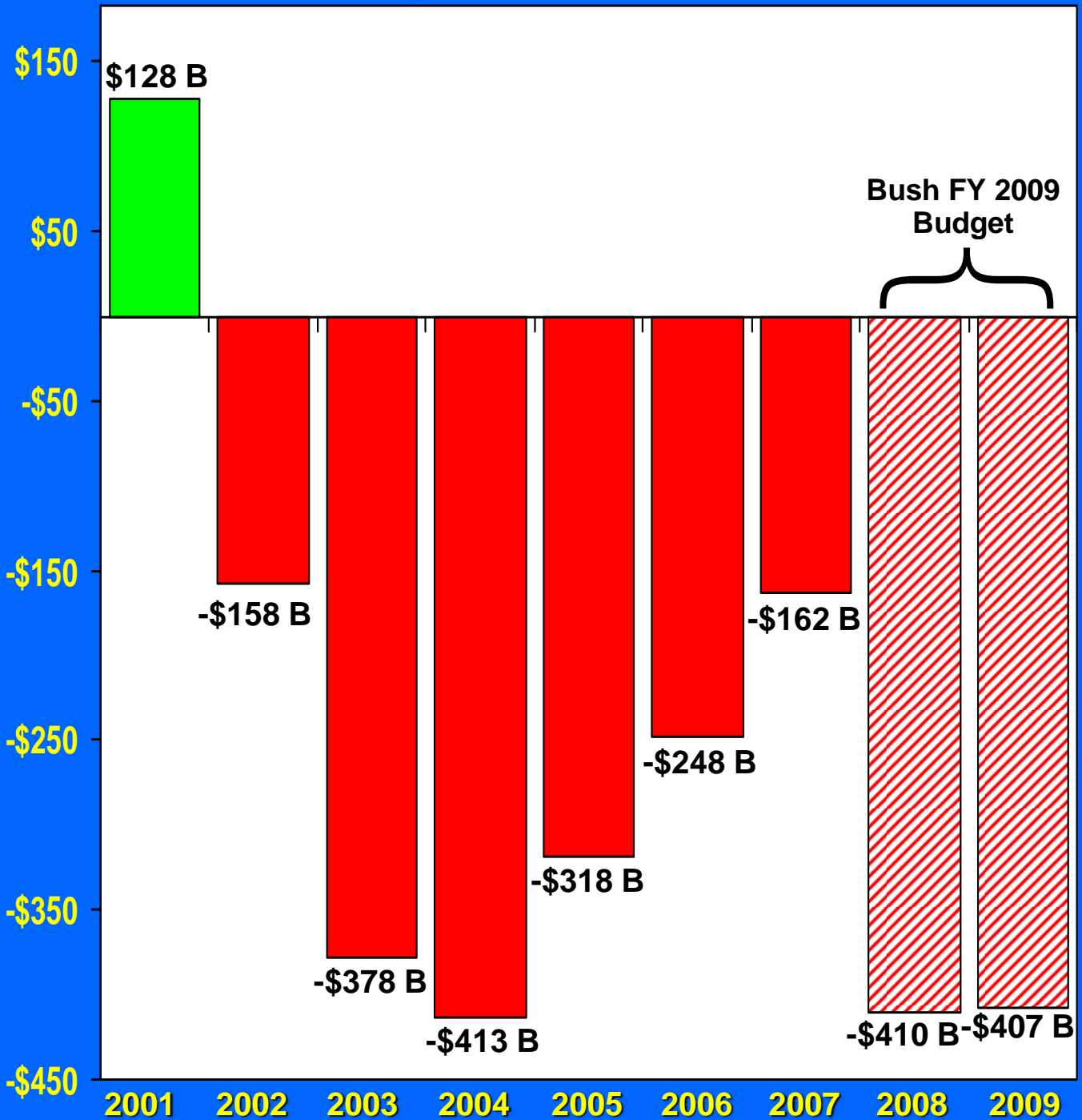


Dramatic Deterioration in Budget Picture

(Deficit in billions of \$)

