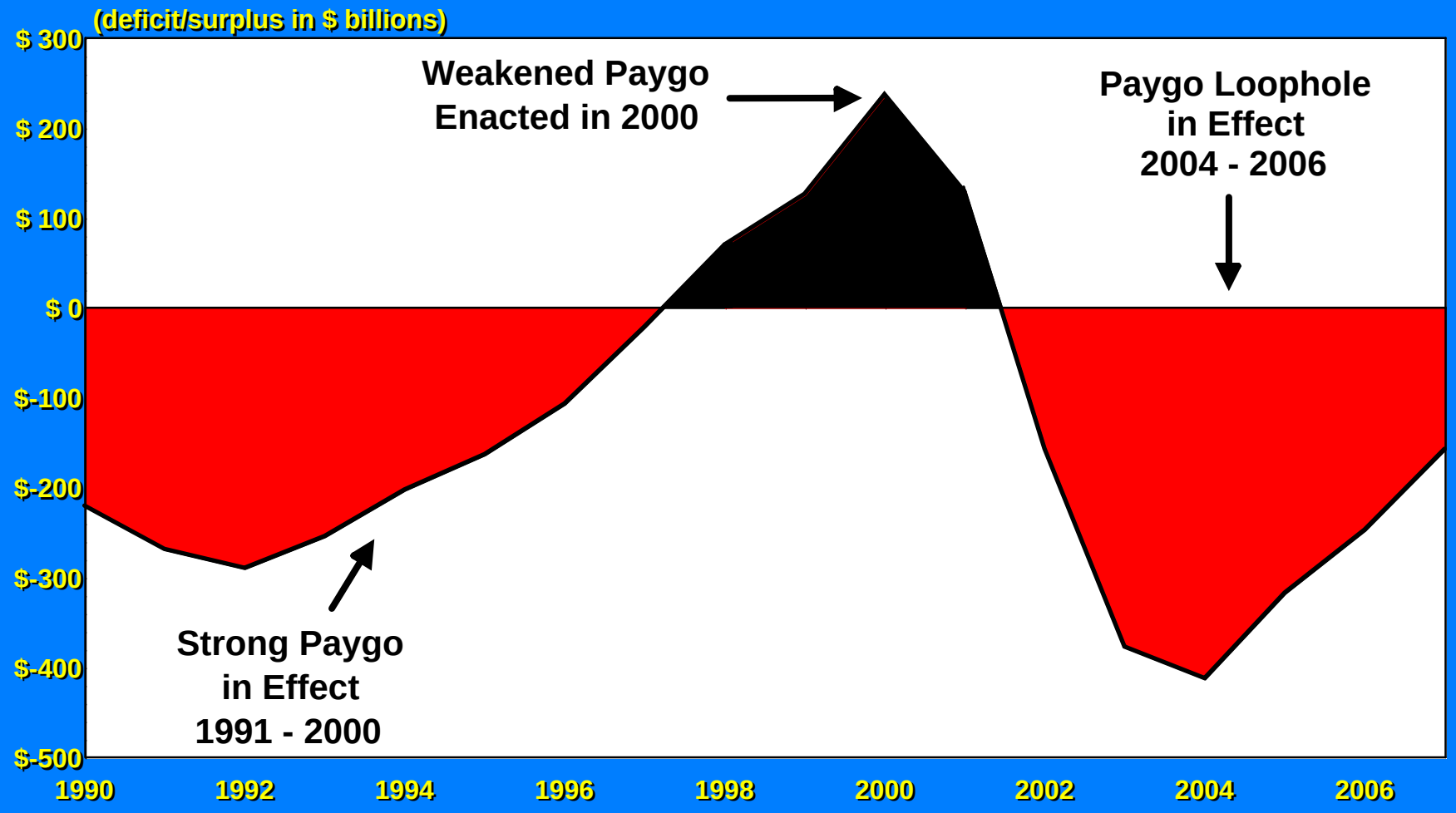
SENATE PAYGO RULE

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

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

9/7/07

PAYGO is Working

- Senate paygo “scorecard” still has positive balance of $450 million
- Every bill coming out of conference this year has been paid for (or more than paid for)
- Paygo also has significant deterrent effect – preventing many costly bills from ever being offered

