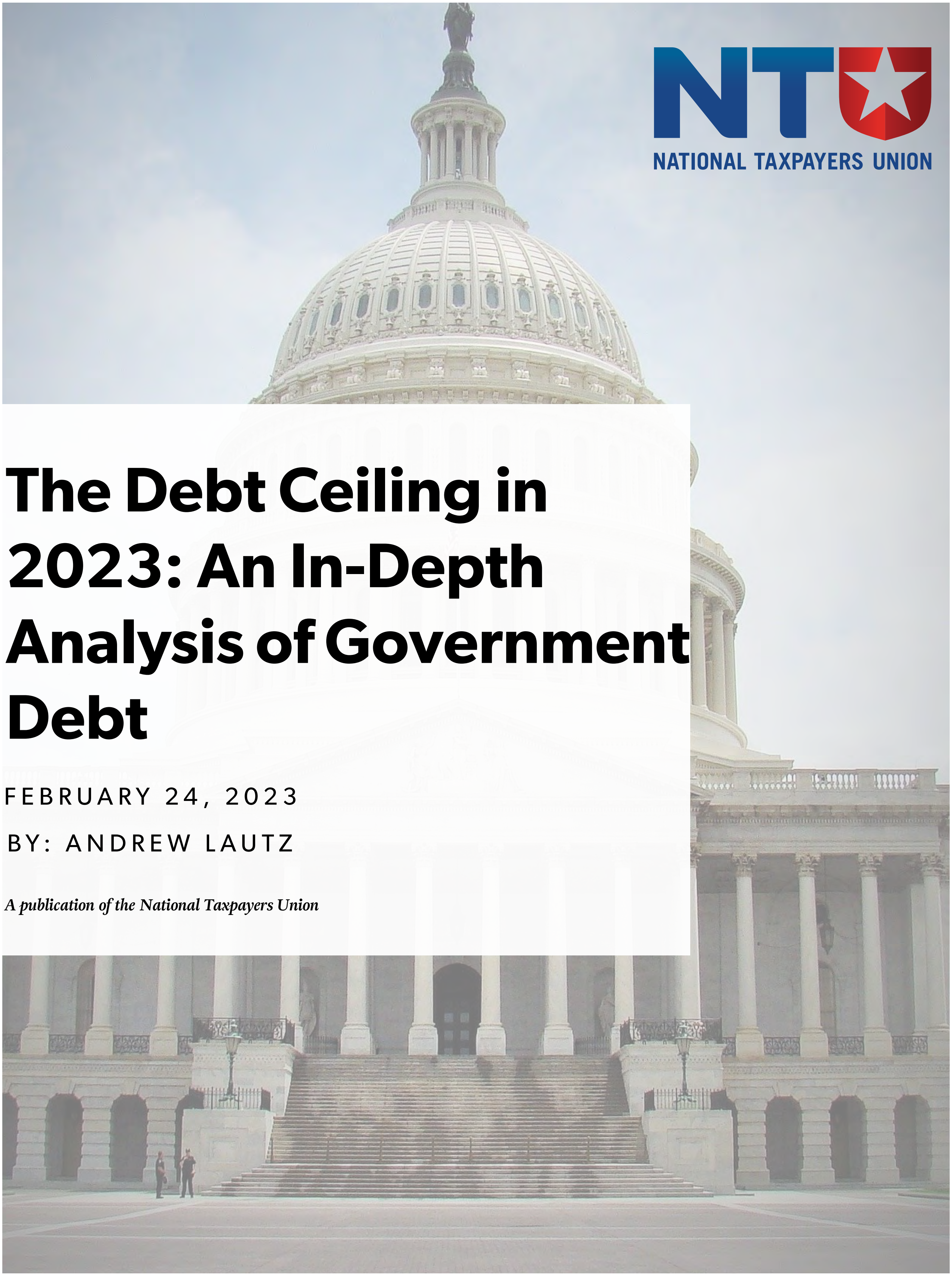

NATIONAL TAXPAYERS UNION

The Debt Ceiling in 2023: An In-Depth Analysis of Government Debt

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Introduction

Congress is fast approaching the need to take action on the nation's statutory debt limit, often referred to as the debt ceiling. First created in 1917 when the U.S. was entering World War I, the debt ceiling has been raised by Congress (and occasionally the president, when authorized to do so by Congress) dozens of times since then. It was most recently raised to $31.4 trillion in December 2021. The debt ceiling has become a major political football in 2023, with Democrats insisting on a "clean" debt ceiling increase or suspension – in other words, legislation that only increases the debt ceiling by a certain amount or suspends the ceiling for a certain amount of time, without any fiscal, budgetary, or other policy provisions attached – and Republicans claiming a "clean" increase or suspension is the only policy they *won't* support. Instead, Republicans want Democrats in Congress and President Biden to agree to cut spending in exchange for a debt ceiling increase or suspension.

The current political fight amounts to a high-stakes game of chicken with enormous consequences for the domestic and global economy. The U.S. is the most important nation in the global economy. U.S. debt – issued in the form of U.S. Treasury securities – is considered among the safest investments in the entire world because the U.S. has never defaulted on its debt and is able to issue its own currency, which is the world's reserve currency. Failing to increase or suspend the debt ceiling could lead to the U.S. government defaulting on its debts for the first time, which could shock the global economy and permanently call into question the full faith and credit of the U.S. government. Interest rates would likely rise, increasing borrowing costs for U.S. consumers, businesses, and taxpayers, who would pay more to service current and future debt. U.S. stock indices could crash, gutting retirement and other long-term savings for millions of Americans and causing businesses to shed jobs. And the U.S. government would, at least temporarily, not be able to issue more debt. Given the federal government is projected to operate at an around $1 trillion deficit this fiscal year, all sorts of government programs and services could be threatened. Even the most basic of tasks for the federal government, such as issuing tax refunds to millions of taxpayers, could be impacted.

In short, no one in America wins if the federal government defaults on its debt. Consumers, businesses, and taxpayers in the U.S. – and around the world – lose. Default is not an option.

Policymakers frustrated with the nation's spending and fiscal trajectory do raise important points, though. The nonpartisan Congressional Budget Office (CBO) projects that under current law, the federal government will add more than $19 trillion to debt held by the public over the next decade alone, an 80-percent increase from current debt levels. Spending in the next 10 years will average 23.9 percent of gross domestic product (GDP), (above the 50-year historical average of 21 percent), while revenues will average 18.0 percent of GDP (above the 50-year historical average of 17.4 percent). And the trust funds for the nation's two largest spending programs, Social Security and Medicare Part A, are projected to be insolvent in 2035 and 2028, respectively.

