



Testimony of Mike Konczal

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Roundtable: *Reducing America's National Debt: Rooting Out Federal Waste, Fraud, and Overregulation*

Chairman Burlison, Ranking Member Frost, and members of the Subcommittee, thank you for the opportunity to testify. My name is Mike Konczal. I am Senior Director of Policy and Research at the Economic Security Project, where we advocate for ideas that build economic power for all Americans. Before that, I was Special Assistant for Economic Policy to the President at the National Economic Council during the Biden administration.

Debt

If you are concerned about the trajectory of the debt and deficit in this country, the One Big Beautiful Bill Act (OBBBA) was a generational mistake. It is impossible to reconcile being worried about the national debt with supporting the actions taken with that law.

At a moment of near full employment with elevated interest rates, there was an opportunity to think seriously about reconciling the medium-term trajectory of revenues and spending. The Trump administration did the exact opposite. CBO scored OBBBA as adding \$3.4 trillion to deficits over the next decade.¹

To partially pay for the tax cuts driving that deficit, the bill imposed severe cuts to healthcare, food, and income support, layered on top of tariffs that American consumers are now bearing in higher prices. You can't take the debt seriously by having Americans sacrifice so the already wealthy can pay even less.

The CBO finds that under OBBBA itself, the bottom 20 percent of American households are worse off as a result of this law, losing a total \$24 billion each year while the top 10 percent gain \$190 billion. Once you also account for the administration's tariffs, the Yale Budget Lab estimates

¹Congressional Budget Office, "Estimated Budgetary Effects of Public Law 119-21" (July 2025), <https://www.cbo.gov/publication/61570>.

that households in the bottom 70 percent on average lose ground. The bottom decile loses more than \$2,000 a year, over 5 percent of their income, while the top decile alone gains nearly \$10,000 (Figure 1).² This constitutes a major shift to the wealthy from everyone else, and these outcomes represent a striking failure of economic policy: they manage to shrink paychecks for the majority while simultaneously exploding the deficit.

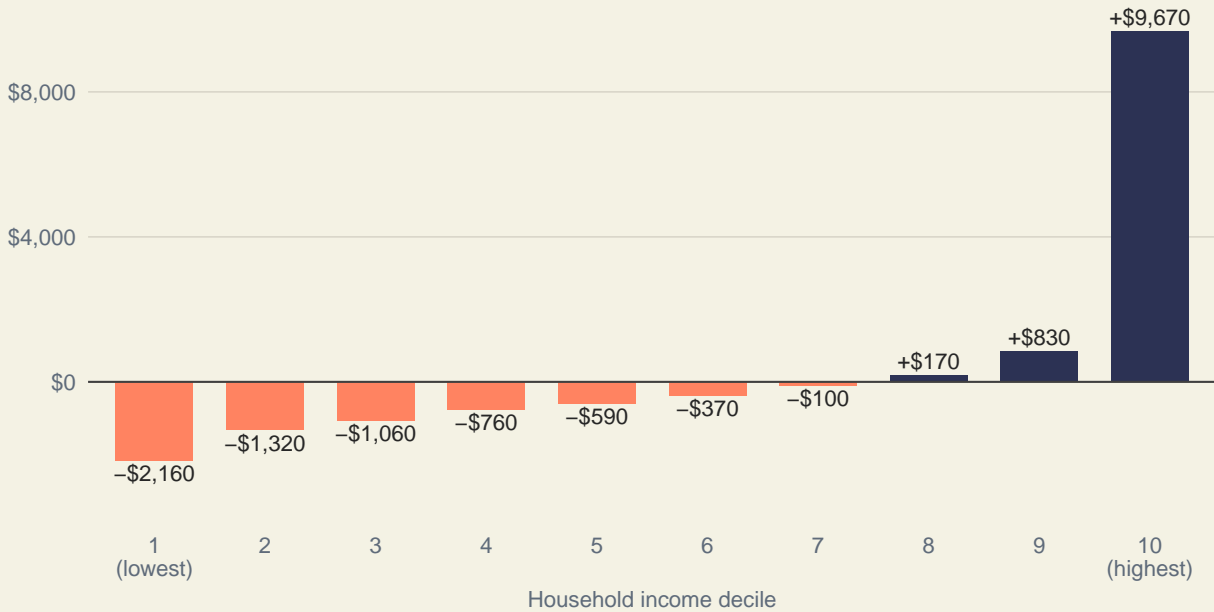


Figure 1: OBBBA plus Trump tariffs drain income for the bottom 70 percent of households, while the top 10 percent net a sizable gain. Combined average annual change in household resources by income decile, dollars per household. Source: The Budget Lab at Yale, *Combined Distributional Effects of the OBBBA and of Tariffs*, December 2025 update (tariff policy as of November 17, 2025).

