

Statement of Ranking Member Thomas R. Carper
“Understanding America’s Long-Term Fiscal Picture”
July 9, 2015

As submitted to the record:

I’d like to thank Chairman Johnson for holding this hearing today, and also welcome our new Congressional Budget Office (CBO) Director Keith Hall to his first appearance before this committee.

Earlier in my career, I served as Delaware State Treasurer to work in a bipartisan way with our Governor and others to address my state’s serious budget and financial challenges. We were the best in the country at the time at underestimating savings and overestimating revenues.

Later as Governor, we were able to pass eight balanced budgets in a row. So I share the Chairman’s deeply-held interest in these issues, and also his concerns about our long-term fiscal situation at the federal level.

For years, I have championed a three-pronged approach to deficit reduction that I believe would address our long-term budgetary challenges in a comprehensive and balanced way.

First, we must make sensible changes to entitlements that preserve the promise of these programs for generations to come. Next, we need comprehensive tax reform that lowers rates while also raising revenues by broadening the base. And finally, we must look in every nook and cranny of the federal government to find savings for taxpayers.

I once had someone say to me, ‘I do not mind paying more taxes. I just don’t want you to waste my money.’ I think that’s a widely held sentiment, and one that this committee has tried to be responsive to over the years.

In looking at our long-term budget picture, there are a couple of points I would like to highlight. The first is that the long-term picture today looks a lot better than it did a few years ago. In 2009, our deficit ballooned to \$1.4 trillion following the financial crisis and Great Recession. That was almost 10 percent of GDP at the time.

According to the CBO, our projected deficit for this fiscal year is \$486 billion—or 2.7 percent of GDP. I’d like that number to come down even more. However, it’s important to note, as CBO has, that 2.7 percent of GDP is identical to the 2.7 percent that deficits have averaged over the past 50 years.

How have we been able to bring the deficit down so much in just a few short years? Economic growth has certainly helped. The private sector has added 12.8 million jobs in the last 64 months. But most significantly, we have confronted the single largest budgetary threat has faced in recent years: the rising cost of health care.

The Affordable Care Act (ACA) has not only expanded health care coverage to millions of uninsured Americans, but has proven to be a significant deficit reduction measure. In fact, CBO recently estimated that repealing the ACA would increase the deficit by over \$353 billion over ten years. Repealing ACA in the second decade would add trillions of dollars to the deficit.

The second point I would like to make about the long-term outlook is that Congress is missing some important opportunities that we know will be good for our fiscal health and our economy. For example, CBO estimated that the 2013 Senate-passed comprehensive immigration reform legislation would reduce federal deficits by about \$200 billion over the first 10 years, and by about \$700 billion in the second decade.

CBO also projected that immigration reform would grow our GDP by as much as five percent over the next 20 years. Yet Congress still hasn't taken action on immigration reform.

Congress also needs to heed long-term projections about the importance of investing in transportation infrastructure.

The McKinsey Global Institute has estimated that the federal, state and local governments must spend at least \$150 billion more a year on infrastructure through 2020 to meet the country's needs and maintain global economic competitiveness. But doing so would also add about 1.5 percent to annual economic growth and create at least 1.8 million jobs. So that would be another win for the economy and our fiscal health.

So, in addressing our long-term fiscal health, Congress undoubtedly has more tough choices ahead. But we also have plenty of opportunity to make smart choices that grow the economy and create jobs.

Again, thank you Chairman Johnson for holding this hearing. Thank you Mr. Hall for being here today, and thanks to the team at CBO that does really outstanding analysis that helps Members of Congress understand the magnitude of the choices that we need to make to put our nation on a long-term path for fiscal stability.

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