HOUSE BUDGET COMMITTEE

Democratic Caucus

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Budget Process Bill: Vote NO on Spending Control Act; Vote NO on Entitlement Caps;Vote YES on Spratt Substitute

Today the House will consider H.R. 4663, the Spending Control Act of 2004, and a number of amendments to it. Democrats support strong and effective budget enforcement rules, but this bill proposes one-sided Pay-As-You-Go (PAYGO) rules that likely would worsen the deficit rather than improve it. Republican amendments also include this flawed PAYGO provision, as well as an entitlement cap that would put important government services at risk.

Contents

- ***Putting the Cart Before the Horse*** — This budget enforcement legislation comes to the House floor at a time when the Congress has not approved a budget resolution conference report. The conference report passed by the House lacks credibility, providing no plan to bring the budget back to balance and failing even to specify multi-year policy numbers.

- ***Republican PAYGO Proposals Would Worsen Deficit, Not Improve It*** — Since President Bush took office, a projected ten-year surplus of $5.6 trillion has turned into a projected deficit of $2.9 trillion— an $8.5 trillion reversal. H.R. 4663 would actually worsen, rather than improve, this deficit, because it exempts tax cuts from PAYGO budget enforcement rules — inviting unlimited new tax cuts that would drive the budget even deeper into the red. The substitutes offered by Rep. Mark Kirk and by Rep. Bill Young include a similar PAYGO provision. The substitute offered by Rep. Jeb Hensarling establishes an equivalent point of order that applies only to mandatory spending, not tax cuts.

- ***Amendments Include Damaging Entitlement Cap*** — The Rules Committee has made in order a number of Republican amendments — including amendments sponsored by Rep. Hensarling and by Rep. Kirk containing entitlement caps that would place important government services at risk.

- ***Democratic Amendment Restores Effective Budget Enforcement Rules*** — The Spratt substitute reestablishes the effective PAYGO rules — for both spending and tax cuts — which helped turn record deficits into record surpluses in the 1990s. The Rules Committee failed to make in order the substitute offered by Blue Dog Democrats, which also included an effective PAYGO provision — and which the House should have been given the opportunity to vote on.

Summary of Republican Budget Process Bill — Spending Control Act of 2004 (H.R. 4663)

H.R. 4663, the Spending Control Act of 2004 — sponsored by Budget Committee Chairman Nussle — is a revised version of a bill approved by the Budget Committee in March on a 24 to18 party-line vote. Following is a summary outlining the details and implications of H.R. 4663.

Spending Control Act — Flawed Pay-As-You-Go (PAYGO) Provision

Establishes Unprecedented Rule That Exempts Tax Cuts from PAYGO — The bill rewrites the expired PAYGO provisions so that the net cost of increases in mandatory spending each year would trigger sequestration of mandatory programs, but the net costs of tax cuts would not. The bill applies PAYGO to direct spending enacted prior to October 1, 2009, and maintains a scorecard for such legislation through 2013.

Fails to Address Major Cause of Deficits — Tax cuts have played a central role in producing the staggering deficits we now face. Measured over the 2002-2011 budget window, $2.3 trillion of the fiscal reversal that has occurred since January 2001 has been caused by tax cuts and the associated debt service, according to the Congressional Budget Office. Extending PAYGO to cover only mandatory spending — as the Republican bill proposes — takes a critical cause of the deficit problem off the table.

Abandons Bipartisan Consensus Supporting Effective Enforcement Rules — The original PAYGO rule — which applied to both tax cuts and spending increases — was instrumental during the 1990s in bringing us from record deficits to record surpluses. The original PAYGO rule was renewed in July 1997 on a bipartisan basis, with a large majority of House Republicans — including most of the Republican leadership — joining a large majority of House Democrats in voting to extend the PAYGO requirement applying to both tax cuts and mandatory spending.

Ignores Widespread Support for Balanced PAYGO Rules — The consensus that PAYGO rules should apply to both sides of the ledger includes Senator John McCain, Federal Reserve Chairman Alan Greenspan, the Committee for a Responsible Federal Budget, and the Concord Coalition. The Senate has been unable to pass the budget resolution conference report because a majority of Senators are opposed to that measure's PAYGO point of order, which applies only to spending increases and not to tax cuts.

