

“A Governance Framework for 3% Deficit-to-GDP Targets”
Kurt Couchman, Senior Fellow in Fiscal Policy, Americans for Prosperity
March 26, 2026, Hearing of the Committee on the Budget, U.S. House of Representatives
“The Best Metric to Reverse the Curse: A 3% Deficit-to-GDP Path to Fiscal Sustainability”

Chairman Arrington, Ranking Member Boyle, and members of the committee:

Thank you for holding this hearing on a 3% deficit-to-GDP target with robust bipartisan support in the House of Representatives led by Representatives Huizenga, Peters, Smucker, and Quigley.¹ Senators Cramer, King, McCormick, and Peters introduced similar legislation on Friday.²

My remarks explore the features of this proposal and related targets. I will also discuss best-practice upgrades to federal budgeting to support those targets. They can empower every member to more effectively, efficiently, and productively advocate for those they represent and address America’s greatest challenges.

Today, too many Americans struggle to make ends meet. Reducing federal borrowing will help them by reducing inflation and interest rates, by boosting workers’ incomes, and by letting more Americans pursue their happiness.

Why limit deficits to 3% of GDP?

The most obvious reason to hold deficits to three percent of economic output is to arrest the growing debt burden. Most wealthy countries and nearly all U.S. states have budget targets, and they often adopted them to help recover from debt stress.³

To illustrate, Pennsylvania defaulted in 1842. It borrowed over \$40 million to build an ambitious canal and railroad network. Interest payments were nearly \$2 million, but revenue was less than \$1 million.

Then came the Panic of 1837. Credit markets froze. Projects stopped mid-construction. The state’s credit was ruined. Assets were auctioned on the cheap, and taxes went up. Seven other states and the territory of Florida also defaulted then, and it was no picnic for non-defaulting states. And that’s when states started to limit borrowing. Finally, in 1857, PA adopted a constitutional amendment to restrict debt.

Emily Brey, state director of Americans for Prosperity’s Pennsylvania chapter, is here with us today. She and other leaders from AFP’s 50-state grassroots movement have been visiting with members of Congress this week on America’s Affordability Agenda to reform government, remove barriers, and reduce prices. All three touch on controlling the debt.

The 3 percent deficit target makes sense even if interest expense increases. The Congressional Budget Office expects the economy to grow by about 4 percent per year.⁴ Annual deficits add to the stock of outstanding debt, and keeping debt growth below economic growth will slowly but surely reduce the debt burden. This will reduce

¹ <https://huizenga.house.gov/news/documentsingle.aspx?DocumentID=404211>,
<https://www.congress.gov/bill/119th-congress/house-resolution/981/cosponsors>

² <https://www.cramer.senate.gov/news/press-releases/cramer-king-take-action-to-address-federal-debt-introduce-3-resolution>

³ <https://www.amazon.com/Fiscal-Democracy-America-Amendment-Governance/dp/3031919378>, Chapter 3.

⁴ <https://www.cbo.gov/system/files/2026-02/51135-2026-02-Economic-Projections.xlsx>

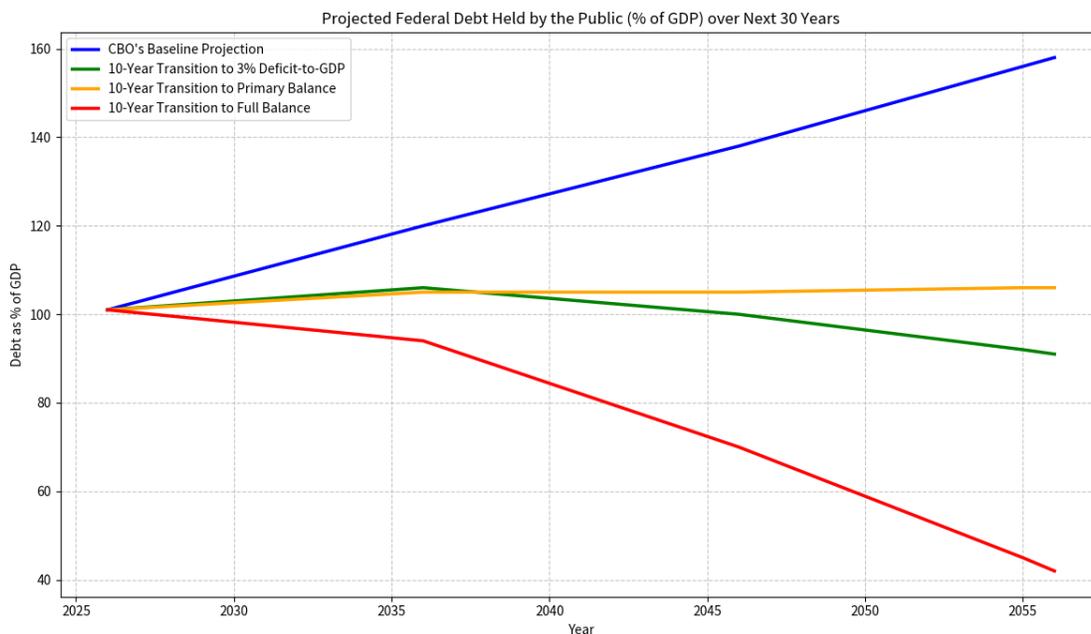
the debt drag on the economy that already erodes real economic growth by about half a percentage point per year⁵ and will help reduce inflation and interest rates.

