



DEBT & DEFICIT TASK FORCE

2022 RECOMMENDATIONS

MISSION

This document aims to advance and foster constructive dialogue on how to address our nation's debt & deficit crisis by providing the perspective of Utah's First Congressional District.

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Conservative economic principles have helped Americans create the world's strongest and most dynamic economy. Conservatism provides the most effective roadmap to lift millions out of poverty, grow our workforce, empower families and local communities, establish a competitive advantage over our adversaries, and stand on the forefront of innovation and discovery. However, these objectives cannot be achieved, preserved, and amplified long term without addressing what is arguably our nation's most significant threat.

America is drowning in debt.

In early 2022, the gross national debt surpassed \$30 trillion. Just over ten years ago, in 2011, the national debt was \$15.2 trillion. In the last ten years, debt has doubled, while GDP, which was \$23 trillion for 2021, has increased by only 50%. One good indicator of economic health is the debt-to-GDP ratio, which compares what America owes to the value of the goods and services America produces. The United States' debt-to-GDP ratio has surpassed record highs only previously seen after World War II. Studies repeatedly find that a high debt-to-GDP ratio suppresses economic growth. According to the Committee for a Responsible Federal Budget, our gross debt-to-GDP ratio currently stands around a worryingly high 1.25. We must change our course.

Without correction, our nation will be ill-equipped to confront the next domestic challenge or foreign conflict, it will be less likely to pay back its debt, and its risk of default is significantly higher, jeopardizing the USD's global reserve status. It is not just our fiscal health at risk, but the stability of our nation. Even now, Americans are coming face-to-face with the impact of unwieldy spending on their daily lives. Last year, inflation rose more in a single year than in any twelve-month period since 1982. At the gas pump and at the grocery store, hardworking American families are struggling with unprecedented prices.

Conservative ideals will provide the best roadmap to address this crisis. We must rein in our bloated federal government and understand we cannot continue to spend money without incurring severe consequences.

Tackling this crisis feels more daunting today than in years past. Our debt is growing ever larger, and the federal government now spends nearly \$500 billion dollars annually on debt interest alone, not even on principle. Equally as distressing, Modern Monetary Theory (MMT) has become more mainstream. MMT provides a short-sighted, politically convenient rationalization for front-loading reckless spending while postponing its costs, and it is a framework for those who are pushing radical spending packages such as the Green New Deal and Build Back Better agenda.

In the past, leaders have come to the table and produced results. In the 1990s, the late Bob Dole, Senate Majority Leader, Leon Panetta, President Bill Clinton's budget director and chief of staff, and John Kasich, chairman of the House Budget Committee, achieved a balanced budget by working in a collaborative manner. It is incumbent upon today's leaders to do the same.

This document is intended to **contribute to a path forward**, counter MMT, and share the conservative perspective of Utah's First Congressional District. The conversation must change, and we must move the needle. We can do so by focusing on four pillars: **(1) Grow the Economy, (2) Save and Strengthen Vital Programs, (3) Focus America's Spending, and (4) Fix Congress's Budget Process.**

For each of these four areas, this document will outline an ideal state and policy proposals that can be implemented toward that end. Rather than simply discussing how things should be, this document aims to provide steps to help get us there.

There is reason to be hopeful.

The United States has a flexible economy with a wealth of natural resources and competitive demographics. We are a dream destination for hardworking people from across the globe, and our alliances and partnerships are rivaled by none. We can get back on track. But getting back on track won't happen without forging enduring agreements on budgets and growth. Congress must find a strategic path forward, reform the budgeting process, and simply work together. Let us aim to reward, not demonize, leaders who find common ground and build bridges to address this existential crisis.

GROW THE ECONOMY

Currently, the American economy is far from the picture of health. We ought to have a higher labor force participation rate and get our inflation under control. Even so, our foundation stands strong. The American spirit is animated and entrepreneurial, and our resources are envied across the world. Because of the economic growth our nation experienced under President Trump, conservatives point to the Tax Cuts and Jobs Act (TCJA) of 2017 as an example of how we can breathe new life into our economy. TCJA improved our international competitiveness and the standing of American businesses in the global market. Despite its strengths, the TCJA was partially debt financed, and our response to the COVID-19 pandemic hamstrung the payoffs of these tax cuts. It's now doubly important that we continue to find productive ways to increase growth, reform our tax code, and diversify our focus to areas such as workforce development and reducing regulations and compliance costs for businesses. As the American family is empowered by economic growth in the wake of the pandemic, the nation must get its fiscal house in order.

