, THIS RAISES SERIOUS CONCERN.

SINCE IT APPEARS THAT MANY STATES ARE HOLDING ONTO THEIR REOVERY FUNDS, IT IS MORE IMPORTANT THAN EVER THAT THESE FUNDS ARE BEING SPENT RESPONSIBLY AND ARE ACTUALLY TIED TO THE PANDEMIC – WITH ROUGHLY 1 TRILLION DOLLARS OF UNSPENT FUNDS STILL REMAINING, IT MIGHT BE TIME TO CONSIDER REEVAULATING WHAT SHOULD BE CONSIDERED PANDEMIC RELATED AND ELIMINATE SOME OF

THE SPENDING THAT HAS CAUSED THIS FISCAL MESS AND RESULTED IN RECORD-HIGH INFLATION.

FOR EXAMPLE, ROUGHLY 2 BILLION DOLLARS HAVE BEEN DIVERTED FROM COVID-19 VACCINES AND TESTS TO HOUSE ILLEGAL IMMIGRANTS DUE TO PRESIDENT BIDEN'S BORDER CRISIS. ADDITIONALLY, OUR TEAM RECENTLY DISCOVERED THAT SPONSORS WHO HOUSE UNACCOMPANIED ALIEN CHILDREN OR U-A-Cs ARE NOT REQUIRED TO BE LAWFULLY PRESENT IN THE COUNTRY THEMSELVES – ON TOP OF THAT, ACCORDING TO THE DEPARTMENT OF JUSTICE, ONLY ABOUT HALF OF U-A-Cs ACTUALLY SHOW UP FOR THEIR REQUIRED COURT HEARINGS.

THIS IS CONCERNING ON MANY FRONTS, BUT BEGS THE QUESTION – HOW MUCH TAXPAYER MONEY IS GOING TO FUND CHILD TRAFFICKING AND OTHER ILLICIT ACTIVITIY BY THOSE HERE ILLEGALLY SPONSORING U-A-Cs? ONE WAY TO PROVIDE BETTER ACCOUNTABILITY OVER THESE PROGRAMS IS

FOR THIS COMMITTEE TO PRODUCE A BUDGET RESOLUTION THAT PUTS US ON A PATH TOWARD FISCAL SANITY.

IT'S TIME WE STOP LEAVING A FINANCIAL DISASTER FOR THE NEXT GENERATION AND PUT TOGETHER A BUDGET THAT MEETS THE NEEDS OF THE AMERICAN PEOPLE, NOT THE NEEDS OF PRESIDENT BIDEN AND SPEAKER PELOSI.

THANK YOU. I YIELD BACK.

Chairman YARMUTH. The gentleman's time has expired. And as I mentioned before, we are required by House rules to adjourn at this point. And so any questions from Members or comments can be submitted for the record. And we appreciate the Members coming and spending their time and testifying for us.

With that, if there is no further business, this hearing is adjourned.

[Whereupon, at 11 a.m., the Committee was adjourned.]

[Additional statements follow:]

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COMMISSION ON SECURITY AND COOPERATION IN EUROPE (U.S. HELSINKI COMMISSION)

May 17, 2022

The Honorable John Yarmuth
Chairman
Committee on the Budget
House of Representatives
Washington, D.C. 20515

The Honorable Jason Smith
RankingMember
Committee on the Budget
House of Representatives
Washington, D.C. 20515

Dear Chairman Yarmuth and Ranking Member Smith:

Thank you for the opportunity to present my top priorities for the Fiscal Year 2023 Budget.

President Biden's budget would invest in America's future, lower costs, put money in Americans' pockets and unrig our tax code. Under the leadership of Congressional Democrats and the President, we have already powered the strongest economic recovery in history – growing the economy at the fastest rate in forty years, bringing unemployment down from 6.4% to 3.6% and overseeing an historic decline in the deficit. The President's budget will build on our economic and fiscal strengths by investing in our economy and our people while improving our country's long-term fiscal outlook.

This tremendous growth has created the best economy for working Americans in decades with higher wages, better benefits and better jobs for people across the board. However, while working Americans are paying taxes annually on their growing incomes, billionaires have made tens of millions of dollars off their increasing investments without owing a dime in taxes. It is estimated that America's more than 700 billionaires pay only 8 percent in taxes on their realized and unrealized income.[i] Shockingly, in some years, billionaires such as Jeff Bezos, Elon Musk and George Soros paid no federal income taxes at all.[ii]

The ultrawealthy avoid taxes because most of their wealth derives primarily from the soaring value of their assets rather than their wages, interest and pensions. Their capital gains are not defined as taxable income unless or until they are sold, which allows billionaires to make hundreds of millions of tax-free dollars by growing their wealth and refusing to sell appreciated assets. If they need money, they can borrow against their assets. Loans are not considered income, so they allow the ultrawealthy to reap the value of their growing assets without selling them and triggering a tax bill. Families can avoid capital gains taxes forever by holding onto assets, borrowing against them and using the stepped-up basis loophole at inheritance.