The reason we are on this trajectory is because of the repeated tax cuts that hollowed out our ability to raise reasonable revenues consistent with the promises we’ve made: for the social insurance that gives families income security, for dignified retirement, for the public investment that keeps us a world leader. Twenty-five years ago, there was no structural budget deficit, as revenues were expected to keep up with the rising costs associated with the retirement of the Baby Boom generations.

In 2012, before most of the Bush tax cuts were made permanent and before the 2017 Trump tax cuts were even on the table, CBO projected the 2025 deficit at 1.8 percent of GDP. In reality, it came in at 5.8 percent. The entire gap is a revenue story. Programmatic spending in 2025 came in slightly below what CBO had projected back in 2012. Revenue came in more than four percentage points of GDP below it (Figure 2). Estimates from the Center on Budget and Policy Priorities find

²Congressional Budget Office, “How the 2025 Reconciliation Act (Public Law 119-21) Will Affect the Distribution of Resources Available to Households” (August 2025), <https://www.cbo.gov/interactive/2025-reconciliation-act>. The Budget Lab at Yale, “Combined Distributional Effects of the One Big Beautiful Bill Act and of Tariffs” (August 2025; data updated December 2025), <https://budgetlab.yale.edu/research/combined-distributional-effects-one-big-beautiful-bill-act-and-tariffs-0>.

that without the Bush and Trump tax cuts, debt-to-GDP ratios would be around 55 percent, not the 100 percent it currently is.³ Today’s deficits come from 25 years of tax cuts eroding the revenue base, not from new programs or runaway spending. The obligations Congress already made are arriving on schedule.

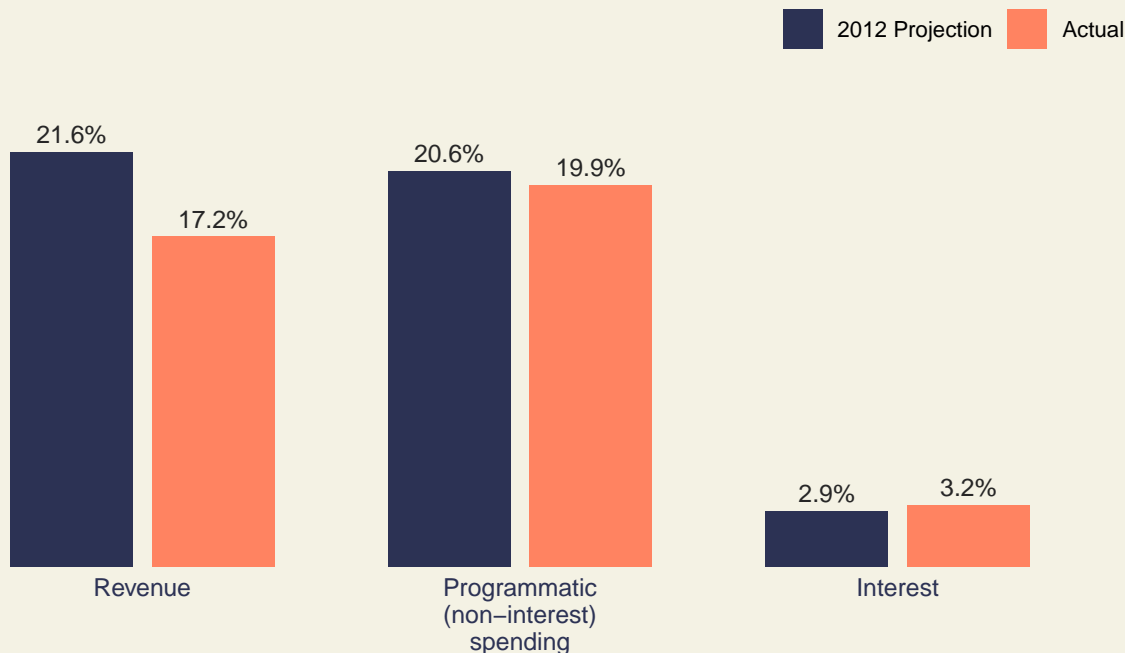


Figure 2: Permanent tax cuts lifted 2025 deficits well above 2012 projections. Actual 2025 vs. 2012 CBO projection — before Trump tax cuts, with permanent Bush cuts — as a share of GDP. Chart replicated from the Center on Budget and Policy Priorities; CBPP analysis of 2012 CBO projections and CBO *Economic and Budget Update*, February 11, 2026.

