



TO: RSC Member Offices
FROM: RSC Policy Team
DATE: March 7, 2023
RE: Debt Limit Policy Menu

Background:

Timeline

On January 19, 2023, Secretary of the Treasury Janet Yellen [announced](#) that the U.S. statutory debt limit had been reached and that the Treasury would begin to implement “extraordinary measures” to temporarily extend the federal government’s ability to borrow. According to current Congressional Budget Office (CBO) [projections](#), “...if the debt limit remains unchanged, the government’s ability to borrow using extraordinary measures will be exhausted between July and September 2023—that is, in the fourth quarter of the current fiscal year.”

White House

Initially, President Biden attacked conservatives for calling for reforms and spending cuts in negotiations over how to raise the debt limit. Among many similar comments, Biden [stated](#), “I’m not going to get into the reckless threats that take the economy hostage in order to force an agenda that’s going to only limit American workers and weaken us internationally. I won’t let that happen.” President Biden then agreed to an initial [meeting](#) with Speaker Kevin McCarthy to discuss the debt limit on February 1, 2023.

RSC Actions

For its part, the RSC has refuted Biden’s dangerous rhetoric and called for a responsible negotiation to restore fiscal sanity. On January 19, 2023, Chairman Hern circulated a [letter](#) to RSC Members outlining the importance of negotiating for spending cuts and fiscal reforms in conjunction with raising the debt limit. The letter also rejected the President’s rhetoric concerning debt limit talks and the framing of the issue by the [media](#).

On February 1, 2023, the RSC [released](#) a framework of policy priorities that had been endorsed by the [RSC Steering Committee](#). The priorities [included](#):

1. Reverse recent increases in overall discretionary spending and institute statutory limitations on annual discretionary spending levels.
2. Enact a package of inflation-busting reforms to increase domestic energy capacity and reduce associated regulatory and permitting barriers.

3. Fight inflation and the onset of a Democrat-induced recession by ending the national COVID-19 emergency, increasing workforce participation, advancing targeted, paid-for, pro-growth tax policies, and countering overregulation with common-sense guardrails like the REINS Act.
4. Ensure an increase in the debt ceiling is accompanied by commensurate spending reductions, including through rescissions of the Democrats' recent excessive spending.
5. Eliminate wasteful spending on duplicative programs, examine ways to fight waste, fraud and abuse, and transition non-entitlement mandatory programs to the discretionary side of the budget.
6. Establish a long-term fiscal control focused on reducing spending to restrain the growth of our federal debt as a percentage of the nation's economy.
7. Codify procedures to ensure the federal government honors certain critical obligations, such as federal debt payments, national security and veterans, Social Security, and Medicare.

Throughout the month of February, under the direction of Chairman Hern the RSC policy staff reached out to RSC Member offices to solicit proposals building on the framework adopted by the RSC Steering Committee. Below is a non-exhaustive discussion of specific policies and legislation that advance the framework:

RSC PRIORITY - Reverse recent increases in overall discretionary spending and institute statutory limitations on annual discretionary spending levels.

- Congress could codify new discretionary statutory spending caps in the wake of the expiration of the [Budget Control Act's \(BCA\) caps](#). FY 2021 was the final year that BCA spending caps applied. Since then, discretionary spending has increased [by 23%](#). Conservatives could push for a single spending cap on annual discretionary spending that would provide flexibility to ensure adequate national security funding.
- Some [conservatives](#) have pushed for such a cap on overall annual discretionary spending for FY 2024 to be tied to FY 2022 levels. Returning to FY 2022 levels would require [cutting](#) over \$100 billion in overall discretionary spending from currently enacted FY 2023 levels.
- Conservatives may push for caps to be instituted for the entire 10-year budget window to ensure maximum fiscal accountability. After the first fiscal year, annual caps could be determined by using a limiting growth factor. Even Sen. Joe Manchin (D-WV) has [advocated](#) for limited annual discretionary spending increases to one percent nominal growth.

RSC PRIORITY - Enact a package of inflation-busting reforms to increase domestic energy capacity and reduce associated regulatory and permitting barriers.

- As part of a debt limit deal, conservatives could reverse President Biden's [agenda](#) of energy stifling [policies](#). The Trump Administration enacted policies that established energy [independence](#) the United States and made the America a net energy exporter. Biden has reversed this progress, drove up the price of energy for consumers, and demonized American energy production to pander to his political base.
- Conservatives could seek to simplify and streamline the permitting process. This could include restoring the [Trump era NEPA policies](#) and more broadly reforming [NEPA](#), as well as enacting Rep. Garret Graves' (R-LA) [BUILDER Act](#) which would modernize the NEPA framework to streamline the review process and drive down the costs of construction.