Spending Control Act—Discretionary Spending Caps for 2005 and 2006

H.R. 4663 sets the total discretionary funding limit for 2005 at the level in the 2005 budget resolution conference agreement, and sets the 2006 funding limit at the level of the House budget resolution; there are no total funding caps for other years. The bill keeps the conservation spending category through 2006, when it expires in current law. It also specifies annual mass transit and highway funding for each year through 2009 at the levels in the House-passed transportation reauthorization bill (TEA-LU). H.R. 4663 enforces a limit on advance appropriations for two years, defines "emergencies," and excludes emergency funding from calculations of baseline levels. The bill does not limit emergency funding.

2005 Cap At Budget Resolution Conference Agreement

The bill caps non-emergency discretionary funding for 2005 at $821.5 billion, virtually the same level as in the conference agreement on the budget resolution; the conference agreement contains an additional $50 billion in emergency funding for military operations in Afghanistan and Iraq.

Cuts Domestic Services for 2005 — Because of the low 2005 funding cap that the budget conference set and that this bill would enforce, the House already has passed 2005 Homeland Security and Interior funding bills that shortchange vital programs. The budget and the levels in this bill cut 2005 domestic funding — all funding except for defense and international programs — by a total of $11.1 billion below the amount needed to maintain services at their 2004 levels, and by $487 million below a freeze at the 2004 enacted level.

Underfunds Veterans' Care for 2005 — The conference report provides $1.3 billion less than what the House Veterans' Affairs Committee says is needed for veterans' health care programs for 2005. The allocation to the Appropriations Subcommittee on Veterans-HUD-Independent Agencies is $4.6 billion (4.7 percent) below the amount needed to maintain services at the 2004 level, which could cause deep cuts to veterans' health care.

2006 Cap Below President's Planned Level for 2006

The bill caps non-emergency discretionary funding for 2006 at $843.2 billion, virtually the same as the 2006 level in the House budget resolution. Under this cap, domestic non-homeland security funding for 2006 is slashed $22.9 billion (6.4 percent) below the amount needed to maintain services at their 2004 level if national defense, homeland security, and international affairs programs receive the amount requested for 2006 in the President's budget.

The 2006 cap is $1.8 billion below the 2006 total in the President's 2005 budget, a total that already imposed drastic cuts in many agencies. Because H.R. 4663 sets transportation spending above the level in the President's budget, the lower total spending for 2006 will require much deeper cuts than the President made in all other areas. These cuts would only worsen the 2006 cuts outlined in the President's budget.

Education Cut by More than $1.5 Billion for 2006 — The lower 2006 general purpose discretionary level in the bill could require a steeper cut to the Department of Education, which the President's budget cuts by $1.5 billion from 2005 to 2006.

Veterans' Health Care Cut by More than $910 Million for 2006 — The President's budget cuts funding for 2006 for the Department of Veterans Affairs by $910 million (3.1 percent) below the 2005 requested level. And even that 2005 level was $2.5 billion less than what the House Veterans' Affairs Committee says is needed for veterans' health care programs for 2005. Because H.R. 4663 cuts general purpose discretionary funding below even the President's level for 2006, it would likely require still deeper cuts in funding for veterans' medical care.

Environmental Protection Cut Significantly for 2006 — H.R. 4663 could require even steeper cuts for environmental protection for 2006 than the President's budget, which already cuts 2006 funding for the Department of Interior by 2.2 percent below his 2005 budget, and cuts the Environmental Protection Agency by 1.9 percent.

Targeted Amendments

Commission on Elimination of Federal Agencies (Brady/Turner Amendment) — This amendment would establish a commission appointed by the Congress to review all federal agencies at least once every 12 years and recommend the elimination or reorganization of agencies or programs considered duplicative, inefficient, or outdated. The amendment requires that after the commission completes its review of an agency, that agency would be abolished within one year unless Congress reauthorized the agency.

One-Page Budget Resolution and Changes to Emergency Spending (Chocola Amendment) — This proposal would replace the 20 budget functions in the annual budget resolution with a one-page budget that divides spending into five categories — 1) defense discretionary spending, 2) non-defense discretionary spending, 3) mandatory spending, 4) emergency spending, and 5) interest. The proposal would remove from the text of the budget resolution figures for individual budget functions — such as agriculture, veterans, health, and transportation. This change would mean that the budget resolution would not translate overall spending levels into concrete funding amounts for particular areas of the budget. This change might make it easier to build in unrealistically low overall spending levels, without fully understanding the consequences of such underfunding for particular aspects of the budget. In addition, the proposal would reduce the extent to which consideration of the budget resolution would involve an in-depth debate about priorities. The amendment would also create a new category of spending for emergencies and would change the treatment of emergencies in the budget resolution and in the Congressional Budget Office's projections of spending under current law.

