

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-4602

December 12, 2012

Dear Republican Colleague,

In Conference last week I expressed my support of our leadership's current proposal to avert the "fiscal cliff." I referenced the following three facts which give critical insight into the effective yield (federal revenues/GDP) of our current tax code:

- Only twice in the past decade has it yielded 18% or more of GDP.
- Its 12-year average yield is 16.9% of GDP.
- The last year in which federal expenditures were 16.9% or less of GDP was 1959, six years before the introduction of Medicare and Medicaid.

After a careful review of CBO data, a strong case can be made that our current tax code's long-term, "permanent" yield will not exceed 17% of GDP. That yield is locked-in by the Americans for Tax Reform pledge, which requires any change in the tax code to be revenue neutral. Yet floor votes make clear that our Conference is unwilling to pass a budget which cuts spending to 17% of GDP. Accordingly, I closed my remarks at Conference by sharing what I believe is a serious defect in our fiscal platform:

**Even if the RSC Budget (which I support and voted for) becomes law and the economy grows at a robust rate, continued deficit spending and escalating debt are inevitable. Increasing revenues through tax reform (as well as through growth) is a mathematical – and fiscally conservative – imperative.**

To properly work through this debate I respectfully submit that in addition to being guided by sound data, we need to examine what it means to be a fiscal conservative. Surely, in addition to fighting for smaller government, it means paying for the size and scope of government for which we have voted. That is why supporting an agreement that results in higher revenue and lower expenses in the "fiscal cliff" negotiations is not political weakness. Rather, it is sound conservative fiscal policy.

Reckless, unsustainable federal spending is what threatens the foundation of our Republic, and the case I make for additional revenue should not be interpreted as a lack of understanding on that critical point. As a father and grandfather, the depth of my disappointment with the Administration – and our House Democratic colleagues – for misrepresenting and mocking our budget while failing to provide a tangible alternative cannot be overstated. My support does not extend to, and I would encourage our Conference to reject, any proposal which fails to make higher revenues contingent upon cuts in spending.

To give further context to the facts I have laid out in this letter, I have included two attachments. The first is a number line that graphically shows key budget data about our current and historical levels of revenue and expenses. I share this with my constituents when I speak about our country's fiscal trajectory. The second attachment is a public letter I wrote to my district when I withdrew my support of the Americans for Tax Reform pledge last winter.

As a businessman in a season of public service, I go where the numbers lead me. The conclusions I have come to are data-driven, reflect considerable research, and are therefore strongly held. Yet I close this letter mindful of the timeless counsel of King Solomon: "In an abundance of counselors there is wisdom." So in closing please know that I have a sincere desire to hear and understand your views, and those of our colleagues, on this critical and inherently complex topic.

