

DEMOCRATS TAKE ACTION TO REDUCE DEFICIT

House Moves Forward on Legislation to Strengthen Fiscal Responsibility

Democrats are taking action on multiple fronts to restore fiscal responsibility after inheriting huge deficits and an economic downturn. These constructive ideas have previously garnered bipartisan support, and we hope they will now as well, so that we can begin to reverse the decade-long build-up of deficits and restore economic security to American families.

“This rule helped lead to the budget surpluses of the 1990s, and it's one of the most important steps we can take to restore fiscal discipline in Washington.”

– President Barack Obama, 2/1/10

STATUTORY PAY-AS-YOU-GO (PAYGO): This week, the House will consider PAYGO legislation that is a proven tool for turning deficits into surpluses and has a history of bipartisan support.

- Ensures that we can afford to fund America’s most important priorities, such as education, clean energy, and health care, for future generations.
- Requires new policies reducing revenues or increasing entitlement spending be offset over 5 and 10 years.
- Forces supporters of tax cuts to acknowledge their costs and show how they would pay for them.
- Forces a serious examination of wasteful subsidies in the budget and tax loopholes that can be eliminated to offset more worthwhile programs.
- A bipartisan principle – created by a Republican President and Democratic Congress in 1990 and extended by a Democratic President and Republican Congress in 1997.

“[C]hanging spending-as-usual depends on changing politics-as-usual.”

– President Barack Obama, 2/1/10

FY 2011 BUDGET: This week, President Obama introduced his fiscal year 2011 budget request to Congress. As the budget process moves through the House, Democrats invite Republicans to put forward substantive ideas and work with them on ideas for deficit reduction, such as:

- A 3-year spending freeze on non-security discretionary spending, saving \$250 billion over 10 years.
- A financial crisis responsibility fee on big Wall Street banks that benefitted from taxpayer assistance, to repay taxpayers and reduce the chance of future risky behavior, raising \$90 billion over 10 years.
- Eliminating tax preferences for oil, gas, and coal companies, raising \$40 billion over 10 years.
- More than 120 terminations, reductions, and savings that will save more than \$20 billion in FY11.
- Allowing the 2001 and 2003 tax cuts to expire for households making more than \$250,000, reducing the deficit by up to \$678 billion over 10 years.

*“These deficits did not happen overnight, and they won’t be solved overnight....
The only way to solve our long-term fiscal challenge is to solve it together –
Democrats and Republicans. That’s why I strongly support legislation currently
under consideration to create a bipartisan, fiscal commission to come up with a
set of solutions to tackle our nation’s fiscal challenges...”*

– President Barack Obama, 1/23/10

BIPARTISAN FISCAL COMMISSION: A bipartisan fiscal commission is necessary to identify policies that will balance the budget, excluding interest costs, by 2015; so far some Republicans seem to be putting politics ahead of the national interest, saying they will not participate even though prominent Republicans have repeatedly endorsed the idea. Democrats hope they change course and work with us to make a commission a success.

- The Commission will be charged with recommending policies to stabilize the debt-to-GDP ratio at an acceptable level once the economy recovers and examine policies to meaningfully improve the long-run fiscal outlook, including changes to address the growth of entitlement spending and the gap between the projected revenues and expenditures of the Federal Government.
- The idea of a fiscal commission has received bipartisan support and creates a mechanism that can work toward a bipartisan agreement on a plan to address long-term deficits.