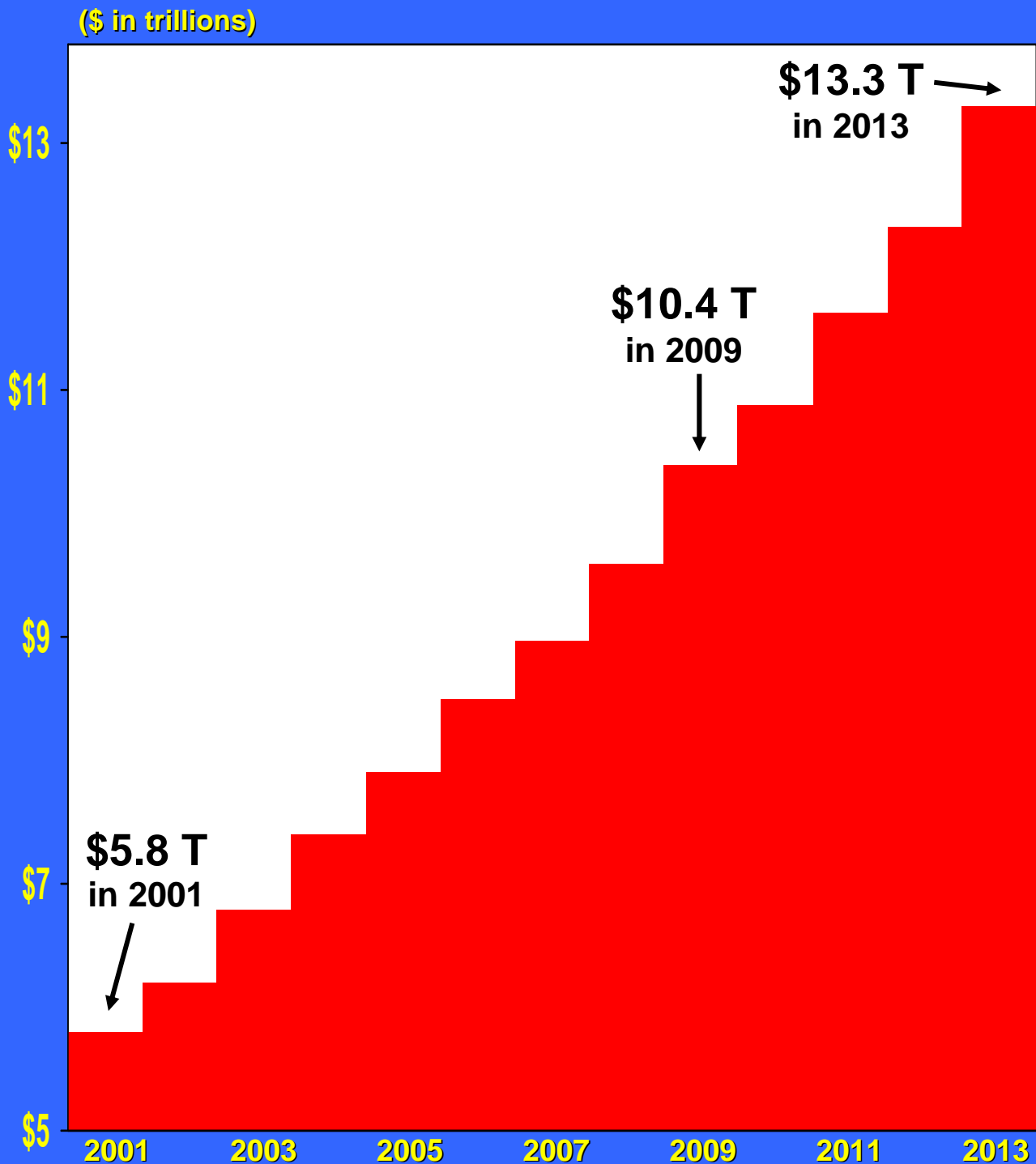


Source: OMB

Note: 2008 and 2009 estimates from Bush FY 2009 Budget.

Building a Wall of Debt

Gross Federal Debt Soars



Source: OMB, CBO and SBC

Note: Bush FY 2009 Budget with AMT reform, ongoing war costs, and associated debt service.

