

1. Reduced Deficit Spending

Bill Number:

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Session: 119th Congress, 2025-2026

2. Title (Caption)

An Act relating to establishing federal deficit-reduction targets and budget process reform to promote long-term fiscal sustainability while protecting essential programs.

3. Enacting Clause

BE IT ENACTED BY THE LEGISLATURE OF THE COUNTRY (SENATE+HR)

4. Body of the Bill (Sections)

Section 1. Short Title

- This Act may be cited as the "Federal Fiscal Responsibility and Sustainability Act."

Section 2. Purpose/Findings

- Whereas persistent federal deficits contribute to long-term debt growth that threatens economic stability.
- Whereas structural imbalances between federal spending and revenue limit future policy

flexibility.

- Whereas prior reforms, including discretionary spending caps and pay-as-you-go requirements, have historically improved fiscal outcomes.
- Whereas a gradual, balanced deficit reduction framework can stabilize debt while protecting essential programs relied upon by vulnerable populations.
- Whereas establishing a measurable fiscal target increases accountability and improves long-term budget planning.
- The purpose of this Act is to reduce the unified federal deficit to 3 percent of Gross Domestic Product (GDP) within five fiscal years, a benchmark recognized by the Bipartisan Policy Center as a realistic target that promotes fiscal sustainability.

Section 3. Definitions

- Deficit: The difference between federal government expenditures and revenues in a fiscal year.
- Deficit-to-GDP Ratio: The federal deficit expressed as a percentage of Gross Domestic Product.
- Essential Programs: Federal programs providing health, income, disability, or retirement support to vulnerable populations.
- Tax Expenditures: Revenue losses attributable to notable exclusions, deductions, credits, or preferential tax rates.

Section 4. Substantive Provisions

- Congress shall establish annual fiscal targets to reduce the unified federal deficit to 3 percent of GDP within five fiscal years.
- Deficit reductions may be achieved through spending restraint measures, reduction of inefficient tax expenditures, and budget process reform, as evaluated through the official cost estimate and budget projection issued by the Congressional Budget Office (CBO). All enacted measures shall include a CBO score demonstrating their projected impact within the standard 10-year budget window.
- The Act shall not require across-the-board spending cuts and shall prioritize protection of essential programs, federal programs that vulnerable populations rely on, such as but not limited to, Medicare, Medicaid, Social Security, Supplemental Security Income, and SNAP. The projected \$3.5 to \$5 trillion in cumulative deficit reduction over the ten-year budget window can be achieved through across-the-board budget cuts that target structural inefficiencies identified in Congressional Budget Office (CBO) reports. CBO options for deficit reduction include, but are not limited to, recurring tax expenditures, reducing duplicative discretionary programs, and adjusting certain mandatory spending growth rates without eliminating core benefits. Tax expenditures represent one of the largest sources of revenue loss; therefore, modest reforms to deductions and exclusions can generate substantial long-term savings. Additionally, gradual reforms to program growth rates, rather than benefit eliminations, allow essential programs such as Medicare, Medicaid, Social Security, Supplemental Security Income, and SNAP to maintain core projections while improving fiscal sustainability. The Penn Wharton Budget Model also suggested that combining targeted spending restraint with targeted tax expenditure reform can stabilize long-term debt without requiring uniform reductions across all programs.

- Temporary flexibility may be permitted during declared national emergencies under the National Emergencies Act or economic recessions.

Section 5. Enforcement/Administration

- The Office of Management and Budget (OMB), in coordination with the Congressional Budget Office, will monitor annual programs towards deficit targets, provide reports to Congress, and recommend policy adjustments necessary to meet fiscal goals.

Section 6. Penalties

- If annual deficit targets are not met, Congress shall, within 90 days of the release of the Congressional Budget Office fiscal report, enact a corrective deficit reduction package sufficient to restore compliance for the following year.
- If Congress fails to enact such corrective legislation within the 90-day period, an automatic sequestration mechanism shall be triggered. The sequestration shall implement across-the-board reductions in discretionary spending and non-selected mandatory programs in amounts necessary to achieve the annual deficit target, as estimated by the Congressional Budget Office.

5. Analysis of Your Research

Federal deficits remain elevated and are projected to grow substantially without policy intervention. Budget process reforms in the 1990s contributed to balanced budgets, suggesting

institutional rules can influence fiscal outcomes. The Congressional Budget Office identifies multiple deficit-reduction tools, including spending restraint and tax expenditure reforms.

The Penn Wharton Budget Model projects that the federal debt held by the public could exceed 190 percent of GDP by mid-century without reforms. Research shows that dynamic modeling, including combining spending and revenue adjustments, is more effective than relying on a single mechanism.

Congress shall establish annual fiscal trajectory targets designed to reduce the unified federal deficit to 3 percent of GDP within 5 fiscal years, serving as an interim benchmark within the CBO's 10-year scoring framework. CBO analysis of spending restraint measures, tax expenditure reforms, and budget process reforms indicates that maintaining this trajectory can achieve \$3.5 to \$5 trillion in cumulative deficit reduction over the ten-year budget window, without requiring across-the-board cuts to essential programs.

Stakeholders affected include taxpayers, investors, federal agencies, and vulnerable populations dependent on federal programs. Current laws lack enforceable deficit targets, creating a gap that this legislation addresses.

6. Bipartisan Appeal

The legislature has bipartisan potential because it balances priorities from both political perspectives. Conservatives prioritize fiscal discipline, reduced federal debt, and government efficiency. Progressives prioritize protection of essential programs, gradual reform, and economic stability. This bill shares values through its goal of long-term economic growth,

responsible governance, and intergenerational fairness. This bill prevents future borrowing costs and interest burdens while providing flexibility for national emergencies. This bill frames deficit reduction as a long-term governance challenge rather than a singular partisan issue.

7. Procedural/Administrative Provisions

Severability Clause: If any provisions in this Act are found unconstitutional, the rest of the law remains in effect.

Effective Date: This Act takes effect on July 1, 2026

Repealer Clause: Any laws inconsistent with this Act are repealed to the extent of the inconsistency.

8. Summary/Digest:

The bill established federal deficit-reduction targets to lower the deficit to 3 percent of GDP within five years through balanced fiscal reforms. It authorizes spending restraint, tax expenditure reductions, and budget process improvements while protecting essential programs. The legislation promotes fiscal and economic sustainability without mandating across-the-board cuts.

9. Sources

Sharille. "Reining in the Debt: Budget Process Reforms • Bipartisan Policy Center." Bipartisan Policy Center, 4 Feb. 2026, bipartisanpolicy.org/article/budget-process-reforms/.

Congressional Budget Office. "Options for Reducing the Deficit: 2025 to 2034." Congressional Budget Office, 12 Dec. 2024, www.cbo.gov/publication/60557.

Carmody, Kody. "Policy Options for Reducing the Federal Debt: Spring, 2024." Penn Wharton Budget Model, 22 Apr. 2024, <https://budgetmodel.wharton.upenn.edu/issues/2024/4/22/policy-options-for-reducing-the-federal-debt-spring-2024>