- Rep. Jerry Carl's (R-AL) [Unleashing American Energy Act](#) would require a minimum of two oil and gas lease sales to be held annually in available federal waters in the Central and Western Gulf of Mexico Planning Area and in the Alaska Region of the Outer Continental Shelf.
- Rep. Matt Rosendale's (R-MT) [Restore Onshore Energy Production Act](#) would immediately resume oil and gas lease sales on eligible federal lands and require a minimum of four lease sales per year in each state with an oil and gas program.
- Rep. Graves' (R-LA) [Securing American Energy and Investing in Resiliency Act](#) would require DOI to conduct all remaining offshore oil and gas lease sales in the current leasing plan and issue leases won as a result of Lease Sale 257.
- Majority Leader Steve Scalise's (R-LA) [American Energy First Act](#) would reform the onshore and offshore energy leasing and permitting processes for conventional and renewable energy development to reduce uncertainty, avoid unnecessary delays, and prevent large unilateral land grabs by the Biden administration.
- Rep. Bill Johnson's (R-OH) [Unlocking Our Domestic LNG Potential Act](#) would expedite and increase American natural gas exports by removing duplicative approval requirements.
- Rep. Harriet Hageman's [POWER Act](#) would require the President and federal agencies to get approval from Congress before prohibiting or delaying oil, gas, coal, hard rock, or critical mineral development on federal lands.

RSC PRIORITY - Fight inflation and the onset of a Democrat-induced recession by ending the national COVID-19 emergency, increasing workforce participation, advancing targeted, paid-for, pro-growth tax policies, and countering overregulation with common-sense guardrails like the REINS Act.

- Congress should end all outdated Covid era policies and regulations. Rep. Paul Gosar's (R-AZ) [Ending the COVID National Emergency](#) resolution and Rep. Brett Guthrie's (R-KY) [Pandemic is Over Act](#), would end all COVID related emergencies. Both bills passed the House of Representatives earlier this Congress.
- Congress could block Biden's student loan bailout plan which would cost taxpayers roughly [\\$500 billion](#) over the next ten years.
- Congress could seek to enact welfare reforms designed to return able bodied workers back to the labor force. Many believe that the welfare system, along with COVID era [expansions](#) of certain programs, has contributed to historically [low](#) labor participation rates. It was recently [estimated](#) there are roughly 11 million open jobs, nearly double the number of available workers. Young men ages 20-24 have had the [greatest decline](#) in workforce participation, but many others in their [prime working years](#) have not returned to the workforce. Congress could seek to enact stronger work requirements for welfare programs to encourage people to move from welfare to work. As recently as 2018, the House of Representatives [passed stronger work requirements](#) for SNAP [based on Rep. Graves' \(R-LA\) SNAP Reform Act](#). This [legislation](#) would require individuals to work, perform supervised job searches, or engage in a skills-based development program to be eligible for benefits.
- Rep. Kat Cammack's (R-FL) [REINS Act](#) would [ensure](#) that a major rule would not be implemented if it could not attain the public support of Congress.
- Congress could [close existing regulatory loopholes for independent agencies](#). Independent agencies are generally exempt from having to comply with a number of statutes applicable to the rulemaking process, namely the Paperwork Reduction Act, the Unfunded Mandates

Reform Act, and the Data Quality Act. Sadly, independent agencies promulgate some of the most far-reaching and economically impactful regulations in our nation, including actions that advance [Biden's ESG agenda](#).

