

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: January 28, 2016

Subject: February 2, 2016, Subcommittee on Oversight and Investigations Hearing entitled “Unsustainable Federal Spending and the Debt Limit”

The Subcommittee on Oversight and Investigations will hold a hearing entitled “Unsustainable Federal Spending and the Debt Limit” on Tuesday, February 2, 2016, at 2:00 p.m. in room 2128 of the Rayburn House Office Building. This will be a two-panel hearing and will include the following witnesses:

Panel 1:

- The Hon. Tom McClintock, Representative (CA-4th District), U.S. House of Representatives

Panel 2:

- Dr. Daniel Mitchell, Senior Fellow, Cato Institute
- Dr. Veronique de Rugy, Senior Research Fellow, Mercatus Center at George Mason University
- Ms. Romina Boccia, Deputy Director, Thomas A. Roe Institute for Economic Policy Studies, and Grover M. Hermann Research Fellow, The Heritage Foundation

On January 25, 2016, the Congressional Budget Office released its Budget and Economic Outlook for the next ten years and estimated that the 2016 deficit will be \$544 billion, raising debt held by the public to 76 percent of GDP – the highest level in over fifty years. Should current laws remain unchanged, the debt is projected to reach 86 percent of GDP by 2026.

The debt limit is the total amount of money that the United States is authorized to borrow to meet its existing legal obligations.¹ The debt limit has been increased several times since 1960.² By conditioning future increases of the debt limit on obtaining federal budget reforms, Congress may moderate the nation’s spending over time. However,

¹ “The Debt Limit,” U.S. Treasury Department, *available at* <https://www.treasury.gov/initiatives/Pages/debtlimit.aspx>.

² *Id.*

Treasury Secretary Jack Lew has cautioned that Congress should raise the debt limit if reached rather than use it as a mechanism to achieve fiscal reforms. According to Secretary Lew, if the debt limit was not raised, it would be imprudent or infeasible to prioritize making payments on Treasury bonds, and the financial markets and economy would experience substantial turmoil. This hearing will examine matters within the Committee's Rule X subject matter jurisdiction relating to the nation's spending and the debt limit, including the Administration's debt limit contingency planning and its assessment of the impact of debt prioritization on financial markets and the economy.