While Congress should not threaten the full faith and credit of the U.S. government nor risk the economic and financial consequences of waiting to increase or suspend the debt ceiling until it's too late, there is also a long, bipartisan history of attaching debt ceiling increases or suspensions to legislation that includes other fiscal, spending, or policy reforms. By our count at NTU, this has been done at least 32 times since 1979, including six times when Democrats controlled the House, the Senate, and the White House. A debt limit increase under unified Democratic government in 2010 even included the Statutory Pay-As-You-Go Act of 2010, a fiscally responsible piece of legislation serving as a backstop to deficit increases caused by Congress that, unfortunately, has never been allowed to go into effect.

Default is not an option. The consequences for American families, businesses, and taxpayers are too great. However, there are also significant negative consequences for American families, businesses, and taxpayers in allowing America to continue on its unsustainable fiscal trajectory.

A Brief History of the Debt

Federal policymakers cannot allow the U.S. to default on its debt, and both Republicans and Democrats in Congress have recognized this in the early 2023 debate.

What this argument is ultimately about is *not* the debt ceiling and whether it needs to be raised. What the argument is about instead is U.S. debt *levels* and whether or not they are sustainable.

Some Members of Congress – primarily Republicans and some Democrats – argue that the nation's fiscal and spending trajectories are unhealthy and unsustainable, and that Congress needs to cut spending. NTU agrees.

It is also important to acknowledge that both parties in Congress are responsible for the run-up in the nation's debt over the past 15 years. The wars in Iraq and Afghanistan, the U.S. response to the Great Recession, and the multi-trillion dollar U.S. response to COVID-19 were all major contributors to the debt, and many of the fiscal policies therein had the support of both Republicans and Democrats in Congress and the White House. Democrats and Republicans also passed discretionary spending increases, on the defense and non-defense sides of the ledger, and tax cuts, both partisan and bipartisan, that added to the debt.

Both parties are therefore responsible for solutions to our nation's unhealthy debt and deficit levels. And for those who would argue that current debt and deficit trajectories are not only satisfactory but desirable, we counter:

- Rising U.S. debt raises interest rates and net interest costs for servicing our debt, meaning a larger and larger portion of U.S. revenues in the future will be devoted to just paying the interest on the federal debt;
- Rising U.S. debt crowds out private investment in the U.S. economy, making businesses less innovative and agile and making it harder for the U.S. to perform well in the global economy going forward;
- Rising U.S. debt makes the federal government less flexible to address future crises, like another pandemic or a major national security incident; and

Key Facts:

First created in 1917 when the U.S. was entering World War I, the debt ceiling has been raised dozens of times since then, from a few billion dollars to its current $31.4 trillion.

In the 1980s, 1990s, and 2000s, it was often common practice to pair a debt ceiling increase with fiscal and budget reforms; debt ceilings have been paired with reforms (i.e., "not clean") 32 times since 1979.

While the two parties disagree on how to handle the debt ceiling, both parties should agree that the nation's current fiscal trajectory is bad and getting worse.

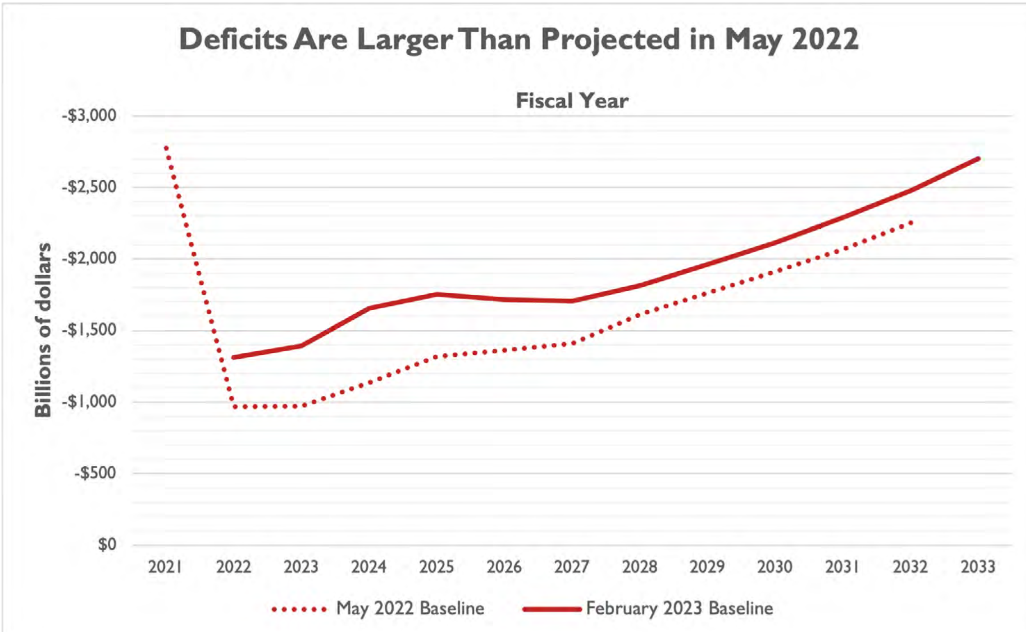
Default is not an option, due to the negative financial and fiscal effects it would have in the short and potentially long term.

However, if the two parties end up negotiating on fiscal reforms that could be paired with a debt ceiling increase or suspension, they will have dozens of bipartisan ideas to choose from.

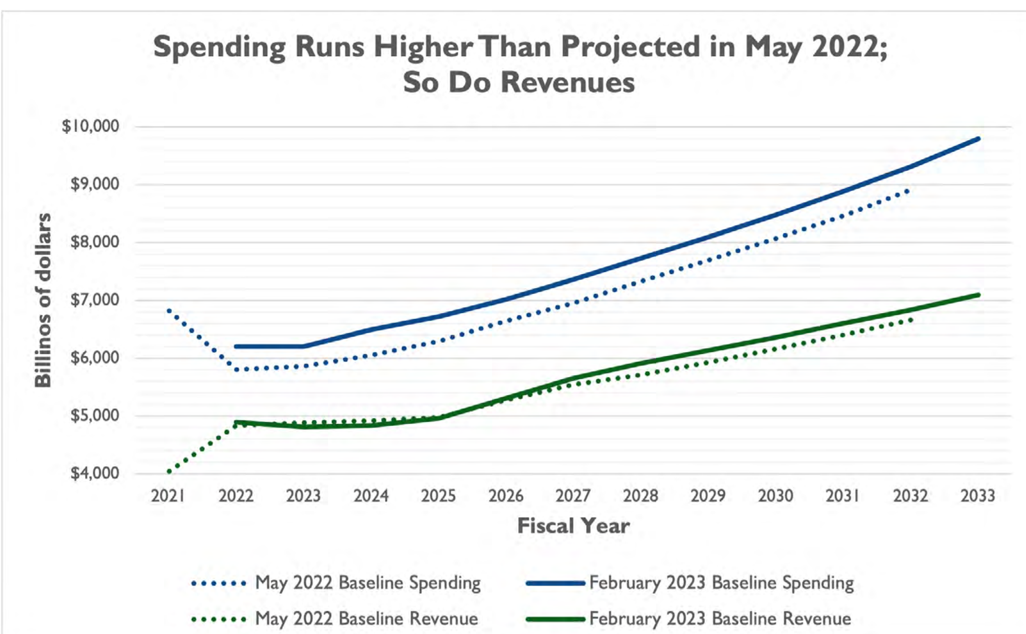
• Rising U.S. debt may eventually cause purchasers of that debt to doubt the full faith and credit of the U.S. government, with S&P's downgrade serving as the primary example of such doubts.

