



February 2, 2021

Support the Cost Estimates Improvement Act, H.R. 638

On behalf of FreedomWorks' activist community, I urge you to contact your representative and ask him or her to cosponsor the Cost Estimates Improvement Act, H.R. 638. Introduced by Rep. Michael Cloud (R-Texas), the Cost Estimates Improvement Act would require the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) to provide the costs of servicing the public debt when producing cost-estimates of legislation and a list of any duplicative activities covered by a bill.

Although many have argued that interest rates are low, meaning the cost of borrowing to finance deficit spending isn't as great as previously thought. However, interest rates won't always remain low, and the budgetary impact of rising interest rates could be severe. For example, in FY 2020, interest payments on the debt represented 5.1 percent of all federal outlays. By FY 2031, interest payments will represent 10 percent of all federal spending.

If interest rates rise, outlays for net interest will rise. No appropriation from Congress is required. As the CBO noted in its most recent long-term projections, net interest spending as a percentage of GDP is projected to surpass Medicare spending in FY 2043 and Social Security spending in FY 2046.

The American Recovery and Reinvestment Act (ARRA) of 2009 came with an estimated price tag of \$787 billion, according to the CBO. During the debate over the bill in Congress, however, then-CBO Director Doug Elmendorf testified that the cost would be higher because of interest payments, pushing the cost of the bill over \$1 trillion over the budget window. Not only did the ARRA not have the promised impact, as is the case with policies built on Keynesian models, and added more to the budget deficit, the bill added more in interest payments.

More recently, Congress passed four pieces of legislation in response to COVID-19 that were projected to add \$2.3 billion to the budget deficit, according to the CBO. The projected interest costs of those bills are unclear.

Most bills Congress considers don't have such a hefty price tag, but that doesn't mean that they don't add to the deficit and require interest payments on the money borrowed to pay for them. The Cost Estimates Improvement Act would simply require the CBO and the JCT to include the cost of servicing the debt that the bill would create. This gives a more accurate picture of the cost of legislation that Congress considers.

The bill would also require the CBO and JCT to "a list of any Federal agencies, programs, and initiatives with fragmented, overlapping, or duplicative goals or activities covered by the legislation." This would highlight any redundancies that the bill would create.

The national debt continues to skyrocket, no matter which party is in power, and the costs of servicing that debt rise because Congress simply refuses to look long term and see the perilous fiscal future that is waiting for us. The Cost Estimates Improvement Act would at least allow Congress, and the American people, to see the real cost of legislation passed by Congress. For these reasons, I urge you to contact your representative and ask him or her to cosponsor the Cost Estimates Improvement Act, H.R. 638.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam Brandon', with a stylized, flowing script.

Adam Brandon
President, FreedomWorks