

Congressman Michael Cloud (TX-27)
Testimony Before House Budget Committee: Member Day
Including Servicing the Debt in Cost Estimates Provided to Congress
March 6, 2019

Good Afternoon, Chairman Yarmuth, Ranking Member Womack and members of the committee, thank you for having us here this afternoon.

I hail from the 27th Congressional District of the great state of Texas, and the debt and deficit are two major concerns of the residents in our district.

I've come here today to address the cost of servicing our debt.

As you know, the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT), among other services, provide estimates to Congress to show how a given piece of legislation would affect spending or revenues over the next 5 or 10 years.

This resource has become an integral part of Congress and has been used to inform members and their staffs of the budgetary impacts of legislation.

The CBO and JCT cost estimates, while useful, do not provide a complete view of the cost of the legislation.

Both CBO and JCT scores unfortunately do not include the cost of servicing the debt.

As Maya MacGuineas of the Committee for a Responsible Federal Budget explains:

If interest on the debt is not counted, the official scores of legislation can be deceptively low, especially when offsets would occur years in the future. American taxpayers and future generations deserve honest accounting, not more gimmicks that attempt to paper over our huge and unsustainable deficits.

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.

Take for example a scenario that played out in 2009:

The American Recovery and Reinvestment Act (ARRA) of 2009 was estimated to increase deficits by \$787 billion, according to the CBO.

However, then CBO Director Doug Elmendorf testified to then Representative Paul Ryan that due to interest payments, the cost

would be higher over the budget window, pushing the cost of the bill over \$1 trillion.

Let me conclude with this.

While CBO occasionally provides insight to interest payments through updates to Congress, legislators are not regularly given this information to consider.

As a result, Members of Congress have an incomplete view of the long-term impact of the votes they take.

Servicing the national debt is becoming a substantial part of federal spending. Within a few years, our nation will be spending more on interest payments than on the entire Department of Defense. By 2029, the Congressional Budget Office estimates that net interest payments will have climbed to \$928 billion. This will increasingly crowd out other spending priorities.

And this is a bipartisan concern. In a recent article, Democratic Representatives Correa, Murphy, O'Halleran, and Brindisi wrote:

Our growing debt poses a threat to the US economy and the quality of life of every American -- not to mention our national security and our ability to respond to unexpected challenges.

I have introduced a bill, H.R. 638, the Cost Estimates Improvement Act, which would, among other things, require the CBO and JCT to include debt servicing costs in their estimates.

I hope the FY 2020 Budget Resolution would adopt this bill or similar policies, so the American public has a clearer view of how much congressional spending costs.

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