And the new budget baseline released by CBO underscores the fiscal peril the nation is in.

Compared to its May baseline, deficits are projected to be a whopping $3.1 trillion (19.5 percent) larger over the next 10 years (fiscal years 2023-32), $18.9 trillion instead of $15.8 trillion.

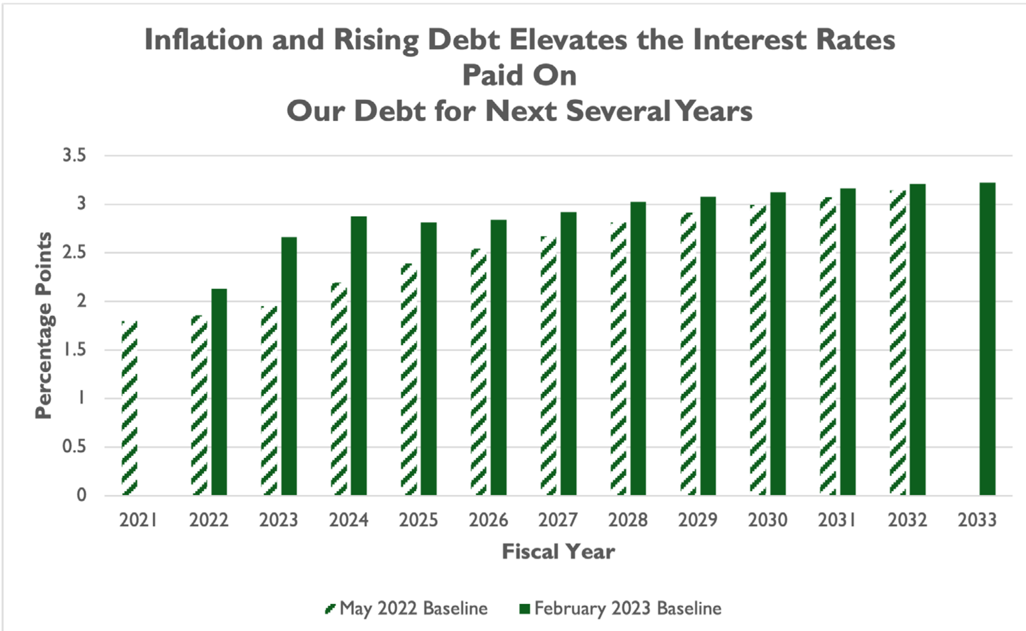


Spending is projected to be $4 trillion (5.5 percent) higher from FYs 23-32 than it was just nine months ago, a product of legislation passed by Congress and changes to economic projections over that time. Revenue will only be $0.9 trillion (1.6 percent) higher than projected in May, adding to deficits in the 10-year window (see chart above).

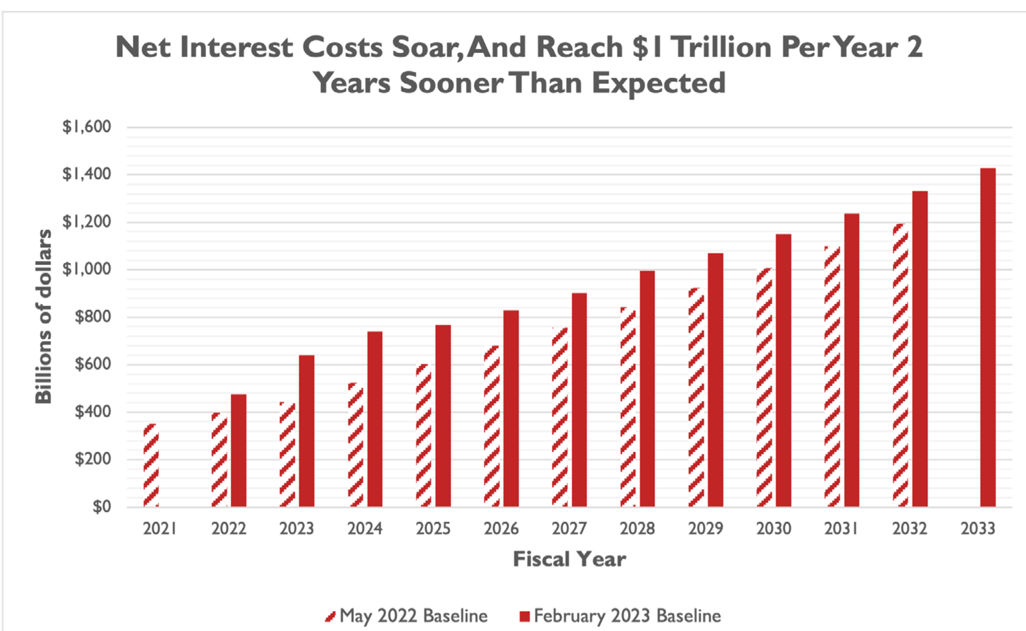


Legislation to increase federal spending has been a primary (but not the only) driver of higher projected deficits now as compared to nine months ago. The largest single legislative contributors to 10-year deficits in the past nine months were the PACT Act and higher discretionary defense spending.

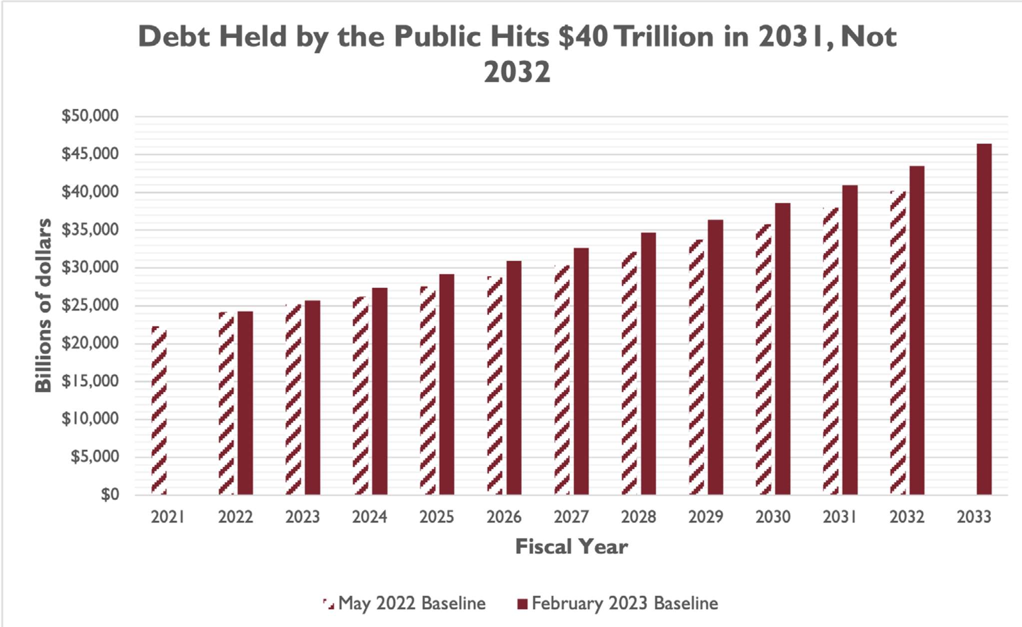
Another primary driver of increasing deficits, compared to nine months ago, is rising interest costs to service the federal government's existing debt – one of several negative consequences to historically high inflation. Interest rates on U.S. Treasuries are projected to be much higher in the next few years than CBO projected in May 2022:



