

Congressman Michael Cloud (TX-27)
Testimony Before House Budget Committee: Member Day
Including Servicing the Debt in Cost Estimates Provided to Congress
March 23, 2021

Good Afternoon, Chairman Yarmuth, Ranking Member Smith and members of the committee, thank you for having us here today.

This committee is tasked with the important Constitutional obligation placed on Congress in Article I, Section 8, to determine how much revenue should be collected from the taxpayers and how it should be spent.

The budget process is vital because it is within that budget framework that we evaluate proposed legislation — to ensure we are spending within agreed upon spending limits.

At least, that's how it's supposed to work.

Last year and the year before, I came to talk to you about a bill I introduced, H.R. 638, the Cost Estimates Improvement Act, which would require the CBO and JCT to include debt servicing costs in their estimates. I asked that you include it as part of the Fiscal Year 2020 and Fiscal Year 2021 budget process. I have reintroduced the bill again and ask you to consider it as part of the Fiscal Year 2022 budget process.

Should the committee include my legislation and ensure its enactment into law, I promise I will not come again next year.

Mr. Chairman, we do not have the luxury of ignoring the true costs of our spending decisions. Our nation's outstanding debt is \$28 trillion. For reference, when I testified a little over a year ago, our nation's debt stood at \$23.4 trillion.

What's worse, is should the Senate pass, and the President sign the bill that was approved by the House last week – to essentially exempt \$1.9 trillion from having to be paid for – it would add that straight to the nation's debt.

These numbers are so big, it is hard for the average person to comprehend. But they represent a real threat to our nation's financial future.

And we are increasing the deficits and debt at these alarming rates without a full and complete picture of the legislation we are voting on in Congress because we regularly do not consider the interest costs.

As the Committee for a Responsible Federal Budget pointed out just a couple weeks ago:

This year, the federal government will spend **\$300 billion** on interest payments on the national debt. This is the equivalent of nearly **9 percent of all federal revenue collection** and over **\$2,400 per household**. The federal government spends more on interest than on science, space, and technology; transportation; and education combined. The household share of federal interest is larger than average household spending on many typical expenditures, including gas, clothing, education, or personal care.

The folks back home understand this:

If they were budgeting for monthly car payments and only considered the list price of the car itself—and didn't factor in the extra cost of interest payments—they might discover later that the actual total cost was more than they could afford.

In essence, Congress does the same thing by not considering the comprehensive budgetary impact of spending and taxing proposals. This distorts congressional decision-making in favor of more spending and debt accumulation than might otherwise be the case.

Simply put, including debt servicing costs in legislative cost estimates will better equip lawmakers to make informed spending decisions.

My legislation also does one other important thing that would help lawmakers make better spending decisions. It requires cost estimates to include a list of duplicative programs with the covered legislation.

For example, the President Trump identified 91 federal programs that train healthcare professionals alone in his budget documents. And this is just one example of duplication across the federal government.

If cost estimates were required to point out such duplication, it might give members pause before voting to spend more taxpayer

dollars that create new duplicative programs or expand existing programs that duplicate others.

But the good news is — that while legislation requiring consideration of interest cost is preferred — we do not need to wait for legislation to pass for us to begin counting the real cost of proposed legislation.

Last year, I sent the Chairman and Ranking Member of this body, as well as your counterparts in the United States Senate, a bi-partisan letter signed by myself and 56 of our colleagues. I will be leading a similar effort this year as well.

In the letter we asked that you direct the Congressional Budget Office to begin including debt servicing costs in all legislative cost estimates produced.

Mr. Chairman, reigning in our debt and deficits only gets harder the longer we wait. That is, in part, because our interest rates have been historically low.

Again, as the Committee for a Responsible Federal Budget pointed out just a couple weeks ago:

Higher interest rates will mean higher interest payments and deficits. For example, if interest rates were one percent higher than projected for all of 2021, interest costs would total \$530 billion — more than the cost of Medicaid. If rates were two percent higher, interest costs would total \$750 billion, which is more than the federal governments spends on defense or Medicare. And at three percent

higher, interest costs would total \$975 billion — almost as much as is spent on Social Security benefits. On a per-household basis, a one percent increase in the interest rate would increase costs by \$1,805, to \$4,210.

We owe it to our constituents, particularly future generations, to make spending decisions with the most accurate information possible.

This isn't a red or blue — Republican or Democrat issue — this is a simple good-governance.

I hope you will consider these cost estimate reform as an important step toward improving our budget process.

Again, thank you for this opportunity to appear here today.