



# BUDGET BULLETIN



COMMITTEE ON THE BUDGET  
Republican Staff

Judd Gregg, Ranking Member  
202/224-0642 <http://budget.senate.gov/republican>

110<sup>th</sup> Congress, 2<sup>nd</sup> Session: No. 7

June 23, 2008

## INFORMED BUDGETEER

### BLUE DOGS BAMBOOZLE THEMSELVES, THEN LET THEMSELVES BE BOOMBAZZLED

Three weeks ago, the Congress finally adopted a budget resolution for fiscal year 2009. What took so long? One reason is that the Blue Dogs held it up; this *Bulletin* addresses why they held it up. (The other key reason for the delay of the budget resolution involves the delay of the farm bill; the next *Budget Bulletin* will address this reason.)

[The Blue Dog Coalition](#) consists of 49 moderate and conservative Democratic members of the House who have joined to be a self-proclaimed “bridge-building voice” that is fiscally conservative.

To review a little history on this latter claim, the Blue Dogs have been among the most vocal members of the House regarding the enforcement of the first-ever House pay-go rule instituted in January 2007 when the Democrats became the majority party in the House.

Last year, the Blue Dogs held up decisions on the ingredients of the 2008 budget resolution because they wanted to make sure that extension of tax relief (e.g., continuing to protect taxpayers from the effects of the Alternative Minimum Tax [AMT] or extending some of the expiring tax cuts after 2010) that had been assumed in the House- and Senate-passed budget resolutions would be offset under the pay-go rule. They first wanted the planning document that is the budget resolution to show that those tax cuts would be offset, and then further wanted to guarantee that the actual tax legislation would comply with pay-go.

What happened? The 2008 budget resolution that was finally adopted included a “trigger” so that Blue Dogs could convince themselves that pay-go would be observed in the House. Future tax relief legislation must be made contingent on the projection of a surplus; if not, the trigger requires the House Budget Committee chairman to adjust the budget resolution revenue aggregates in order to give rise to a point of order.

Congress last year never did deal with the expiring tax cuts, but did wrestle all year long until mid-December with enacting a one-year patch for AMT. It took that long because the Blue Dogs insisted that the \$60 billion cost of the 2007 AMT patch be paid for with other tax increases, but the Senate would not go along.

Eventually the Blue Dogs capitulated, and the AMT bill passed the House without offsets. The Blue Dogs claimed they extracted a “promise” from the House leadership that, when Congress returned in 2008, the House would consider a stand-alone bill to enact offsets that would pay for the cost of the AMT 2007 patch that had already been enacted. Of course, the House has yet to consider such a bill, and there is no likelihood it will.

That brings us to this year. The Blue Dogs realized that the “trigger” in the 2008 resolution and their flagging resolve in December were not sufficient to guarantee that the Congress would only enact the AMT patch if it were offset. So the Blue Dogs first thought they could create such a guarantee if the conference report on the 2009 budget resolution included a reconciliation instruction. The following excerpts of press coverage provide a crash chronology of the recent debate (with supposedly non-negotiable demands and major turning points, bolded and italicized by the *Bulletin*):

### CQ TODAY

Friday, April 4, 2008

April 4, 2008 – 4:54 p.m.

#### ‘Blue Dogs’ Demand Offsets for AMT Patch in Final Budget Resolution

By David Clarke, CQ Staff

Members of the House Democratic Blue Dog Coalition wrote House and Senate Budget leaders Friday *insisting* that a fully offset “patch” for the alternative minimum tax advance through the filibuster-proof budget reconciliation process this year.

“An FY 09 budget *conference report that does not include deficit-neutral AMT relief through reconciliation*, and that does not require any second stimulus package to be fully offset, *will meet our firm opposition* on the House floor,” the letter reads.

The Blue Dogs want their Senate colleagues to at least try to pass an offset patch via reconciliation to get around Republican opposition and force the president to veto such a bill, as he almost certainly would.

National

### CongressDaily

#### Conrad Plans To Meet With Blue Dogs On Cost Of AMT

Tue. Apr. 22, 2008

by Humberto Sanchez

The Blue Dogs want Congress to pay for the cost of the AMT fix by including reconciliation instructions in the final version of the budget resolution. Under reconciliation, Congress can use the budget process to shield legislation from filibusters.

Last year, Senate Republicans used the filibuster to defeat Democratic attempts to offset the cost of a 2007 AMT relief bill. Republicans in Congress support patching the AMT, but do not support offsetting the fix.

*Conrad said today that even if the final budget resolution includes reconciliation language for the AMT offset, the Senate Finance Committee would not have to use it and leaders of the panel have told him that they would not.*

April 24, 2008 – 6:54 p.m.

### Blue Dog Democrats and Budget Chairmen Hash Out AMT Offset Concerns

By David Clarke, CQ Staff

The chances of getting a final budget resolution this year improved slightly Thursday when House “Blue Dog” leaders said *they would consider a plan that does not require moving a “patch” for the alternative minimum tax through the filibuster-proof reconciliation process.*

The *fiscally conservative Blue Dogs made the concession* after meeting with Senate Budget Chairman Kent Conrad, D-N.D., and House Budget Chairman John M. Spratt Jr., D-S.C., to discuss their concerns about the fiscal 2009 budget resolution.

“*We’re not wedded to reconciliation,*” said Rep. Allen Boyd of Florida, a leader of the 47-member House Democratic Blue Dog Coalition. “We are wedded to pay-go compliance and fiscal responsibility.”