IDEAL STATE: While we must reform the tax code to further support small business and economic growth, we must play defense against the left's tax proposals that would only hamper our economy. If President Biden's Build Back Better agenda and his FY23 budget proposal were made law, our nation would have the highest tax rates for both corporations and individuals in the developed world. Even President Biden's corporate tax rate hike alone would reduce economic growth by 0.7% and cost our economy 145,000 jobs. When the nation is already struggling with inflation and the Federal Reserve is raising interest rates, we must promote policies that don't slow the economy, but help unleash its potential. We must ensure we are incentivizing individuals to join or rejoin the workforce by avoiding flawed unemployment benefits and unnecessary subsidies. Support must be narrowed and targeted to truly assist those in need. To emphasize the benefit of a strong, revitalized workforce, consider the impact of filling just a portion of the 11.26 million job openings available as of January 2022. With the Bureau of Labor Statistics estimating that labor force participation rate in 2030 will drop to 60.4%, which is down from 61.7% in 2020 and 64.7% in 2010, we must act now to encourage work. By working to reverse this trend, we can add to the GDP, add to federal revenues, and improve our debt-to-GDP ratio.

We must be proactive as well. As we consider further tax reform, we must focus on workforce development and business-friendly regulatory reforms. Regulations are acutely felt by small businesses that lack the ability to shoulder the burden as compared to large companies. We must work to foster the growth of these small businesses that act as the innovators and job creators in our economy.

Private spending and investment in capital fuels GDP growth. Unfortunately, government spending can reduce this private spending due to economic theory called the “crowding out” effect. This can occur when the government either taxes private entities or borrows to spend more. When taxed more, private actors have less funds to spend. When the government borrows more and runs larger deficits, as the federal government has in recent years, the real interest rate usually rises. These higher interest rates disincentivize investment and can lead to slower GDP growth. As we evaluate future government action and spending, we must carefully consider whether any action would dampen growth as a result of this effect.

MOVE THE NEEDLE: There are several actions that can be taken in the next 3-5 years that would foster economic health. We support Rep. Rodney Davis’s *Protecting Family and Small Business Tax Cuts Act*, which would make tax cuts from TCJA permanent for individuals, families, and small businesses. This is one step toward further tax reform for the sake of American families and future small business investment.

We also believe that we should invest more in trade school and workforce development programs to upskill and strengthen the workforce of the current and next generation. For example, we support the late Rep. Jim Hagedorn’s *American Workforce Empowerment Act* and Rep. Derek Kilmer’s *Skills Investment Act* so that individuals have greater flexibility to use saving accounts for technical training programs. We must also ensure businesses, especially small businesses, are not overly burdened with regulations and compliance costs.

Americans understand the importance of domestic energy production, now more than ever, and we must take further steps to promote energy independence. In doing so, we can foster important economic growth in our energy industry. For that reason, we support the *POWER Act*, which would block the executive branch from barring energy production on federal lands and propose other efforts to streamline approval processes. We also support Rep. Blake Moore’s recently introduced *Promoting Energy Independence and Transparency Act*, which aims to ensure the Department of Interior does not drag its feet when approving Applications for Permits to Drill so domestic energy production can be properly and responsibly unleashed. We ought to take further steps like NEPA reform and push to approve permits and pipelines to greenlight American exports so industry can flourish while maintaining environmentally responsible practices. We must also ensure that we are fostering innovation and investment in new technologies that will diversify our nation’s energy industry and will produce technologies that will lead to cleaner, more diverse energy portfolios.

SAVE AND STRENGTHEN VITAL PROGRAMS

Our nation's budget has often been referred to as a runaway train. The imagery is fitting given the federal government spent over \$2.5 trillion on Medicare, Medicaid, and Social Security in 2020 without further authorization. In 1970, **mandatory spending** constituted 31% of the entire federal budget; in 2022, it is projected to cover a frightening 65%. This growth rate is the single largest reason Congress can't get us back to a balanced budget. While there are many issues keeping us from getting our fiscal house in order, such as payments on interest, mandatory spending simply is the biggest and most daunting.

These programs are heading toward a cliff. We must avoid this for several reasons. Medicare, Medicaid, and Social Security are *vital* to millions of Americans, providing invaluable benefits to the elderly and those in need. Moreover, if these programs become insolvent, it could threaten the entire nation's fiscal health. We must save and strengthen these programs before it's too late.

HEALTHCARE

According to the most recent data available, in 2020, Medicare spending grew 3.5% to \$829.5 billion and Medicaid spending grew 9.2% to \$671.2 billion. The Medicare Board of Trustees stated in their 2021 Annual Report that Medicare's Hospital Insurance Trust Fund will run dry by 2026. They came to the same conclusion in the two prior annual reports as well. This could threaten the vital benefits that Medicare recipients have become accustomed to. Even worse, the Congressional Budget Office projects that Medicare's costs will reach \$1.3 trillion in 2029, double what they were in 2019.

