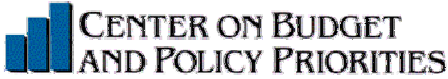


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EXCERPTS FROM JOINT STATEMENT IN SUPPORT OF RESTORING PAY-AS-YOU-GO BUDGET ENFORCEMENT FOR TAX CUTS AND ENTITLEMENTS

Growing concerns that large chronic budget deficits once again threaten our economic future have led Members of Congress to consider whether to reinstate the pay-as-you-go rule (PAYGO) and, if so, whether to include an exemption for tax cuts. Our organizations strongly believe that PAYGO should be renewed in its original and successful form — applying it without exceptions to both entitlement expansions and tax cuts. This budget-wide constraint was an effective part of past bipartisan efforts to bring deficits under control. Renewing it would be the best first step to countering the current trend of digging an ever-deeper fiscal hole. In contrast, failure to renew PAYGO, or doing so in a weak form, would send an alarming signal that Washington policymakers are not yet taking our nation's deteriorating fiscal outlook seriously....

PAYGO requirements are now the main point of contention between House and Senate negotiators who are attempting to reach agreement on a congressional budget resolution for fiscal year 2005. The Senate budget resolution includes a 5-year renewal of PAYGO that would apply to both tax cuts and entitlements — in other words, the original PAYGO. The House budget resolution contains no PAYGO provision. Instead, the House Budget Committee has approved separate legislation that would redefine PAYGO by limiting its application to spending increases in mandatory programs. Under this approach, tax cuts would not have to be offset regardless of their size, economic justification, or impact on the deficit. The Bush Administration has sent a similar legislative proposal to Congress....

The return of budget deficits for as far as the eye can see and the daunting long-term challenge that awaits beyond the 10-year budget window warrant a prompt return to strict budget discipline — including the responsible notion that we must pay as we go. Redefining the concept of PAYGO by exempting tax cuts would neither control spending nor shrink the deficit. It would accomplish nothing other than to weaken substantially a proven tool for promoting fiscal responsibility. Further, policymakers should not adopt a deceptive “compromise” proposal that honors PAYGO in name while substantially or entirely gutting it in fact. We strongly urge Congress to reinstate the PAYGO rule in its original and successful form — applying to both tax cuts and entitlements — as the Senate-passed provision does. Watered down versions of PAYGO provide a fig leaf rather than the needed fiscal restraint.

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