The Blue Dogs say they will continue to push both chambers to comply with pay-as-you-go rules, but *voiced willingness to look at strategies other than reconciliation.* “Blue Dogs will remain firm in supporting an AMT that’s paid for,” said Mike Ross, D-Ark., a Blue Dog leader.

What is the practical effect of this new point of order? It is redundant to the already-in-place pay-go point of order, which **currently requires** that deficit increases of any size in any year be offset over the period of the budget resolution (2008-2013) as well as over the next 10 years.

The only time this new \$10-billion point of order could be of any marginal value in fiscal discipline is if legislation is designated as an emergency (such as H.R. 5140, the stimulus bill enacted in February 2008). An emergency designation that is attached to a provision or bill exempts that provision or bill from the pay-go point of order (and from most other enforcement tools). But even with an emergency designation attached to it, a provision or bill would still face this new \$10-billion point of order if it increases the deficit by more than \$10 billion and is not offset (unless that emergency bill is an appropriation bill, which is exempt from the new point of order).

So for example, a bill to patch the AMT (i.e., make the AMT go away) for another year (2008) would increase the deficit by \$70 billion in 2009. One could raise the new \$10-billion point of order against the bill without having to go through the two-step process of: 1) challenging the emergency designation and (if successful in stripping the emergency designation) then 2) raising the pay-go point of order.

Of course, if the AMT bill is not designated as an emergency (it was not last year), then one could always raise the pay-go point of order. The new \$10-billion point of order would just be a weaker sister.

The Blue Dogs claim they got a better deal by giving up reconciliation in return for Senator Conrad’s promise to raise a new budget point of order against an AMT patch bill that is not offset. Last year, the 2007 AMT patch, which was not offset, passed the Senate by a vote of 88-5 (no one raised the pay-go point of order) and passed the House (under suspension, which means that the House suspends its rules, including the pay-go rule) by a vote of 352-64, including 25 Blue Dogs voting aye! **It is hard to see how a promised 60-vote hurdle in the Senate – whether it is an old point of order or a redundant new point of order – really satisfies the Blue Dogs’ goal of guaranteeing that Congress will not increase the deficit when it patches the AMT.**

Nonetheless, a few Blue Dogs said that “this is the strongest tool, even stronger than reconciliation, that Conrad can give us.” They missed the boat: **the strongest tool to prevent an increase in the deficit would be for the Democrats to return to the tough, old-fashioned pay-go they campaigned on.** Old pay-go had the first-year deficit test of zero. If that pay-go rule was in place, the \$70 billion 1<sup>st</sup>-year cost of the AMT patch would have to be paid for in 2009, not over 5 years or 10 years. Old pay-go did not allow a first-year deficit increase of 1 penny or \$10 billion or \$70 billion, unless it was offset by exactly the same amount in that first year.

Another thought to ponder: both the House and the Senate must pass legislation before it is sent to the President for his signature. If the Blue Dogs really want to stick to pay-go, they can all refuse to vote for any measures that are not fully paid for to try and prevent the bill from passing the House. The Blue Dogs do nothing to further their agenda by insisting on a new, Senate-only point of order.

**Verdict:** The Blue Dogs faked themselves out thinking that a reconciliation instruction to the Senate Finance Committee in the 2009 budget resolution would force a different outcome on an AMT patch than last year. When they finally were made to understand this, they think they saved face by buying a new point of order in the Senate that is actually weaker than their touchstone pay-go point of order. With the new point of order, the Blue Dogs sound like they won’t have a problem with legislation that increases the deficit in any year by less than \$10 billion; as a result, the Blue Dogs should have a red face.

April 29, 2008 – 10:08 p.m.

### ‘Blue Dogs’ Reach Deal on Offsets

By David Clarke and Chuck Conlon, CQ Staff

“Blue Dog” Democrats struck a compromise over taxes Tuesday with the Budget Committee chairmen in both chambers, removing a major impediment to adoption of a congressional budget resolution.

Ross and Allen Boyd, D-Fla., another Blue Dog leader, said that under the agreement, revenue levels in the final budget plan will reflect an assumption that an AMT bill will be offset.

Boyd and Ross also said that *a new Senate point of order will be created that can be raised against bills that are not offset and cost more than \$10 billion*, and that as part of the deal, Senate Budget Chairman Kent Conrad, D-N.D., *promised to raise that point of order*, and possibly other points of order, against non-offset bills. “What is important here is that we pass a budget conference report that is as PAYGO-compliant as possible. That’s what we want,” Boyd said.

“The [\$10 billion] point of order that would require 60 votes in the Senate is the strongest tool Sen. Conrad could give us,” Ross said.

*A point of order already exists against bills that do not comply with pay-as-you-go rules, but adding a new point of order has convinced Blue Dogs that the Senate will either try to offset an AMT patch or force senators to go on record against the pay-as-you-go principle.*

Phew! What a turnabout!! Head-scratching budgeteers everywhere have been asking: what value does the new Senate-only point of order in the 2009 budget conference report provide the House Blue Dogs? What does the new point of order even do? And why are the Blue Dogs so concerned about holding the Senate’s feet to the pay-go fire?

Section 315 of the conference report on S. Con Res. 70 (entitled the “Point of Order Against Legislation Increasing Short Term Deficit” [sic]), creates a 60-vote point of order, in the Senate only, against legislation that increases the deficit by \$10 billion in any one year through 2013, unless the deficit increase in that year is offset over the period of the budget resolution (2008-2013). (The conference report also claims it plans to provide an AMT patch for 2008, with the cost of that patch fully offset under the budget resolution’s assumptions.)