Crucially, the 3 percent deficit-to-GDP target already has broad support. In addition to supportive members of Congress, individuals with diverse organizations have blessed it, including Committee for a Responsible Federal Budget, Peterson Solutions Fund, BPC Action, National Taxpayers Union, Third Way, Millennial Debt Foundation, the Cato Institute, R Street Institute, Progressive Policy Institute, Hoover Institution, and Americans for Prosperity, as well as the former Democratic staff director of this committee.⁶

Outspoken investor Ray Dalio endorsed this target in his 2025 book *How Countries Go Broke: The Big Cycle*⁷ and in frequent public commentary. It is among the Trump Administration's 3-3-3 goals, as Secretary of the Treasury Scott Bessent has described: 3 percent real economic growth, a 3 million barrels per day increase in U.S. oil production, and a federal budget deficit not more than 3 percent of GDP.⁸

Similar results could come from other possible targets (Figure 1), but the politics of reaching and sustaining consensus matters. Process plays a role too: statutory targets are less durable than a constitutional goal, but statute is much easier to enact and update.

Figure 1: A 3% deficit-to-GDP target stabilizes and reduces the debt burden



Source: CBO, CRFB, AFP via SuperGrok, see Appendix

⁵ <https://documents1.worldbank.org/curated/en/509771468337915456/pdf/WPS5391.pdf>

⁶ <https://smucker.house.gov/sites/evo-subsites/smucker.house.gov/files/evo-media-document/wtas-smucker-introduces-bipartisan-resolution-setting-3-percent-deficit-target-to-stabilize-national-debt.pdf>

⁷ <https://economicprinciples.org/downloads/How-Countries-Go-Broke.pdf>

⁸ <https://www.wsj.com/opinion/bessents-3-3-3-economic-growth-plan-and-the-5-4-3-threat-treasury-secretary-nominee-387250a8>

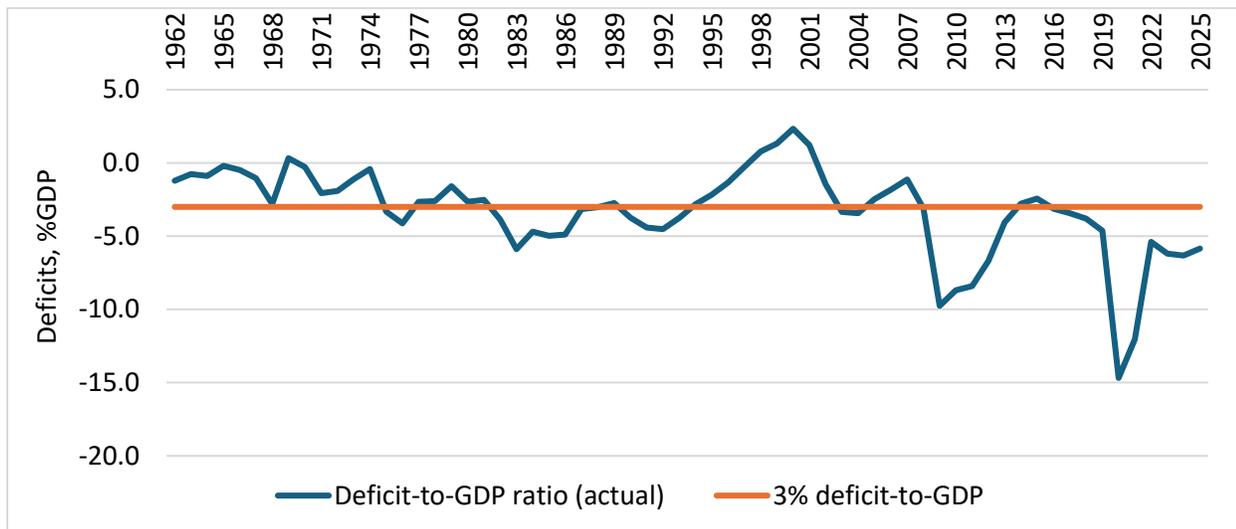
Consistency with other targets is affirming.

