



11 March 2026

Senate Finance Subpanel Holds Budget Hearing

The March 11 Senate Finance Subcommittee on Fiscal Responsibility and Economic Growth hearing on “The Fiscal Outlook: 2027-2036” included bipartisan agreement among members and witnesses that the nation’s long-term fiscal situation need to be addressed, some trading of blame for what caused high levels of deficit and debt, and a persistent lack of consensus over how to overcome the situation.

The debate did veer into tax policy, as Full Committee Ranking Member Ron Wyden (D-OR) questioned the potential for the Trump administration to act by executive order to index capital gains for inflation. Subcommittee Chair Ron Johnson (R-WI) said he would be in favor of indexing gains for inflation but taxing gain at ordinary income rates. He also said he doesn’t believe capital gains indexing could be done by executive action.

In an opening statement, Chairman Johnson called for a return to pre-pandemic spending levels, as he did in the run-up to the One Big Beautiful Bill Act (OBBBA). “When I entered Congress, our nation’s total debt was \$14.7 trillion and 96% of GDP. Soon it will hit and surpass \$39 trillion and 124% of GDP. Within 10 years it will almost certainly exceed \$60 trillion and 134% of GDP,” he said at the hearing. “Although both sides claim to be concerned about our dire fiscal situation, neither side has demonstrated a genuine desire to seriously address it.”

Subcommittee Ranking Member Tina Smith (D-MN) spoke about the shared sense of concern about the nation’s fiscal situation. “CBO’s latest 10-year Budget outlook paints a grim picture: our national debt is ballooning at an unsustainable rate. Regardless of your party or where you fall on political spectrum, we can all agree on this.”

Witnesses:

- Phillip Swagel, Director, Congressional Budget Office, said, as has long been the case, that higher outlays are a result of greater spending on Social Security and Medicare as the older population grows.
- Maya MacGuineas, President, Committee for a Responsible Federal Budget, said lawmakers should commit to ‘No New Borrowing’ and work together to lower health care costs, citing bipartisan ideas like adopting site-neutral payments in Medicare, reducing Medicare Advantage overpayments, and limiting Medicaid financing schemes.
- Martha Gimbel, Executive Director and Co-Founder, The Budget Lab at Yale, said the only countries that currently have government gross debt to GDP higher than the United States are Japan, Singapore, Sudan, Bahrain, Greece, Italy, and the Maldives; and that CBO projections reflect current law (not current policy), meaning OBBBA provisions such as no tax on tips, no tax on overtime, and a larger senior deduction would increase deficits by \$725 billion 2025-2034 if extended.

The hearing followed the CBO February 11 “Budget and Economic Outlook: 2026 to 2036,” which said debt held by the public will rise from 101% of GDP in 2026 to 120% in 2036, surpassing its previous high of 106%



of GDP in 1946. Senators John Curtis (R-UT) and Angus King (I-ME) have just introduced the Fiscal Commission Act, to create a bipartisan, bicameral fiscal commission tasked with finding legislative solutions to stabilize spending and decrease the national debt.

TAX

The OBBBA was criticized for its impact on the deficit. Senator Tina Smith (D-MN) asked if tax cuts have meaningfully contributed to GDP growth or higher middle-class incomes. Gimbel said the 2017 Tax Cuts & Jobs Act (TCJA) had a small positive impact on economic growth but the OBBBA will slow growth because of the drag from higher interest rates.

MacGuineas said it was “surprising and disappointing” that Democrats didn’t raise taxes when they had full control in Washington. She said mandatory spending – including Social Security, Medicare and Veterans programs – is growing much faster than the economy, leading to problems with interest. (In her testimony, MacGuineas said, “Interest payments on the debt – which already cost us \$1 trillion a year or \$7,800 per household – will more than double to above \$2 trillion by 2036; in that year, interest will be the second largest line item in the budget, consuming 26% of revenue and 4.6% of GDP.”) She said revenues must be examined, including tax expenditures and “massively broadening the tax base there, and doing the fundamental reforms.”

Chairman Johnson said the OBBBA prevented a “massive automatic tax increase” from TCJA expiring provisions, and, like MacGuineas, noted that “when they had two chambers and the presidency,” Democrats did not change the TCJA. Still, he said he had wanted the OBBBA to be used for “simplifying and rationalizing” the tax system and that he opposed the no tax on tips proposal aside from cash tips, which “you can’t collect.” (In the lead-up to the OBBBA, Senator Johnson said he was doubtful of the growth prospects of the tips and overtime provisions and concerned that the bill was not really “addressing the major problem here in terms of massive growing deficits and debt.”)

Regarding the potential for the Administration to act on capital gains indexing, which is being advocated by Senators Ted Cruz (R-TX) and Tim Scott (R-SC) in addition to conservative tax activists, Gimbel said indexing all capital gains would cost \$1 trillion, and \$170 billion if limited to new asset purchases. Asked by Senator Wyden if it is something the Administration has authority to do or would it require an act of Congress, Gimbel said the Supreme Court has repeatedly struck down spending through executive action.

Asked by Senator Wyden whether it is appropriate for the Administration to further erode the tax code through executive action, MacGuineas said it is not appropriate to have further tax cuts until a debt deal is in place and warned against any “huge budgetary actions” taken unilaterally that can be ruled illegal and often don’t stick. “We have been in a situation where policy making has become kind of a pendulum of one party does it, the other party peels it back and forth,” she said. “The fact that you don’t have any certainty, makes policymaking, business decisions, all these things, terrible.”

HEALTH CARE



Senator Sheldon Whitehouse (D-RI) asked if CBO projections are that the Medicare Hospital Insurance Trust Fund would be depleted 12 years earlier by imparting changes made by Republicans in the OBBBA, which Swagel confirmed. He also discussed his Medicare and Social Security Fair Share Act, which would extend the solvency of both programs for the full 75 year actuarial window.

Senator Elizabeth Warren (D-MA) made the point that the Administration's proposed \$50 billion in war funding would far surpass the \$30 billion cost of extending enhanced Affordable Care Act (ACA) premium tax credits for one year. "We could help all of the people who are getting pushed off of their healthcare or whose healthcare costs are rising enormously and still have an additional \$20 billion left over," she said.

Testimony and member statements from the hearing are at <https://www.finance.senate.gov/hearings/the-fiscal-outlook-2027-2036>