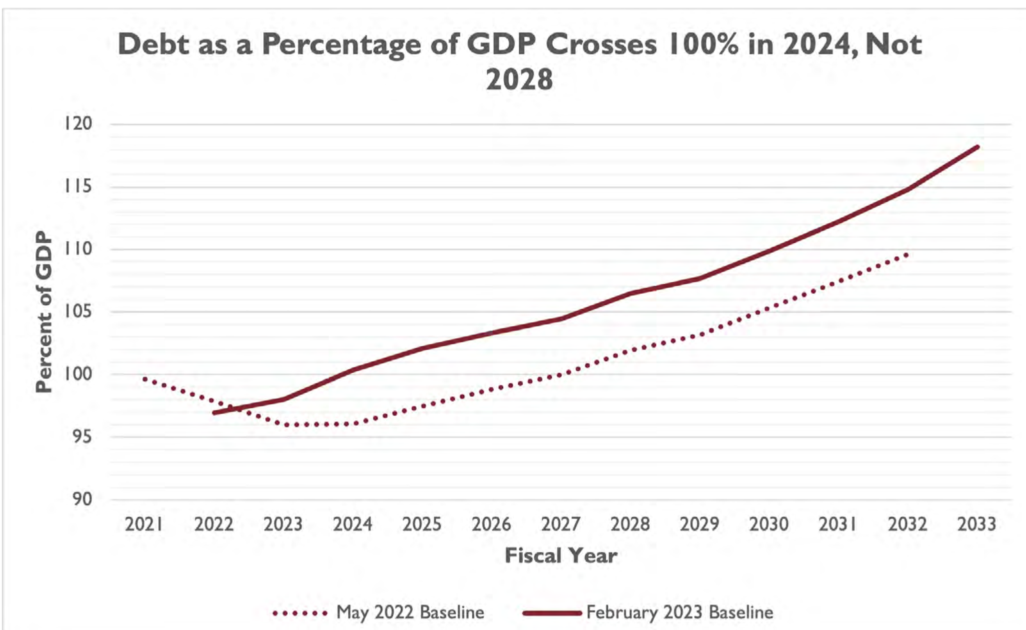
This raises net interest costs a whopping $1.6 trillion (19.7 percent) over the next decade compared to May 2022 projections. The federal government will pay a total of $9.7 trillion in interest in the next 10 years, per CBO's latest projections, nearly 17 percent of projected federal revenue. This means almost one in every five dollars collected by the federal government is being diverted to paying interest on existing debt, which funded past consumption and investment. If Congress enacted more sustainable fiscal practices, and debt and net interest costs were to fall, a higher proportion of revenue could be devoted to more productive purposes.



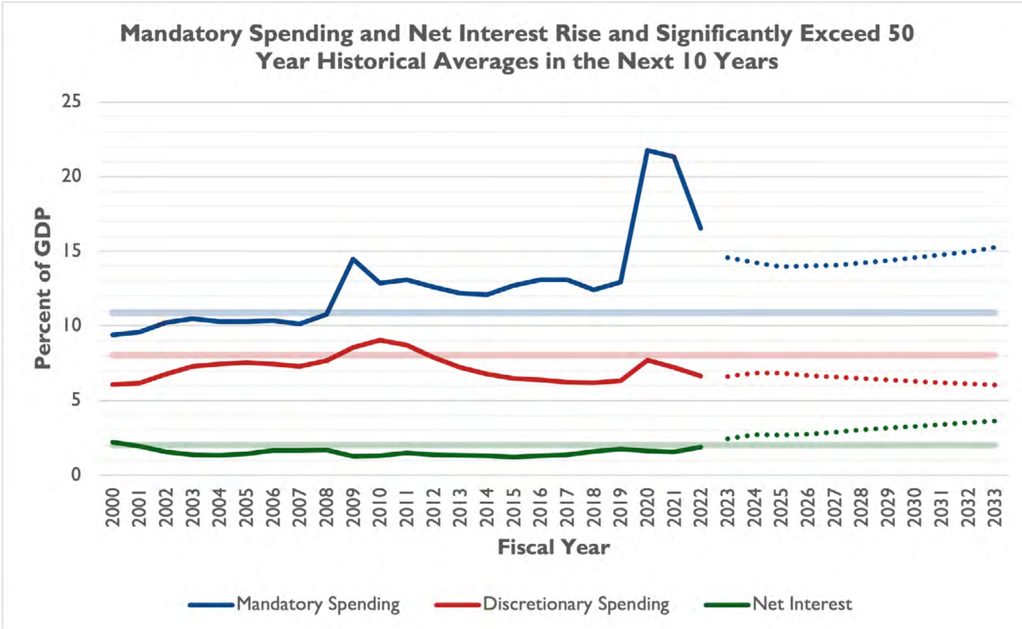
And as a result of new legislation, changes to economic projections, and higher net interest costs, CBO now projects the U.S. will hit $40 trillion in debt held by the public sooner than it did nine months ago:



