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***NEBRASKA TAXPAYERS FOR FREEDOM* ISSUE PAPER:**

SUPPORT CONSERVATIVE CONGRESSIONAL BUDGET CUTS.

BACKGROUND. On January 19, 2023, the U.S. reached its $31.4 trillion debt limit, setting up one of the most important legislative debates of 2023. President Biden has maxed out the national credit card. Our deficit has grown by $6 trillion. If the federal government wishes to borrow further money, it must ask Congress and President Biden to agree to another hike in the debt ceiling. In April, conservative House members passed **HR 2811**, the Limit, Save, Grow Act, the conservative budget bill. No Socialist Democrat congressmen voted for this bill. Having passed the House, this legislation passed along to the Senate, where a tremendous battle will occur, with leftist senators and RINO GOP senators seeking to cancel or dilute this fiscally conservative legislation. We must lobby our 2 NE senators diligently to uphold the conservative House version and stop the Biden Regime effort to elevate the national debt ceiling unconditionally without making meaningful budget cuts. Biden and Socialist Democrats want to raise the debt ceiling without instituting spending reforms, a bad fiscal deal for the American people. Taxpaying Nebraskans recognize that debt and spending are 2 sides of the same coin. Any solution to tackle the debt must also tackle spending. To avoid an economically disastrous default, greater inflation, and more fiscal chaos, the Senate must pass this spending reform package in **HR 2811** in its current form.

THE BILL. **HR 2811** does increase the federal debt limit but decreases spending. The debt limit suspended through 3-1-24 or until the debt increases by $1.5 trillion, whichever occurs first. Discretionary spending limits for FYs 2024-2033 include weapons programs, service member pay, grants for schools that serve large numbers of poor students, rental assistance for millions of the poor and disabled, and money to fund research on cancer and other life-threatening diseases. This spending Congress approves through appropriation bills. Ends reckless spending in Washington by capping FY 2024 spending at FY 2022 levels. This is the same level of spending the U.S. was operating under at the beginning of January, 2023. Caps annual budget increases at 1% for the next 10 years. The House bill does not affect spending on Social Security and Medicare. Such spending, referred to as mandatory, totals about 2/3rds of all federal spending. Defunds the Biden Regime 87,000 new IRS agents by repealing over $71 billion in IRS funding for harassing audits. Rescinding of unspent funds provided for coronavirus spending. Most of this funding has sat dormant for 2 years and no longer needs appropriating, because the COVID emergency authorization now rescinded. Major federal rules that would cost at least $100 million would require congressional approval. Institutes the REINS Act, which establishes congressional authority to approve or disapprove regulations that significantly impact the economy. Accounting for inflation, this plan further decreases federal spending in terms of real dollars.

ENERGY. The bill repeals several liberal energy tax credits for solar energy, alternative fuels, and electric vehicles, and expedites the permitting process and other requirements for energy projects, such as increased development from coal, oil, and natural gas leasing. Elimination of specific royalties and fees. Easing of permitting restrictions that now delay pipelines, refineries, and other projects. Citing estimates from the Joint Committee on Taxation, the Congressional Budget Office (CBO) projected that repealing the liberal energy tax breaks would save about $570 billion over 10 years, though that amount will shrink with the decision to retain several of the biofuel breaks, like ethanol. The energy clauses seek to boost production of critical minerals such as lithium, nickel, and cobalt used in vehicles, computers, cell phones, and other products.[1] The bill also would prevent the Biden Regime from limiting consumer access to gas stoves or ovens.