- The European Union's *Growth and Stability Pact* aims for member states to keep deficits below three percent of GDP and debt below 60 percent of GDP.⁹
- The *Responsible Budget Targets Act* by Representative Emmer and then-Senator Braun, a proposed U.S. adaptation of the statutory side of the Swiss debt brake targets structural primary balance: medium-term balance of non-interest spending and revenue.¹⁰
- Possible implementation of a constitutional debt limit proposal.¹¹

Shifting from one to another could be matters of degree, not dramatic differences.

A strict three-percent-deficit-to-GDP target would be stable if spending, revenue, interest rates, the debt burden, and economic growth were stable, but these factors combine to yield a volatile metric (Figure 2). These dynamics contributed to Congress' inability to meet dollar-amount deficit targets from the *Balanced Budget and Emergency Deficit Control Act of 1985*.¹² Shortcomings in the congressional budget process (below) magnified the challenge.

Figure 2: Deficits vary as a share of the economy



Source: CBO¹³

Fortunately, depending on economic factors, primary balance or small primary surpluses could approximate a smooth and predictable 3% deficit-to-GDP target. Policymakers could simply observe that the standard is 3% deficit-to-GDP, and these are the mechanics to make it work.

⁹ https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact_en

¹⁰ <https://americansforprosperity.org/blog/responsible-budget-targets-act/>

¹¹ <https://americansforprosperity.org/policy-corner/constitutional-debt-limit/>

¹² <https://americansforprosperity.org/wp-content/uploads/2022/07/Americans-for-Prosperity-White-Paper-Better-budget-targets-can-help-Congress-balance-near-and-long-term-needs.pdf>

¹³ <https://www.cbo.gov/system/files/2026-02/51134-2026-02-Historical-Budget-Data.xlsx>

The 3% deficit target meets criteria for effective fiscal rules.¹⁴

- **Neutral:** Achieving and sustaining the target could come from any combination of spending restraint, revenue enhancement, and economic growth.
- **Predictable:** Vested by the Constitution with all spending and revenue powers, Congress would have common knowledge about the goal at the beginning of each budget cycle.
- **Comprehensive:** The deficit is the difference between all spending and all revenue. This goal encompasses the full scope of fiscal policy.
- **Long-term sustainability:** This target would slow and then gently reverse the debt burden's growth. Congress could, of course, generate more savings than the bare minimum.

Accommodating automatic stabilizers supports **near-term policy stability** and perhaps **economic stability** as well. More Americans meet statutory eligibility rules for various programs during recessions: unemployment compensation, nutrition assistance, health subsidies, and more. Keynesian economic theory holds that these automatic changes support macroeconomic stability, but in any case, adjusting targets over the business cycle to accommodate them supports policy stability. CBO estimates their effects.¹⁵

Finally, emergencies happen. Addressing unexpected challenges to life, liberty, and property is part of responsible budgeting. Such costs should be subsequently offset, however, as Switzerland's debt brake does¹⁶ and related U.S. legislation has proposed.¹⁷

Well-crafted, broadly supported budget targets bring policymakers together. As I recall Senator Tim Kaine describing his experience in state government at a 2019 Senate Budget Committee hearing, "We agreed on the goal, and then we fought like hell on how to get there." Setting a goal also raises good questions about how best to reach it, which opens the door to modernizing congressional operations.

To summarize, a general target to limit deficits to three percent of GDP makes good sense, but it must not be too rigid or it will fail. As applied, the mechanics should aim to hold on loosely but not let go of the goal.

We cannot stop here, however. To achieve fiscal targets and many other good results, Congress must have an effective budget process. Key upgrades could help Congress serve the people far better across many dimensions.