One-Page Budget Resolution (Hastings/Castle Amendment) — This proposal would eliminate the requirement that the annual budget resolution include 20 budget functions. (The House and Senate Budget Committees would have the discretion to include functional categories they deem appropriate.) It would require that the budget include only four basic pieces of budgetary data — 1) total of new budget authority and outlays, 2) revenues, 3) surplus or deficit, and 4) public debt. Like the Chocola amendment (see discussion immediately above), the proposal would make it possible for the Budget Committees to remove from the text of the budget resolution figures for individual budget functions.

Entitlement Cap (Hensarling Amendment #11) — The Hensarling amendment sets yearly caps on total entitlement spending (excluding Social Security). These caps could fall more than $1 trillion short of the amount necessary to maintain current-law benefits in mandatory programs over the next ten years, thereby triggering significant cuts in numerous programs. These cuts would occur either through Congressional action, or through automatic cuts if Congress does not act. All non-Social Security mandatory spending counts against the cap, including net interest on the public debt. So if Congress passes a tax cut that increases the deficit — thereby increasing net interest payments — working families, veterans, college students, farmers, and disabled and elderly individuals could be hurt.

The amendment limits the *automatic* cuts for some programs — such as veterans' compensation and pensions, food stamps, Medicaid, State Children's Health Insurance Program, and part of Medicare — to 2 percent per year (compounded each year). Medicare Hospital Insurance is fully exempt from automatic cuts. Other programs, such as child care, direct student loans, farm price supports, TriCare-for-life military health benefits, and trade adjustment assistance, would face unlimited automatic cuts. It is likely that Congress would intervene to head off deep, automatic cuts to these programs. This could result in cuts deeper than 2 percent for programs that are supposedly "protected," such as Medicare and Medicaid.

Automatic Continuing Resolution (Hensarling Amendment #12) — This amendment would provide for an automatic continuing resolution if appropriations bills were not passed by the beginning of the fiscal year. It would set funding levels at or below the prior year's level. Opponents of this proposal believe that an automatic continuing resolution would violate the Congress's prerogative and obligation to appropriate funds, and would reduce the incentives for Congress and the President to complete annual appropriations bills on time. The President, for example, might veto appropriations bills freely, without fear of government shutdown. Members of Congress opposed to higher funding levels for certain agencies and programs might block passage of an appropriations bill in order to achieve the lower funding levels that the automatic continuing resolution would put in place, without an explicit debate and without a vote. By making completion of appropriations bills less likely, the amendment would also inhibit oversight and management reform.

Annual Report on Entitlement Spending (Kirk Amendment #17) — This amendment requires the Congressional Budget Office (CBO) to report by February 15 the extent to which actual entitlement spending for the prior year exceeded projections, by program. While many see this as "truth in budgeting," it might also target programs for spending cuts simply because CBO erred in its projections.

Joint Budget Resolution (Ryan/Gutknecht Amendment) — This amendment would convert the concurrent resolution on the budget into a joint resolution that is signed by the President and has the force of law. Opponents believe that — by allowing the President to veto the budget resolution — this proposal would increase the power of the President and reduce the power of Congress. Opponents also suggest that a joint budget resolution might be used to directly legislate the policies it envisions — thus diminishing the role of the authorizing committees. Opponents also believe that a joint budget resolution might result in protracted negotiations between the Administration and Congress that would slow the passage of the budget resolution and delay the later consideration of appropriations bills and other legislation.

***"Lock-Box" for Amendments (Ryan/Neugebauer Amendment)* —** This amendment allows budget savings from floor amendments in the House that cut spending to be placed in a "lockbox"where they would be unavailable to offset other spending. Similar "lock-box" treatment would not be provided to amendments increasing revenues. This amendment would therefore prevent the Congress from voting to reallocate spending dollars to match priorities.

