



# SUMMARY DEMOCRATIC ALTERNATIVE BUDGET PROCESS REFORM

PREPARED BY: DEMOCRATIC STAFF, SENATE BUDGET COMMITTEE

June 20, 2006

## **Democratic Alternative Provides Opportunity For Meaningful Deficit Reduction**

The Democratic alternative (sponsored by Senators Conrad and Feingold) to the GOP budget process bill is designed to lead to meaningful deficit reduction. The measure includes provisions that have worked successfully to reduce deficits in the past, such as a strong pay-as-you-go rule, and imposes new rules to guard against wasteful spending, such as a prohibition against adding extraneous provisions to conference reports.

The Democratic alternative puts in place proven and workable rules that can help political leaders restore fiscal discipline to the budget process. But for these rules to work, there has to be the political will to make the tough choices. Democrats are not only willing to propose the right reform, as evidenced by this proposal, but are prepared to make the right choices that will lead to meaningful deficit reduction and an improved long-term budget outlook.

### Strengthening and Extending Paygo

The Democratic alternative restores the paygo, or pay-as-you-go, budget enforcement rules that helped the country return to surplus in the 1990's.

First, it would put back in place in the Senate a true paygo point of order that applies to all legislation that would worsen the deficit by increasing mandatory spending or cutting taxes. Tax cuts and mandatory spending increases could still be considered, but they would have to be paid for or receive 60 votes. The paygo point of order would be in place through September 30, 2011.

The Senate point of order eliminates the current Republican loophole that makes the existing paygo rule an ineffective tool to reduce deficits. The current Republican paygo rule exempts increases in mandatory spending and tax cuts assumed in any budget resolution from the 60-vote paygo point of order. This loophole should not be allowed to remain in place.

Second, the Democratic alternative also reinstates statutory paygo enforced by sequestration, which was allowed to expire at the end of 2002. Mandatory spending increases and tax cuts enacted during a fiscal year would either have to be offset with other legislation that produces savings in mandatory spending or revenues, or trigger sequestrations – automatic spending cuts – of mandatory programs at the end of the fiscal year. Sequestration would sunset September 30, 2011.

### *Prohibits Abuse of Reconciliation*

The Democratic alternative prevents the budget reconciliation “fast-track” process from being used to increase deficits. The measure reaffirms the original intent of reconciliation which was to make it easier to pass legislation to reduce deficits, not increase them. Congress could still pass legislation with bipartisan support under regular order. However, this reform proposal makes the task of increasing deficits harder by taking away a “fast-track” process that has made it easier to increase deficits in recent years.

### *President Must Budget for War*

The Democratic alternative requires the President to budget for the cost of ongoing military operations. Republicans and Democrats have tired of the President’s practice of providing no or only partial funding for war fighting in its annual budget submission. By ignoring war costs, the President is masking the size of the deficit and forcing Congress to take up supplemental appropriations bills that are ripe for fiscal abuse. This reform proposal requires the President to include with his annual budget submission a request and detailed justification for the costs of the armed forces’ participation in all ongoing military operations.

### *Strengthens and Protects Social Security*

The Democratic alternative protects Social Security by prohibiting any changes to Social Security using a fast-track process, enforced with a 60-vote point of order in the Senate. Specifically, changes to Social Security would only be considered under normal Senate rules. This provision ensures that proposals to strengthen Social Security are made on a bipartisan basis.

The measure also calls on Congress to “Save Social Security First” by creating a 60-vote point of order in the Senate against new mandatory spending or tax cuts that would increase the deficit, until legislation is enacted to restore 75-year solvency to Social Security. This provision is intended to ensure that saving Social Security takes first priority, before any new mandatory spending or tax cuts. Recognizing that the Social Security surplus should not be used to mask the size of the deficit, the Democratic alternative reaffirms Social Security’s off-budget status and prohibits putting Social Security back on-budget – enforced with a new 60-vote point of order in the Senate.

### *Reinstates GOP Budget Point of Order GOP Repealed Just Last Week*

The Democratic alternative restores a 60-vote point of order -- adopted last year by Republicans – against legislation making changes in spending, revenues, or the public debt limit in fiscal year 2007 prior to the adoption of a FY 2007 budget resolution for the rest of 2006. In a most public flip-flop, Republicans last week repealed their very own 60-vote point of order (for the rest of this calendar year) which they wrote and adopted in last year’s budget resolution. Why did Republicans put this 60-vote point of order in place only to repeal it one year later? Does this mean any budget process reform efforts Republicans impose this year will simply be repealed next year?

### *Requires More Thorough Cost Estimates for Pending Legislation*

In order to provide the public with a truer analysis of the cost of pending legislation, the Democratic alternative requires additional information from the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT). Specifically, CBO and JCT would be required to show the fully phased-in, ten-year cost of any spending or revenue proposal that uses sunsets and phase-ins and/or phase-outs to mask the true cost of proposed policies.

In addition, to assist in determining whether provisions of reconciliation are extraneous under the Byrd rule because they have outyear costs that are not paid for, CBO and JCT would be required to estimate costs for the ten years following the ten-year budget window.

*Makes Conference Reports More Fiscally Responsible*

In an effort to make the Senate consideration of conference reports more fiscally responsible, the Democratic alternative requires conference reports to:

- be filed and made available for at least 48 hours prior to Senate consideration;
- have a written CBO cost estimate or table prior to Senate consideration; and,
- be primarily in the jurisdiction of the same committee or Appropriations subcommittee as the Senate-passed bill submitted to conference.

If any of these conditions are not met, a point of order may be raised against the conference report, which can be waived by a vote of 60 Senators.

The plan also prohibits new earmarks and other extraneous provisions from being added behind closed doors to unamendable conference reports. It allows Senators to strike new provisions added in conference without sending the bill back to conference. The new point of order can be waived with 60 votes.

*Reinstates Point of Order Enforcing Spending Caps*

The Democratic alternative restores a 60-vote point of order enforcing a discretionary spending limit as Congress considers annual appropriations bills. In another budget flip-flop, Republicans last week repealed the three years of spending limits they wrote and adopted in last year's budget resolution and created a new limit for 2007 that is \$7 billion higher than the limit they set just last year. This calls into question the Republicans' commitment to their new process proposals.

*Call to Action*

The Democratic alternative calls on the President and Congress to undertake a bipartisan effort to solve the current and long-term fiscal challenges facing our nation. It recognizes that the only way a solution can be reached is if the President and Members of both parties bring their best ideas forward. It should be elected public officials who do their job and get to work solving the fiscal problems of the country, not commissions composed primarily of unelected officials.

\* \* \*

*Senate Budget Committee Democratic Staff, Dirksen 624*  
*Contact: Stu Nagurka (202) 224-7436 or Steve Posner (202) 224-7925*