

Opening Statement of Chairman Ron Johnson
“Examining the Root Causes of America’s Unsustainable Fiscal Path”
Tuesday, January 28, 2020

As prepared for delivery:

Good morning and welcome.

In 2010, former Chairman of the Joint Chiefs of Staff Mike Mullen warned that the most significant threat to U.S. national security is our national debt. I agree. As we begin this new decade, Congress and the Administration simply cannot continue to ignore the national and economic security threats caused by growing debt and deficits.

Since Admiral Mullen’s warning, America’s fiscal situation has only worsened. Without significant reforms, the programs that many Americans depend on - and have planned their retirements around - will experience severe financial shortfalls. According to CBO’s 2019 Long Term Budget Outlook, the 30 year deficit of program taxes and trust funds to program outlays will be \$16 trillion for Social Security and \$44 trillion for Medicare. The projected interest cost to finance these 30 year deficits is \$40 trillion. That’s a combined total 30 year deficit for Social Security and Medicare of \$100 trillion.

What does this mean for most Americans? For starters, in 2026, Medicare’s hospital insurance fund will likely be unable to compensate providers for care, which could result in a reduction of services or an increased financial burden for Medicare patients. By 2035, Social Security recipients could receive a 20 percent reduction in their benefits. These benefit reductions would affect hundreds of millions of Americans that have planned their lives around these programs.

The fiscal problems with these programs are not new. When Medicare was created in 1965, the federal government estimated that it would cost about \$12 billion by 1990. In reality, Medicare cost the federal government \$90 billion in 1990 and \$750 billion in 2018. The Congressional Budget Office projects that Medicare spending will increase to \$1.3 trillion by 2029. Over the next decade, Medicare is projected to pay out trillions of dollars more in benefits than it takes in through payroll tax revenue. According to the Urban Institute, this means that beneficiaries are receiving three dollars of benefits for every dollar paid into Medicare.

In short, past Congresses and Administrations have made promises that future Congresses and Administrations will find very difficult, if not impossible, to keep. What continues to amaze me, is that the public and most elected officials seem content to ignore this reality - our nation is collectively whistling past this fiscal graveyard.

Elected officials regularly tell you that Social Security is financially solvent until 2035, and not to worry because the Social Security Trust Funds hold Treasury bonds backed by the full faith and credit of the U.S. government. But what these politicians are unwilling to tell you is that Treasury bonds have a net financial value to the federal government of exactly *zero*.

What will happen when the rubber meets the road, and the federal government is forced to decide how we fund these programs without raising taxes, cutting benefits or going deeper into debt? The American people need to understand that the federal government is in dire financial straits, and the root cause of this is Washington's insatiable desire to spend money, and the public's willingness to accept benefits with little concern over the resulting debt and deficits.

Look no further than our fiscal history over the past five decades. Between 1970 and 2019, federal outlays averaged 20.4 percent, and federal revenues averaged 17.4 percent. In other words, Washington has a spending problem and an inability to live within its means. This fiscal situation will only get worse as programs like Medicare and Social Security consume more of the federal budget than the 45 percent of the non-interest Federal program expenditures they accounted for in 2018.

Today's hearing is the first in what I intend will be a series of hearings and round tables that will methodically lay out the details of our country's unsustainable fiscal condition. I hope we will have a thoughtful discussion that can open up a dialogue to help find areas of agreement and potential solutions. I want to thank our witnesses for their written testimony and for being here today. I also want to thank Senator Romney for helping to drive this discussion with his TRUST Act. I look forward to discussing and evaluating that legislation as well.