With a shared resolve to restore America's fiscal foundation, I remain

Yours in freedom,



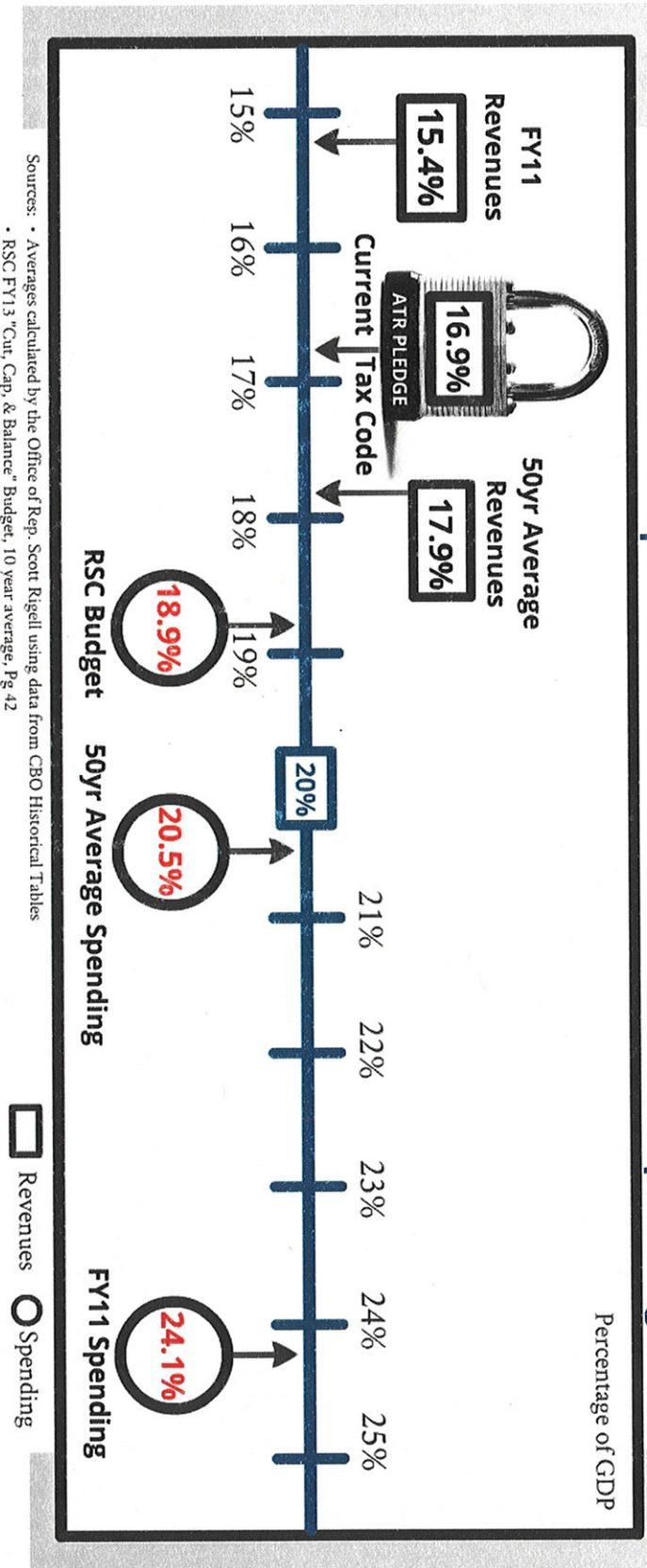
Scott Rigell

Attachments:

- A. Number line with relevant budget data
- B. Open letter to my district regarding the ATR pledge

# Attachment A:

## Historical Perspective: Federal Revenue and Spending



## **Attachment B: An Open Letter to the Citizens of Virginia's 2nd District from Representative Scott Rigell**

Washington, February 2, 2012 -

About two and a half years ago I signed the Americans for Tax Reform (ATR) Pledge. Much has transpired since then and I recently informed Grover Norquist, the President of ATR, of my decision to not renew the pledge as I seek re-election.

The pledge, in some circumstances, does not allow for the elimination of corporate loopholes and government subsidies because it requires any change in the tax code to be revenue neutral. If presented with a bill that, for example, eliminated a tax loophole (without simultaneously reducing marginal tax rates) I would have to vote "No" to be in compliance. In practice the pledge can work against the very goal we seek to advance.

Additionally, the budget data over the past two and a half years show a continued trend where both revenue and spending levels, expressed as a percentage of our Gross Domestic Product (GDP), are significantly outside of historic norms.

Twenty five years of entrepreneurial experience has taught me the importance of making decisions based on sound facts. Here is the key fact on spending: federal spending has increased an unprecedented \$4.3 trillion over the last three years - increasing our spending-to-GDP ratio to 24.1%. This radical increase in federal spending far exceeds our historic average of 20.5% of GDP.

In an egregious failure of judgment and leadership, President Obama is not sounding the fiscal alarm, nor has he presented Congress with a budget that would set America on a sound fiscal path. In striking contrast, House Republicans passed a budget that cuts spending while protecting key social safety nets, including Medicare.

The House Republican budget, though bold, would have us borrowing money for the next 24 years. That is more time and debt than I am willing to accept and my votes reflect my determination to cut federal spending to 19% of GDP, a level that would force government to be far more efficient and effective.

Here is the key fact on revenues: our tax code yields revenues equal to 16.9% of GDP. It yielded just over 18% of GDP in only two of the past 10 years - 2006 and 2007 - years in which the economy was clearly overheated. Because the pledge requires that changes in the tax code are revenue neutral it commits America to a revenue stream that averages 16.9% of GDP. The last time we were at that level was 1959.

So here is our financial reality: we have a tax code locked in at 16.9%, a spending addiction of 24.1% and a \$15 trillion (and sharply escalating) cumulative debt. It troubles me greatly then as a father, grandfather, and Member of Congress to confirm that Washington is no closer this year than last in stopping our country from flying off a fiscal cliff. The risk to our Republic cannot be overstated.

Averting bankruptcy requires us to grasp the severity of our fiscal condition and summon the courage to speak boldly about the difficult steps needed to increase revenues and sharply decrease spending. That is why I now join a number of conservative Republican colleagues in calling for an everything-on-the-table approach to tackling our fiscal crisis. This decision comes after careful deliberation of the budget data and most importantly, discussions with so many of you across the district.

Am I willing to increase revenues to fund more government spending? No. Any revenue increase that results from tax reform must reduce the debt, not fund more government spending.

Is this a call for an increase in tax rates? No.

It is an urgent call to cut spending to 19%. It is an urgent call to leadership to move forward legislation in this Congress that eliminates every lobbyist-inspired tax loophole and government subsidy, thus increasing the yield of our tax code. It is an urgent call for Senator Reid to bring the 28 jobs bills now languishing on his desk to the Senate floor for an up or down vote. It is an urgent call to unburden America's entrepreneurs with lighter, smarter regulations. Finally, it is an urgent call for President Obama to reverse his job-killing ban on harvesting Virginia's offshore energy, which would create more than 18,000 new jobs in Hampton Roads.

The result? Freedom rises, opportunity spreads, and we pass to our children their God given right to pursue their dreams free from the shackles of generational debt.

Though the challenge before us is great, we need not fear the future. We are Americans! We must - and we will - find the common ground now hidden by fear, partisanship, and talking points.

We must believe it can be done. We must act boldly. We must act now.

In closing I want you to know that I consider it a high honor and incredible privilege to serve you and your family. Ever mindful of how blessed we are as a nation, and that I work for you, I remain

Yours in Freedom,

Scott Rigell  
Member of Congress