WELFARE. The bill expands work requirements for those receiving food stamps, Temporary Assistance for Needy Families, and Medicaid. The CBO estimates that 1.7 million Medicaid enrollees will not meet work rules and face disenrollment. States could continue to offer Medicaid to such enrollees but not receive federal matching funds, paying 100% of costs themselves. Under the Medicaid work requirement plan, specific adult enrollees ages 19-56, an age increase, must work or participate in other qualifying activities like community service or job training for at least 80 hours per month. Also, the bill would apply work requirements to able-bodied adults without dependents on Medicaid. Exemptions for those physically or mentally unfit for employment as determined by a physician or other medical professional, pregnant women, a parent or caretaker of a dependent child or incapacitated person, those complying with a work requirement under a different federal program, individuals participating in drug or alcohol treatment or rehabilitation

[1] AP News, Kevin Freking, What's in the GOP bill to lift debt limit, cut spending, April 26, 2023.

program, or enrolled in school at least half time. If enrollees fail to meet the work or reporting requirements for 3 or more months, the federal government would cease paying the federal share of Medicaid for their expenses. The CBO estimates that once work requirements implemented, each year an average of 15 million enrollees would become subject to the new requirements and about 1.5 million of them lose eligibility for federal funding, resulting in federal savings of $109 billion over the period. The CBO anticipates that about 60% of those who lose eligibility would live in states that maintained coverage with state-only funds. The remaining 600,000 would become uninsured, because they lived in states that did not maintain coverage. The CBO estimated that state costs would increase by $65 billion over the FYs 2023-2033 period in states that opt to continue coverage without federal funds, or about $6.5 billion annually.[2] Changes would help those affected learn new job skills and earn a paycheck while helping to fill some of the millions of job openings throughout the country.

EDUCATION. This bill nullifies the Biden Regime attempt to cancel federal student loan debt. The bill also would prohibit Regime efforts to cut in half monthly payments for undergraduate loans. The Biden policy did nothing to curb the soaring tuition rates at colleges and universities. The CBO projects that these student loan changes would save about $460 billion over 10 years. Republicans argue that Biden is unfairly transferring the obligations of those who incurred student loan debts onto millions of American taxpayers who did not attend college or who already paid off their student loans.

AN EXPLANATION. Every year, the federal government shows either a surplus or a deficit in its accounts. A surplus means more money came in that year than spent. A deficit means more money spent than accrued. If a deficit, the government must borrow money to make up the difference. The government debt is the cumulative total that the government has borrowed to cover all those deficits and has not yet paid back. The debt limit, sometimes called the debt

ceiling, approximates the credit limit on a credit card, a dollar figure that constrains how much debt the federal government can carry at a given time to pay for its operations. The limit is legal, not financial, so it does not necessarily reflect how much debt the government can afford to carry based on the economy. If the limit is not raised or suspended, the feds cannot cover bills, a development that could tank the U.S. economy and the global financial markets. Now, as in previous situations in which the debt was approaching the statutory limit, the government can move money around, perhaps shifting funds between cabinet departments as bills come due. This ruse can postpone a potential default and buy time for congressional negotiations to continue. The "X date," as budget experts call the debt-default deadline day, could come in early June at the earliest, Treasury Secretary Janet Yellen said. Other recent estimates from private-sector economists range from June to mid-August. One variable for the timing is how strong tax revenue is this year. So far, tax payments are running lower than the previous year, which could push the X date earlier. When Barack Obama was inaugurated in 2009, the debt was $10.6 trillion. On the Trump Inauguration Day in 2017, it stood at $19.9 trillion. When Biden took office in 2021 following a rigged election, it was $27.8 trillion. If you hold a savings bond your grandmother gave you on your birthday, or if you visit www.treasurydirect.gov to buy Treasury securities such as a bond, bill, or note, you have lent money to the government with the promise of repayment with interest at a specified future date. If invested in a mutual fund that buys a Treasury bill, you indirectly own that security and a piece of government debt. Investment banks, foreign governments, and other large investors purchase Treasury debt at Treasury auctions, meaning the feds will owe them money. About 2/3rds of U.S. debt held in the U.S., either directly by individual bondholders or by institutions, such as mutual funds or retirement plans. The remaining 1/3 held by foreign bondholders or entities.

