

## Testimony Before the House Judiciary Committee: “The Need for the Balanced Budget Amendment”

Chairman Goodlatte and Ranking Member Conyers, thank you for holding this important hearing and for inviting me to testify on my own bipartisan Balanced Budget Amendment (BBA), which I recently introduced with Representative Henry Cuellar.

Many of my colleagues here today have fought for a BBA for years, devoting time and energy to the effort despite the objections of cynics who say it can never be accomplished. I believe that a BBA can be done and *must* be done. We have gotten close before. In 1995, the House of Representatives passed a BBA by the requisite two-thirds majority, only to have it fail in the Senate by just one vote.

Much has changed in twenty years, but the motivation behind the BBA movement is the same: at its core is the widely-held belief that running consistent budget-deficits is irresponsible.

But it is also true that a BBA is a forcing mechanism that would require Congress to make necessary decisions that have been delayed because they may be politically unpopular. You will often hear criticisms that a BBA will necessarily result in draconian cuts to all kinds of cherished programs. But it is important to note that many BBAs---my own included---are not prescriptive in nature. As a result, decisions about funding levels for different programs will reflect the consensus of leaders elected by the American people.

### **The Coming Debt Crisis**

In fact, the real draconian option is to do nothing. In a report released at the end of last year, the Congressional Budget Office (CBO) projected that under current law, the Old-Age and Survivors Insurance (OASI) trust fund’s balance---the component of Social Security that most Americans rely on for a retirement safety net---will be exhausted in 2030. As a result, CBO estimates that in 2031, “benefits would need to be reduced by 31 percent from scheduled amounts if outlays were limited to revenues credited to the trust fund<sup>1</sup>.”

Other mandatory programs face similar troubles. For example, it is estimated that the Medicare Hospital Insurance (HI) fund will be exhausted in 2028<sup>2</sup>. The HI fund has never been confronted by insolvency and there are no provisions in the Social Security Act that governs how this deficit will be managed<sup>3</sup>---providing uncertainty to seniors who depend on the program for life-saving care.

It is also important to view our deficits and our debt within the context of the expected future interest rate environment. It is worth noting that current servicing costs are abnormally low due to the historically low interest rates of recent years and that as rates normalize, our borrowing

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<sup>1</sup> <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52298-socialsecuritychartbook.pdf>

<sup>2</sup> <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2016.pdf>

<sup>3</sup> <https://fas.org/sgp/crs/misc/RS20946.pdf>

costs will grow. But even at present rates, the servicing of federal debt represented approximately 6 percent of spending for fiscal year 2016 - double the outlays for federal education programs and about 1 percent higher than what was paid in veterans' benefits, according to data collected by the Pew Research Center<sup>4</sup>.

The outlook is grim: as interest rates normalize to higher levels, it will be more expensive for the federal government to borrow money, increasing the share of outlays directed to servicing costs, and further ballooning our national debt. According to CBO projections, the government's net interest costs will almost double as a share of GDP over the next 10 years<sup>5</sup>. These federal deficits will crowd out private investment in the economy, endangering long-term growth.

I do not believe our constituents sent us to Washington to fund debt servicing at a higher level than education, veterans benefits or the other discretionary programs these costs will soon outgrow. Nor do I believe they are expecting a 31 percent cut to their Social Security benefits in 2031. But without a BBA acting as a forcing mechanism, this is the future we are heading toward.

### **H.J.Res. 110**

The bipartisan legislation I recently introduced with my colleague, Rep. Henry Cuellar, offers a better path.

Our Balanced Budget Amendment, H.J.Res. 110, would prohibit outlays from exceeding total receipts for any fiscal year. However, our legislation acknowledges that defending our nation in wars and addressing unforeseen national emergencies may require that spending exceed receipts.

Our measure enables Congress to waive the balanced budget provision in these circumstances--- provided that the House and Senate pass a joint resolution declaring our nation to be at war or in a state of emergency. However, under our amendment, any debt would be required to be paid off within ten fiscal years of the waiver's expiration.

### **Article V Convention**

It must also be mentioned that the effort to prevent run-away debt and inflation and to put our nation on a sound fiscal trajectory is not isolated to Congress: it is a genuine, bipartisan grassroots movement that is being felt in state capitals across the country.

Just last month, the Wisconsin Assembly passed legislation calling for an Article V constitutional convention to require Congress to balance the federal budget, bringing Wisconsin one step closer to becoming the 28<sup>th</sup> state to call for such a convention<sup>6</sup>. We must make sure these voices are heard because in the absence of the necessary majorities to pass a BBA in Congress, an Article V approach is our only means to avert the coming debt crisis.

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<sup>4</sup> <http://www.pewresearch.org/fact-tank/2017/04/04/what-does-the-federal-government-spend-your-tax-dollars-on-social-insurance-programs-mostly/>

<sup>5</sup> <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52480-ltbo.pdf>

<sup>6</sup> <http://bba4usa.org/report/>

Until recently, there was no official, centralized location for recording and confirming that states had even passed such measures---meaning that an important constitutional power reserved for the states may have been rendered inoperative. Fortunately, my colleagues and I were able to address this issue with a change to the House Rules that I sponsored last Congress. As a result, in collaboration with this Committee, the House Clerk now acts as a transparent, central repository for state-passed applications calling for an Article V convention, which the public may access and follow on the Clerk's website<sup>7</sup>. As the states continue to act, I believe Congress should remain focused on making these kinds of improvements to clear up any ambiguities that may be encountered throughout the Article V process.

Lastly, I want to stress the importance of acting now. If Congress waits until the debt spirals out of control to take action, we will have fewer and worse options to control the crisis. I want to once again thank the Chairman and the Ranking Member of the Committee for holding this important hearing and for inviting me to testify.

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<sup>7</sup> <http://clerk.house.gov/legislative/memorials.aspx>