- Congress could enact legislation to treat all regulatory actions, including regulations, rules, and guidance as a major rule. Under this [proposal](#), Congress could require agencies to submit all potential regulatory actions along with an impact assessment to OMB. Congress could also require the Biden Administration to include inflation assessments with all executive actions.
- Rep. Virginia Foxx's [Unfunded Mandates Information and Transparency Act](#) would provide a framework for a more accountable regulatory process by increasing transparency of the [true costs](#) of federal mandates on state and local governments, as well as the private sector.
- RSC Budget and Spending Taskforce Chairman Ben Cline's (R-VA) [Ensuring Accountability in Agency Rulemaking Act](#) would require rules be signed and issued by an individual appointed by the President and confirmed by the Senate, rather than unknown bureaucrats.
- Rep. Bob Good's (R-VA) [Article 1 Regulatory Budget Act](#) (previously sponsored by former RSC Chairman Mark Walker (NC-06)) would ensure that the [economic costs of regulations](#) are budgeted for by the federal government in the same way that it budgets for spending. Budgeting for regulatory costs, and establishing limits on their growth, increases the extent to which agency bureaucrats and lawmakers can be held accountable for their regulatory actions.
- Rep. Cline's (R-VA) [Small Business Regulatory Flexibility Improvements Act](#) would require agencies to review existing rules that significantly impact a substantial number of small businesses and determine whether to leave the rule as is, improve its effectiveness, or repeal it.
- Now-Senator Ted Budd's (R-NC) [Lessening Regulatory Costs and Establishing a Federal Regulatory Budget Act](#) would require the elimination of two existing regulations for every new regulation.
- Rep. Good's (R-VA) [ALERT Act](#) would require agencies to provide [detailed](#) monthly disclosures on regulations to OMB for every rule an agency expects to propose or finalize in the coming year.
- Rep. Scott Fitzgerald's (R-WI) [Separation of Powers Restoration Act](#) would rein in the executive branch by [scaling](#) back Chevron deference and place judicial review back in the hands of the judiciary by making clear the lines between judicial interpretation of law and executive enforcement of the law.
- Oversight and Reform Chairman James Comer's (R-KY) [Guidance Out Of Darkness \(GOOD\) Act](#) (previously sponsored by former RSC Chairman Mark Walker (NC-06)), would help to remedy disclosure issues with respect to regulatory guidance documents. This [commonsense legislation](#) would require all guidance documents to be published for transparency considerations.
- Rep. Blaine Luetkemeyer's (R-MO) [Providing Accountability Through Transparency Act](#) would [require each agency](#) to include a 100-word, plain-language summary of a proposed rule when providing notice of a rulemaking.
- Rep. Michael Cloud's (R-TX) [Federal Agency Sunset Commission Act](#) would establish a bi-partisan commission charged with reviewing every federal agency and program, as well as making recommendations to Congress on what to reauthorize, consolidate, or abolish based on a Congressionally ratified schedule.

- Rep. Vern Buchanan's [TCJA Permanency Act](#) would make [permanent](#) many Tax Cuts and Jobs Act (TCJA) provisions that are set to expire in 2025 which seek to make permanent the pro-growth tax improvements made under the TCJA framework. While Democrats continue to blame current deficits on TCJA, America has experience historic [revenues](#) since the passage of TCJA.
- Rep. Jodey Arrington's (R-TX) ALIGN Act would make the TCJA provision allowing businesses to immediately expense investments in equipment permanent. Additionally, the RSC Budget has called for enactment of other pro-growth tax reforms allowing businesses to fully and immediately expense their investments in research and development, worker education and training expenses. These expenditures are necessary investments in workers and productivity that should not be taxed as though they are profits.
- Congress could enact any of the [pro-growth tax policies](#) advocated for in the RSC Budget. The RSC Budget has called for universal savings accounts, exempting the middle class from the Capital Gains Tax, indexing the Capital Gains Tax to inflation, and eliminating the death tax through enacting Ways and Means Chairman Jason Smith's (R-MO) [Death Tax Repeal Act](#).
- Rep. French Hill's (R-AR) [Price Stability Act](#) would reform the Federal Reserve's dual mandate to focus exclusively on price stability. The dual mandate can be linked to the Fed continuing to keep interest rates low for the purposes of promoting economic growth at the expense of stabilizing prices, fighting inflation, and recognizing the market-based cost of borrowing.

RSC PRIORITY - Ensure an increase in the debt ceiling is accompanied by commensurate spending reductions, including through rescissions of the Democrats' recent excessive spending.

- Congress could vote on the [RSC Budget](#). Over the last several years the RSC has been the only group in Congress to consistently produce a real budget and continues to produce budgets that offer Congress a path to balance.
- Congress could fully offset the debt limit increase. It is notable that Senate Republican [Conference rules](#) have provided that "any increase in the debt ceiling should be accompanied by cuts in federal spending of an equal or greater amount as the debt ceiling increase..."
- Congress can rescind unspent funding from:
 - American Rescue Plan Act (ARPA)
 - Non-infrastructure portions of the Infrastructure Investment and Jobs Act (IIJA)
 - Inflation Reduction Act (IRA)
- Rep. Brad Finstad's (R-MN) [Audit and Return It Act](#) would require OMB to audit COVID-related spending and rescind all unobligated amounts remaining to be used for the purpose of deficit reduction.
- Rep. John Moolenaar's (R-MI) [Saving Taxpayers' Money and Paying America's Debt Act](#) would rescind all unobligated funds expended in the American Rescue Plan Act (ARPA) to be used for the purpose of deficit reduction.

RSC PRIORITY - Eliminate wasteful spending on duplicative programs, examine ways to fight waste, fraud and abuse, and transition non-entitlement mandatory programs to the discretionary side of the budget.