This is why I am joining President Biden in remedying this problem by introducing the Billionaire Minimum Income Tax, which he proposed in this year's budget. This minimum tax will require households worth over $100 million to pay a minimum 20 percent tax rate on their full income, including unrealized gains.

Ultrawealthy households paying less than 20 percent on their full income will be required to pay a top-up to meet the minimum, while those already paying at least 20 percent will owe nothing more in taxes. For the 99.99 percent of households whose net worth is below $100 million, this bill will not raise taxes. The Biden Administration projects that this tax on approximately 30,000 of wealthiest households will raise $361 billion over 10 years.

The Billionaire Minimum Income Tax I plan to introduce, along with President Biden's other proposals, is critical to ensuring that large corporations and billionaires pay their fair share. This bill will also undo the perverted tax incentive for ultrawealthy individuals to inefficiently lock in their portfolios instead of reinvesting capital in more economically productive investments.

In addition to the billionaire tax, I would also like to emphasize my strongest support for President Biden's budget request of $2.85 billion for the Capital Investment Grants Program, $151.5 million of which is set-aside for Small Starts projects. This includes $46 million for the Memphis Innovation Corridor Bus Rapid Transit Project, which is located in my district.
This project, proposed by the Memphis Area Transit Authority, proposes an eight-mile BRT line connecting downtown, the Memphis Medical District and the University of Memphis. It also includes one mile of exclusive bus lanes, off-vehicle fare collection, transit signal priority and streetscape and pedestrian improvements. This project is needed to accommodate the growing population and employment in the corridor, improve system connectivity, safety and performance for all rides, and ensure access for those with disabilities.

I know you have many things to consider as you work through the budget process, and I greatly appreciate your consideration of this important project for my community and the billionaire minimum income tax, which will both ensure a fairer and more prosperous future for Memphis and the nation.

[i] Greg Leiserson and Danny Yagan, "What is the Average Federal Individual Income Tax Rate on the Wealthiest Americans?" White House (September 23, 2021), https://www.whitehouse.gov/cea/written-materials/2021/09/23/what-is-the-average-federal-individual-income-tax-rate-on-the-wealthiest-americans/.

[ii] Jesse Eisinger, Jeff Ernsthausen and Paul Kiel, "The Secret IRS Files," ProPublica (June 8, 2021), https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax.

Budget Committee: Members' Day Hearing
Michael C. Burgess, M.D. Statement
May 17, 2022

Thank you, Mr. Chairman and Ranking Member Smith for holding this Budget Committee Members' Day hearing and allowing Members to share their views for the upcoming fiscal year. I would like to once again emphasize the need to reform the Physician Fee Schedule.

Physicians have undergone immense pressure over the course of the COVID-19 pandemic. For many years I owned and operated my own practice; I understand the pressure individual business owners face to keep their doors open, even under normal circumstances.

We should be deeply concerned with the direction our health care system is going. While the Public Health Emergency has been extended until July 15, 2022, a two percent Medicare sequester cut is set to take place on July 1st.

The combination of the phased in sequester, along with the instability of the fee schedule, creates an enormous burden for physicians, clinicians, and their patients. From personal experience, this will only cause our country to lose more of our essential health care professionals and push many practices to permanently close their doors.

Every year we find ourselves in the same place – trying to address Medicare physician payment cuts. This process is exhausting and unsustainable, and our providers deserve more than this.

This issue cannot be a repeat of the Sustainable Growth Rate formula that I fought so hard to reform. We need solutions. I look forward to working with my fellow Members to end this constant battle, and I am committed to finding long-term stability for our nation's health care workforce.

Budget Committee Members' Day Written Testimony
May 18, 2022
Rep. Bill Foster

Thank you to Chair Yarmuth, Ranking Member Smith, and the Committee for inviting me to testify today.

For too long, we have allowed the federal debt limit to be used as a political weapon, to the detriment of our own citizens and financial system. It is time get rid of this archaic, ineffective, and dangerous rule.

Last time we neared the debt ceiling in October, our colleague Representative Brendan Boyle, who serves on this committee, and I led 79 Members of Congress is sending a letter to House leadership demanding the abolition of the debt ceiling. But instead, like usual, we just postponed the crisis for another year.

In modern practice, our debt limit has had no influence on government spending. The budgetary process – deciding whether to run a deficit or surplus each year – is where we address this. The debt limit only serves to constrain the Treasury from paying our country's debts after they've already been incurred. Threatening to default on our debt is no different than ordering an expensive meal at a restaurant, eating it, and threatening to skip out on the bill.

The consequences for defaulting on our debt would be drastic to both the American economy and worldwide economy. Even nearing default can cause harm; in 2011, the crisis surrounding raising the debt ceiling led credit rating agency Standard & Poor's to downgrade the U.S. government's credit rating for the first time ever. This is the last thing we need right now as our economy recovers from the pandemic and Americans start getting back to normal life.

The United States is one of only two democratic countries with a statutory debt ceiling, and the only one that could single-handedly cause a global recession. No matter which party holds Congress or the White House, all Americans – and all people around the world – would benefit from taking the threat of a U.S. default off the table.