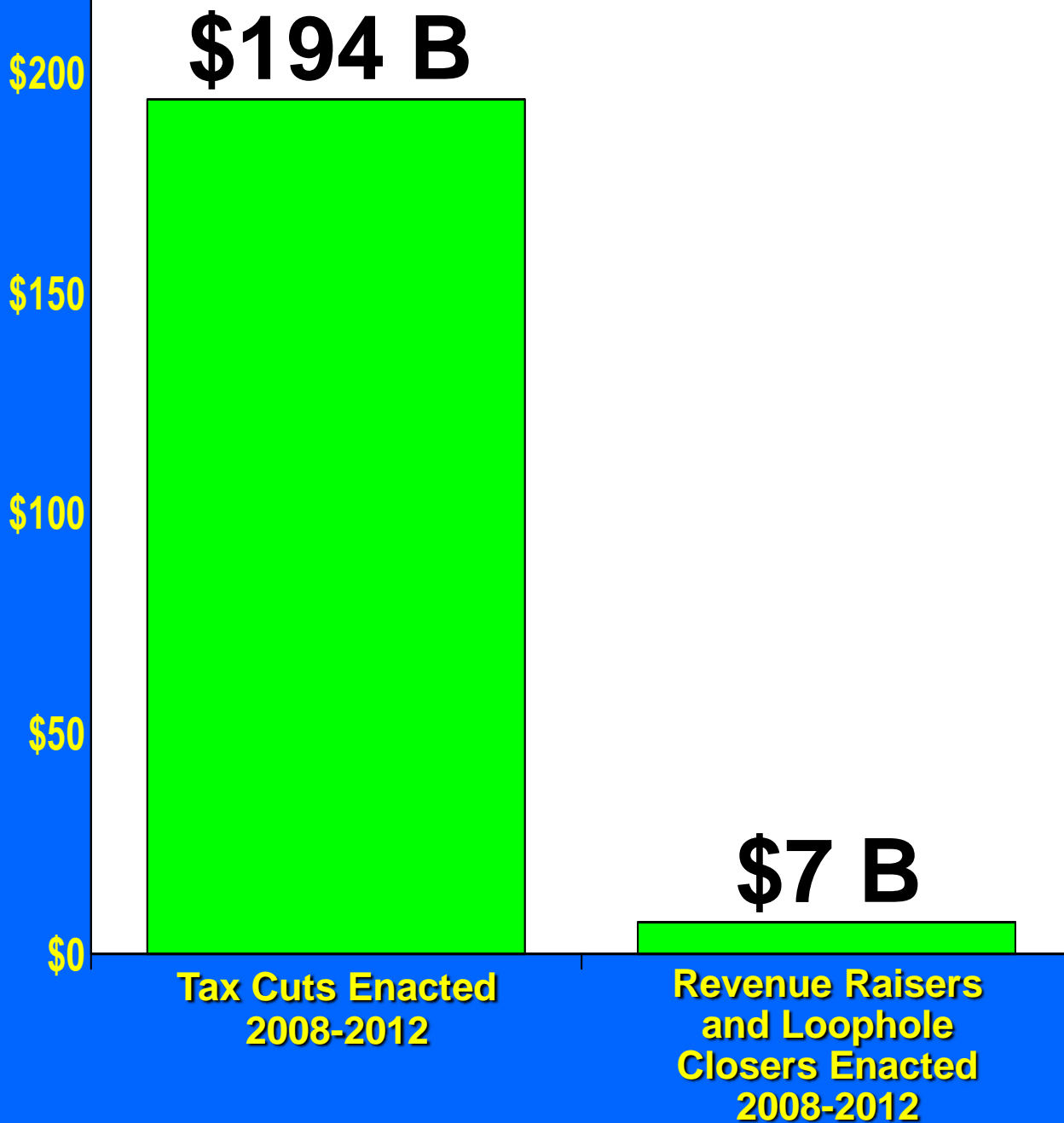
Senator Gregg's Description Last Year of the FY 2008 Budget Resolution Conference Report

“It includes, at a minimum, a \$736 billion tax hike on American families and businesses over the next five years – the largest in U.S. history...”