Senator Gregg on Restoring PAYGO

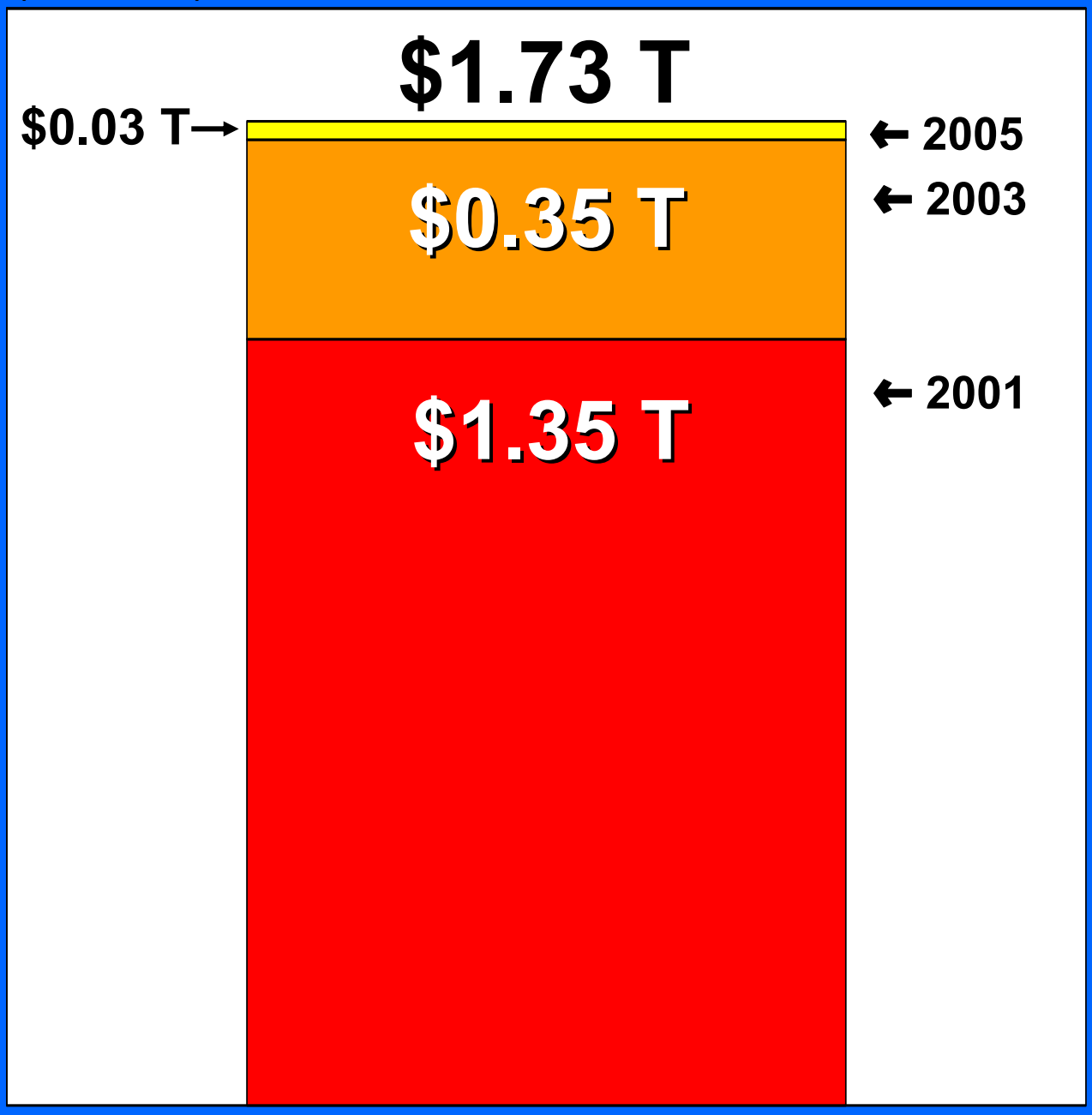
"The second budget discipline, which is pay-go, essentially says if you are going to add a new entitlement program or you are going to cut taxes during a period, especially of deficits, you must offset that event so that it becomes a budget-neutral event that also lapses.

