

# **HOUSE TO ACT ON STATUTORY “PAY-AS-YOU-GO” LEGISLATION**

*Democrats Renew Commitment to Fiscal Responsibility, Protect Democratic Values*

*“The ‘pay as you go’ rule is very simple. Congress can only spend a dollar if it saves a dollar elsewhere. And this principle guides responsible families managing a budget. And it is no coincidence that this rule was in place when we moved from record deficits to record surpluses in the 1990s -- and that when this rule was abandoned, we returned to record deficits that doubled the national debt.” – President Obama, 6/9/09*

On June 14, President Obama transmitted legislation to Congress establishing a statutory “pay-as-you-go” (PAYGO) requirement, and Majority Leader Steny Hoyer introduced the legislation as H.R. 2920. This week, the House will consider this legislation reestablishing PAYGO, a principle that helped turn deficits into surpluses during the Clinton Administration. With the deep deficits our nation is confronting, it is vital for House Democrats to show our strong support for reinstating the budget discipline of PAYGO, based on the simple principle of paying for what we buy.

## **What will the House PAYGO legislation do?**

- Require that all new policies reducing revenues or expanding entitlement spending enacted during a session of Congress be offset over five and ten years.
- Ensure that we can afford to fund America’s most important priorities consistently for future generations.
- Force a serious examination of wasteful subsidies in the budget and tax loopholes that can be eliminated to offset more worthwhile programs.
- Establish 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. Certain designated programs are exempt from the sequester, including:
  - Social Security
  - Medicaid
  - Food Stamps
  - Other programs targeted at low-income populations
- Exempt any spending on discretionary programs funded in appropriations bills from PAYGO, such as: LIHEAP, WIC, Head Start, Housing assistance, and Pell grants.
- Force advocates of tax cuts to acknowledge the costs and show how they would pay for them.
- Include an exemption for legislation designated as emergency, as Congress did in the American Recovery and Reinvestment Act.
- Allow legislation extending designated current policies to be extended without offsets:
  - Medicare physician payments
  - Alternative Minimum Tax
  - Extension of child tax credit, marriage penalty relief and reduction in income tax rates for middle class taxpayers with incomes below \$250,000
  - The current estate tax exemption and rate

## **How does the House PAYGO legislation differ from the President’s proposal?**

In order to address concerns and bring requirements in line with the House PAYGO rule, the legislation the House will consider this week includes several changes to the President’s proposal, such as:

- Limit the exception for the costs of extending the 2001 and 2003 tax cuts to middle class tax cuts.
- Provide for the use of Congressional Budget Office estimates.
- Require deficit neutrality over five and ten years to mirror the existing House PAYGO rule.
- Follow the emergency designation procedures in the House PAYGO rule and eliminate the requirement for a separate Presidential emergency designation, so that we can adequately respond in the event of a crisis.