

THE COMMITTEE ON THE BUDGET

THE BUDGET AND HOUSE RULES FOR THE 111TH CONGRESS

6 January 2009

PAY-AS-YOU-GO

The Democrats instituted their pay-as-you-go [PAYGO] rule at the beginning of the 110th Congress with a promise that it would end deficit spending. Since then, however, the fiscal imbalances have worsened dramatically: the deficit has swollen from \$162 billion 2 years ago to current projections of more than \$1 trillion this year; and the debt, which exceeded \$10 trillion in September, may force the Treasury to borrow an additional \$2 trillion this year alone, according to some analysts.

During the 110th Congress, the PAYGO rule was ignored for a range of bills that, when taken together, would increase the deficit by \$420.1 billion.

The Majority rules package for the 111th Congress would further weaken this flawed rule, in the following ways:

- Providing an exception for emergency legislation.
- Allowing the “banking” of savings in one bill so they can be used to offset spending in another bill. In addition to circumventing their rule in the 110th Congress, increasing the deficit by \$420.1 billion, the Majority gamed the rule by using the same offsets for multiple pieces of legislation (in one case they used a single offset 25 different times). Instead of addressing these violations and gimmicks, this new change stretches the rule to accommodate even more spending.
- Allowing the Majority to “shop” for baselines to make PAYGO compliance easier. Specifically, the rules package modifies the requirement that the House use the most recent baseline from the Congressional Budget Office. In 2008, the Majority waived the PAYGO rule for the Farm bill and justified the waiver based on an out-dated baseline.

In addition to weakening PAYGO, the Majority fails to plug existing loopholes in the rule. For example, PAYGO does nothing to address the unsustainable growth of entitlement spending under current law, and does not apply to entitlement spending increases in appropriations bills.

While these PAYGO modifications make it easier for the Majority to increase spending, the revisions provide no relief for taxpayers, and continue the PAYGO bias in favor of tax increases.

MEDICARE

The Majority's rules package eliminates a fast-track legislative process in the House to address Medicare's unfunded liabilities. Under current law, Congress is required to address a funding warning issued by Medicare's Trustees, and there are expedited procedures to provide for the consideration of legislation to address the Medicare Trustees' warning. This rules package waives that requirement and eliminates these fast-track procedures. Based on the Treasury Department's latest financial report, the Federal Government's liabilities amount to \$56 trillion in today's dollars; and absent action by Congress, these liabilities grow by \$2 trillion to \$3 trillion a year. Medicare is the biggest part of this problem, with unfunded liabilities of \$36 trillion.

ADDITIONAL INFORMATION

- The Majority's PAYGO's record in the 110th Congress:
http://www.house.gov/budget_republicans/press/2007/pr20090106paygo.pdf
- The Farm Bill and baseline shopping:
http://www.house.gov/budget_republicans/press/2007/pr20080514farmbill.pdf
- The Medicare trigger and funding warning:
http://www.house.gov/budget_republicans/press/2007/pr20080624docfix.pdf