- Congress could [continue](#) to work toward a complete inventory and consolidation of government programs. There currently is not a complete [inventory](#) of all federal programs. OMB has been statutorily obligated to inventory all programs since 2010, when Congress enacted the Government Performance and Results Act (GRPA) with the goal of completing the inventory by 2012. While the Walberg-Lankford [Taxpayer Right to Know Act](#) was enacted in 2021, to enable OMB to finish this undertaking, Congress could further require that when the inventory is complete OMB provide a list of all overlapping programs to Congress with each non-entitlement program subject to a sunset clause unless reauthorized by future legislation. Also, Rep. Jay Obernolte's (R-CA) [Finding Federal Savings Committee Resolution](#) would establish the "House Committee on the Elimination of Nonessential Federal Programs" to analyze the efficacy of programs and provide legislation through expedited consideration for program elimination.
- Congress could subject non-entitlement mandatory programs (excluding Medicare and Social Security) to annual appropriations. Over [60%](#) of the federal budget is mandatory, which limits the ability of Congress to control how much money is spent each year.
- Congress could [reform](#) federal employee benefit structures. Currently, federal employees receive a retire benefit package from the Federal Employee Retirement System (FERS). The FERS plan is immoderate and unstable. For [example](#), over one-year taxpayers spent \$91 billion on federal retirement benefits, \$83 billion went to pensions and only \$8 billion went to TSP.
- Congress could crack down waste fraud and abuse. Cumulative federal improper payment estimates have totaled about \$2.2 trillion since FY 2003. The Government Accountability Office (GAO) [estimated](#) \$175 billion in improper payments were made in 2019 alone. The same report found that only half of major agencies complied with statutory requirements to prevent improper payments in 2018. Examples of waste, fraud, and abused pointed out in the RSC Budget include: SNAP card trafficking [fraud](#) estimated \$960 million to \$4.7 billion, EITC improper payments rate of 27%, ACTC 13%, and Medicaid 21%. According to the RSC Budget this "This amounts to total improper payments of \$18.971 billion for the EITC, \$5.128 billion for the ACTC and 98.724 billion for Medicaid." Similarly, COVID unemployment insurance (UI) and other programs administered by the Employment and Training Administration (ETA) are estimated to have an [improper payment rate](#) of over 21%. The DOL IG has [estimated](#) the total value of these improper payments to be \$191 billion. To help address improper payments in welfare, the RSC Budget has proposed cross-checking the family status of beneficiaries against the Social Security database. Agencies should also be required to frequently review beneficiary eligibility based on income and other qualifying factors.
- Rep. Meuser's [BASIC Act](#) would require CBO and the Joint Committee on Taxation to include the costs of servicing the public debt in their scores. Additionally Rep. Meuser's [Stop Inflationary Spending Act](#) would require CBO to provide inflation projections for bills Congress enacts through reconciliation. Congress could also require that the Congressional Budget Office (CBO) include interest effects in CBO cost estimates.
- Rep. Norman's A Fast-Track Executive Rescission Review ([AFTER](#)) of [Appropriations Act](#) would give Congress expedited deadlines when considering White House requests for line-item cuts on appropriations bills approved by Congress.

RSC PRIORITY - Establish a long-term fiscal control focused on reducing spending to restrain the growth of our federal debt as a percentage of the nation's economy.

- Congress could limit spending to a percentage of the overall economy. Often referred to as “debt to GDP”, a long-term fiscal control to reduce the growth of our federal debt while limiting federal spending and tax collection to a reasonable percentage of the economy has been debated in Congress for over a decade. A similar measure has successfully been implemented in Switzerland, known as the Swiss [debt brake](#).
- Majority Whip Tom Emmer’s (R-MN) [Responsible Budget Targets Act](#) would implement flexible budget caps that gradually [rein](#) in spending.
- Former Rep. Kevin Brady’s (R-TX) Maximizing America’s Prosperity ([MAP](#)) Act would similarly function by [capping](#) primary spending at 18.9% of potential GDP and gradually declining to 17.5% over a roughly ten year period.

RSC PRIORITY - Codify procedures to ensure the federal government honors certain critical obligations, such as federal debt payments, national security and veterans, Social Security, and Medicare.

Congress could enact legislation that prioritizes payments in event of default. House Republicans are expected to review legislation that instructs the Treasury to prioritize payments on interest on the debt, along with other obligations owed to current program beneficiaries.

Past efforts have included, Rep. Tom McClintock’s (R-CA) Default Prevention Act which would remove the threat of default and guarantee the sovereign debt of the United States. This legislation would authorize the Treasury Secretary to continue to borrow for the purposes of making payments on the debt (both in principal and interest) as well as other obligations, throughout the debate on how to raise the debt limit and reform spending. Rep. McClintock’s bill has passed the House before, most recently in 2015 by a vote of 235-194.

Note: This RSC Memorandum is for informational purposes only and should not be taken as an official statement of support or opposition from the Republican Study Committee.