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Republican Study Committee

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Budget and Spending Task Force
Weekly Report

Congressman Jim Jordan (R-OH), Chairman **July 22, 2009**

FY 2010 THUD, Labor-HHS Bills on Floor This Week

Tomorrow, the House will consider the FY 2010 Transportation, Housing and Urban Development bill under a restrictive structured rule. The legislation provides a total spending level of $68.8 billion. This is **$13.9 billion**, or **25.2%**, above last year's level. However, compared to FY 2008—the spending authority that programs under this bill were operating under *nine and a half months ago*—this legislation represents a ***$20.0 billion*** or ***41.1%*** increase. Among other things, the legislation provides $1.5 billion for **Amtrak** (an increase of $49 million or 3.4%), $12.4 billion for the **Federal Aviation Administration (FAA)** (an increase of $512 million or 4.3% compared to last year), and $47.0 billion for the **Department of Housing and Urban Development** (an increase of $1.6 billion or 3.4%). The bill contains 1,032 earmarks.

On **Friday**, the House is scheduled to consider the FY 2010 Labor-HHS Appropriations bill, which provides a spending level of $163.4 billion, **$11.1 billion** or **7.3%** more than last year. But compared to FY 2008 (the spending authority the federal government was operating under just nine months ago), the bill is a **$18.6 billion** or **12.8%** increase. The bill contains 1,150 earmarks

House to Consider Statutory PAYGO Today

At the beginning of the 110th Congress, the new Majority adopted a PAYGO rule that applies to legislative provisions *"affecting **direct spending** and **revenues** have the net effect of increasing the deficit or reducing the surplus…"* Two things are of note on the House version of the PAYGO rule. First, PAYGO is applied unevenly to revenue and spending budget choices. While PAYGO applies to 100% of federal tax collections it only applies to the 53% of federal spending that consists of direct spending. Second, the PAYGO rule judges whether a direct spending/revenue provision worsens the budget deficit in comparison to the CBO baseline. For the spending side of the ledger, this means that PAYGO imposes no limit on entitlement spending increases that occur under current law. For the revenue side of the budget, this means that extensions of current tax law (if scheduled to expire at a future date—such as with the AMT patch, the 2001 and 2003 tax cuts, and the "tax extenders") must be offset.

Fact of the Week: The 110th Congress exempted $420.1 billion worth of legislation from their PAYGO rule. Since the House PAYGO rule was enacted, the deficit has increased by $1.7 trillion or 1,035%.

In the 110th Congress, under the House PAYGO rule, Congress enacted $420 billion worth of PAYGO violations. The deficit has increased by ***$1.678 trillion***, or ***1,035.8%***, in the little more than two years since the Democrats adopted the PAYGO rule at the beginning of the 110th Congress.

H.R. 2920 proposes a weaker version of PAYGO compared to the current House rule in at least two respects. First, it eliminates the theoretical (and often ignored) requirement that *every* bill comply with the PAYGO requirement. Instead, H.R. 2920 creates a running tally of all bills enacted over the Congress (that count per the legislation), and requires that the overall balance come out even (on an average over five years and ten years). Second, H.R. 2920 allows some expiring tax cuts to be maintained without counting against PAYGO, as well as the cost of extending higher physician reimbursement rates.

H.R. 2920 is theoretically stronger than the current House PAYGO rule in that it would be enforced with potential sequestrations of federal spending. However, from 1990-2002, no sequestration ever actually occurred because of a PAYGO violation, and the vast majority of federal spending is exempt from potential sequestrations (H.R. 2920 increases the number of programs exempt from sequestrations).

Representative Paul Ryan will offer an Amendment in the Nature of a Substitute, the Spending Control Act of 2009. This amendment would contain meaningful limits on spending deficits, including: **discretionary spending controls** (that provide an inflation increase in each year over FY 2010-2014, a **total limit on federal spending** (which would require total federal spending to be reduced from around 28% in the current fiscal year to no more than 21.7% of GDP by 2013), and a limit on deficits as a percentage of GDP (requiring that deficits be less than 3% of GDP beyond FY 2013).