THE PROBLEM. U.S. government debt considered one of the safest investments in the world given the U.S. economy size, strength, and stability, and the government enormous borrowing capacity. If the government needs money to pay back a bondholder, it can borrow more. However, if delayed payments become a real possibility, investors might panic and stop buying Treasury securities. To lure their money back, the U.S. would have to offer higher interest rates, which would raise government borrowing costs in ways that would eventually filter throughout the economy. Breaching the debt limit would hasten a recession, cripple the stock market, and upset the global economy. Interest rates on Treasury bonds set the benchmark for many other types of private sector debt. If the Treasury must hike rates to attract investors, rates also would rise for mortgages, car loans, student loans, and credit cards. As businesses find it pricier to borrow, they would stop hiring and start laying people off, then raise prices. House prices would fall and retail sales drop. The newly-unemployed would have less money to spend, reinforcing the negative spiral. Taxes then must rise to cover the

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[2] Alice Burns, Elizabeth Williams, and Robin Rudowitz, Tough Tradeoffs Under Republican Work Requirement Plan: Some People Lose Medicaid or States Could Pay to Maintain Coverage, May 5, 2023.

government higher borrowing costs. More directly, the value of stocks or bonds. even if the bonds not from the U.S. government, would drop for anyone who owns them. This eventuality includes the values of mutual funds, pensions, and retirement savings accounts. Because U.S. Treasury securities quietly underpin much of the national and international economic and financial systems, anything that disrupts confidence in Treasury notes and bonds would likely injure the U.S. banking sector.[3] "Defaulting on our debt is not an option. But neither is a future of higher taxes, higher interest rates, more dependency on China, and an economy that doesn't work for working Americans," Speaker Kevin McCarthy said, "A no-strings-attached debt limit increase will not pass."[4] "President Biden has a choice," McCarthy said in a speech from the House floor, saying he can "Come to the table and stop playing partisan political games, or cover his ears, refuse to negotiate and risk bumbling his way into the first default in our nation's history." Biden also threatens to invoke the 14th Amendment to the U.S. Constitution to continue making payments on the national debt without congressional approval, a definitely unconstitutional act. This amendment reads: *The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned.*

ESTIMATE OF EFFECTS. The CBO estimates that, under the GOP plan, budget deficits would fall by about $4.8 trillion in 10 years. Reductions in discretionary spending would total $3.2 trillion, mandatory spending decreases by $0.7 trillion, and revenues increase by $0.4 trillion. Thus, our public debt would drop by $0.5 trillion.[5]

TAKE ACTION NOW. This legislation will grow the economy by returning to pro-growth, pro-work, pro-energy policies that will unleash American prosperity once again. It stops the assault on U.S. energy production and restores American energy dominance. It reins in the Biden unprecedented barrage of regulations, a major drag on our economic recovery, an unbearable burden on small businesses, causing lower wages and higher cost of goods for working families. The GOP bill breaks the cycle of poverty and government dependence for generations of Americans by restoring common sense work requirements for healthy adults. The current national debt is 6 times higher than in 2000. This exponential increase will only worsen, if we do not rectify the situation soon. Americans want change regarding the national debt and spending. 84% of Republicans and 68% of Democrats believe that taming the debt should become a top priority for Biden and Congress. If the debt limit process fails, it could prompt an unprecedented national default with potentially devastating impacts on the economy. Democrat Senate Majority Leader Chuck Schumer does not have the votes to pass the Biden budget in the Senate. Therefore, using the information above, lobby our 2 NE senators immediately to push through **HR 2811**. Email netaxpayers@gmail.com for senator contact information and join our NTF *Congress Watch Project.*

[3] Politifact, Louis Jacobson, The battle over the debt limit: What to know after the House GOP passed its bill, April 28, 2023.
[4] INVESTOPEDIA, Diccon Hyatt, Republican House Speaker McCarthy Demands Spending Cuts to Raise Debt Ceiling, April 17, 2023.
[5] CBO's Estimate of the Budgetary Effects of H.R. 2811, the Limit, Save, Grow Act of 2023, April 25, 2023.