**– Senator Judd Gregg, R-NH
Press Release
May 16, 2007**

Democratic Record on Taxes Since Taking Control of Congress

(\$ in billions)



Source: CBO

SENATE PAYGO RULE

- **New mandatory spending and tax cuts must be offset or get 60 votes**

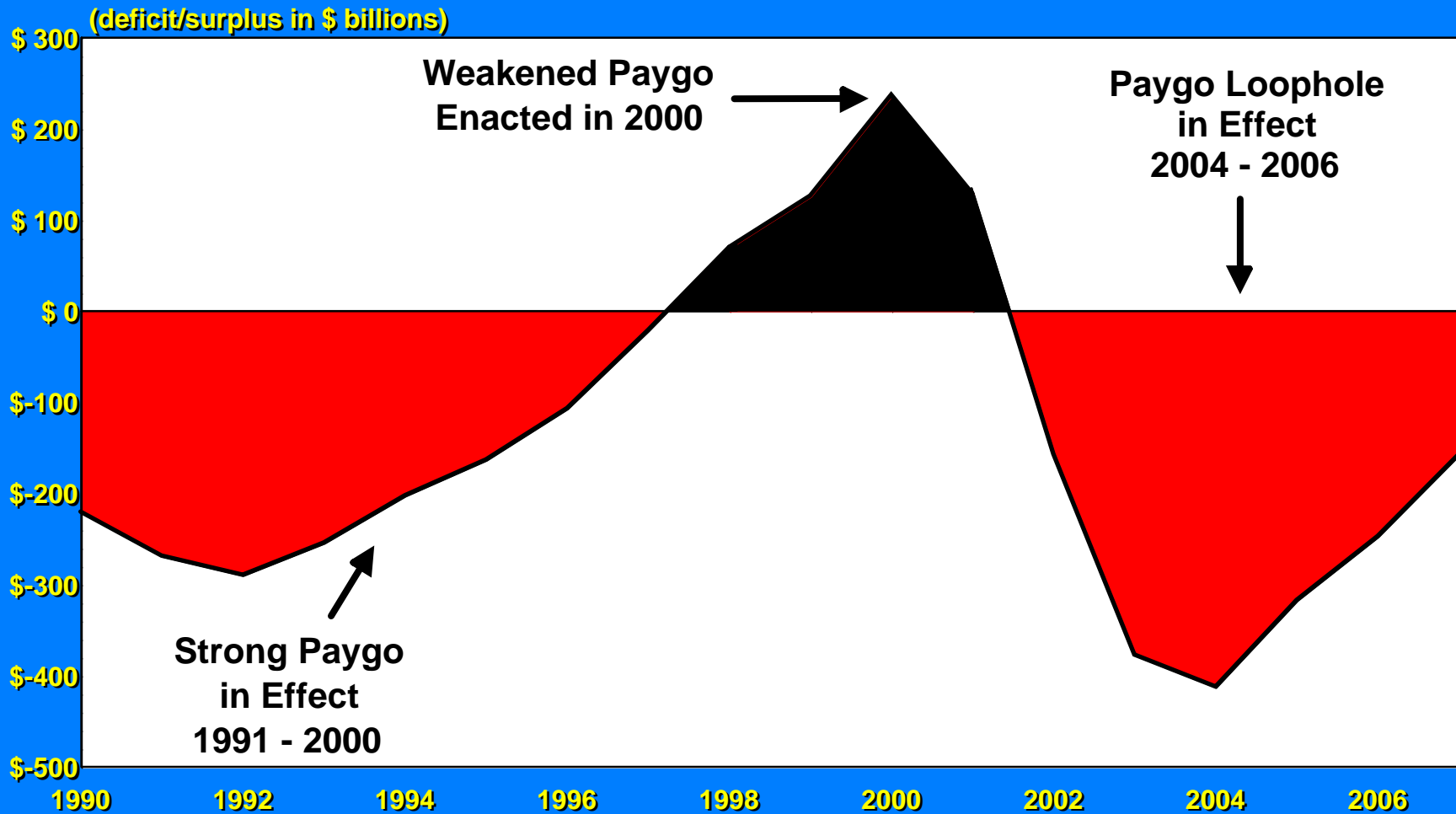
Senator Gregg on Restoring PAYGO

“The second budget discipline, which is pay-go, essentially says if you are going to add a new entitlement program or you are going to cut taxes during a period, especially of deficits, you must offset that event so that it becomes a budget-neutral event that also lapses.

“... If we do not do this, if we do not put back in place caps and pay-go mechanisms, we will have no budget discipline in this Congress, and, as a result, we will dramatically aggravate the deficit which, of course, impacts a lot of important issues, but especially impacts Social Security.”