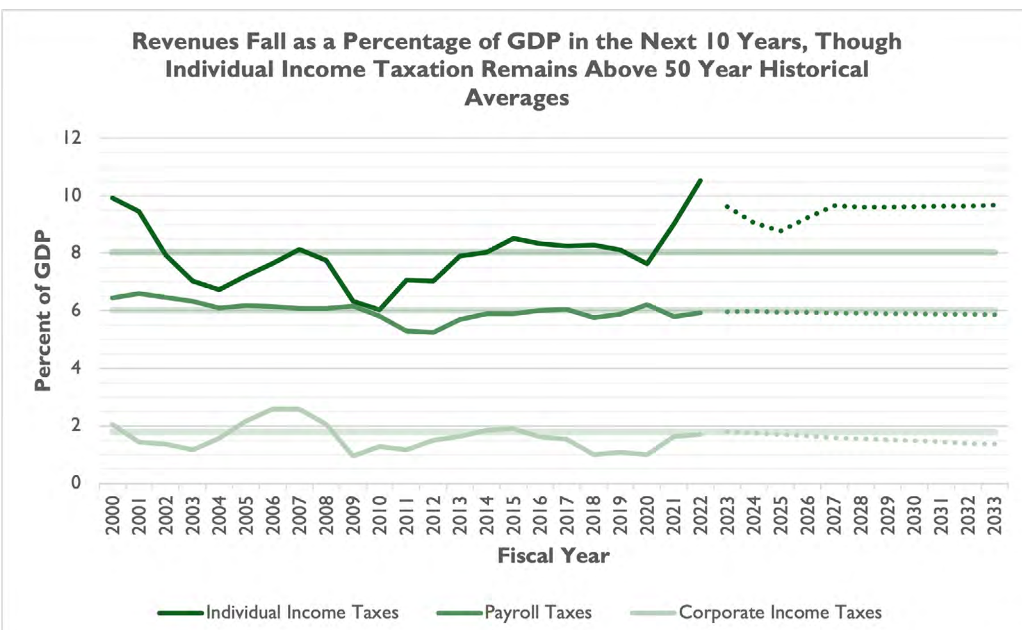
Debt growth continues to outpace economic growth (as measured by gross domestic product or GDP), reaching 100 percent of GDP next fiscal year (2024, which starts in October 2023) and reaching a record 118 percent of GDP by the end of the decade:



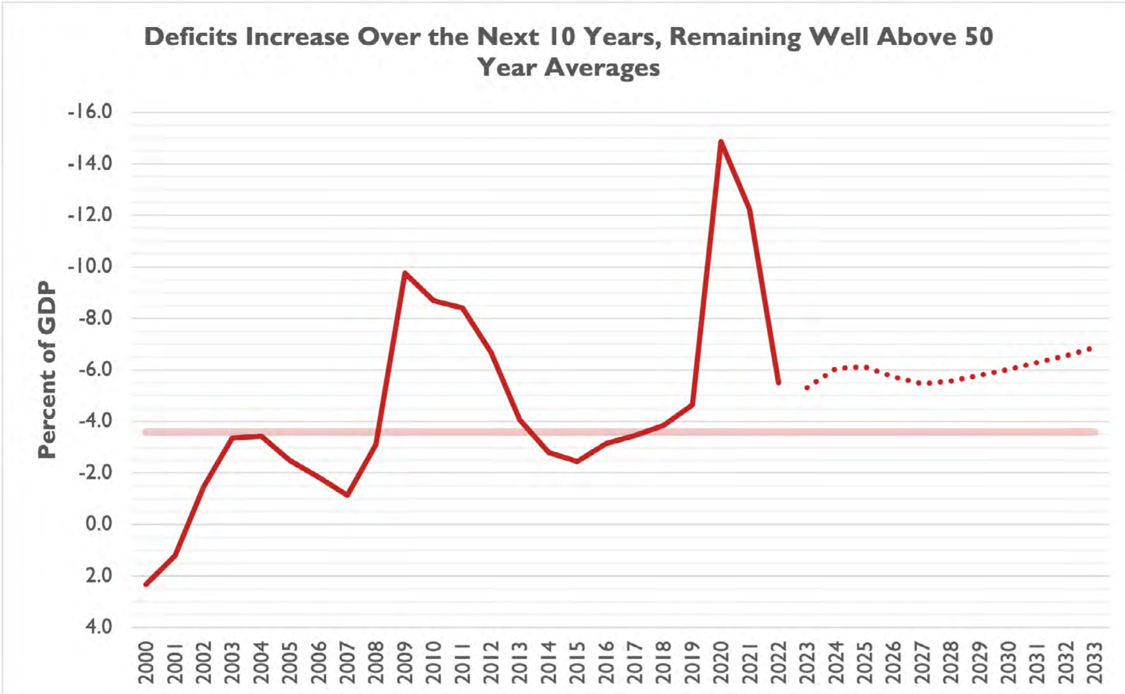
While the fiscal picture is increasingly grim in the years ahead, it's worth putting these numbers in perspective. Mandatory spending as a percentage of GDP has been running higher than the 50-year historical average (1973-2022) since the onset of the Great Recession, and is projected to continue running well above the historical average in the 10 years to come. Discretionary spending will continue to decline as a percentage of GDP and remain below 50-year historical averages, though if past is prologue, Congress will likely raise both defense and non-defense discretionary spending relative to current CBO projections if there are no fiscal controls in place to stop them from doing so. And as discussed above, net interest costs will continue to rise in the next decade, well above 50-year historical averages.



Payroll tax and corporate tax revenues will continue their downward trajectory as a percentage of GDP over the next decade and will be below 50-year historical averages, per CBO. Individual income tax revenue as a percentage of GDP will be elevated relative to 50-year historical averages, but will decline if lawmakers extend individual tax cuts in the Tax Cuts and Jobs Act (TCJA) without revenue offsets; many of these provisions expire in 2025.



With the exception of a few years during the Obama administration (and when Republicans held one or both chambers of Congress), deficits have generally been higher than 50-year historical averages (as a percentage of GDP) since the Great Recession of 2007-08, and CBO projects they will increase further in the decade ahead.



All of the above graphs, which utilize data from CBO's February 2023 budget baseline, do not reflect a number of potential policy choices that could increase deficits, debt, and/or net interest costs even *further* in the decade to come:

- Lawmakers could extend significant portions of the 2017 TCJA, which significantly cut individual taxes, without providing spending or revenue offsets;

- Congress could repeal tax increases in the recently-enacted Inflation Reduction Act (IRA) that prove unpopular or difficult to implement, such as the corporate book minimum tax or stock buyback tax, without also repealing the increased spending that the IRA's tax increases offset;

- Lawmakers could increase both defense and non-defense discretionary spending relative to CBO projections, since CBO rules require the agency to assume discretionary spending is held constant (with an adjustment for inflation) rather than increasing by several percentage points each year as Congress has enacted in recent years;

- Congress could enact new legislation that increases mandatory spending beyond CBO projections, as it did with the Honoring Our PACT Act, the CHIPS and Science Act, and more in the 117th session;

- The Biden administration or future presidential administrations could introduce or finalize regulations that would significantly increase federal spending, such as the changes to income-driven repayment on student loans that are likely to increase federal spending, but that CBO has not yet accounted for in its baseline;

- The Federal Reserve could raise interest rates further than CBO projects, which would put upward pressure on the interest rates paid on U.S. debt and our net interest costs going forward;

- A recession could increase spending through automatic stabilizers in the federal budget, increase spending through emergency legislation passed by Congress, or reduce taxes through emergency legislation passed by Congress, as what occurred during the Great Recession and the (briefer) COVID-19 recession; and

- Natural disasters, national or international security incidents, and public health emergencies could lead to additional emergency spending by Congress not already accounted for in CBO's baseline.