Waste

This committee is tasked with tackling government waste. The OBBBA is designed to create a giant, wasteful time tax on families who rely on Medicaid and other programs. Forcing eligible people to continuously refile paperwork, document their hours, and re-verify their income is every bit as wasteful and ineffective as the federal projects this committee has long criticized. It just shifts the waste onto working families. CBO’s own analysis finds that more than 10 million Americans will lose health coverage under this law.⁴ CBO has also found that under state-level work requirements, many participants lose coverage because they were unaware of how these bureaucratic processes

³CBO Historical Budget Data. B. Duke, “Costly Tax Cuts Increase Our Nation’s Fiscal Challenges” (Center on Budget and Policy Priorities, March 2026), <https://www.cbpp.org/research/federal-tax/costly-tax-cuts-increase-our-nations-fiscal-challenges>. J. Bernstein and B. Kogan, “President Trump’s ‘Big Beautiful Bill’ Raises the Fiscal Gap to 2.4 Percent” (Center for American Progress, February 2026), <https://www.americanprogress.org/article/president-trumps-big-beautiful-bill-raises-the-fiscal-gap-to-2-4-percent/>.

⁴Congressional Budget Office score of P.L. 119-21 (July 2025), as summarized by Georgetown Center for Children and Families (August 2025), <https://ccf.georgetown.edu/2025/08/14/new-cbo-health-coverage-estimates-of-budget-reconciliation-law/>.

work or found it too difficult to demonstrate compliance.⁵ Most of the people pushed off these programs are not ineligible. They are simply unable to bear the time-tax of paperwork, especially those taking care of children, seeking higher-paying employment, or working multiple jobs to make ends meet.

Worse, research from The Hamilton Project finds that the majority of SNAP and Medicaid recipients subject to work requirements are already in the labor force, but more than a third will periodically fall below a required hours threshold. This means they will lose coverage not because they stopped working, but because their hours dipped below a requirement in a given month. This is not by their own choice. Low-wage workers will lose coverage simply because of the volatile, unpredictable scheduling common in their industries, like service-sector work. Workers shouldn't lose health care because their employers cut their hours.⁶

If we are serious about waste, fraud, and abuse, we already know where it is. We know that the tax gap, taxes legally owed but not paid, runs at roughly \$700 billion every year, with the top 1 percent of earners alone accounting for more than \$160 billion.⁷ We know that every \$1 invested in IRS enforcement against high-income taxpayers returns at least \$5 in revenue, with returns running even higher at the top of the income distribution.⁸ Rather than address these clear sources of unfair waste, this administration has gone in the opposite direction, gutting the enforcement capacity the Inflation Reduction Act built up.⁹ We know that Medicare Advantage plans are overpaid by an estimated \$80 to \$140 billion every year through upcoding and favorable selection. The Committee for a Responsible Federal Budget projects \$1.3 trillion in overpayments over the coming decade.¹⁰

⁵KFF, "A Closer Look at the Work Requirement Provisions in the 2025 Federal Budget Reconciliation Law" (July 2025), <https://www.kff.org/medicaid/a-closer-look-at-the-work-requirement-provisions-in-the-2025-federal-budget-reconciliation-law/>.

⁶E. Ananat, A. Gassman-Pines, and O. Howard, "Work Requirements Penalize Workers in Volatile Occupations" (The Hamilton Project, May 2025), <https://www.hamiltonproject.org/publication/post/work-requirements-penalize-workers-in-volatile-occupations/>. See also L. Bauer, D.W. Schanzenbach, and J. Shambaugh, "Work Requirements and Safety Net Programs" (The Hamilton Project, October 2018), <https://www.hamiltonproject.org/publication/paper/work-requirements-and-safety-net-programs/>.

⁷Internal Revenue Service, "Tax Gap Projections for Tax Year 2022" (Publication 5869), <https://www.irs.gov/pub/irs-pdf/p5869.pdf>. N. Sarin, "The Case for a Robust Attack on the Tax Gap" (U.S. Department of the Treasury, September 2021), <https://home.treasury.gov/news/featured-stories/the-case-for-a-robust-attack-on-the-tax-gap>.