"... 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

GOP Uses Reconciliation Process to Add $1.7 Trillion in Deficits Since 2001

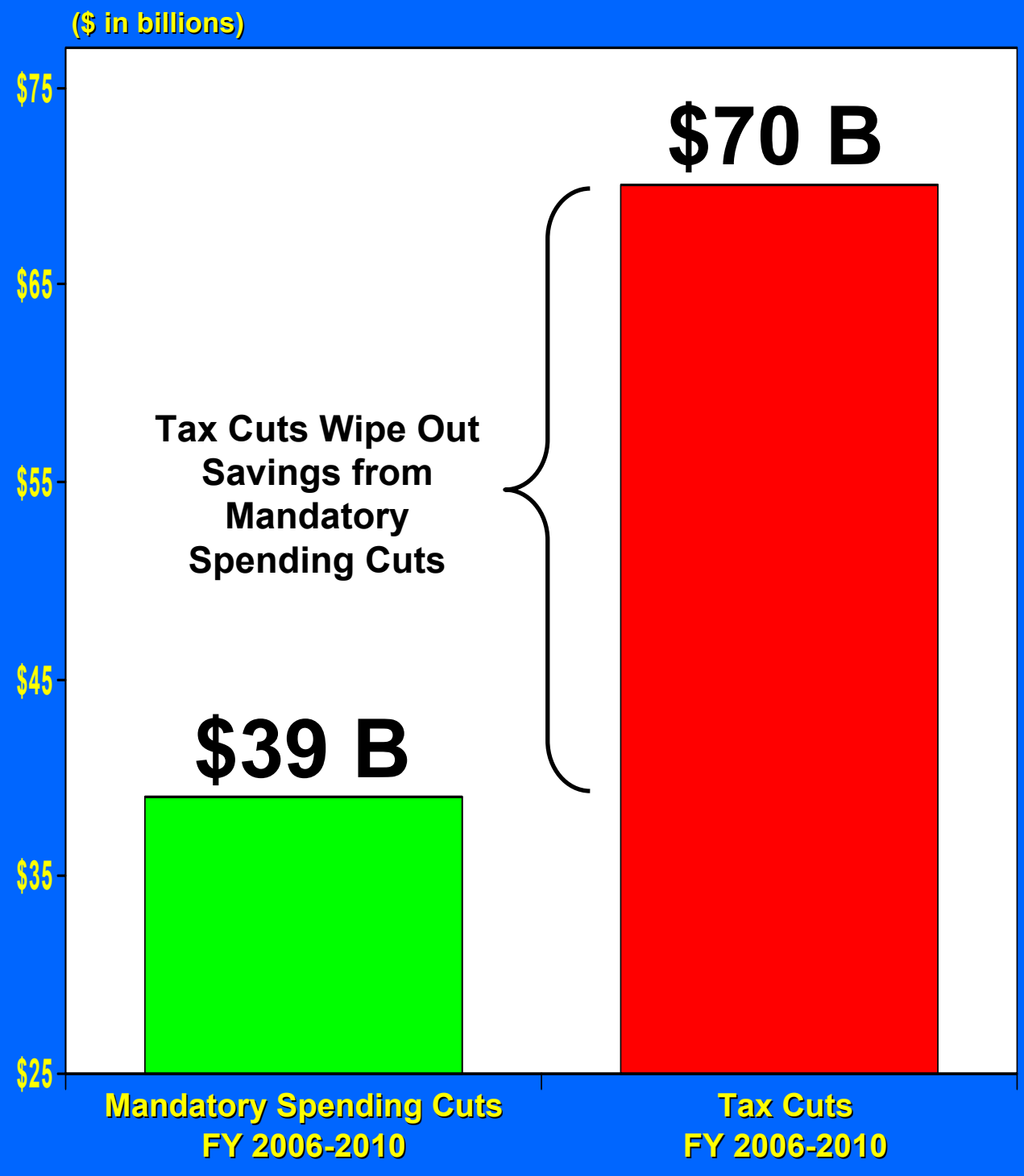
($ in trillions)



Source: CBO, JCT

Note: Reflects net increase in deficits from legislation passed by GOP through the reconciliation process since 2001. The amount reflects the sum of the change in deficits for those fiscal years covered by reconciliation instructions.

