

TESTIMONY

For the Committee's Hearing on "Examining the Need for a Fiscal Commission"

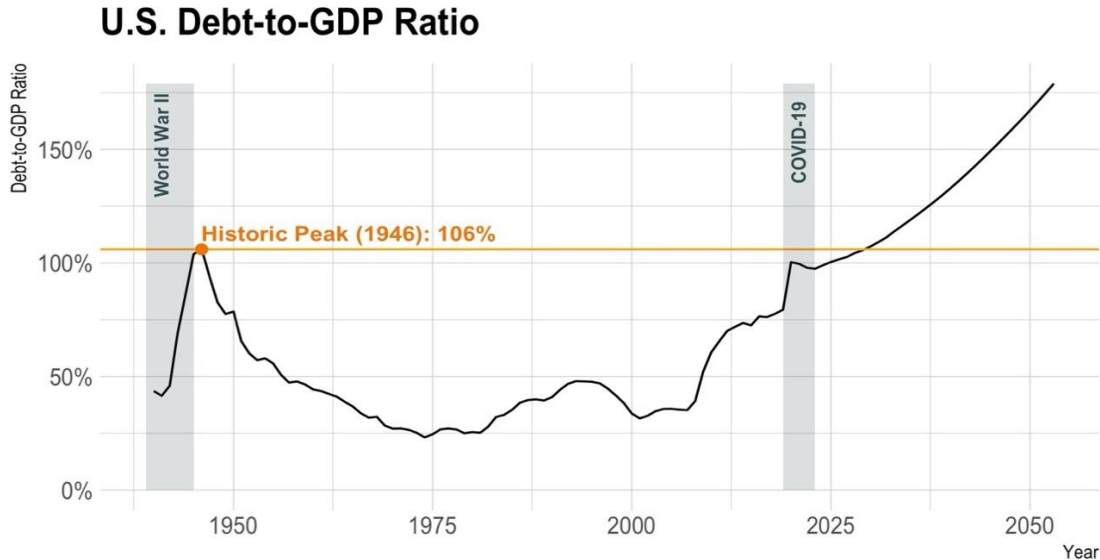
November 29, 2023

Congressman Lloyd Smucker
Pennsylvania's 11th Congressional District

Chairman Arrington, Ranking Member Boyle, and members of the committee, thank you for this opportunity to share with you my thoughts regarding a fiscal commission, drawing from my experience with a successful commission in Pennsylvania.

Recently, this committee recommended the creation of a fiscal commission when it passed its FY2024 budget resolution. In fact, this commission was one of the few things that members from both sides of the aisle agreed was necessary.¹

We agreed it was necessary because we have seen the numbers. We know that the U.S. debt is projected to reach 181 percent of GDP in 2053 – leading to higher interest rates, slower economic growth, reduced economic stability, and fewer government services.²



¹ The Markup of the Concurrent Resolution on the Budget For Fiscal Year 2024, https://www.youtube.com/live/-1xyJ8L_g0U?si=z6_KAuzTe92Y5Uhv&t=4331.

² The Congressional Budget Office, "The 2023 Long-Term Budget Outlook," 1.

Absent an act of Congress, our rising national debt will jeopardize funding for critical priorities like national defense, health care, and retirement programs. Social Security will go insolvent within a decade and Medicare will run out of money as soon as 2035 – directly impacting the very seniors we have all vowed to support.

The Peterson Foundation points out that our fiscal trajectory is set to become our greatest national security threat, saying:

“Rising spending on military compensation, retirement benefits, and procurement will put unbearable pressure on the rest of the defense budget over the long term. Absent reforms, the growth of these costs will either swell the defense budget unsustainably, or squeeze out other areas of national security spending, leading to a hollowing of the force.”³

Excessive debt also poses severe economic and political challenges. History illustrates the decline and fall of once-mighty empires and nations due to uncontrolled debt and economic mismanagement.

It is imperative to change this trajectory, and I believe a bipartisan, bicameral fiscal commission is our best avenue for achieving this.