IDEAL STATE: The predominant Medicare payment system—fee for service—inadvertently incentivizes medical procedures rather than the enhancement of health. Medicare has a huge regulatory structure that is only partially effective at preventing providers from yielding to this perverse incentive. Yet it adds an enormous administrative expense. We simply must incentivize correct care in the first place. We ought to pay providers for having patients who are healthy and give providers the freedom to work with patients to effectively achieve that. Such a payment system is called capitation, and it is good for patients, providers, and the payer. In the case of Medicare, the payer is the federal government. While capitation would necessitate a major structural change, it could provide vast benefits. Even so, implementation of this structural reform would have to be done carefully to ensure the incentive structure impacts caregiver behavior and the benefits are experienced by all parties involved, the patient most importantly.

MOVE THE NEEDLE: As noted before, the administrative costs in healthcare are immense, accounting for a quarter to a third of total costs. We must work to reduce these costs thoughtfully and carefully. As things currently stand, providers are constantly bogged down by administrative issues. Doctors and nurses spend huge portions of their days on billing paperwork instead of caring for those in need. By simplifying and introducing greater standardization to the Medicare physician fee schedule, caregivers would likely see this burden reduced. We should continue to take steps to streamline the billing process, whether that be by improving data interoperability or removing regulations, to reduce this burden on healthcare providers.

Further, reforming the Medicare physician fee schedule could incentivize care for the health of beneficiaries and preventative care rather than the provision of costly procedures that produce limited results. Caregivers should work with flexibility for the benefit of their patients, whether that be by providing anything from preventative care to palliative care.

We should work to implement conservative principles of competition and choice in the healthcare system. Medicare Advantage has proven widely successful, providing a high quality of care at low costs for millions of Americans. We should promote the successes of Medicare Advantage, incentivizing further competition that can foster lower costs, improve outcomes, and lessen dependence on the federal government. Additionally, Medicare Advantage carriers ought to provide incentives that reward providers for high-value care.

Finally, we must do what is necessary to ensure the sustainability of the program. Medicare and Medicaid have proven to be key services provided to vulnerable Americans. To strengthen Medicare for this generation and the next, those with greater means could be expected to bear more of their own healthcare costs. We must make healthcare pricing more competitive, transparent, and affordable to ensure Americans can obtain needed medical services. Increased means testing would ensure those in need still take advantage of Medicare while improving the program's long-term stability.

SOCIAL SECURITY

Social Security, the second largest program in the federal budget, is not on a sustainable path. The 2021 Social Security Trustees report estimates Social Security's trust fund reserves will be depleted by 2033. What does this mean? Without reform, social security recipients would see a 24% reduction in benefits—impacting Utahns in their 50s who are depending on these benefits just 11 years from today. We must recognize that the nation's demographics have shifted dramatically since Social Security was created. In 1950, there were 16.5 Americans paying into Social Security for every one person receiving benefits. Today, there are only 2.7 Americans paying in for every recipient. Moreover, life expectancy has lengthened from 68.1 years in 1950 to 78.8 years in 2019, and quality of life has increased. The realities of the 1950s should no longer dictate today's policies. We must stop punting on reform if we want to create long-term stability for this generation and the next, while also protecting the benefits of those who have expected them for their entire adult lives.

IDEAL STATE: We must acknowledge that Social Security must modernize to be compatible with today's demographic realities. Merely increasing already high Social Security taxes will exacerbate uncertainty and intergenerational redistribution without increasing growth or giving workers more say over their own long-term savings. Instead, we could strengthen the program by envisioning it as an anti-poverty benefit, adjusting the eligibility age, and tying cost of living adjustments to chained CPI or other indexes of inflation.

MOVE THE NEEDLE: This is an area where we as a nation must be creative, and market driven. We must find a way to lower the costs of running a nationwide retirement program, reduce burden, and find private sector type solutions to prepare Americans for their retirement years. We must move toward more personal responsibility in this sphere by developing personal accounts that offer workers more ownership over their social security funds and encourage retirement savings.

That is why we support Rep. Richard Neal's and Rep. Kevin Brady's *Securing a Strong Retirement Act*, which passed the House with strong bipartisan support on March 29, 2022 and would better prepare Americans for retirement by incentivizing private saving options and encouraging them to start saving earlier. Additionally, we can take steps to incentivize retirement at a later age and indexing it to longevity as individuals live longer and overall health improves—this will also help increase the participation rate.

FOCUS AMERICA'S SPENDING

Congress is addicted to spending. After Congress authorized around \$4.5 trillion in response to the pandemic, Democrats still proposed spending up to \$3.5 trillion more as part of Build Back Better. While mandatory spending drives much of the debt crisis, discretionary spending will still make up 30% of the federal government's budget in 2022 even without Democrats' new spending proposals. As we reform our bad spending habits, we can better focus our resources and provide stability to meet our greatest needs, such as anti-poverty programs and national defense.