GOP 2005-2006 Budget Reconciliation Increased Deficit by $31 Billion



Source: CBO, JCT, 2006 Budget Resolution

SENATE RECONCILIATION RULE

- Reconciliation allowed for deficit reduction only
- 60-vote point of order against any reconciliation bill that would increase deficit or reduce a surplus

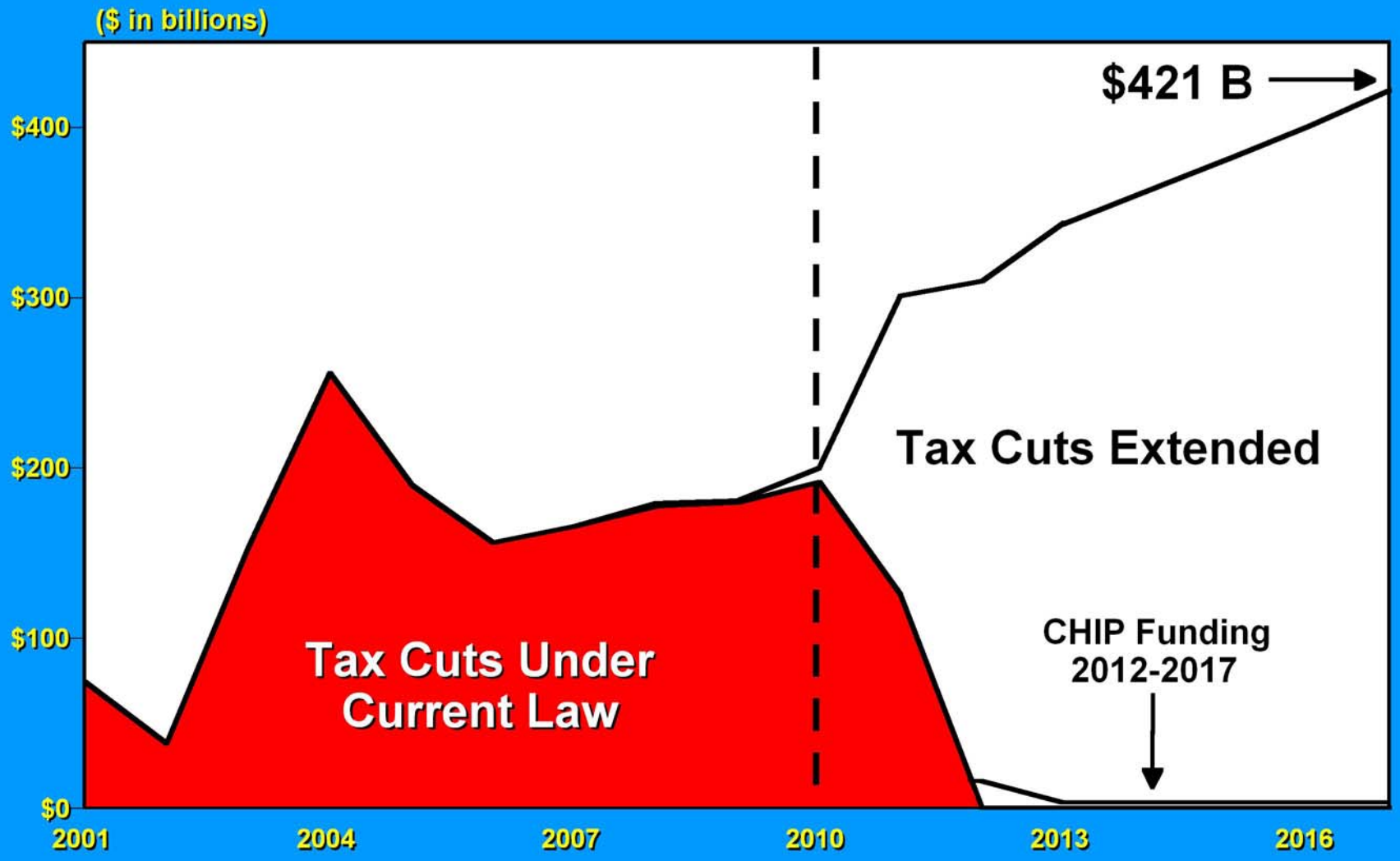
Higher Education Reconciliation Bill

- Increases Pell Grant to $5,400 by 2012
- Cuts student loan interest rates in half
- $752 million in deficit reduction

CHIP Bill: Covering 4 Million Kids and Paying for It

- Provides health coverage to 4 million more uninsured kids.
- Fully paid for over 6 and 11 years – fully complies with PAYGO
- A five-year reauthorization – Congress will reauthorize in 2012 with new policies and offsets.
- Provides important coverage to kids, while spurring action on broader health care reform.

Sunsets Hide True Cost of 2001 and 2003 Tax Cuts



Source: CBO and SBC

Note: Cost of extending 2001 and 2003 tax cuts includes interactive effect of extending AMT reform.