

THE WHITE HOUSE

WASHINGTON

April 24, 2009

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
Washington, D.C. 20515

Dear Madam Speaker:

The Budget that I have proposed and that is currently being considered by Congress would cut the deficit in half by the end of my first term while making key investments in health, energy, and education. Although a plan to cut the deficit in half is an important step in restoring fiscal discipline, it is not enough. After years of fiscal irresponsibility, returning our nation to fiscal health also requires a budget process that can help make those plans a reality.

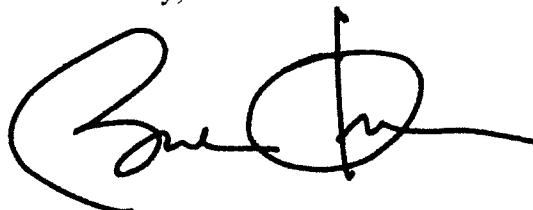
The deficits that my Administration must grapple with reflect years of failing to pay for new policies – especially large tax cuts that most benefited the well-off and well-connected. That is why I am today calling on Congress to work with me in enacting statutory Pay-As-You-Go, or “PAYGO,” legislation.

PAYGO would hold us to a simple but important principle: new tax or entitlement policies should be paid for. Creating a new non-emergency tax cut or entitlement expansion would require offsetting revenue increases or spending reductions.

In the 1990s, statutory PAYGO encouraged the tough choices that helped transform large deficits into surpluses, and I believe that it can do the same today. Both houses of Congress have already taken an important step toward righting our fiscal course by using congressional rules to enforce the PAYGO principle. But we can strengthen enforcement and redouble our commitment by enacting PAYGO into law.

I look forward to working with you and other members of Congress to develop a PAYGO law that would help return the nation to a path of fiscal responsibility.

Sincerely,

A handwritten signature in black ink, appearing to be Barack Obama's signature, written in a cursive style.