Expedited Rescissions (Ryan/Stenholm/Castle Amendment) — This provision would provide for expedited consideration by Congress of proposals by the President to eliminate specific spending items in appropriations bills. The President's proposals would be given fast-track consideration by Congress, and would not be subject to amendment. This provision does not allow for similar expedited consideration of proposals by the President to repeal targeted tax benefits.

Increased Transportation Levels (Young Amendment #19) — This amendment would raise total funding for 2005 by at least $2.1 billion to accommodate transportation spending at the levels specified in the House-passed transportation bill (TEA-LU).

Elimination of Discretionary Spending Caps (Young Amendment #21) — This amendment strikes section 2 (Extension of Discretionary Spending Limits) of H.R. 4663. Section 2 sets the total discretionary funding limit for 2005 at the level in the 2005 budget resolution conference agreement, and sets the 2006 funding limit at the level of the House budget resolution; there are no total funding caps for other years. That section keeps the conservation spending category through 2006, when it expires in current law. It also specifies annual mass transit and highway funding for each year through 2009 at the levels in the House-passed transportation reauthorization bill (TEA-LU).

Change to Starting Date of Fiscal Year (Young Amendment #22) **—** This amendment provides that beginning in fiscal year 2006 the federal fiscal year shall start November 1 rather than October 1. The amendment instructs the President to consult with the Appropriations Committees and prepare budget estimates to cover the month of October 2005 and propose legislation to provide appropriations and authorizations for that month. The amendment also instructs the Office of Management and Budget and the Congressional Budget Office to prepare government agencies and departments to transition to the new fiscal year and propose any legislation needed to accomplish the transition. The amendment is intended to allow Congress additional time after summer recess to complete appropriations legislation. This amendment would complicate the relationship between the budget and those economic data that are based on calendar quarters.

Termination of Most Federal Programs in Two Years Unless Congress Reauthorizes Them (Young Amendment #23) **—** This amendment would terminate authority for all federal programs (except for earned entitlements such as Social Security, Medicare, veterans' benefits, and retirement programs) as of October 1, 2006, except for programs that Congress reauthorizes prior to that date. Many federal programs are already subject to periodic review and reauthorization by Congress. Some programs, such as Supplemental Security Income (SSI) and Medicaid, are permanently authorized, but Congress has the ability to change or abolish any program if it deems such action appropriate. For example, Congress made significant changes to SSI, Medicaid, and other low-income entitlements in the 1990s, and it abolished the Aid to Families with Dependent Children program.

Elimination of Limit on Advance Appropriations (Young Amendment #26) — This amendment strikes the provisions of H.R. 4663 that limit advance appropriations. Those provisions limit advance funding to $23.6 billion for 2005 and 2006, and count under the cap for the budget year any amount above $23.6 billion. The current level of advance funding for fiscal year 2005 is $25.7 billion, $2.1 billion above the level that H.R. 4663 allows.

Elimination of All Provisions Relating to Discretionary Spending Limits (Young Amendment #28) — This amendment strikes "any provision that establishes, extends, or enforces discretionary spending limits." These provisions in H.R. 4663 include: 1) setting total discretionary funding limits for 2005 and 2006; 2) specifying annual mass transit and highway funding for each year through 2009; and 3) limiting advance appropriations for 2005 and 2006.

Summary of Spratt Substitute

Spratt Amendment Restores Balanced and Effective PAYGO Rule **—** The Spratt amendment extends the PAYGO requirement, which lapsed after September 30, 2002, through September 30, 2009. PAYGO as originally defined by the 1990 Budget Enforcement Act required that the cost of all net mandatory spending increases and all tax cuts enacted during a session be fully offset. If Congress failed to meet this obligation, at the end of the year all non-exempt mandatory programs would face across-the-board cuts in a process known as "sequestration." This amendment restores the original intent of the PAYGO requirement, which was renewed on July 30, 1997 on a bipartisan basis. A large majority of House Republicans — including most of the Republican leadership — joined a large majority of House Democrats in voting to extend the PAYGO requirement applying to both tax cuts and mandatory spending. This amendment would strip out language in the bill offered by Chairman Nussle that changes PAYGO to apply only to mandatory spending.

