

## **Written Testimony of the Honorable Rob Portman**

### **House Committee on Budget**

#### **Hearing: Sounding the Alarm, Examining the Need for a Fiscal Commission**

**October 19, 2023**

Chairman Arrington and Ranking Member Boyle, thank you for inviting me to testify on this important and timely topic.

As many of you know, I have spent a large part of my career working on federal budget issues, as a member of the House Ways and Means Committee, and a member of this Committee, along with the Senate Budget and Finance Committees. I also served on the Joint Economic Committee and the so-called Super Committee. In all these roles, I had an opportunity to see the flaws of the Congressional budget and appropriations process, and how difficult it is for Congress to address our fiscal crisis.

Between my service in the House and Senate, I was privileged to serve as the Director of the Office of Management and Budget in the George W. Bush Administration, where I witnessed the difficulty of facing our fiscal challenges from an executive branch perspective.

These are tough issues with lots of political landmines. My experience has led me to the conclusion that it is time to try something different, time to give Congress and the American people a better tool to understand the fiscal situation we are in as a country and provide a balanced, bipartisan way forward. That is why I believe a commission with membership from the Congress and outside experts is timely.

I applaud the members of this committee. Almost all of you have sponsored legislation offering creative solutions to the fiscal crisis, and a number of you, on a bipartisan basis, have introduced legislation establishing a fiscal commission. Chairman Arrington included a fiscal commission in his recent budget resolution. Chairman Arrington also co-chaired the Bipartisan Fiscal Forum (BFF) from 2020-2022. The current co-chairs of BFF, Representatives Huizenga and Representatives Peters have introduced the Fiscal Commission Act of 2023 (FCA), which was included in Speaker McCarthy's continuing resolution and received a vote. FCA is also co-sponsored by Representative Moore and Representative Panetta. This morning we are also hearing from Representative Womack who has his own commission proposal.

### **The Economic Challenge**

Members of this committee are aware of the fiscal challenges we face. The deficit has doubled in the last year and the national debt – some \$33 trillion, owned in large measure by foreigners – is diminishing our standing in the world. It is also impacting our economy. It's no coincidence that the recent surge in deficits and debt has been followed by a period of high inflation and rising

interest rates. The recent decision by the rating agency Fitch to downgrade our debt and the threat by Moody's to do the same risks locking us into even higher interest rates and deficit spending. Both agencies cited the inability of Washington to address the fiscal crisis.

Americans have overcome seemingly insurmountable policy problems in the past. When solutions have seemed too controversial and the politics in Washington too intractable, innovative structures, like outside commissions, have sometimes been used to break the gridlock. I believe we are at this point today as it relates to our unsustainable federal debt.

### **Challenges our Elected Officials Face**

As I noted earlier, I am well aware that politics makes addressing the fiscal crisis very difficult. Members understandably focus on the next election, and no politician wants to face angry voters after supporting cutting benefits - making entitlement reform and spending cuts challenging. Similarly, you as members will not win popularity contests by supporting raising taxes on their constituents.

This is one reason having an objective, outside group analyze the problem and recommend solutions on a bipartisan basis makes sense.

Fiscal reform requires sacrificing many sacred cows. We need to conduct a top to bottom review of all federal government spending, ask tough questions about the federal role, and root out parochial spending that does little for the national interest. We need to raise revenue and eliminate deductions in a way that minimizes the impact on economic growth and opportunity. And we have to reform the currently unsustainable entitlement programs that otherwise could bankrupt the nation.

All of this is necessary.

The first step is for the American people to be told the truth about the fiscal challenges we face and the consequences of not acting. Most Americans already know the current trajectory is unsustainable, and are looking for an honest assessment and an honest dialogue about the way forward.

A commission can address all of this. It can make the case to the American people, who deserve honesty from their government. It can offer solutions in an objective, bipartisan manner. And a properly structured commission will require Congress to confront the debt crisis.

### **Commission Structure**

While there are many valid structures for commissions, I believe this challenge will be best met by including both external experts and members of Congress, selected by the congressional leadership. It needs buy-in from members of Congress because ultimately it must receive buy-in from the public. You need to tend to reduce some of the politics around the issue, the commission report should be during the likely lame-duck session of Congress after the presidential election in November 2024.