Sound budgeting requires a complete legislative budget

The Budget Committee was meant to coordinate and supervise a holistic, annual process for managing the entire federal budget (Figure 3). It does not. It should.

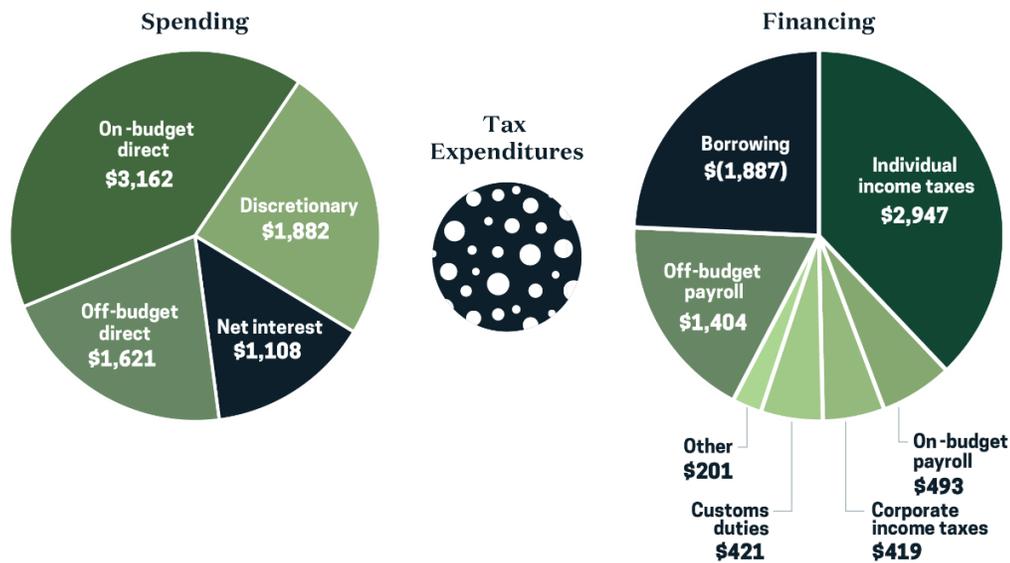
¹⁴ <https://www.gao.gov/products/gao-20-561>, <https://americansforprosperity.org/wp-content/uploads/2022/07/Americans-for-Prosperity-White-Paper-Better-budget-targets-can-help-Congress-balance-near-and-long-term-needs.pdf>

¹⁵ <https://www.cbo.gov/data/budget-economic-data#8>

¹⁶ <https://tile.loc.gov/storage-services/service/ll/llgldr/2016591729/2016591729.pdf>

¹⁷ <https://americansforprosperity.org/blog/responsible-budget-targets-act/>

Figure 3: A budget includes all spending and revenue (FY2027, \$billion)



Representative Blake Moore’s *Comprehensive Congressional Budget Act* can make this possible. It is a neutral, holistic, perfecting amendment for the budget process.¹⁸ A governance expert at a national policy institution recently said it “will save the world.”

Why? Because all members could put their ideas forward in their committees and on the floor. Because Congress could advance better solutions every single year in small and large ways. Because Congress needs a gravitational force to pull everyone back toward each other so relationships and collaboration matter more. Because the American people need Congress to represent them, to thoughtfully steward their resources, and to always strive for a brighter tomorrow and a more perfect union.

The Constitution practically demands a comprehensive budget: “No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.” What is that “regular Statement and Account” if not a budget?

Writing for the Bipartisan Policy Center in 2015, CBO’s first director and Clinton Administration economic official Alice Rivlin and Republican U.S. Senator and Budget Chair Pete Domenici identified three key elements of budget reform: 1) The process should include all federal spending and revenue, 2) The budget process should be easy to understand and completed on time, and 3) budget decisions should have the active participation of congressional leadership and the president.¹⁹ The CCBA improves on all fronts.