Applies PAYGO to Both Tax Cuts and Spending **—** Tax cuts have played a central role in producing the staggering deficits we now face. Measured over the 2002-2011 budget window, $2.3 trillion of the fiscal reversal that has occurred since January 2001 has been caused by tax cuts and the associated debt service, according to the Congressional Budget Office. Extending PAYGO to cover only mandatory spending — as the Republican bill proposes — takes a critical cause of the problem off the table. The Spratt amendment remedies this flaw by applying PAYGO to both mandatory spending and tax cuts.

Widespread Support for Balanced PAYGO Rules **—** The consensus that PAYGO rules should apply to both sides of the ledger includes Senator John McCain, Federal Reserve Chairman Alan Greenspan, the Committee for a Responsible Federal Budget, and the Concord Coalition. The Republican bill mirrors the PAYGO proposal in the President's 2005 budget, about which the Concord Coalition stated: "the specific enforcement proposals would be ineffective in practice because they only seek to control spending and allow a rather inviting loophole for additional tax cuts by redefining the concept of pay-as-you-go. … [A] tax cut can be every bit as fiscally irresponsible as a spending increase."

Includes Discretionary Spending Limits **—** The substitute sets total discretionary limits for 2005 and 2006 equal to the levels in the 2005 Democratic budget; there are no total funding caps for other years. The bill keeps the conservation spending category through 2006, when it expires in current law. It also specifies annual mass transit and highway funding for each year through 2009 at the levels in the House-passed transportation reauthorization bill (TEA-LU).

Summary of Hensarling Substitute

Point of Order Against Budget Resolution Increasing Mandatory Spending — While the Hensarling amendment does not contain the flawed extension of PAYGO budget enforcement rules included in the base bill and the Kirk substitute, it does create a new point of order against any budget resolution containing a net increase in total mandatory spending for any year. No similar point of order lies against a budget resolution containing a net reduction in revenues.

Hensarling Entitlement Cap Would Result in Harsh Service Cuts — The Hensarling substitute amendment sets yearly caps on total entitlement spending (excluding Social Security). These caps could fall more than $1 trillion short of the amount necessary to maintain current-law benefits in mandatory programs over the next ten years, thereby triggering significant cuts in numerous programs. These cuts would occur either through Congressional action, or through automatic cuts if Congress does not act. All non-Social Security mandatory spending counts against the cap, including net interest on the public debt. So if Congress passes a tax cut that increases the deficit — thereby increasing net interest payments — working families, veterans, college students, farmers, and disabled and elderly individuals could be hurt.

The amendment limits the *automatic* cuts for some programs — such as veterans' compensation and pensions, food stamps, Medicaid, State Children's Health Insurance Program, and part of Medicare — to 2 percent per year (compounded each year). Medicare Hospital Insurance is fully exempt from automatic cuts. Other programs, such as child care, direct student loans, farm price supports, TriCare-for-life military health benefits, and trade adjustment assistance, would face unlimited automatic cuts. It is likely that Congress would intervene to head off deep, automatic cuts to these programs. This could result in cuts deeper than 2 percent for programs that are supposedly "protected," such as Medicare and Medicaid.

Discretionary Limits for 2005 Through 2014 — Rep. Hensarling's substitute to H.R. 4663 sets annual discretionary limits for 2005 through 2014, dividing the total into defense and non-defense funding and increasing each category by 2.1 percent each year beginning with 2006. The 2005 limit is $864.3 billion, which is technically equal to the total in the budget conference agreement (including the $50 billion in emergency funding for Iraq and Afghanistan), but is actually $7.2 billion less than what the budget conference agreement allows after an adjustment. The substitute limits 2005 non-defense funding to the level in the budget conference agreement. Over the ten years, the substitute would limit total spending to $219.9 billion less than the President's budget. Over ten years, non-defense funding would be $119.2 billion below the amount needed to maintain purchasing power at the 2004 level, with a cut of $20.2 billion for 2014 alone.

No Inflation in Discretionary Baseline — The substitute requires the Office of Management and Budget and the Congressional Budget Office to calculate future baseline spending levels without adding inflation, meaning that future deficit calculations will be based on the expectation that discretionary funding levels will never increase.

