

# Issue Brief

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## A Fiscal Commission Is Needed to Break the Status Quo of Deficit Spending

### Introduction

The House Budget Committee (HBC) held an important [hearing](#) on November 30 to review three legislative proposals introduced in the 118th Congress to establish a fiscal commission. The goal of each proposal would be to appoint a bipartisan panel that would recommend a package of reforms to tame the deficit. The plan would then be presented to Congress for an up or down vote.

The members had a frank discussion at the hearing about the woeful state of the budget, with recognition that both parties share some blame for the deficit. With the right procedures in place, a fiscal commission can help forge a path towards reform. Each approach would provide that all options for reform are on the table for consideration to improve the medium- and long-term fiscal outlook.

Not all members were convinced of the necessity of a fiscal commission. Two main arguments against a commission were raised: members of Congress should just do the job themselves, and that a severe fiscal crisis isn't imminent. But Congress has not passed a budget on time since 1996, and the Fiscal Year 2023 deficit stood at \$1.7 trillion, strongly indicating that change is needed and that members of Congress need help. Implementing an alternative process, such as a fiscal commission, could provide the essential

### Key Facts:



The House Budget Committee recently discussed three legislative proposals in the 118th Congress aimed at establishing a bipartisan fiscal commission.



The federal budget is on an unsustainable path, and projections indicate that the public debt will exceed 120 percent of GDP in a decade.



Congress's historical inability to pass budgets on time, the escalating national debt, and the looming risk of a fiscal crisis all point to the need for a fiscal commission to recommend reforms.

support required to rein in annual deficits and set a long-term debt-to-GDP ratio. The longer Congress delays reform, the more costly and painful the options will be to implement.

### Three Options for a Fiscal Commission

The backdrop of the Budget Committee’s meeting is the dire fiscal state of the federal budget and the grim outlook described in the Congressional Budget Office’s ten-year and longer-term fiscal projections. Federal debt held by the public will exceed the size of the economy by FY 2024 and will rise to nearly 120 percent of GDP in a decade. The government is on track to add \$20 trillion to the federal debt, fueled by rising entitlement costs and rapidly rising interest payments to finance the federal debt.

House Budget Committee Chairman Rep. Jodey Arrington (R-TX) opened the hearing with a warning about the government’s “rapidly deteriorating fiscal state of affairs” with runaway spending and unsustainable debt posing a threat to the country’s future wellbeing.

The hearing focused on three recently introduced bills to establish a fiscal commission:

#### Sustainable Budget Act of 2022 ([H.R. 710/S. 743](#))

- Sponsors:
  - Representatives Ed Case (D-HI) and Steve Womack (R-AR)
  - Senators Cynthia Lummis (R-WY), Mike Rounds (R-SD), Kevin Cramer (R-ND), Mike Braun (R-IN), and Joe Manchin (D-WV)
- Structure:
  - 18 members appointed by the President, Senate Majority/Minority Leaders, Speaker of the House, and House Minority Leader.
  - Aims to balance the budget and stabilize the debt-to-GDP ratio within ten years.
  - Recommendations need support from at least 12 commission members for approval.

#### Fiscal Commission Act of 2023 ([H.R. 5779](#))

- Sponsors:
  - Reps. Bill Huizenga (R-MI), Scott Peters (D-CA), and 21 other cosponsors
- Structure
  - 16 members appointed by the Senate Majority/Minority Leaders, House Speaker, and House Minority Leader, but one of the four selected by each must be an outside expert.
  - Aims to balance the budget, stabilize the debt-to-GDP ratio below 100%, and improve fiscal outlook within ten years.
  - Recommendations due not earlier than November 6, 2024.
  - Passage requires approval from a majority of the commission including at least three members appointed by each political party.

## Fiscal Stability Act of 2023 ([S. 3262](#))

- Sponsors:
  - Sens. Joe Manchin (D-WV), Mitt Romney (R-UT), and eight other cosponsors.
- Structure:
  - 16 members appointed by the Senate Majority and Minority Leaders, House Speaker, and House Minority Leader, but one of the four selected by each must be an outside expert.
  - Aims to improve long-term fiscal condition, achieve a sustainable debt-to-GDP ratio ◦ below 100% by fiscal year 2039, and improve solvency for at least 75 years.
  - Recommendations due no later than May 1, 2025.
  - Passage requires a majority vote but needs at least three members from either party.

They differ slightly on membership, with the Sustainable Budget Act providing for presidential appointment and the other two requiring outside experts. But the three proposals share the goal of improving the medium budget outlook, setting a sustainable budget path over the long-term sustainable budget, and providing for expedited consideration in Congress with an up or down vote.

## The Need for a Fiscal Commission

During the discussion, Chairman Arrington highlighted that a fiscal commission would be a way to cut through partisan brinkmanship and provide a forum for productive discussion and dialogue to make a positive impact on the deficit. Rep. Peters raised the point that an important benefit of a commission would be that its work would be out in the open and its report could preclude the backroom deal that would inevitably be brokered under Congress's usual way of doing business.

Budget Committee Ranking Member Rep. Brendan Boyle (D-PA) commented that members should be able to go through the regular process to work out and solve these problems, and he cited a quotation from former HBC Chair John Yarmuth (D-KY): “The problem is not the process, it’s the people.” Rep. Jim McGovern (D-MA) agreed, noting, “We shouldn’t pass the buck to a commission to do the work that we ourselves don’t want to do.”

But recent history undermines that argument. Year after year, Congress misses budget deadlines. Congress has resorted to passing continuing resolutions in [every single year since 1998](#). This delayed process generally leads to massive omnibus spending bills enacted well after the start of the fiscal year.

Congress has also been unable to rein in the tide of red ink. The federal government has run a deficit for 22 consecutive years. Without substantial fiscal reforms, the U.S. is inching closer to a critical turning point. In August, Fitch Ratings, one of the three leading credit agencies, joined Standard & Poor’s (S&P) in lowering the U.S. debt rating from AAA to AA+. While Moody’s currently maintains a AAA rating, this week marked a shift in its outlook for the U.S. from Neutral to Negative, indicating the potential for a future downgrade.

As Rep. Steve Womack (R-AR) stated in the hearing, “With all due respect to my colleagues, the only people who can fix this is the United States Congress ... and to think that the United States Congress is going to be willing to do this is laughable. That’s why I support a fiscal commission.” Congress needs a special panel to help break the status quo. It could also help Congress fix how it works on the budget: Senator Romney also noted that a commission’s recommendations could also include budget process reform.

Ranking Member Boyle also commented that the “good news is that we have time” before the Medicare and Social Security trust funds face a shortfall. But the longer Congress waits to set the budget on a path to sustainability, the more the debt will grow. Annual deficits will further crowd out private sector spending and investments, leave lawmakers with fewer fiscal options to respond to the next unforeseen emergency that requires taxpayer funding, and ultimately, shift burdens unfairly onto future generations of taxpayers. Congress tends to wait to resolve issues until there is an imminent crisis, which allows problems to fester for too long and fosters legislative brinkmanship.

## **Conclusion**

The current broken budget process has run up the debt to historic and alarming levels. Under business as usual, a bipartisan fiscal commission could help transcend the status quo and chart a course toward a fiscally responsible future. A major risk is that if Congress puts off budget reform until the crisis is imminent, they just might find themselves responding too late.

## **About the Author**

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