

DEMOCRATS TAKE STEPS TO RESTORE FISCAL RESPONSIBILITY

Republican Irresponsibility Resulted in Record Deficits and Debt

Statutory “pay-as-you-go” (PAYGO) is a primary focus of the Democratic Congress and a priority of President Obama’s. Enacting PAYGO into law will help restore fiscal discipline, allowing us to invest in America’s most important priorities while making the tough choices necessary to cut wasteful spending and reduce our deficits and debt. Restoring our nation’s fiscal health will not be quick or easy and the enactment of PAYGO will not erase our nation's deficits on its own, but reinstating this common sense principle is a key first step.

Republicans allowed PAYGO to lapse, squandered surpluses, and increased spending.

During the Bush years, Republicans abandoned the PAYGO principle that our country should pay for what it buys. Combined with reckless fiscal policies, this contributed to the severity of the economic downturn and a growing mountain of debt. Republican’s lack of fiscal discipline turned a \$5.6 trillion dollar surplus into a \$1.3 trillion deficit.

Upon winning the Majority, House Democrats showed their commitment to fiscal responsibility by restoring the PAYGO rule,

which requires each bill that the House considers to be offset with savings within that bill. Statutory PAYGO would not replace that rule, but would require that all new policies reducing revenues or expanding entitlement spending be offset over five and ten years.

PAYGO legislation will enforce discipline for new policies going forward and does not apply to existing policies that are expected to be extended with bipartisan support:

Medicare physician payments; the Alternative Minimum Tax (AMT); extension of middle-class tax cuts; and the current estate tax exemption and rate. The Senate has not supported in the past offsetting the costs of extending these policies. Allowing these exceptions will make PAYGO more credible and effective by avoiding the need to waive it for policies that Congress and the President have already agreed on a bipartisan basis should be extended.

House passed PAYGO legislation will help restore fiscal responsibility in the short- and long-term:

- Requires that all new entitlement spending policies be offset over five and ten years.
- Ensures that we can afford to fund America’s most important priorities.
- Forces an examination of wasteful subsidies in the budget and tax loopholes that can be eliminated to offset other programs.
- Forces advocates of tax cuts to acknowledge the costs and show how they would pay for them.
- Includes an exemption for legislation designated as an emergency.
- Establishes an enforcement mechanism: a sequester in non-exempt mandatory programs at the end of the year if Congress has not paid for the costs of all legislation enacted during the year. Critical low-income programs like Social Security, Medicaid, and food stamps would not be subject to it.