



## Statutory PayGo: A Return to Fiscal Responsibility

### Key Points:

- After years of fiscal recklessness by President Bush and Republicans, President Obama and Congress are committed to getting our budget under control – a crucial part of our plan to strengthen the American economy.
- By restoring ‘pay-as-you-go’ budget discipline -- which has been the rule of the House since Democrats took control in 2007 -- as the law of the land, we are returning to the basic rule for every family budget: you don't spend money you don't have.
- This measure is similar to the bipartisan PAYGO law in place in the 1990s, which helped reverse huge deficits of the Reagan-Bush years, create budget surpluses, and produce an economic boom.
- Statutory PAYGO is a crucial step to restore fiscal discipline, force the tough choices on taxes and spending, and begin bringing down the deep deficits that face our nation. Without reducing the deficit, we won't be able to invest in vital priorities, including health care, education, and clean energy, critical to our economic future.
- The Republican-controlled Congress let these budget rules expire in 2002, contributing to the dramatic turnaround from a projected 10-year surplus of \$5.6 trillion when Clinton left office to projected deficits of over \$11 trillion when Bush left office.
- President Obama and Congressional Democrats have demonstrated a strong commitment to fiscal responsibility:
  - ✓ passing a health care reform bill – the single most important thing we can do to bring down long-term deficits;
  - ✓ passing a clean energy bill that is fully paid for;
  - ✓ passing a budget that cuts the deficit by one-half in four years.
  - ✓ Since the first day Democrats took control of Congress in 2007, PAYGO has been a rule of the House; with this bill, we will turn PAYGO budget rules into law with enforceable consequences.
- The bill requires Congress to offset all new policies that reduce revenues or expand entitlement spending over five and ten years. If the net effect of all new tax and entitlement legislation enacted during a session of Congress increased the deficit, there would be an automatic across-the-board cut in certain mandatory programs.
- There is also a history of bipartisan support for PAYGO: it was enacted by a Republican President and Democratic Congress in 1990, extended by a Democratic President and Republican Congress in 1998, and won 24 Republican votes when the House passed it last July.
- Republicans have a choice – to join with us to put our nation on a path of fiscal responsibility or to continue on the path of reckless runaway deficits that are mortgaging the futures of our children and grandchildren.

Today, the House will consider Senate amendments to H.J.Res. 45, the Statutory Pay-As-You-Go Act 2009. This bill requires Congress to offset the costs of tax cuts or increases in entitlement spending with savings elsewhere in the budget, except for a few items extending current law. If the net effect of all legislation enacted during a session of Congress increased the deficit, there would be an across-the-board reduction in certain mandatory programs. Following are highlights of some of the bill's key provisions.

### **TOUGH BUDGET CHOICES ON TAXES AND SPENDING**

- Require that all new policies reducing revenues or expanding entitlement spending enacted during a session of Congress be offset over five and ten years.
- Force a serious examination of wasteful subsidies in the budget and tax loopholes that can be eliminated to offset more worthwhile programs.
- Force advocates of tax cuts to acknowledge the costs and show how they would pay for them.
- Require any future extension of upper income tax cuts to be offset.

### **NEEDED TO ENSURE THAT WE CAN MAKE LONG-TERM INVESTMENTS**

- Ensure that we can afford to fund America's most important priorities consistently for future generations.
- Exempt any spending on discretionary programs funded in appropriations bills, such as: LIHEAP, WIC, Head Start, Housing assistance, and Pell grants.

### **REALISTIC AND ENFORCEABLE**

- Allow legislation extending designated current policies to be extended without offsets:
  - Medicare physician payments for five years.
  - Alternative Minimum Tax for two years.
  - Extension of child tax credit, marriage penalty relief and reduction in income tax rates for taxpayers with incomes below \$250,000.
  - The current estate tax exemption and rate for two years.
- Provide for the use of Congressional Budget Office estimates.
- Include an exemption for legislation designated as emergency, as Congress did in the American Recovery and Reinvestment Act.

### **TOUGH ENFORCEMENT THAT PROTECTS KEY BENEFITS**

- Establish an enforcement mechanism: with across-the-board cuts in non-exempt mandatory programs at the end of the year if Congress has not paid for the costs of all new policies enacted during the year. Certain designated programs are exempt from the sequester, including:
  - Social Security
  - Medicaid
  - Food Stamps
  - Veterans
  - Other programs targeted to low-income families