Budgeting is the heart of representative democracy. Consider the counsel of Representative Joseph Swager Sherley, a Kentucky Democrat from Louisville: “the legislative body, the only logical representative of a free people, is given primary and theoretically complete control over taxation and expenditure. . . . there must be cooperation

¹⁸ <https://americansforprosperity.org/policy-corner/what-is-ccba/>

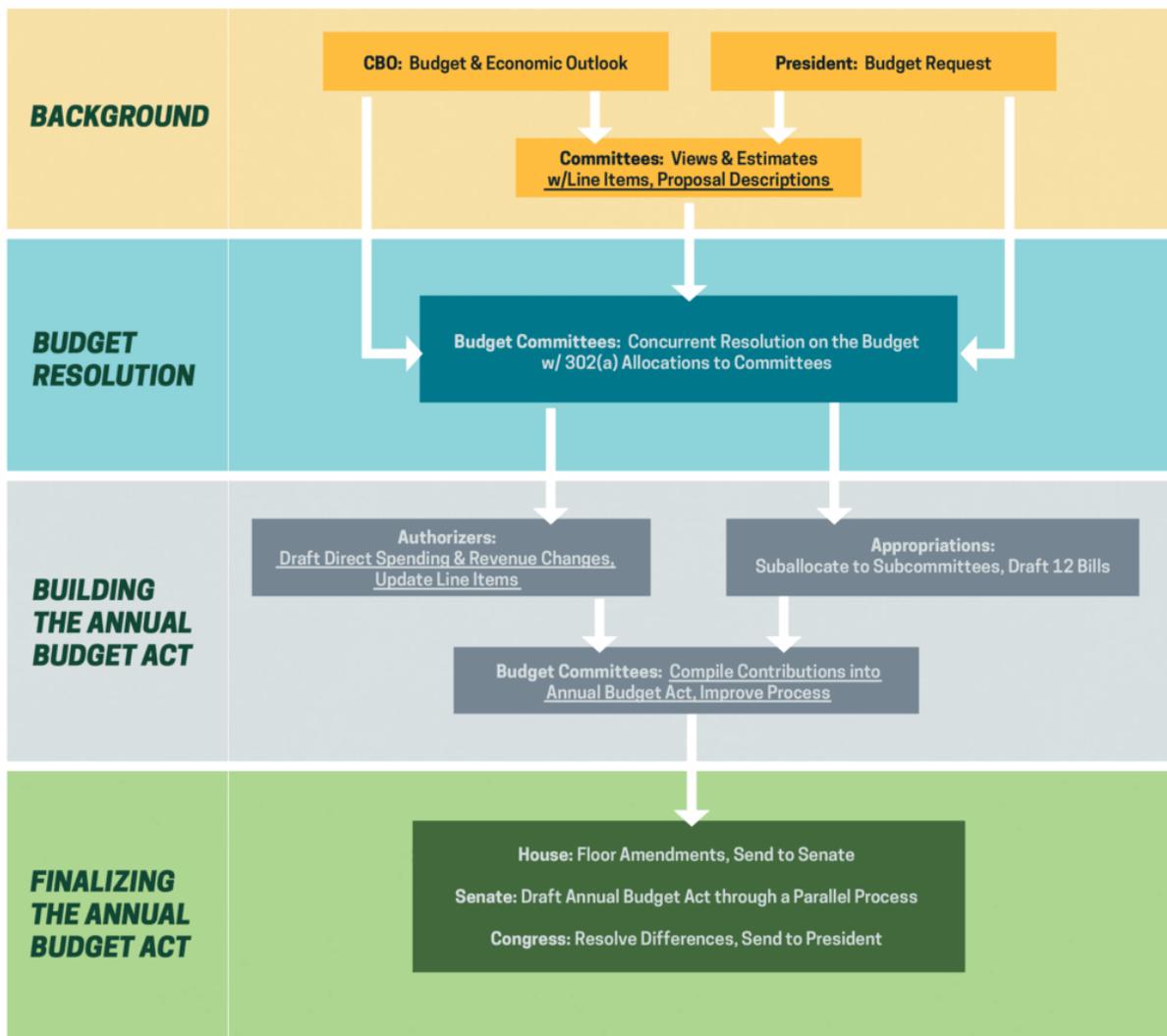
¹⁹ <https://bipartisanpolicy.org/wp-content/uploads/2019/03/BPC-Congressional-Budget-Process.pdf>

somewhere between that power that first formulates the bill to levy taxes and that power that first formulates the bill disposing of the money so raised.”²⁰

Complete budgeting is standard in the private sector. It is common in well-governed countries, and states that approach this best practice are more efficient and leave more room on the calendar to modernize the authorizing statutes that structure programs.

The concepts for the *Comprehensive Congressional Budget Act* are simple: get all committees to say what they want to do, have a budget blueprint harmonize those plans, and then let all committees manage their programs within guardrails every year like the Appropriations Committee already does. The bill includes backstops to keep the process moving even if Congress cannot adopt a budget resolution or if some committees do not contribute by the deadlines. Figure 4 shows how CCBA builds on (underlined) the current process.