⁸Internal Revenue Service, "Return on Investment: Re-Examining Revenue Estimates for IRS Funding" (Publication 5901, February 2024), <https://www.irs.gov/pub/irs-pdf/p5901.pdf>.

⁹R. Rubin, "America's New Tax Mantra: 'The IRS Isn't Going to Catch Me,'" *Wall Street Journal* (April 12, 2026), <https://www.wsj.com/politics/policy/irs-staffing-tax-enforcement-1a18e33f>. K. Bryant, B. DeBot, and G. Leiserson, "The Bipartisan Budget Deal Rewards Tax Cheats and Sets Up the IRS to Fail" (Tax Law Center at NYU Law, February 24, 2026), <https://taxlawcenter.org/blog/the-bipartisan-budget-deal-rewards-tax-cheats-and-sets-up-the-irs-to-fail>.

¹⁰Medicare Payment Advisory Commission, March 2024 and March 2025 Reports to Congress (lower-bound estimate of ~\$83 billion in annual MA overpayments). Higher-end estimates incorporating favorable selection more fully appear in R. Gilfillan and D.M. Berwick, "Born on Third Base: Medicare Advantage Thrives on Subsidies and Treats Seniors Worse," *Health Affairs Forefront* (2024), and Center for American Progress, "Ending Overpayment in Medicare Advantage" (2024). Committee for a Responsible Federal Budget, "New data suggests MA overpayments of \$1.3 trillion over the next decade" (March 2026), <https://www.crfb.org/blogs/new-data-suggests-ma-overpayments-13-trillion-over-next-decade>.

Regulations

Now when it comes to regulation, we are living through the worst regulatory environment for business on record under this administration. Companies dislike bad regulations, but they hate regulatory uncertainty. The Economic Policy Uncertainty Index hit its highest readings on record in 2025, with the average value during this term matched only by the months immediately following the COVID outbreak (Figure 3).¹¹

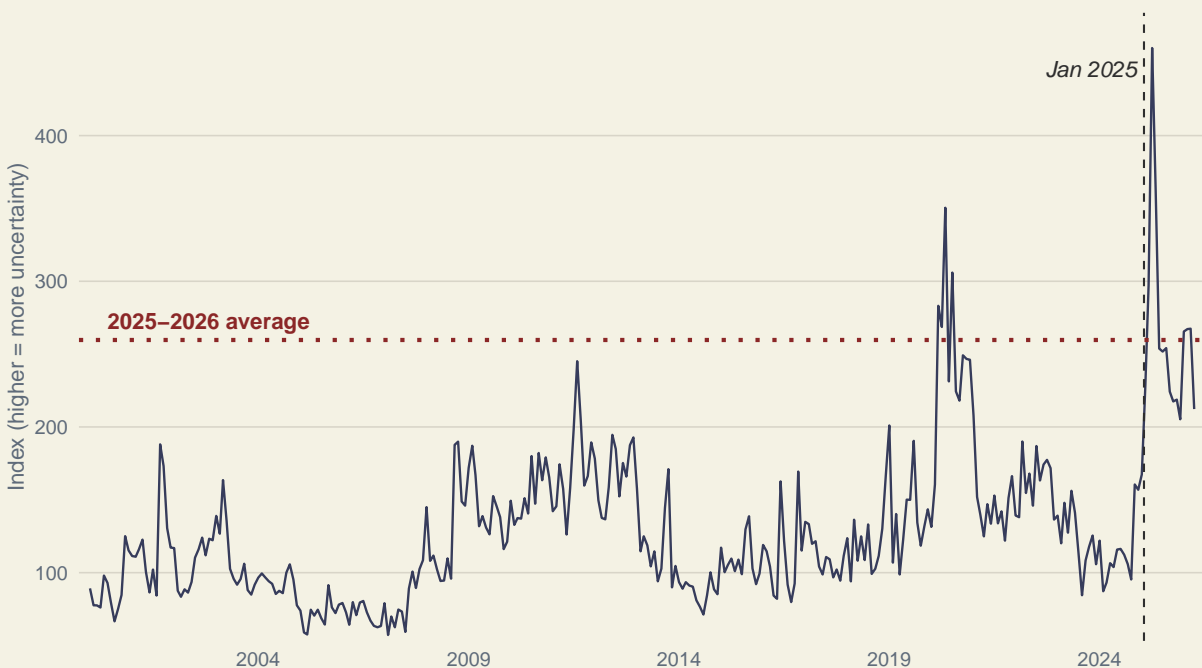


Figure 3: Average policy uncertainty under Trump rivals only the COVID shock. Legacy Three-Component Economic Policy Uncertainty Index, monthly, 2000–2026. Source: Baker, Bloom, and Davis, [policyuncertainty.com](https://www.policyuncertainty.com). Dotted red line = average of monthly values across 2025–2026.

