

Congressman Michael Cloud (TX-27)
Testimony Before House Budget Committee: Member
Day
Including Servicing the Debt in Cost Estimates Provided to Congress
May 17, 2022

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 the federal government should spend the revenue collected from taxpayers.

The budget process is vital because it is within the 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.

I have reintroduced the bill again and ask you to consider it and make it a permanent part of congressional budgeting.

This bill would require the CBO and JCT to include debt servicing costs in their estimates.

I have sent letters to the Committee in the past, asking that it direct CBO and JCT to include debt servicing costs in their

estimates.

It is my understanding that the Committee has the authority to achieve this.

Otherwise, I hope to see the committee hold a markup on my bill and others that would help hold Congress accountable for how we spend taxpayer dollars.

While this issue is not new, it has now become more pressing given our historically high levels of inflation burdening American families across the country. A new report from the Penn Wharton Budget Model, inflation is costing the typical family \$3,500 a year.

Meanwhile, the Fed has begun raising interest rates, which means the amount we pay as a nation for interest on the debt will begin to rise more rapidly.

Mr. Chairman, we do not have the luxury of ignoring the true costs of our spending decisions. Our nation's outstanding debt is \$30 trillion. For reference, when I testified a little over a year ago, our nation's debt stood at \$28 trillion. The year before it stood at \$23.4 trillion.

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:

The federal government spends **\$330 billion** per year, or **\$2,207 per taxpayer**, on interest payments – more than on food stamps and disability insurance combined. And two-thirds of our debt is slated to roll over in the next five years, likely into higher interest rate bonds.

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 month, I sent the Chairman and Ranking Member of this body, as well as your counterparts in the United States Senate, a letter signed by myself, Senator Mike Lee, and 40 of our colleagues.

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. But that is already changing.

In order to address our inflation crisis, the Federal Reserve has already begun raising the interest rate, and has signaled it will implement a total of 7 increases by the end of the year. Higher interest rates mean we can no longer afford to ignore the cost of interest on our debt.

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

For every 1 percentage point increase in interest rates above projections, deficits grow by \$2 trillion over a decade; that's on top of the nearly \$13 trillion in projected borrowing over the next decade.

Unfortunately, today's high inflation – driven in part by excessive stimulus – leaves the Federal Reserve with little choice but to raise rates. To limit the damage, lawmakers should use fiscal policy to help rather than hinder the Fed's efforts. That means paying for all new legislation, ending ongoing COVID relief like the student debt pause, and beginning to reduce our deficits and debt. There are plenty of options to reduce health care costs, close the tax gap, cut wasteful spending, and raise revenue that can help in the near term.

We owe it to our constituents and to 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 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.