Case Study: Pennsylvania Basic Education Funding Commission

To underscore the potential success of such a commission, I draw on Pennsylvania's experience with the Basic Education Funding Commission (BEFC), on which I served as Chair of the Senate Education committee. This bipartisan effort, addressing funding disparities among school districts, holds valuable lessons for designing an effective fiscal commission.

For decades, lawmakers in Pennsylvania had failed to reform the basic education funding formula that allocated funds to over 500 school districts across the Commonwealth. This created huge disparities in funding levels and academic outcomes between school districts. To address this problem, we established the BEFC.⁴

The BEFC brought together legislative leaders of both political parties in both houses of the Pennsylvania General Assembly and representatives of the governor's administration to create a new funding formula.

The BEFC held hearings around the state, receiving testimony and input from all stakeholder groups, experts, and the general public. It worked across two sessions of the General Assembly and across two governors' administrations (one Republican and one Democrat). Our recommendations were released unanimously by the committee members in June of 2015 and were enacted into law in 2016 by the Pennsylvania General Assembly and the Governor. In a relatively short period of time, this commission solved a difficult and previously unsolvable problem that had existed for decades.

³ Peter G. Peterson Foundation, “Strength At Home And Abroad: Ensuring America's Fiscal And National Security,” <https://www.pgpf.org/pgpf-programs-and-projects/2016-cfns-statement>.

⁴ Pennsylvania General Assembly, House Bill No. 1738, 2014.

Given the success of this commission, I want to review some factors that were critical to its success and relate them to our present conversation.

1. There was broad bipartisan agreement in the legislature on the nature and scope of the problem.
 - a. In Pennsylvania, legislators knew the funding system was broken and unfair, affecting local tax levels and student outcomes.
 - b. In Congress, for a fiscal commission to work, both parties must believe a fiscal commission is necessary to confront the threats of our long-term fiscal trajectory. If either party or the administration opposes the commission, then it will not work.
2. There was complete buy-in from leaders of both parties and the governor.
 - a. In Pennsylvania, the commission was created through legislation with strong support of all leadership and signed by the governor.
 - b. Again, in Congress, if the leadership of either party or the President opposes the commission, it will fail.
3. The right people were placed on the commission, including the leaders of relevant committees.
 - a. In Pennsylvania, the BEFC was comprised of the chair and minority chair of the House and Senate Education Committees, two legislators from each of the four legislative caucuses, the Secretary of Education, the Deputy Secretary of Elementary and Secondary Education, and an individual appointed by the Governor from within the Governor's administration.⁵
 - b. In Congress, a fiscal commission should be constituted along similar lines – including the Chairs and ranking members of relevant committees (e.g., House and Senate Budget, House Ways and Means, and Senate Finance), as well as Speaker appointees and members of the Administration. The final composition should be evenly divided between Democrats and Republicans.
4. Everything was on the table and all opinions were welcomed.
 - a. In Pennsylvania, the BEFC engaged with people with very different opinions of the problem, including teachers' unions, student advocacy groups, taxpayer advocates, school board groups, non-profits, and many others. Members of the public were even invited to speak at public hearings.
 - b. In Congress, a fiscal commission must be willing to consider all options. Deficits and the debt have increased under the watch of both Republicans and Democrats. We all share responsibility for our fiscal trajectory and must consider options that we may not like.

⁵ Pennsylvania Basic Education Funding Commission, "Report and Recommendations," 2015, 7.

5. Public engagement and education were critical to the commission's success.
 - a. In Pennsylvania, the BEFC held 15 hearings across the state and gave any interested group or individual the opportunity to be heard. A media campaign accompanied the commission to educate the public and solicit their engagement.
 - b. In Congress, we must convince the American people that our fiscal trajectory is a threat to our future by amplifying the work of a fiscal commission with a corresponding public relations campaign. Many organizations have already been doing this. The commission would work with them to build public support for its work.

Conclusion

We know this is going to be tough work, but it can be done. We can change the trajectory and ensure the promise of America for future generations. In my view, we have no other choice.