This administration has personalized regulation on behalf of its own interests, using federal power as leverage against specific companies and the people who run them. The President pressured Intel into giving the federal government a 10 percent equity stake, bragging publicly that the company’s CEO “walked in wanting to keep his job, and he ended up giving us \$10 billion for the United States.”¹² The FCC approved Paramount’s \$8.4 billion merger with Skydance only after the company paid the President \$16 million to settle a personal lawsuit, with the President then publicly claiming an additional \$20 million in advertising commitments from the new owners.¹³ The Defense Department designated the American AI company Anthropic as a national security

¹¹S.R. Baker, N. Bloom, and S.J. Davis, “Measuring Economic Policy Uncertainty,” *Quarterly Journal of Economics* 131, no. 4 (2016): 1593–1636. Current index data available at <https://www.policyuncertainty.com>.

¹²NPR, “Intel will give the U.S. government a 10% stake, Trump says” (August 22, 2025), <https://www.npr.org/2025/08/22/nx-s1-5509673/trump-says-us-government-will-take-stake-intel>.

¹³Newsweek, “CBS, Nickelodeon, Paramount Pictures head to Skydance after Trump lawsuit settlement” (July 24, 2025), <https://www.newsweek.com/paramount-merger-skydance-approved-fcc-trump-settlement-2103793>. *Variety*, “Trump claims Skydance to give \$20 million in ads with Paramount merger” (July 31, 2025), <https://variety.com/2025/tv/news/trump-unconfirmed-claim-skydance-20-million-advertising-psas-paramount-deal-1236467234/>.

supply-chain risk, which is normally reserved for firms tied to foreign adversaries like China and Russia, over disagreements about what its models could do for the government.¹⁴ The Department of Energy abruptly canceled \$7.6 billion in already-awarded funding for 223 clean energy projects in October 2025, with all but a handful located in states that voted against the President, signaling to any developer that federal commitments can be revoked based on the politics of the zip code.¹⁵

No CEO making a capital expenditure decision today can be confident that next year's deal won't be the subject of tomorrow's investigation. That uncertainty has a cost.

Conclusion

Finally, if we are serious about affordability and the national debt, we cannot stand by while the President exerts personal political pressure on members of the Federal Reserve, including criminal investigations against a sitting governor and the Fed Chair, alongside sustained public campaigns demanding the rate cuts the President wants. This is a fiscal concern as much as a democratic one. Political pressure on the Fed creates a political instability premium. That premium raises rates on the national debt and on the credit cards, mortgages, auto loans, and small-business loans Americans use every day.¹⁶

It does not surprise me that Americans are far angrier about this economy than they were in 2024. Consumer sentiment and economic approval polling have both deteriorated sharply this year, especially as inflation has accelerated. Americans see large-scale cuts to programs they rely on, and new limits on proven economic boosts for families that we should instead be expanding, like the monthly Child Tax Credit. They see an administration that is not prioritizing their kitchen-table issues or the long-term health of the government's finances. There is still time to put the fiscal trajectory on a sustainable footing. But every month we delay, and every disastrous funding cut and revenue loss of OBBBA that gets locked in further, makes the work harder.

Thank you. I look forward to the discussion.

¹⁴Fortune, "Trump orders U.S. government to stop using Anthropic but gives Pentagon six months to phase it out while Hegseth adds supply-chain risk designation" (February 27, 2026), <https://fortune.com/2026/02/27/trump-us-government-anthropic-claude-pentagon-6-months-phaseout-ai-standoff/>.

¹⁵Washington Post, "Trump officials cancel \$7.6 billion in clean energy projects" (October 2, 2025), <https://www.washingtonpost.com/climate-environment/2025/10/02/clean-energy-grants-canceled/>. PBS NewsHour/AP, "White House cancels nearly \$8B in clean energy projects in blue states" (October 2, 2025), <https://www.pbs.org/newshour/politics/white-house-cancels-nearly-8b-in-clean-energy-projects-in-blue-states>.

¹⁶The Budget Lab at Yale, "Political Risks to the U.S. Safe Harbor Premium" (May 2024), <https://budgetlab.yale.edu/news/240502/political-risks-us-safe-harbor-premium>.