Figure 4: A comprehensive congressional budget builds on existing foundations



²⁰ *Congressional Record* – House, p. 4350, February 28, 1913.

The CCBA will open bipartisan paths forward on many complex challenges. For example, despite clear opportunities to improve health programs, only 11 percent of federal health subsidies pass through the appropriations bills.²¹ Congress could do more to ensure that funds reach intended beneficiaries instead of being lost to waste, fraud, and abuse.²² Holistic budgeting lets Congress update anything and everything to the extent that majorities can reach agreement.

A comprehensive congressional budget is the only reliable way for Congress to have enough policy dials to reach and sustain reasonable budget targets. It is also a powerful way to improve fiscal democracy in America.

Prevent shutdowns for more inclusive, efficient, and Congress-led budgeting

Congress' most famous budget breakdown today is, of course, enacting appropriations bills. As implied above, passing twelve separate appropriations bills that collectively cover only one-quarter of spending and differ by two orders of magnitude is not a logical budget process. It is incomplete and broken up with relatively few members deeply invested in the legislation.

Still, whether in a comprehensive budget process or otherwise, Congress and the people would benefit from preventing unpopular shutdowns.²³ Shutdowns did not exist until the Carter Administration created them.²⁴ Their possibility concentrates power, bloats budgeting, and undermines representation.

The *Prevent Government Shutdowns Act* by Representatives Arrington and Panetta would keep discretionary spending levels in place with no disruptions until new appropriations bills are enacted. To prod Congress and the White House to enact them, once automatic continuing appropriations start running, members, staff, and OMB personnel would be stuck in DC and focused on appropriations until the job is done.²⁵

This would focus minds on the art of the possible and maybe even help appropriations conclude in the summer, as intended. Votes for appropriations would be earned instead of coerced, pushing the incentives toward a more bottom-up, inclusive process for members of both parties. More member buy-in reduces the outsized power of interest group complaints and makes it easier to right-size accounts and meet budget targets while being better stewards of the public's trust.

Wisconsin and Rhode Island have prevented shutdowns entirely for generations. North Carolina started in 2016, and Kansas embraced it last year. Legislation is moving in at least Michigan, Minnesota, Iowa, New Hampshire, Pennsylvania, Arkansas, and South Carolina. Wisconsin Speaker Robin Vos has called preventing shutdowns an extraordinary piece of power for legislators.

²¹ <https://americansforprosperity.org/policy-corner/only-11-of-federal-health-subsidies-are-in-the-appropriations-bills/>

²² <https://americansforprosperity.org/policy-corner/make-waste-compete/>

²³ <https://americansforprosperity.org/press-release/new-polling-finds-americans-believe-government-shutdown-harms-countrys-ability-to-succeed/>

²⁴ <https://www.govexec.com/management/2022/10/time-lawyer-invented-government-shutdown/378935/>

²⁵ https://americansforprosperity.org/wp-content/uploads/2025/11/AFP_1P_PGSA.pdf,
<https://www.crfb.org/blogs/congress-could-end-government-shutdown-drama-once-and-all>,

Automatic enforcement can encourage consensus-building

Safeguarding budget targets with reasonable automatic enforcement is prudent. Enforcement should be meaningful and politically sustainable. Yet Congress will waive draconian consequences, such as those in the *Statutory Pay-As-You-Go Act of 2010*.

A more sustainable and tolerable approach to automatic budget enforcement would spread the pain around: politically, throughout the budget, and over time. Incremental, reasonable adjustments to a wide range of direct spending and revenue provisions plus modest restraint on discretionary spending could, if triggered, generate savings without fomenting congressional backlash. The goal, however, is for Congress to manage the budget within the guardrails on the front end, not to trigger automatic adjustments.²⁶

Defuse the debt limit when the budget is on track

Raising the debt limit brings tension between simply avoiding default now *and also* avoiding default later. Debt limit deals have often been attempts to strengthen budget rules.²⁷ Pairing debt limit reform with reasonable budget targets can support meeting targets while defusing default risks both now and later.²⁸

Congress could say that whenever the budget is within the target, as adjusted (above), the debt limit would be suspended for another year. Final figures become available in October, soon after the fiscal year ends. If the budget is off-target, extraordinary measures would give Congress the rest of the fourth quarter and into the new year to enact catch-up savings and/or to raise the debt limit in today's usual, messy way.

