

6 Things Congress Should Do As It Considers the Federal Budget and Government Spending

The federal budget and government spending process is well behind schedule and faltering. With budget deficits and national debt forecast to rise considerably in the years to come, lawmakers must not fail to do their duty and use this opportunity to put the country on a much better course. We highlight several things that Congress should do as it considers the budget and funding the government.

- 1. No more stalling.** By law, Congress is supposed to pass a budget resolution for the coming fiscal year by April 15, but that deadline is often missed. As a result, the 12 annual bills that fund the government are often well behind schedule, which causes Congress to pass stopgap spending bills to avoid a government shutdown. The dysfunction and delays in the basic tasks of developing a budget and keeping the government open contribute to voters' diminishing confidence in Washington and make it much harder to fix the debt.
- 2. Agree on a budget that puts the debt on a declining path.** The national debt is already higher than it has been since the end of World War II at 77 percent of the economy. The non-partisan Congressional Budget Office forecasts that debt will climb to over 96 percent in ten years and warns that high and rising debt will have serious consequences. Congress needs to finalize a budget that provides a blueprint for fixing the debt so that it is declining as a share of the economy in the years to come.
- 3. Quit relying on unrealistic economic growth or budget gimmicks.** A budget is only useful if it can be taken seriously. Too often, worthy goals of reducing the debt or balancing the budget are achieved on paper by assuming an unrealistic rate of economic growth, which bolsters projected revenue, or by using budget gimmicks that mask the true cost of new policies. While we definitely should strive for more robust growth, the reality of an aging population means that achieving 3 percent or more sustained growth annually is highly unlikely. In addition, lawmakers must refrain from digging into the bag of budget magic tricks that are too often used.
- 4. Stop the bleeding.** We cannot fix the debt if we keep adding to it. Congress must strictly observe its own pay-as-you-go rules that prevent new policies from adding to deficits. Despite having these rules in place, \$2.7 trillion was added to the debt over the next decade since June of 2017. If something is important enough to do, then it is important enough to pay for.
- 5. Address the real drivers of the long-term debt.** For all the difficulties and delay in the annual budget and appropriations process, it covers less than one-third of all government spending. The vast majority of spending is essentially on autopilot because it does not need annual approval by Congress. The most prominent autopilot spending is Social Security, Medicare, Medicaid, and interest payments on the debt. These areas will also account for most of the spending growth going forward. We cannot afford for this spending to be ignored by policymakers any longer.
- 6. We still need real tax reform.** There cannot be a discussion about the budget and debt without addressing the revenue side of the equation. The recent tax cuts added significantly to the debt while barely touching or outright ignoring many of the over \$1 trillion in annual tax breaks that mostly benefit the wealthy. Comprehensive tax reform done wisely can play a key role in fixing the debt by reforming or eliminating tax loopholes, which will also make the tax code simpler and fairer.