- Senator Judd Gregg (R-NH)
Senate Floor Debate on Budget Enforcement
Amendment to FY 2002 Supplemental
June 5, 2002**

Strong Paygo Rule Helped Turn Deficits to Surplus in 1990's



Note: FY 2000 GOP budget resolution weakened Senate paygo rule to allow on-budget surpluses to offset tax cuts and spending increases. GOP blocked renewal of statutory paygo at end of FY 2002. FY 2004 GOP budget resolution further weakened Senate paygo rule by exempting all tax cuts and spending increases in any budget resolution. Democratic Majority restored strong Senate and House paygo rules in 2007.
Source: CBO

PAYGO is Working

Number of Times PAYGO Raised 16

Number of Times PAYGO Waived 1

Source: SBC

Note: Refers to the number of times PAYGO has been raised and waived in the Senate this Congress

PAYGO is Working

- Excluding AMT, Senate paygo “scorecard” has positive balance of \$1.5 B over 11 years
- Every bill sent to President – other than AMT and stimulus – has been paid for (or more than paid for)
- Paygo also has significant deterrent effect – preventing many costly bills from ever being offered

GOP Claims on PAYGO Full of Holes

Alleged “Real PAYGO Violations”

	<u>Claim</u>	<u>Fact</u>
<ul style="list-style-type: none"> • Immigration Reform <ul style="list-style-type: none"> - Never passed Senate - Fully paid for on unified basis 	\$30.3 B	0
<ul style="list-style-type: none"> • Energy Bill <ul style="list-style-type: none"> - Final bill sent to President more than paid for - Passed Senate 86-8 	\$4.2 B	-\$52 M
<ul style="list-style-type: none"> • Mental Health Parity <ul style="list-style-type: none"> - In conference – final bill will be fully paid for - Passed Senate by unanimous consent 	\$2.8 B	0
<ul style="list-style-type: none"> • Prescription Drug User Fee Amendments <ul style="list-style-type: none"> - Final bill sent to President more than paid for - Passed Senate by unanimous consent 	\$0.2 B	-\$4 M
<ul style="list-style-type: none"> • Minimum Wage Increase <ul style="list-style-type: none"> - Fully paid for on unified basis 	\$50 M	0
<ul style="list-style-type: none"> • Water Resources Development Act <ul style="list-style-type: none"> - Final bill sent to President more than paid for - Passed Senate 81-12 	\$4 M	-\$5 M
TOTAL	\$38 B	-\$61 M

Source: SBC GOP “Swiss-Cheese-Go” chart, SBC Majority staff

Note: Minimum wage increase in 2007 supplemental was fully paid for on unified basis, but had small net on-budget cost.

GOP Claims on PAYGO Full of Holes

Alleged “Gimmicks to Get Around PAYGO”

	<u>Claim</u>	<u>Fact</u>
<ul style="list-style-type: none"> ● SCHIP Reauthorization <ul style="list-style-type: none"> - More than paid for over 6 and 11 years - 5-year reauthorization - Congress will reauthorize in 2012 with new policies and offsets 	\$45 B	-\$207 M
<ul style="list-style-type: none"> ● Farm Bill <ul style="list-style-type: none"> - More than paid for over 6 and 11 years - 5-year reauthorization - Congress will reauthorize in 2012 with new policies and offsets 	\$27.5 B	-\$102 M
<ul style="list-style-type: none"> ● Higher Ed Reconciliation Bill <ul style="list-style-type: none"> - More than paid for over 6 and 11 years - Savings will continue to grow in decades beyond budget window 	\$26 B	-\$752 M / 5 yrs -\$3.6 B / 10 yrs
<ul style="list-style-type: none"> ● 2007 Supplemental – County Payments / PILT / MILC <ul style="list-style-type: none"> - PAYGO rule applies to mandatory spending and revenues only – not to appropriations - Discretionary spending controlled by separate caps - 2008 budget resolution established new 60-vote point of order to limit changes in mandatory spending on appropriations bills and strengthen PAYGO even further 	\$6.5 B	0
TOTAL	\$105 B	-\$3.9 B

Source: SBC GOP “Swiss-Cheese-Go” chart, SBC Majority Staff

Note: Per section 201 of 2008 budget resolution, net savings enacted pursuant to reconciliation are not included on PAYGO ledger. They are reserved solely for deficit reduction.

GOP "Easy Cheese" Budgets



Source: 2004, 2006, and 2008 Budget Resolutions
Note: Loophole is equal to total cost of mandatory spending and revenue changes assumed in GOP budget resolutions. These amounts were credited on the GOP paygo ledger and available to spend by Congress.