This is not an exhaustive list of items that could push deficits up even further. Whatever debt ceiling deadline Congress is dealing with now, the next deadline after this one will likely come sooner than lawmakers think.

A Brief History of the Debt Ceiling

1917-2010

The statutory debt limit (alternatively referred to as the debt ceiling) has been around since 1917, established by Congress during World War I. Its purpose was to make it *easier* for the government to accrue debt to support the war effort. As *PBS NewsHour*'s Steven Pressman summarizes:

> "Before 1917, Congress would authorize the government to borrow a fixed sum of money for a specified term. When loans were repaid, the government could not borrow again without asking Congress for approval.
>
> The Second Liberty Bond Act of 1917, which created the debt ceiling, changed this. It allowed a continual rollover of debt without congressional approval."

This law both moved Congress away from authorizing borrowing for specific purposes – allowing the federal government to borrow more generally, subject to limits – and established the precedent of Congress raising the debt ceiling.

Raising the debt ceiling was a rather regular and perfunctory part of Congressional business for decades to follow, though throughout the 1970s, 1980s, 1990s, and first decade of the 21st century, debt limit increases were occasionally accompanied by attempted fiscal and spending reforms:

- Public Law (PL) 96-5, enacted in April 1979, increased the debt ceiling by $430 billion through September 1979 and required the Budget Committees in Congress to report budgets for fiscal years 1981 and 1982 that were in balance;
- PL 99-177, enacted in December 1985, increased the debt ceiling to above $2 trillion but also "created statutory deficit limits and a statutory mechanism to enforce the limits" with an aim of balancing the budget over six years;
- PL 105-33, enacted in August 1997, increased the debt ceiling to $5.95 trillion but also achieved "$127 billion in net deficit reduction over the 1998-2002 period," according to CBO; and
- PL 111-139, enacted in February 2010, increased the debt ceiling to $14.3 trillion and included the Statutory PAYGO Act as mentioned above, which attempted to enforce budget discipline on Congress by requiring a mandatory spending sequester (across-the-board cut) if Congress increased the deficit.

Notably, three of the four measures above (1979, 1997, and 2010) were enacted into law under Democratic presidents, two of four (1979 and 2010) were enacted when Democrats held the presidency and both chambers of Congress, and two of four (1985 and 1997) were enacted under divided government.

2011-Present

The 2011 debt ceiling episode forever changed how Congresses and presidents handle the debt ceiling, given it was the most contentious debt ceiling standoff in U.S. history to date and led to the first-ever credit downgrade for the U.S. government.

The debt ceiling reached its limit, previously established by PL 111-139 (which included the Statutory PAYGO Act, see above), in May 2011. The Treasury Department, under the leadership of Secretary Tim Geithner, began so-called "extraordinary measures;" temporary financial maneuvers Congress has allowed the Treasury to make that effectively delay the date of a debt default.

From early 2011, the Republican negotiating position on the debt ceiling was that they would not raise it unless they extracted spending cuts from Democrats and the Obama administration – a position very similar to the House Republican negotiating position in 2023 with the Biden administration. President Obama and Senate Democrats insisted as late as a month out from the likely default date that a debt ceiling increase should be "clean" – the President Biden and Senate Democratic position in 2023 – but President Obama eventually indicated a willingness to negotiate with Republicans on deficit reduction. He tasked a familiar face to negotiate with Republicans – then-Vice President Biden.

What emerged from these negotiations was the Budget Control Act (BCA) of 2011, both the most significant deficit reduction legislation of the 21st century to date and, in retrospect, a policy disappointment that held down spending *increases* but failed to meaningfully *reduce* debt and deficit levels. The BCA included 10 years of discretionary defense and non-defense spending caps (which Congress routinely cheated in subsequent years), a sequester (across-the-board cut) for mandatory spending, and a bipartisan super-committee in Congress tasked with identifying hundreds of billions of dollars in deficit reduction for the subsequent 10 years. (The super-committee failed.)

Despite the enactment of the BCA on August 2, 2011, one of the three major credit rating agencies, Standard & Poor's (S&P), gave the U.S. government its first ever credit downgrade on August 5, 2011. S&P criticized the political bickering over the debt ceiling:

> "The political brinksmanship of recent months highlights what we see as America's governance and policymaking becoming less stable, less effective, and less predictable than what we previously believed."

The agency also criticized the BCA itself:

> "The downgrade reflects our opinion that the ... plan that Congress and the Administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics."

The stock market reacted by dropping 6.66 percent on the next day of trading.

Subsequent debates over the debt ceiling have been politically charged but not nearly as dramatic as the 2011 episode. The debt ceiling has been increased or suspended eight times since 2011: three times under President Obama (twice in 2013, and once in 2015), three times under President Trump (2017, 2018, and 2019), and twice under President Biden (both in 2021). No major spending or fiscal reforms have been attached to these eight debt ceiling increases or suspensions, and in fact several of them have been attached to bipartisan bills that *increase* spending, including the Bipartisan Budget Act of 2018 and the Bipartisan Budget Act of 2019.

A novelty introduced in 2013, what the nonpartisan Congressional Research Service calls a "procedural innovation," was the *suspension* of the debt ceiling. This involved Congress suspending the debt ceiling until a specified date, which it did six times from 2013 through 2019.

Potential Solutions to Our Unsustainable Fiscal Trajectory

The ideal solution, in our view, is an increase in the debt ceiling paired with significant spending, fiscal, and budget reforms. The Budget Control Act (BCA) of 2011, while far from a perfect piece of legislation, represents a good floor for what policymakers could pair with a debt ceiling increase or suspension.

Given the balance of power in Washington, these reforms would need to both win bipartisan support and be realistic enough for lawmakers to stick with in the years ahead. Proposals to balance the federal budget within 10 years may be exciting to some lawmakers and budget policy organizations, but the consistent political sacrifices required to achieve balance in such a short time render such proposals unworkable in practice.