Language for a conditional automatic debt limit suspension could come from Representative Boyle's *Debt Ceiling Reform Act*.²⁹

Conclusion: Leverage the three percent deficit goal to reignite the American Dream

America's declining fiscal health challenges our prosperity, security, and freedom. It is a credit to all involved in building broad, bipartisan support for a serious and viable deficit target of three percent of GDP. Congress should embrace this vision and set about making it real.

The modernization explored here and related institutional upgrades can help Congress go well beyond meeting budget targets.³⁰ They can fulfill the promise of Congress-led budgeting, of an inclusive and bottom-up legislature, and of members of all persuasions coming together to chart a better future for America.

A comprehensive budget that involves all members of Congress in a holistic framework, that is guided by budget targets and automatic enforcement, and that replaces brinkmanship with problem solving will unleash Congress to deliver the best possible results. That's the way to restore hope, reignite the American dream, resolve the cost-of-living crisis, and reaffirm the people's faith in representative democracy.

²⁶ <https://americansforprosperity.org/blog/automatic-budget-enforcement/>

²⁷ https://www.crfb.org/papers/qa-everything-you-should-know-about-debt-ceiling#appendix_examples_of_how_the_debt_ceiling_has_been_used_in_the_past

²⁸ <https://thehill.com/opinion/congress-blog/3743468-a-debt-limit-deal-with-something-for-everyone/>

²⁹ <https://www.congress.gov/bills/119th-congress/house-bill/4634>

³⁰ <https://americansforprosperity.org/policy-corner/building-up-congress-a-pocket-guide/>

Appendix: Figure 1 Prompt and Explanation from SuperGrok.

Prompt: Graph projected federal debt held by the public over the next 30 years showing CBO's baseline projection, compared to a ten-year transition to three percent deficit-to-GDP targets, compared to a ten-year transition to primary balance, compared to a ten-year transition to full balance.

Explanation:

Projected Federal Debt Held by the Public (% of GDP), 2026–2056

The graph above compares four scenarios for U.S. federal debt held by the public as a percentage of GDP over the next 30 years:

- **CBO's baseline projection** (blue line): Under current law, debt rises steadily from 101% of GDP in 2026 to 120% by 2036 and reaches 158% by 2056. This matches the Congressional Budget Office's March 2025 Long-Term Budget Outlook (updated with 2026 10-year projections), driven by persistent deficits averaging ~6–7% of GDP and rising interest costs.
- **10-year transition to 3% deficit-to-GDP target** (green line): Fiscal policy is gradually adjusted so the total budget deficit reaches 3% of GDP by 2036 and is maintained thereafter. Debt rises modestly to 106% by 2036, then slowly declines to 91% by 2056. This roughly stabilizes (and eventually eases) the debt burden, consistent with analyses from the Committee for a Responsible Federal Budget (CRFB) on achieving a 3% deficit goal.
- **10-year transition to primary balance** (orange line): Non-interest (primary) deficits are phased to zero by 2036 and held there. Debt peaks near 105% by 2036 and remains roughly stable around 106% long-term (slight changes depend on the gap between interest rates and growth). This aligns with primary-balance glide paths discussed in CRFB reports and Americans for Prosperity analyses of balanced-budget rules.
- **10-year transition to full balance** (red line): The total budget deficit (including interest) is phased to zero by 2036 and maintained. Debt peaks lower (~94% by 2036) and then declines sharply to 42% by 2056 as the principal is effectively paid down relative to growing GDP.

These paths use standard debt-dynamics modeling (debt/GDP evolves based on primary deficits, effective interest rates ~3.5–4.3%, and nominal GDP growth ~3.7–3.8%, calibrated to CBO endpoints for the baseline). The “ten-year transition” assumes gradual policy changes (spending cuts/revenue increases) to hit each target by ~2036, then holds the target indefinitely. Stricter targets require more upfront fiscal adjustment but prevent explosive debt growth and ultimately reduce the burden.

Key takeaway: The CBO baseline leads to unsustainable debt growth. Reaching a 3% deficit or primary balance stabilizes debt around 100–110% of GDP. Full balance dramatically reduces it over time. Actual results would depend on economic conditions, but these scenarios illustrate the powerful long-term effects of timely fiscal consolidation.