IDEAL STATE: Congress repeatedly spends without considering its own means. Conservatives believe the entire economy is destabilized when the federal government increases the deficit and adopts unfunded liabilities. Despite what MMT advocates say, this has been proven time and time again. In nations such as Greece, Chile, Peru, Argentina, and Venezuela, policies built upon MMT have led to dire economic straits. We need to target and focus our spending on the areas that have demonstrated need and spend our resources in ways that have proven results with data and evidence to validate our efforts. This task force is committed to real solutions and avoiding partisan rhetoric and is willing to thoughtfully address every budget line item that stands in our way of reducing our debt-to-GDP ratio.

MOVE THE NEEDLE: Fortunately, efforts that would move the needle like the *Fiscal State of the Nation Resolution* have gained traction. This measure passed in the House and would provide congressional budget leaders an annual briefing on the fiscal health of the federal government, helping Congress understand the weight of our budgetary woes each year. Even so, we must act to change Washington's debt culture. For example, we ought to claw back whatever COVID-19 relief dollars not yet spent or obligated and save these funds rather than repurposing them for additional spending.

Rather than funding agencies to the same levels every year, we can enact a policy like Rep. Michael Cloud's *Federal Agency Sunset Commission Act*, which would review each federal agency to determine how our federal bureaucracy can be made more efficient or improved. If we do so, we would surely find room for refinement. The Republican Study Committee has identified a multitude of potential programs to cap or eliminate and other improvements that would help rein in discretionary funding.

As we refine and focus our overall spending, confident our defense spending is as vital as ever, we can reform the methods by which we fund the military and our defense to provide greater stability to national security. We can legislate punctually, permit multi-year funding in more defense accounts, reduce waste, and allow services to determine the force structure needed to accomplish the missions identified in the National Defense Strategy. The continuing resolution process is particularly harmful to the defense community budget and is extremely wasteful—simply take the CR option away from congressional leadership and force the appropriations process to conclude by the end of fiscal year.

There are numerous cost-saving measures that will not harm mission and livelihoods, such as leveraging advanced technology (e.g., virtual reality) to train service members more efficiently, encouraging and incentivizing retention, and consolidating certain military and intelligence agencies and functions.

FIX CONGRESS'S BUDGET PROCESS

As leaders in industry and the private sector, many of us work every day to identify broken systems and devise ways for success to flow naturally. Congress has clearly never had to reevaluate its budget process. Instead of fostering success, our system fosters disorder.

IDEAL STATE: Rather than creating an arbitrary deficit ceiling, we should tie our ability to spend to our nation's economic health. This would incentivize us to prioritize our economic health as we develop budgets and help curb our spending addiction. When Congress can't negotiate to create a new budget, it should not simply be able to continue the previously enacted budget. This option reduces compromise and makes it nearly impossible to reduce the deficit. Members of Congress often rely on the Congressional Budget Office (CBO) to understand what the economic impact of a proposal would be. However, CBO often ignores inflation, making it difficult for Congress to evaluate budget proposals. Utah is one of the most well-run states in the nation. Our Governor and state legislature do a fantastic job handling the state's budget, and we should seek to replicate this success in Washington.

MOVE THE NEEDLE: Achieving a balanced budget after 20 years of deficit spending and a continual shift toward mandatory spending is a very tall task, but enacting simple reforms will put us on the right path. These ideas include:

- Replacing the debt ceiling marker by incorporating debt-to-GDP targets,
- Limiting the number of committees and working groups responsible for the budgeting process, also making it more bicameral,
- Extending the timeline of CBO scoring,
- Supporting transparency and accountability in CBO scoring through measures like Sen. Lee's *CBO Show Your Work Act* to ensure CBO scoring reflects the real world and not budgetary gimmicks,
- Creating a debt commission patterned after Rep. Ed Case's and Sen. Cynthia Lummis' *Sustainable Budget Act*,
- Creating bipartisan commissions to address imperiled federal trust funds patterned after Rep. Mike Gallagher's and Sen. Mitt Romney's *Time to Rescue United States' Trusts (TRUST) Act*.

MOVING FORWARD

The First Congressional District of Utah is one of the most conservative in the nation and strongly holds to conservative principles. Even so, we understand the way to enact lasting change is through collaboration. Working across the aisle, specifically with federal budgeting, is often the only way to move the needle. This document will serve as a guide as Congressman Moore advances these goals with colleagues in Washington, and this task force will continue to reconvene to outline concerns and recommendations regarding the debt crisis. We look forward to working on this issue and sharing the productive, conservative voice of Utah for years to come.