We must not wait for another debt crisis to eliminate this destructive political weapon.

Thank you and I yield back.

Rep Meijer (MI-03)

Draft Remarks

May 17, 2022

House Committee on the Budget

Members' Day Hearing

Thank you, Chairman Yarmuth and Ranking Member Smith, for holding today's Members' Day hearing.

Over the last two years, the United States borrowed more than $5 trillion to combat COVID-19. Much of that was justified, as we were battling an unprecedented public health and economic crisis. But with near-record levels of debt, surging inflation, and low unemployment, now is the right time to pivot towards deficit reduction.

Inflation is growing at its fastest rate in 40 years, with CPI inflation growing 8.3 percent between April 2021 and April 2022. And as we know, Inflation is broad-based. It can affect families of all sizes, and people from every part of the country. Fuel and car inflation have been highest, but nearly all goods and services face elevated inflation. While the Federal Reserve is in charge of reducing inflation – they have already raised interest rates by 75 basis points and are likely to raise them to above 2 percent *(perhaps substantially)*, while shrinking their balance sheet, fiscal policy can *assist* the Federal Reserve in fighting inflation and reduce the risk that inflation-fighting efforts will lead to a recession.

Congress and the President should stop adding to deficits, focus on only the most targeted COVID relief that addresses future health needs, while also ensuring it is paid for, and reduce deficits. All of this can help reduce excessive demand, lower prices within the government's purview, and boost savings, investment, and work.

When I came to Congress, I wanted to help get the country back on track. We were in the midst of a global pandemic, and the country was still struggling to get back to our daily routines and lives. But today, it is more important that ever that we get our fiscal house in order. What we are seeing at the grocery store and at the gas pumps threatens our full economic recovery. Congress has a responsibility to the American people not to throw money at a problem, but to work in a meaningful, bipartisan way, to rein in the spending. It is also past time that we consider these kitchen table issues, rather than focus on hyper-partisan proposals that have no real legislative future. All that does is waste meaningful time that could otherwise be spent on proposals that address our greatest fiscal challenges.

Our debt is currently **nearly as large as the economy** and could reach a record **107 percent of GDP** within a decade or soon after. If we don't act soon, future generations will be left holding the bill and bearing this significant burden. I made a promise to my constituents in West Michigan that, as their representative, I would act in their best interest. This means both in the present and the future. I plan to uphold that promise and I urge all my colleagues here today to join me. Let's show the American people we, both Democrats and Republicans, care about the issues that keep them up at night. Let's get our fiscal house in order.

Thank you, and I yield back the balance of my time.

<u>Committee Testimony – Rep. Sharice Davids (KS-03)</u>
House Budget Committee Members' Day Testimony
May 17, 2022

Thank you, Chairman Yarmuth and Ranking Member Smith, for holding this hearing so that members may relay to you directly the concerns we hear from our constituents.

Over the last 26 months, Congress has taken historic action to contain COVID and provide the immediate relief that our workers, families, and small business owners need.

I, like you, remain focused on this every day in Congress.

We want to continue the successes: record-breaking job creation, historic economic growth—and address rising costs.

The American Rescue Plan had targeted relief to get vaccines into arms, get folks back to work, and keep schools and businesses open—and if you think back March of 2022, it's clear we are in a much stronger position because of it.

We also made progress by passing the Bipartisan Infrastructure Law, which has been called the most fiscally responsible infrastructure legislation in at least a decade and will create jobs and economic opportunity across the country.

That said, I am committed to keeping a close eye on the cost of our national debt. As we come out of crisis mode, we have to get back to pay-as-you-go rules that I've pushed for throughout my time in Congress, including pay-as-you-go budgeting.

I'd also like to see us close loopholes in our tax code. Wealthy corporations and billionaires shouldn't be getting away scot free while hardworking Kansans foot the bill.

However, the United States entered the current crisis facing trillion-dollar deficits, and the national debt was already on an unsustainable path after the previous Administration passed a major tax giveaway to corporations and the wealthy that added $1 trillion to the deficit.

Cost of living has been going up for a lot of families for many years, even before the pandemic.

As we come out of this public health and economic crisis, Congress should turn our attention to long-term debt and deficit reduction to get our country on solid fiscal ground.

We have to address abuse and cut wasteful spending wherever we find it, and work do so in a bipartisan way whenever we can. If we're going to earn the American people's trust and make government work for them, we have to be responsible with hard-earned taxpayer dollars.

Hardworking Kansans have a right to expect good fiscal management, oversight, and transparency. But the last thing we should do is push for mindless cuts that try balance our budget on the backs of the middle class. That will only leave our country and our economy worse off.

We need to be taking common sense steps right now to get this under control—that includes extending the federal government's ability to auction off broadband spectrum and raise revenue without raising taxes.

It also includes going after fraudsters who took advantage of emergency relief aid meant for struggling small business owners.

It really comes down to the world we want to leave behind to the next generation, and where our priorities lie: is it with hardworking families, or with the ultrawealthy and corporations?

I know who I'm fighting for.

Thank you again, Mr. Chairman, for the opportunity to testify.