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Basic Summary: Creation of a Fiscal Commission in 118th Congress

January 31, 2024

What is the "fiscal commission" and why is it important to pay attention?

In November, 2023, the House Budget Committee held a hearing to consider creating a fiscal commission that would address the nation's growing national debt which some legislators consider the foremost crisis of our time. The fiscal commission is frequently referred to as the "debt commission." There is bipartisan support for a fiscal commission; several members of the Democratic Party voted in support of at least one bill that would establish such a body in a January 19th mark-up hearing.

Although some allies are dismissing the fiscal commission as standard Republican gimmick for cutting government spending, it's important to engage in the debate for at least 3 (probably more) key reasons:

- The U.S. Treasury Department issued a report in the first week of January reporting that the United States debt has hit a record high of $34 trillion dollars, creating a new political pretext for raising spending and debt during this 2024 election year.
- Speaker Johnson, the highest-ranking Republican in the House, is leading the charge on a fiscal commission and it's a top priority for him politically.
- The fiscal commission can include new revenue, which means that it's a big opportunity to put forth progressive solutions to spending and debt reduction that will echo President Biden's proposals and elevate taxing the rich and corporations as a solution.

What legislation would create a fiscal commission, who would participate and what would the commission do?

Three bills were introduced to create a fiscal commission, all with bipartisan co-sponsors:

- H.R. 5779, the Fiscal Commission Act of 2024 sponsored by Congressmen Bill Huizenga (R-MI) and Scott Peters (D-CA). The Fiscal Commission Act was voted out of Committee in January.
- H.R. 6952, the Fiscal State of the Nation Act, sponsored by Congressmen Blake Moore (R-UT) and Jimmy Panetta (D-CA)
- H.R. 6957, the Debt to GDP Transparency and Stabilization Act sponsored by Congressmen Lloyd Smucker (R-PA) and Jared Golden (D-ME)

The commission would include sixteen lawmakers appointed from the House and Senate and 4 outside experts to be selected by Majority and Minority Leaders in the House and Senate. It would be co-chaired by one Member of each party. The Fiscal Commission Act lays out a process and timeline for the formation of the commission, development of policy recommendations, legislative timeline and process, and the scope of the commission's mission. These were modified in the mark-up hearing so that there's now an extended timeline, a regular order process and voting is confined to elected members of the commission.

Republicans have said that when it comes to the scope of considerations, “everything is on the table” including new revenue and all earned benefits, trust fund, and programs in the federal budget including Social Security, which actually is self-funding and does not contribute to the national debt.

Who opposes the fiscal commission and has weighed in against the process and the content?

A range of progressive groups have already weighed in against a fiscal commission and against these specific bills that would create a process that bypasses democratic debate and regular order to muscle through legislation that would cut spending.

- AFSCME (American Federation of State, Country and Municipal Employees) has sent a letter to the Members in opposition and recommending instead tax reform that generates revenue by taxing the rich and corporations. (see the letter).
- The CBPP (Center on Budget and Policy Priorities) has produced an analysis arguing against a fiscal commission as a solution for increased debt. (see the analysis)
- Longtime Progressives in Congress, Representative Jan Schakowsky and Representative John Larson circulated a “dear colleague” letter that 116 Democrats joined in opposition to the creation of a fiscal commission. (see the letter)
- Social Security Works has rejected any effort to include Social Security in the fiscal commission. (read more)

What are the main concerns with a fiscal commission, particularly in the 118th Congress?

There are many potential scenarios that could play out with a fiscal commission both from a political and a policy perspective. We’ve seen these types of commissions in the past and they have often resulted in cuts to spending that hurt workers and vulnerable families without increasing revenues or addressing other key drivers of debt. Below are some of the key concerns:

- In the past, fiscal commissions have been used to shrink government spending by attacking government programs including Medicaid, Medicare, Social Security through cuts, privatization and other tactics that undermine benefits. No program is safe (except maybe defense programs) and some changes would be irreversible.
- Although new revenue has been “on the table” in past commissions, the reality is that this is the option Republicans are least likely to pursue because their goal is to reduce spending and shrink government, not just to address debt. Keep in mind that a significant portion of the national debt was incurred in the Trump years, partially to pay for the massive Trump tax breaks for the wealthy and corporations.
- While the United States is facing fiscal challenges, including some related to aging of the population and increased spending to counteract COVID, alarmist calls for spending cuts aren’t the answer. Economists do not even agree on what the impact of the record debt is or whether alarm is warranted. In addition, President Biden actually already has a plan to address debt through taxing the rich and corporations and cutting government waste on things like overpriced prescription medicines in Medicare.

- Many are concerned that this latest Republican-driven effort to highlight debt is really a ploy to tap into voters' economic anxiety leading up to the 2024 election and to discredit President Biden and Democrats who have supported relief policies that prevented economic collapse.

See HCANEF's quick explainer slideshow here.

Background & Terms to Know:

Although the words debt and deficit are tossed around interchangeably, these are two different things. The $34 trillion we hear a lot in relation to the fiscal commission is the amount of debt that the United States currently holds. In this debate, we will frequently hear references to the debt-to-GDP ratio. These terms are explained below.

Federal Deficit: The federal budget deficit is a yearly figure that represents the amount of money the federal government spends minus the amount of money it collects from taxes. When the government spends more than it collects, there's a deficit and the government then has to borrow to pay all its bills–this is why the debt ceiling debate occurs. If the government collects more than it spends in a year, then there's a surplus. In FY 2024, the national deficit is so far around $500 billion. Much of the deficit is because of low revenues in 2022. The U.S. has run a deficit in all but four years since 1970, with the most recent budget surplus (a year in which the government takes in more than it spends) in 2001.

National Debt: The national debt is the *cumulative* amount of money the government has borrowed throughout our nation's history. When the government runs a deficit, the debt increases; when the government runs a surplus, the debt shrinks. This national debt includes money owed to banks and private investors, foreign investors, and to various Trust Funds like Social Security, Military Retirement, Civil Service Retirement, Medicare, and the Highway Trust Fund. The current national debt is $34 trillion. The debt has grown faster than anticipated because of the COVID crisis that required immediate intervention. The current debt equates to about 100,000 per person in the United States. Although there are a lot of worries about how this level of debt can hurt the economy, so far, the debt has not been a drag on the economy.

Debt-to-GDP Ratio: This figure compares a country's public debt to its gross domestic product (GDP). The debt-to-GDP ratio indicates a country's ability to pay back its debts and the likelihood of default. A study by the World Bank found that countries whose debt-to-GDP ratios exceed 77% for long periods are more likely to face economic slowdowns or reduced growth. In 2023, the US debt to GDP ratio was 119%, that's double the level in 2008 but down from an all time high of 133% in 2020, the height of the pandemic. The US has had a debt to GDP ratio of over 77% since 2009. Before the pandemic, the highest ever debt-to-GDP was 106% at the end of World War II, in 1946.

Public Opinion: A 2023 Pew Research Center survey found that 57% of Americans said reducing the budget deficit should be a top priority for the president and Congress, up from 45% the year prior.