Among the non-members, the commission should have budget experts that include academics and respected thought leaders who understand the political realities. On a commission of 16 people, eight could be members chosen by leadership and eight could be outside experts, four from each party chosen by the House and Senate leaders. Others have made the point that it should be a higher ratio of members to have more Congressional buy in. That is up to members to decide, but I do think some outside experts, including those who understand the politics, are helpful to get to a solution.

I would imagine members of this committee will have strong opinions about which leaders would best represent the needs of the House.

Some will suggest that the president should also appoint members as well. I understand the need to bring the Administration on board but worried that the partisan balance would be skewed, and that the even-handed approach of having the commission report after the presidential election fits better with Congressionally appointed members

The staff must be bipartisan. This will make it more credible, and limit partisanship.

Ideally, the law authorizing this commission would create fast-track consideration culminating with a vote for a solution approved by a qualified majority of members. When I was the US Trade Representative, this is how trade agreements were handled under Trade Promotion Authority. I negotiated the best deal I could and presented it to Congress for an up or down vote. My negotiating partners gave me the best deal they could knowing members with parochial interests could not scuttle a larger deal, otherwise they would be hesitant to offer the best final offer. This has been successfully used 15 times since 1979.

### **Past Successes**

#### *Base Realignment and Closure (BRAC)*

Bases provide significant economic benefit to communities where they are located. The loss of these bases can create economic challenges. Communities lose out on the pay from service members and their families. Support jobs at the base disappear. Of course, there are knock on effects from all of the money these workers spend in their community along with the contracts undertaken locally. Members with military presence in their states and districts often seek seats on the House and Senate Armed Services committees in order to protect these interests.

As a result, closing bases through the usual congressional process was incredibly challenging. Despite this, there have been 5 BRAC rounds, the most recent in 2005. It is estimated that each of these rounds created an average of \$12 billion in savings.

These commissions were appointed by the president after consulting with congressional leadership. All members are Senate confirmed. After its recommendations were made, Congress took up or down on the whole package of bases with no ability to amend them.

Obviously, members in impacted districts were more likely to oppose these reforms. However, they were unable to form the necessary coalition to keep these bases open. This saved the taxpayer significant money against parochial interests.

### *Greenspan Commission*

Sometimes, overcoming parochial interests is not the hurdle to fiscal responsibility. Entitlement programs often impact broad swathes of the population. In these cases, credibility is key, since constituents will be required to give up a benefit for the national good. This is where the Greenspan Commission of 1981 was highly successful.

The Greenspan Commission was packed with experts and well-respected members of Congress. It was originally deadlocked on a potential solution. However, then-White House Chief of Staff James Baker was able to broker with Congress. After this occurred, the Greenspan Commission voted to validate the agreement, which helped the negotiators earn the trust of the American public.

This legislation saved the federal government over \$165 billion in the first seven years and extended the life of Social Security by over 30 years (though at the time, projections indicated it would have lasted longer). This commission had outside experts and members from both parties.

### **How to ensure this is different than Simpson-Bowles**

I am not of the view that this particular commission was a dismal failure. In fact, many of its proposals have become law. By 2015, the Center for a Responsible Federal Budget had estimated that Congress had enacted around 60% of the value of the cuts proposed.

I should say that none of these critiques are directed at the two patriotic individuals who led the commission - they needed to be backed up by the political leaders of the time.

In my view, Congress had too little buy-in. The commission was established by executive order. Without Congressional approval, there was no forcing mechanism to ensure that a vote would occur if a qualified majority came up with the plans. This arguably made it even more difficult for a qualified majority to coalesce. Some sort of forcing mechanism is vital for any commission. Also, the commission required a qualified majority of 15 of the 18 members, a standard that was too hard to meet.

However, the commission had credibility (in no small part due to its leaders) which allowed individual policies to be enacted.

### **Conclusion**

When Americans look at our body politic, they often despair at what they see as deep divisions. I wish more could tune in to events like today - where we see members with vastly different views collaborating in search of a solution that is best for the country.

While I want to thank you again for inviting me here today, I mostly want to thank you for your willingness to take on the fiscal challenge that only gets worse, unless we address it.

Your willingness to look at new approaches, including a bipartisan fiscal commission, is to be applauded. You have a great opportunity to prove wrong those who would say we are too fractured to get things done.

I look forward to your questions.

Thank you.