Automatic Continuing Resolution — This provision would provide for an automatic continuing resolution if appropriations bills were not passed by the beginning of the fiscal year. This proposal would set funding levels at or below the prior year's level. Opponents of this proposal believe that an automatic continuing resolution would violate the Congress's prerogative and obligation to appropriate funds, and would reduce the incentives for Congress and the President to complete annual appropriations bills on time. Those opposed to higher funding levels for certain agencies and programs might block passage of an appropriations bill in order to achieve the lower funding levels that the automatic continuing resolution would put in place, without an explicit debate and without a vote. And if appropriations bills were blocked to cut program funding, that would also prevent the implementation of Congressional oversight through appropriations law. This would prevent the improvement of programs and the elimination of waste and fraud.

Joint Budget Resolution — This provision would convert the concurrent resolution on the budget into a joint resolution that is signed by the President and has the force of law. Opponents believe that — by allowing the President to veto the budget resolution — this proposal would increase the power of the President and reduce the power of Congress. Opponents also suggest that a joint budget resolution might be used to directly legislate the policies it envisions — thus diminishing the role of the authorizing committees. Opponents also believe that a joint budget resolution might result in protracted negotiations between the Administration and Congress, which would slow the passage of the budget-related legislation.

Biennial Budgeting — This provision would allow for the annual budget and appropriations cycle to be converted to a two-year cycle. Proponents of biennial budgeting argue that a two-year cycle would free up the second session of each Congress for program review and oversight, and would allow agencies to improve their long-term planning process. Opponents of biennial budgeting argue that the annual budgeting process itself provides a critical tool for Congressional oversight and influence, which would be weakened and slowed under biennial budgeting. Opponents also believe that a biennial cycle would not allow Congress and the Administration to respond in a timely fashion to changes in economic conditions, budget projections, and national priorities.

Expedited Rescissions — This provision would provide for expedited consideration by Congress of proposals by the President to eliminate specific spending items in appropriations bills. The President's proposals would be given fast-track consideration by Congress, and would not be subject to amendment. This provision does not allow for similar expedited consideration of proposals by the President to repeal targeted tax benefits.

Emergency Funding — The bill defines emergency funding and creates a reserve fund that will be built up over time and be drawn down as needed.

Summary of Kirk Substitute

Exempts Tax Cuts from PAYGO — Like the base bill, H.R. 4663, the Kirk substitute rewrites expired PAYGO provisions so that the net cost of increases in mandatory spending each year would trigger sequestration of mandatory programs, but the net costs of tax cuts would not. Excluding tax cuts from PAYGO rules invites unlimited new tax cuts that would drive the budget even deeper into the red. Inclusion of this one-sided PAYGO provision abandons the bipartisan consensus in favor of a balanced and effective PAYGO provision applying to both spending and tax cuts. The substitute's PAYGO rules expire at the end of Fiscal Year 2007.

***Entitlement Cap Cuts Mandatory Programs By $445 Billion* —** The Kirk amendment caps spending on all entitlements other than Social Security, Medicare and Railroad Retirement. The cap is insufficient to cover projected growing costs, and will therefore likely trigger automatic spending cuts in entitlement programs ranging from support programs for low-income working families to retirement pay for military and federal employees. The Center on Budget and Policy Priorities estimates that these spending cuts will total $445 billion over ten years. The amendment limits the automatic cuts for some programs to 2 percent every year (that is, an additional 2 percent every year, so the cuts compound). This provision means that *other programs* — child care payments, farm-price supports and crop insurance, and TriCare military health benefits, among others *— face unlimited cuts, reaching 43 percent by 2014 based on current budget projections.* It may seem unlikely that Congress would allow automatic cuts of nearly 50 percent to these programs. Another scenario is that Congress would intervene to head off the automatic cuts, resulting in cuts deeper than 2 percent for programs that are supposedly "protected," such as Medicaid.

2005 Discretionary Spending Limit — Rep. Kirk's substitute to H.R. 4663 sets a total discretionary limit for 2005, with no subdivisions for types of spending and no dollar limits for future years. The limit for 2005 is $818.7 billion, which is $2.5 billion below the level in the House budget resolution, $2.7 billion below the budget conference agreement, and $4.2 billion below the President's 2005 budget.

Joint Resolution to Establish Annual Discretionary Spending Limits — The substitute directs the Chair of the Budget Committee to introduce, within two legislative days after passage of a budget resolution, a bill that sets a discretionary spending limit; presumably, the limit would equal the amount in the budget resolution, but this substitute does not require that.

No Inflation in Discretionary Baseline — The substitute requires the Office of Management and Budget and the Congressional Budget Office to calculate future baseline spending levels without adding inflation, meaning that future deficit calculations will be based on the expectation that discretionary funding levels will never increase.