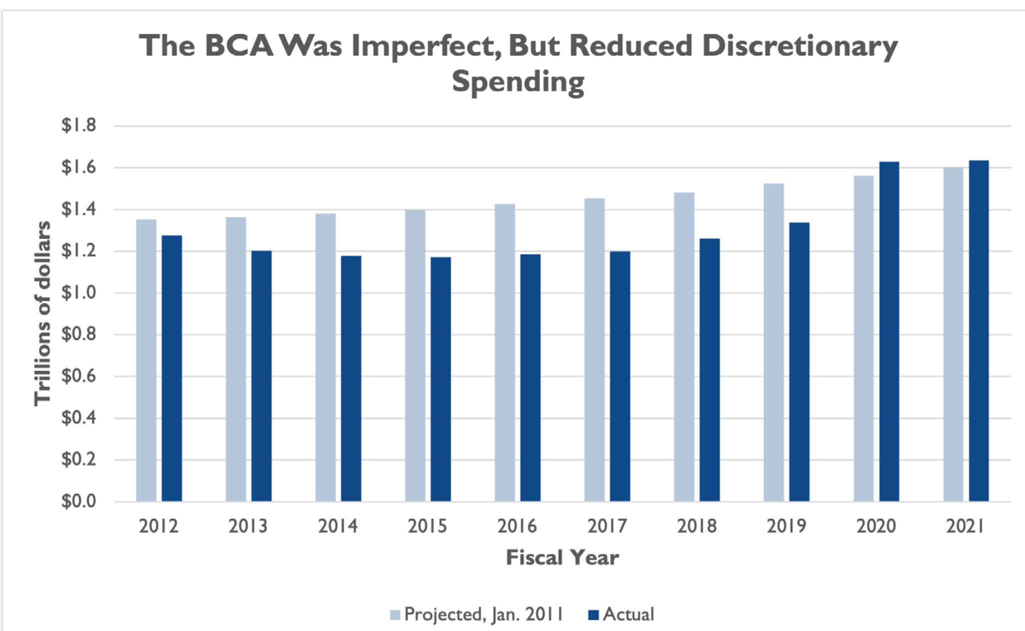
The 2011 Budget Control Act Model

The BCA is a more realistic framework for what would represent a comprehensive spending reform and debt ceiling compromise, and such a compromise could include:

- Multiple years of discretionary spending caps, ideally at least a decade's worth;
- The creation of a special committee to propose deficit reduction options for consideration in • Congress; and
- The use of a sequester (across-the-board spending cut) as a backstop for lawmakers' failure to agree to bipartisan deficit reduction.

Another round of discretionary spending caps may not strike some readers as a proposal with bipartisan potential, but many forget that the Budget Control Act's caps had widespread bipartisan support. The BCA passed Congress on a 269-161 vote in the House and a 74-26 vote in the Senate. In the House, 174 Republicans and 95 Democrats voted for the BCA. In the Senate, 28 Republicans and 46 Democrats voted for the BCA. The Obama administration "strongly support[ed] enactment of the Budget Control Act" and praised its "significant down payment on deficit reduction and ... means to reduce the deficit further through a balanced approach that allows both for cutting spending and for addressing revenues by eliminating tax subsidies or through comprehensive tax reform." The administration also later specifically praised the caps in communications on President Obama's record on fiscal responsibility.

House Budget Chair Jodey Arrington (R-TX) introduced legislation in the 117th Congress that would reinstall discretionary spending caps. That bill did not earn Democratic cosponsors, but if Republicans approach discretionary spending caps from a perspective of shared sacrifice on the defense and non-defense sides of the discretionary ledger, they could find support from across the aisle.



However, merely mapping the BCA of 2011 onto a 2023 compromise bill is not enough to get the nation's spending and fiscal trajectories under control. The BCA failed in many respects, as the special committee on deficit reduction failed to reach a compromise, and lawmakers voted several times on a bipartisan basis to cheat the law's spending caps in the subsequent decade.

A new and improved version of the BCA could incorporate several ideas from NTU's 2021 paper, "The Budget Control Act of 2021: A Roadmap for Congress," including but not limited to:

- Tighter restrictions on emergency spending and overseas military spending that restrict lawmakers' efforts to circumvent discretionary spending caps by putting non-urgent funding in emergency accounts (more on that below);
- A broader sequester, which would increase lawmakers' incentives to reach a special committee agreement on deficit reduction and enact that package into law; and
- Legislation that would limit government spending growth in future years to a "primary balance factor" that is based in large part on the nation's annual GDP growth rate, modeled after the highly effective Swiss constitution "debt brake," as included in the Responsible Budget Targets Act from Sen. Mike Braun (R-IN) and House Majority Whip Tom Emmer (R-MN).

If a special committee were to have the chance to work on deficit reduction, NTU would stand ready to supply the committee with meaningful reforms that have won support across the ideological spectrum. In 2020, NTU Foundation released a report with the U.S. Public Interest Research Group (U.S. PIRG) Education Fund, "Toward Common Ground," that outlines around $800 billion in deficit reduction proposals that can win the support of both parties in Congress.

Outside of the BCA Framework

There are numerous additional proposals that have received, are currently receiving, or could reasonably be expected to receive bipartisan backing in the context of broader fiscal reform. Those options include, but are not limited to:

- **Emergency spending reform and/or the creation of a national "rainy day fund"**: Congress needs to rein in emergency spending, or at least put guardrails on abuse or misuse of what constitutes an "emergency." Lawmakers appropriated tens of billions of dollars for emergencies in the last session, and though many spending items were for legitimate, widely bipartisan purposes such as disaster relief, there should also be bipartisan agreement in Congress that policymakers need to better prepare and budget for inevitable emergency needs. In 2010, the widely bipartisan Simpson-Bowles commission called for "establish[ing] a disaster fund to budget honestly for catastrophes." The commission recommended "explicitly set[ting] aside funds for disaster relief and establish[ing] stricter parameters for the use of these funds." They also recommended enhancing transparency and public reporting on the use of emergency funds throughout the federal government. NTU stands ready to work with lawmakers in both parties on turning this recommendation, even more relevant now than it was 13 years ago, into action.
- **Overseas Contingency Operations and/or emergency war funding reform**: Perhaps the most prominent example of emergency funding misuse and abuse in recent years was the Overseas Contingency Operations, or OCO, account. The OCO account started as a means to fund emergency needs for America's overseas military operations primarily in the Middle East. It morphed into a slush fund for military projects outside the overseas context that couldn't fit into the base budget under the BCA's defense caps. Congress has not funded the OCO account since FY 2021, but they must absolutely establish guardrails to prevent future misuse or abuse of OCO or some successor emergency war fund. Sens. Mike Lee (R-UT) and Mike Braun (R-IN) have legislation, the Restraining Emergency War Spending Act, that would accomplish these aims. This legislation was not bipartisan at the time of introduction, but NTU strongly believes preventing abuse of emergency war

funding accounts would be a bipartisan cause should Congress take it up, given members of both parties criticized the OCO "slush fund" in prior years.

• **The Responsible Budgeting Act from Reps. Jodey Arrington (R-TX) and Scott Peters (D-CA)**: This creative and bipartisan legislation would prevent debt ceiling standoffs in the future while still requiring Congress and the president to put forward fiscally responsible solutions to America's unsustainable debt and fiscal trajectories. The bill provides two avenues for increasing the debt ceiling: one would automatically trigger a debt ceiling increase if Congress passes a budget resolution reducing the debt-to-GDP ratio by at least five percent over 10 years; another would allow the president to request a debt ceiling suspension if Congress doesn't pass a budget resolution on time, though the president would also have to present Congress with proposed debt reduction legislation.

