U.S. House of Representatives
COMMITTEE ON THE BUDGET
Washington, DC 20515

July 21, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
U.S. Senate
S-221, The Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
S-230, The Capitol
Washington, DC 20515

Dear Madam Speaker, Republican Leader McCarthy, Majority Leader Schumer, and Republican Leader McConnell:

As you are aware, the current debt limit suspension expires on July 31, 2021. This suspension was included in the Bipartisan Budget Act of 2019, which suspended the statutory debt limit for two years and increased the statutory discretionary spending limits for fiscal years 2020 and 2021. With record amounts of government spending over the past two years accompanied by historic levels of inflation, in addition to the dramatically changed fiscal conditions of the country over the past five decades, it is imperative for Congress to take meaningful steps now to place our country's finances on a more sustainable and appropriate path. The upcoming expiration of the debt limit suspension provides an opportunity for Congress to do just that and instill some responsible and real controls over government spending.

The Congressional Budget Office (CBO) projects the fiscal year 2021 deficit to be $3 trillion, which marks the second highest in American history under current projections – last year's deficit was the highest. According to CBO, spending is projected to total $6.8 trillion in 2021 and $63.4 trillion over 2022-2031. Additionally, net interest spending is projected to total $5.4 trillion over the next ten years, more than all income taxes paid by the bottom 90 percent of earners. The high costs of these payments to service the debt will also lead to an untenable future for our country's finances.

These latest CBO projections do not even account for the Democrats' new spending agenda. President Biden and Congressional Democrats are attempting to enact at least a $3.5 trillion spending plan and potentially trillions of dollars more which includes policies that will harm working Americans. This harmful spending agenda, coupled with CBO's current projections, demonstrates that Congress must take action to rein in out-of-control spending and enact policies that foster fiscal responsibility.

Unchecked government spending is increasing inflation across the economy and harming American families – especially those on low and fixed incomes. Americans are already experiencing rising costs for basic goods and necessities such as food, clothing, medicine, and gasoline. Inflation this year is on track to be the highest since 1981. Rising inflation combined with out-of-control government spending only exacerbates the nation’s unsustainable fiscal trajectory.

Historically, deficit reduction policies and reforms have been tied to legislation that increased the debt limit.

- 1985 — Congress enacted a debt limit increase along with procedures to gradually reduce the federal deficit by setting annual deficit targets through the Balanced Budget and Emergency Deficit Control Act of 1985. These deficit targets were established for six years, and if the projected deficit exceeded the target, the law provided for a sequestration – or automatic cuts – in order to meet the target level.

- 1987 — Congress enacted a debt limit increase in exchange for revising and extending the Balanced Budget and Emergency Deficit Control Act of 1985 for two years to attain a balanced budget.

- 1997 — Congress enacted a debt limit increase and extended existing budget enforcement mechanisms, including statutory limits on discretionary spending through fiscal year 2002, pay-as-you-go requirements for legislation enacted through fiscal year 2002, and sequestration used as an enforcement mechanism through fiscal year 2006.

- 2010 — Congress enacted the Statutory Pay-As-You-Go Act of 2010, designed to restrict legislation from increasing federal deficits, which was also tied to legislation that increased the debt limit.

- 2011 — Congress enacted the Budget Control Act of 2011, which in exchange for a debt limit increase, established statutory limits on discretionary spending and a mandatory spending sequester for fiscal years 2012 through 2021 to offset the increase to the debt limit.

Given these historic precedents and the current fiscal challenges our country faces as a result of runaway spending, Congress should immediately return to the practice of including spending restraints when considering debt limit legislation.

As part of the upcoming debt limit debate and legislative activity, Congress should consider including any of the following:

- Address the debt limit alongside meaningful fiscal reforms that control and reduce federal spending, the primary driver of our nation’s chronic deficits.

- Establish discretionary spending limits, modeled on the Budget Control Act of 2011, to provide spending restraint over the ten-year budget window. Under current law, base discretionary budget authority is projected to amount to $15 trillion over ten years and to grow from $1.3 trillion in fiscal year 2021 to $1.7 trillion in 2031. An enforcement mechanism such as a sequester should accompany these spending limits or caps to ensure the limits are not breached, similar to the Budget Control Act of 2011.

- Establish spending-to-GDP targets. Federal spending has averaged 20.6 percent of GDP over the previous five decades. Under current law, federal spending is projected to average 22.8 percent of GDP over the next decade. Establishing limits on federal spending at or below the historic average would save taxpayers more than $6 trillion over ten years.

- Establish federal deficit targets similar to the targets of the Balanced Budget and Emergency Deficit Control Act of 1985. The federal deficit has averaged 3.3 percent of GDP over the previous five decades. Under current law, federal deficits are projected to average 5.0 percent of GDP over the next decade. Capping federal deficits at or below the historic average would reduce deficit spending by more than $5 trillion over ten years. These deficit targets should be enforced through automatic cuts or a sequestration to ensure that the target for a given year is not exceeded.

- Establish debt-to-GDP targets. The federal debt has averaged 44 percent of GDP over the previous five decades. It is currently more than 100 percent of GDP and still rising. Congress could set limits on the federal debt-to-GDP to return to historically normal levels. An enforcement mechanism similar to past fiscal restraint laws should accompany these targets to ensure that the targets are not exceeded.

- Strengthen budget procedures and enforcement to prevent the conversion of discretionary spending into mandatory spending similar to what occurred with enactment of the American Rescue Plan Act.

- Fully enforce points of order under the Congressional Budget Act, which prohibit the consideration of legislation that is not offset.

- Fully enforce the Statutory Pay-As-You-Go Act of 2010 to ensure legislation enacted by Congress is fully offset and does not trigger a sequestration at the end of session.

- Passage of a balanced budget amendment to the U.S. Constitution to accompany any legislation addressing the debt limit.

We believe the policies outlined above that Congress should consider would garner bipartisan and bicameral support. Based on CBO’s projections demonstrating an unsustainable fiscal path for our country, it is imperative Congress does not forfeit this opportunity to exercise fiscal responsibility and restraint. We look forward to working with our House colleagues and the Senate to find solutions to put the country on a sustainable fiscal path.

Sincerely,

Jason Smith (MO-8), Ranking Member
Member of Congress

Earl L. "Buddy" Carter (GA-01)
Member of Congress

Trent Kelly (MS-01)
Member of Congress

Ben Cline (VA-06)
Member of Congress

Tom McClintock (CA-04)
Member of Congress

Lauren Boebert (CO-03)
Member of Congress

Glenn Grothman (WI-06)
Member of Congress

Byron Donalds (FL-19)
Member of Congress

Lloyd Smucker (PA-11)
Member of Congress

Randy Feenstra (IA-04)
Member of Congress

Chris Jacobs (NY-27)
Member of Congress

Bob Good (VA-05)
Member of Congress

Michael C. Burgess, M.D. (TX-26)
Member of Congress

Ashley Hinson (IA-01)
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Jay Obernolte (CA-08)
Member of Congress