Expedited Rescissions — This provision would provide for expedited consideration by Congress of proposals by the President to eliminate specific spending items in appropriations bills. The President's proposals would be given fast-track consideration by Congress, and would not be subject to amendment. This provision does not allow for similar expedited consideration of proposals by the President to repeal targeted tax benefits.

Emergency Funding — The bill defines emergency funding and creates a reserve fund that will be built up over time and be drawn down as needed.

Summary of Young Substitute

Exempts Tax Cuts from PAYGO — Like the Nussle bill, the Young amendment would extend the one-sided PAYGO rules, subjecting only new mandatory spending to the limits and exempting new tax cuts from budget discipline. Excluding tax cuts from PAYGO rules invites unlimited new tax cuts that would drive the budget even deeper into the red. Inclusion of this one-sided PAYGO provision abandons the bipartisan consensus in favor of a balanced and effective PAYGO provision applying to both spending and tax cuts.

Strikes Discretionary Spending Limits — The Young amendment strikes the discretionary caps and limit on advance appropriations in the Nussle bill. The amendment also provides additional funding for transportation for fiscal year 2005.

Changes Baseline Treatment of Emergencies — Like the Nussle bill, the substitute changes current law to exclude emergency funding from the Congressional Budget Office's "baseline" projections.

Changes Baseline Treatment of Expiring Tax Provisions — CBO also estimates the amount of revenue the federal government will collect in future years, and currently assumes that if a tax provision sunsets in law, the change in revenue associated with that provision will stop. The amendment instructs CBO to assume that even though the tax cuts enacted in 2001 and 2003 will expire, the revenue effects of the legislation will continue permanently. This would facilitate the extension of the Bush tax cuts.

Sunsets Unauthorized Programs— The substitute would terminate authority for all federal programs (except for earned entitlements such as Social Security, Medicare, veterans' benefits, and retirement programs) as of October 1, 2006, except for programs that Congress reauthorizes prior to that date. Many federal programs are already subject to periodic review and reauthorization by Congress. Some programs, such as Supplemental Security Income (SSI) and Medicaid, are permanently authorized, but Congress has the ability to change or abolish any program if it deems such action appropriate. For example, Congress made significant changes to SSI, Medicaid, and other low-income entitlements in the 1990s, and it abolished the Aid to Families with Dependent Children program.

Delays Start of Fiscal Year — Under the substitute, the fiscal year would begin on November 1 rather than October 1, as it does under current law. The new fiscal year would take effect in 2006.

Selected Quotes for Floor Debate on H.R. 4663

Mr. Spratt: "[I]n saying that you would favor an extension of the PAYGO rule, do you mean the PAYGO rule in its original form that would apply both to entitlement increases and to tax cuts so that both would have to be offset and be deficit neutral?"

Chairman Greenspan: "Yes. I am talking about the particular rule that was in place before its expiration on ... September 30, 2002."

— Transcript of House Budget Committee Hearing, February 25, 2004

"I think that it was a mistake to allow the fairly effective PAYGO rules in place in September of 2002 -- to allow those rules to expire. And I think, in my judgment, it would be very wise in order to take that structure which existed back then [applying to both tax cuts and entitlement spending] and reenact them."

— Federal Reserve Chairman Alan Greenspan, Testimony before Senate Banking Committee, June 15, 2004

"[T]he specific enforcement proposals would be ineffective in practice because they only seek to control spending and allow a rather inviting loophole for additional tax cuts by redefining the concept of 'pay-as-you-go.' … [A] tax cut can be every bit as fiscally irresponsible as a spending increase."

— Concord Coalition analysis of President's 2005 Budget, February 9, 2004

"We have an opportunity today to show the American public that we are serious about digging out of the fiscal hole that faces our country by adopting this amendment to strengthen the … pay-go point of order."

— Sen. John McCain, in support of the Feingold Amendment to S. Con Res. 95, March 10, 2004 [would provide PAYGO point of order in Senate which applied equally to tax cuts and entitlement spending]

"The Administration will work with Congress during the next session to develop budget enforcement mechanisms, including future discretionary spending limits and a PAYGO requirement for entitlement spending and tax legislation that are consistent with the needs of the country."

—The President's Budget for Fiscal Year 2003