• **The Preventing Government Shutdowns Act from Sens. James Lankford (R-OK) and Maggie Hassan (D-NH)**: This legislation would permanently prevent government shutdowns from happening by allowing discretionary spending to run on rolling, two-week continuing resolutions when Congress fails to pass spending bills on time. There are numerous incentives in the legislation for Congress to stay in Washington and complete action on spending bills, including a ban on taxpayer-funded travel and limitations on non-spending legislation or Congressional business lawmakers can do until a spending deal is reached.

• **The TRUST Act from Sens. Mitt Romney (R-UT) and Joe Manchin (D-WV), and Reps. Mike Gallagher (R-WI) and Ed Case (D-HI)**: The TRUST Act would create bipartisan, bicameral rescue committees tasked with considering policy options that would prevent the inevitable default of the Social Security and Medicare trust funds. Contrary to the fear-mongering of some stakeholders, the TRUST Act would not put Social Security and Medicare benefits "on the chopping block." Instead, the legislation would compel Republicans and Democrats to work together on long-term fixes to the programs that would prevent across-the-board cuts to Social Security benefits or Medicare payments in 2035 and 2028, respectively. Such across-the-board cuts would be catastrophic, and Congress needs to address the programs' impending insolvency well before those dates.

• **The Bipartisan Congressional Budget Reform Act from the late Sen. Mike Enzi (R-WY) and Sen. Sheldon Whitehouse (D-RI), as introduced in the 116th Congress**: This legislation from several years ago, championed by the late Senate Budget Chair Mike Enzi (R-WY) and current Senate Budget Chair Sheldon Whitehouse (D-RI), would overhaul and improve the Congressional budget process. It would provide for biennial, rather than annual, budgeting, forcing Congress to think more long-term about spending and revenue targets. It would require the Budget Committees to establish goals for debt-to-GDP ratios, a key measure of the nation's fiscal health. And it would provide a special reconciliation process dedicated to deficit reduction, sorely needed reform given recent reconciliation measures have been used to increase deficits.

• **The Preventing Improper Payments Act from Reps. Blake Moore (R-UT) and Abigail Spanberger (D-VA)**: This bipartisan bill would automatically designate all federal programs making more than $100 million in payments per year as "susceptible to significant improper payments" in the program's first three years, subjecting the program to enhanced reporting requirements that could better protect taxpayer dollars from being diverted to fraudulent or wasteful purposes.

The Billion Dollar Boondoggle Act from Sens. Joni Ernst (R-IA) and Gary Peters (D-MI), and Rep. Mike Gallagher (R-WI) and former Rep. Jackie Speier (D-CA): This legislation would require federal agencies to report on all projects that are $1 billion over budget, five years behind schedule, or both. This kind of transparency and straightforward reporting is essential for both lawmakers and taxpayers to figure out what federal projects are working and what projects are not.

- **The Fair-Value Accounting and Budget Act from Reps. Ralph Norman (R-SC) and Ed Case (D-HI)**: This legislation encourages transparency and accuracy in accounting to loan programs administered by the federal government. It would require the executive branch and Congress to use fair value accounting in calculating the cost of the federal credit programs, an important system utilized by the private sector. Adopting fair-value accounting principles provides a more comprehensive and accurate assessment of risk - a welcome change that benefits taxpayers.

- **The Streamline Pentagon Budgeting Act from Sens. Elizabeth Warren (D-MA), Angus King (I-ME), Mike Braun (R-IN), and Mike Lee (R-UT)**: While many Republicans have claimed defense spending cuts should be off the table in budget talks, Republicans could still show their commitment to avoiding wasteful spending or inefficient processes in all parts of the federal budget, including defense. This bipartisan legislation would repeal statutory requirements for Department of Defense (DoD) branches and commands to provide Congress with unfunded priorities lists (or "wish lists") each and every year. Wish lists distort the defense budget process, undermine civilian control of the military and the defense budget, and put upward pressure on the DoD budget. Congress should get rid of the wish list requirements.

- **The Audit the Pentagon Act from Sens. Chuck Grassley (R-IA) and Bernie Sanders (I-VT)**: The Pentagon has never passed an audit, despite Congress requiring over 30 years ago that all federal agencies conduct and pass audits concerning their management of taxpayer funds. Lawmakers have spent years providing "carrots," or incentives, to DoD to improve their audit performance, to no avail. It is time for Congress to apply "sticks." This bill from Sens. Grassley and Sanders would cut one percent of the Pentagon's budget and send it to the Treasury Department for deficit reduction if DoD fails to pass an audit.

- **The Presidential Allowance Modernization Act from Sens. Joni Ernst (R-IA), Maggie Hassan (D-NH), former Rep. Jody Hice (R-GA), and Rep. Ro Khanna (D-CA)**: Some good-government efforts would provide only small savings to taxpayers but would represent Congress and the executive branch cleaning up its own house, sending an important signal to constituents across the country. The Presidential Allowance Modernization Act is one such example. The legislation would limit the pension a president could receive to $200,000 annually, with the amount being reduced dollar-for-dollar once a president earns over $400,000 per year. Taxpayers should not be funding generous pensions for former presidents, most of whom do quite well financially in retirement.

- **The No Budget, No Pay Act from Sens. Mike Braun (R-IN) and Joe Manchin (D-WV)**: This bipartisan bill would make sure Members of Congress are not paid on the taxpayers' dime when they have failed the most basic responsibility of governing: passing an annual budget. Like the Presidential Allowance Modernization Act above, this would not meaningfully reduce taxpayer costs but would send an important signal to constituents that Congress is not going to benefit from taxpayer-funded salaries when they are failing to effectively govern.

- **The Fiscal State of the Nation Resolution from former Rep. Kathleen Rice (D-NY), Rep. Andy Barr (R-KY), Sens. Kyrsten Sinema (D-AZ) and Joni Ernst (R-IA)**: Finally, the Fiscal State of the Nation Resolution is a widely supported measure that would require the Comptroller General of the United States to address Congress once per year on the nation's budgetary and financial health. Such an address would put fiscal issues front and center in the halls of Congress at least once per year, and would hopefully interest more Americans in the nation's fiscal health as well.

This is by no means an exhaustive list of proposals Congress should consider, and individual Members would surely have additional legislation to suggest be included on this list.

To reiterate: **default should not be on the table**. Recent reporting indicates that House Republicans may, in the short term, pursue a short-term suspension of the debt ceiling that aligns a new potential deadline with the end of fiscal year (FY) 2023 on September 30, to "create more pressure for a deal" that cuts spending. This could be a valid tactic for House Republicans, so long as it reduces the likelihood of a default and buys more time for negotiations.

However, if Republicans and Democrats do decide to reach across the aisle and work together on a comprehensive fiscal and budget reform package, the above collection of proposals – most of them strongly bipartisan – would be an excellent place to start.

About the Author

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