

MAJOR PAYGO GIMMICKS AND LOOPHOLES
110th Congress

The provisions described below were employed to give the illusion of meeting PAYGO requirements without truly offsetting deficit increases. If the Majority had not claimed credit for these gimmicks, or had not exploited loopholes in their PAYGO rule, these bills would have contained PAYGO violations in the amounts indicated. The list is organized by bill number.

- **H.R. 5, College Student Relief Act** (passed by the House 17 January 2007). Includes a “cliff” that masks the true costs of direct spending increases by up to \$40 billion, by reverting the temporarily lowered interest rates to current law after the 5th year.
- **H.R. 6, Energy Independence and Security Act of 2007** (passed by the House 6 December 2007).¹ Shifts \$900 million of new spending on New York infrastructure outside of the 10-year window to meet PAYGO requirements.
- **H.R. 976, Children’s Health Insurance Program Reauthorization Act** (passed by the House 25 September 2007).² Includes a “cliff” that masks \$42 billion in spending over the 10-year window by artificially reducing spending on the program in 2012 – causing millions of children to be transferred into the Medicaid program.
- **H.R. 1227, Gulf Coast Hurricane Housing Recovery Act** (passed by the House 21 March 2007). Accelerates outlays of existing housing funds to increase spending by \$456 million in 2008, leading to a likely need for increased spending in 2012 and 2013.
- **H.R. 2206, U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, & Iraq Accountability Appropriations Act** (passed by the House 24 May 2007, enacted the next day).
 - Circumvents the requirement to offset a \$6-billion increase in mandatory spending, because PAYGO does not apply to appropriations bills.
 - Shifts timing of payment of estimated corporate taxes from 2013 to 2012 to artificially cure what would otherwise be an increase in the deficit over 5 years.
- **H.R. 2419, Farm, Nutrition, and Bioenergy Act of 2007** (passed by the House 27 July 2007).³
 - Delays farm and crop insurance payments, and accelerates collection of existing premiums without a real spending effect over the long term, resulting in \$4.8 billion in illusory savings.
 - Directs CBO to ignore its rules in estimating costs to show an additional \$400 million in savings from provisions aimed at detecting fraudulent payments.
 - Shifts timing of payment of estimated corporate taxes from 2013 to 2012 to

¹ One of several versions of energy legislation passed by the House.

² One of several versions of SCHIP legislation passed by the House.

³ One of several versions of Farm Bill legislation passed by the House.

artificially cure what would otherwise be an increase in the deficit over 5 years.

- **H.R. 2642, Supplemental Appropriations Act** (passed by the House 19 June 2008, enacted 30 June 2008). Circumvents the requirement to offset a \$70.9-billion increase in mandatory spending, because PAYGO does not apply to appropriations bills.
- **H.R. 2669, College Cost Reduction and Access Act** (passed by the House 11 July 2007, enacted 27 September 2007). Masks \$15 billion to \$30 billion in new spending, according to CBO, through the following gimmicks:
 - Sunsets certain provisions, including new entitlements, within 5 years, instead of offsetting the full costs of the bill.
 - Gradually cuts student interest rates through June of 2012, then reverts back to the original rate to recover the cost within the PAYGO window, masking the full 10-year cost of the bill.
- **H.R. 2761, Terrorism Risk Insurance Revision and Extension Act** (passed by the House 19 September 2007, enacted 18 December 2007). Masks \$8.4 billion in non-offset spending by requiring Congress to pass a second bill if a terrorist attack occurs. The second bill would be designated as an emergency so that Congress would not have to pay for it.
- **H.R. 2900, H.R. 3580, Food and Drug Administration Act Amendments of 2007** (passed by the House 11 July 2007, enacted 27 September 2007). Accelerates the approval process for generic drugs, which is scored as savings over the budget window to meet PAYGO, but in the long term will result in additional costs to the government.
- **H.R. 3162, Children's Health and Medicare Protection Act** (passed by the House 1 August 2007).⁴ Includes a "cliff" that artificially reduces the cost by abruptly ending funding for States and cutting payments to physicians, policies that are then reversed outside the PAYGO window. These gimmicks hide \$72.9 billion in non-offset spending.

⁴ One of several versions of SCHIP passed by the House.