

CONFRONT THE FEDERAL DEBT

Federal spending is on an unsustainable path with debt service alone crowding out other important national priorities. Congress must take immediate action to address the federal debt.

BACKGROUND

As of February 21, 2020, the current U.S. national debt outstanding is more than \$23.4 trillion.¹ Interest payments on the national debt exceeded \$574 billion in Fiscal Year (FY) 2019, and the U.S. has paid more than \$194 billion in interest payments through the first four months of FY2020.² To put this in context, the U.S. spent almost ten times as much money on servicing Treasury debt securities in FY2019 (\$573 billion) as it did on funding the Department of Homeland Security (\$58 billion).³ As of 2020, the Congressional Budget Office (CBO) projects \$382 billion in outlays for net interest – an increase from \$376 billion in 2019 – and about \$17.85 trillion in debt held by the public.⁴ Total U.S. debt also includes intragovernmental holdings such as:

- Social Security Administration, Federal Old-Age and Survivors Insurance Trust Fund – \$2.801 trillion;
- Office of Personnel Management, Civil Service Retirement and Disability Fund – \$923 billion;
- Department of Defense, Military Retirement Fund – \$743.4 billion; and
- Medicare, which includes the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund – \$301 billion.⁵

Although intragovernmental transactions do not contribute to budget deficits, each of these accounts may need to redeem intragovernmental “IOUs” to pay necessary benefits. Combined with Social Security’s total cost exceeding its total income (including interest) in 2020 for the first time since 1982,⁶ the emerging budgetary strain is too great for Congress to simply ignore.

CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

The Constitution grants Congress the power to tax and spend.⁷ The Federal Government should spend within the limits of its revenues.

POLICY SOLUTIONS

Fundamentally, fiscal reforms resulting in deficit reduction are a matter of basic mathematics. Congress must either reduce spending to meet revenue levels or raise revenues to meet desired spending. Doing both simultaneously will yield the greatest impact on reducing the deficit. Congress should, at a minimum, consider a few achievable reforms:

Quick Take

Current outstanding U.S. national debt is more than \$22 trillion. Interest payments on the national debt exceeded \$574 billion in FY2019.

Congress must reduce the federal deficit before it can even begin to address the extreme amount of federal debt.

- **Address Infrastructure Concerns with Existing Resources** - Increase revenues for the Highway Trust Fund (HTF) with reforms to federal oil and gas leases and royalties. Make HTF contract authority and outlays mandatory. Limit spending to actual revenues collected in the prior year.
- **Devote HTF exclusively to necessary infrastructure priorities such as highways, rather than parks, bike paths, and scenic projects** - Reintroduce the Roads Not Roses Act, which was introduced in the 114th Congress by Rep. Vicky Hartzler (R-MO).⁸ The Roads Not Roses Act would repeal the Secretary of Transportation’s authority to approve federal funds for landscape and roadside development.
- **Reform Pentagon Bureaucracy** - 16 percent of the Department of Defense’s budget – \$116.6 billion in FY2020 – is consumed by 30 “Defense-wide” agencies and field activities which are not part of any military service, nor do they report directly to the Secretary of Defense. Reforming these agencies, often referred to as the *4th Estate*, is critical to increasing military agility and prioritizing taxpayer dollars spent on national defense.⁹
- **Streamline Laws Related to Sale of Federal Real Property**¹⁰ - The Federal Government is the largest real property owner in America. Holding and maintaining unused property wastes fiscal resources. Consolidating the numerous overlapping, duplicative, and obsolete federal statutes involved in selling federal real property to expedite the process while respecting historical, environmental, and efficiency considerations is urgently needed.
- **Require Agencies to Suggest Spending Reductions**¹¹ - As part of their annual budget submissions and Congressional Budget Justifications, all agency heads should identify at least three percent of their budget recommended for cancellation and identify more efficient investment priorities as well.
- **Establish and Fund Congressional Budget Office (CBO) Bureau of Fiscal Stability (BFS)** - CBO already produces a study entitled “Options for Reducing the Deficit: 2019 to 2028.”¹² The report includes recommendations for mandatory and discretionary spending and revenue savings. Building off this work, BFS would annually identify up to three percent of discretionary spending that is low priority or providing low returns for taxpayer. BFS would also provide recommendations for reinvesting up to one percent of identified savings into higher priority investments such as research and development, repairing aging infrastructure, or improving government utilization of modern technology.
- **Reduce Federal Improper Payments** - Federal improper payments rose from \$151 billion¹³ to about \$175 billion annually from FY18 to FY19.¹⁴ Major offenders are Medicare, Medicaid, the Earned Income Tax Credit, and the Department of Defense.¹⁵

Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.

¹TreasuryDirect, *The Debt to the Penny and Who Holds It* (Feb. 21, 2020), <https://treasurydirect.gov/NP/debt/current>.

²TreasuryDirect, *Interest Expense on the Debt Outstanding* (2020), https://www.treasurydirect.gov/govt/reports/ir/ir_expense.htm.

³ Office of Management and Budget, *A Budget for America’s Future – President’s Budget, FY 2021*, Table 3.2 – Outlays by Function and Subfunction: 1962 – 2025 and Table 4.1 Outlays by Agency: 1962 – 2025 (2021).

-
- ⁴ Cong. Budget Office, 56020, *The Budget and Economic Outlook: 2020 to 2030* 3 and Table 1-1 at 7 (2020), <https://www.cbo.gov/publication/54667>.Pg 3 and Table 1-1 at 7 <https://www.cbo.gov/system/files/2020-01/56020-CBO-Outlook.pdf>
- ⁵Bureau of the Fiscal Service, *FY 2018 Financial Report of the United States Government: Note 11. Federal Debt Securities Held by the Public and Accrued Interest* (2019), <https://www.fiscal.treasury.gov/files/reports-statements/financial-report/2018/notes-to-the-financial-statements11.pdf>.
- ⁶Social Security and Medicare Boards of Trustees, *A Summary of the 2019 Annual Reports* (2019), <https://www.ssa.gov/oact/TRSUM/>.
- ⁷ U.S. Const. art. I, § 8, cl. 1.
- ⁸ H.R. 2606, 114th Cong. (2015).
- ⁹ U.S. Department of Defense, *Fiscal Year 2020 Budget Request* (March 2019) at slide 18, https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2020/fy2020_Budget_Request.pdf.
- ¹⁰Executive Office of the President, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations* (2018), 87-89, <https://www.performance.gov/GovReform/Reform-and-Reorg-Plan-Final.pdf>.
- ¹¹ The National Commission on Fiscal Responsibility and Reform, *supra*, note 7 at 24.
- ¹² Cong. Budget Office, 54667, *Options for Reducing the Deficit: 2019 to 2028* (2018), <https://www.cbo.gov/publication/54667>.
- ¹³ U.S. Gov't Accountability Off., GAO-19-314, *The Nation's Fiscal Health Action Is Needed to Address the Federal Government's Fiscal Future* (2019), <https://www.gao.gov/assets/700/698368.pdf>.
- ¹⁴ Off. of Mgm't and Budget, Payment Accuracy, *Payment Accuracy 2019 Data Set*, <https://paymentaccuracy.gov/the-numbers/>
- ¹⁵DOD accounts for about 20 percent of GAO's open priority recommendations. U.S. Gov't Accountability Office, *Recommendations Database*, https://www.gao.gov/reports-testimonies/recommendations-database/?q=%22Improper+payments%22&field=thesaurus_ss&list=1&rec_type=priority#results (last accessed August 28, 2019).