



Statement for the Record
House Budget Committee Hearing:
"The Best Metric to Reverse the Curse: A 3% Deficit-to-GDP Path to Fiscal Sustainability"
March 26, 2026

The Honorable Jodey Arrington
Chair
House Budget Committee
United States House of Representatives
Washington, DC 20515

The Honorable Brendan Boyle
Ranking Member
House Budget Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Arrington, Ranking Member Boyle, and Members of the Committee:

Arnold Ventures appreciates the opportunity to submit this statement for the record in relation to the Committee's March 26, 2026 hearing, "The Best Metric to Reverse the Curse: A 3% Deficit-to-GDP Path to Fiscal Sustainability."

Arnold Ventures is a philanthropy dedicated to investing in evidence-based policy solutions that maximize opportunity and minimize injustice. Our public finance work aims to advance tax and budget policies that promote both fiscal sustainability for the government and economic opportunity, mobility, and security for Americans.

We commend the Committee for its focus on identifying a concrete, measurable metric to guide the nation toward fiscal sustainability. A 3% deficit-to-GDP target is an evidence-based benchmark that, over time, would stabilize the debt-to-GDP ratio at a more manageable level. Adopting such a metric would provide Congress with a clear guidepost as it navigates the treacherous fiscal path that lies ahead.

The need for action is urgent, and the costs of continued inaction are not abstract. They are being borne, right now, by American families struggling to make ends meet. The Budget Lab at Yale has documented how deficit-financed fiscal policy has become a significant but



overlooked driver of household affordability challenges. Since 2015, the cumulative cost of legislation has pushed up long-term interest rates by close to a full percentage point.¹

The consequences for American families are real: the interest cost of a 30-year mortgage at the 2025 median home price is higher by roughly \$2,500 per year—approximately \$76,000 over the life of the loan—compared to a world without this additional federal debt. Annual borrowing costs on a typical auto loan or small business loan are about \$120 and \$770 higher, respectively.² These higher costs also suppress business investment and slow the capital formation that drives wage growth, meaning fiscal mismanagement does not just raise the price of a loan; it contributes to slower economic growth that deprives Americans of better opportunities.

These costs fall disproportionately on younger Americans who are at the stage of life when they most need to borrow to buy a first home, finance a vehicle to accommodate a growing family, or launch a small business. Basic elements of their economic foundation are now materially more expensive due to decades of deficit spending from which they currently derive little direct benefit. At the same time, the federal budget is heavily tilted toward entitlement spending on seniors who are on average significantly wealthier.³

This is not a temporary condition. It reflects a structural fiscal imbalance decades in the making, and the outlook is not improving. The Congressional Budget Office projects that by 2036, the annual deficit will be \$3.1 trillion. Already, interest costs on our debt outpace spending on all programs except for Social Security and Medicare.⁴ That means that rather than investing in the future, we spend hand over fist on past obligations.

There is no plausible path to fiscal sustainability that does not involve hard tradeoffs on both spending and revenues. Many of the temporary provisions of the One Big Beautiful Bill Act are set to expire in 2028 and 2029, and the Social Security trust fund faces insolvency in 2032.⁵ Unlike the fiscal challenges of prior decades, policymakers today face these pressures with interest rates that have normalized at significantly higher levels, meaning that every dollar of new debt carries a heavier burden.⁶

¹ <https://budgetlab.yale.edu/research/impact-deficits-costs-households>

² <https://budgetlab.yale.edu/research/impact-deficits-costs-households>

³ https://www.urban.org/sites/default/files/2024-10/Kids-Share-2024_0.pdf

⁴ <https://www.cbo.gov/system/files/2026-02/61882-Outlook-2026.pdf>

⁵ <https://www.cbo.gov/system/files/2026-02/61882-Outlook-2026.pdf>

⁶ <https://www.federalreserve.gov/econres/notes/feds-notes/why-have-far-forward-nominal-treasury-rates-increased-so-much-in-the-past-few-years-20260212.html>



Fiscal imbalance of this magnitude was built by both parties over decades and addressing it will require both parties to make difficult choices. We applaud the Committee's ongoing efforts to elevate fiscal sustainability to a true priority for Congress. While no single metric can substitute for sound policymaking, a clear and enforceable benchmark like the 3% deficit-to-GDP target would impose discipline on the budget process, encourage tradeoffs, and help align short-term decisions with long-term fiscal outcomes.

Arnold Ventures stands ready to support the Committee's work to develop a framework that is credible, durable, and equal to the challenge.

Sincerely,

Hana Greenberg
Vice President of Advocacy, Public Finance
Arnold Ventures