

DEMOCRATIC CONGRESS RENEWS COMMITMENT TO FISCAL RESPONSIBILITY, PROTECTS 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

Next week, the House will consider legislation reestablishing statutory “pay-as-you-go” (PAYGO) requirements that helped turn deficits into surpluses during the Clinton Administration. The American people are very concerned by the deep deficits our nation is confronting, so it is vital for House Democrats to show strong support for reinstating the budget discipline of PAYGO, based on the simple principle of paying for what we buy. In order to successfully implement important new programs for the American people, such as health care, we need to make sure that we are protecting fiscal health, too.

Why is PAYGO important?

- Statutory PAYGO is a priority of President Obama’s and, endorsed early in his campaign, is now a central part of the effort to demonstrate our commitment to fiscal responsibility.
- We must balance short-term deficit spending for economic recovery with a commitment to restoring fiscal discipline in the long-term.
- The large deficits we inherited as a result of the borrow-and-spend policies that the previous administration abused have put pressure on funding for education, clean energy, and other important investments.
- We must ensure that regardless of who is in power, PAYGO will be a powerful block against reckless tax cuts financed by debt.
- Accountability in special interests – force lawmakers to justify the diverting of funding from one program to another.

What will this PAYGO legislation do?

- Require that all new policies reducing revenues or expanding entitlement spending be offset over five and ten years.
- Force a serious examination of wasteful subsidies in the budget and tax loopholes that can be eliminated to offset more worthwhile programs.
- Force advocates of tax cuts to acknowledge the costs and show how they would pay for them.
- Ensure that we can afford to fund America’s most important priorities consistently for future generations.
- Allows current policies regarding Medicare physician payments, AMT, middle class tax cuts enacted in 2001 and estate tax to be extended without offsets, but would require extension of upper income tax cuts to be offset.
- Includes an exemption for legislation designated as an emergency, such as the American Recovery and Reinvestment Act.

How did we get here?

- The abandonment in the Bush years of the PAYGO principle that our country should pay for what it buys.
- Reckless tax cuts financed by debt.
- The cost of two wars that were funded outside the budget process.
- Entitlement programs that have grown significantly.
- The necessary, though costly, efforts to get our economy out of recession.