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JOINT STATEMENT ON THE NEED FOR PAY-AS-YOU-GO DISCIPLINE

The four organizations joining in this statement have warned that large, chronic budget deficits pose a threat to the economic health of our nation. For that reason, we strongly support current efforts to reestablish and comply with pay-as-you-go discipline in the Congressional budget process, which would establish hurdles that make it more difficult to enact fiscally irresponsible policies. This week the Senate is considering a budget resolution that would reinstate a pay-as-you-go rule in the Senate that would require any expansion in mandatory programs or any tax cut — including initiatives assumed in reserve funds — to be paid for with reductions in other mandatory spending or increases in other taxes. Next week the House — which adopted a pay-as-you-go rule in January — will consider a budget resolution that also assumes all proposed initiatives will be paid for as required by the pay-as-you-go rule. We urge support for these measures and opposition to efforts to amend the resolutions and undermine pay-as-you-go by allowing certain initiatives — popular program expansions or tax cuts — to be enacted without being offset.

At a time when fiscal policies should be focused on reducing deficits in recognition of the enormous strains that the retirement of the baby-boom generation will soon place on federal resources, failure to offset new initiatives on a pay-as-you-go basis would send a dangerous signal that fiscal discipline in Washington has all but disappeared. At the very least, lawmakers need to stop digging the hole deeper.

Our organizations have maintained consistently that the President and the Congress should reestablish the pay-as-you-go rule — applying to all tax cuts and all mandatory spending increases — to require lawmakers to consider the tradeoffs inherent in the enactment of costly new legislation. In light of the great fiscal challenges facing the nation in the long term, this pay-as-you-go principle should take into account the impact of legislation on revenues and spending in years beyond the current budget window. While much more needs to be done to improve the long-term fiscal outlook, establishment of a rule making it harder to enact legislation further worsening the situation would represent an important first step in the impending struggle to restore fiscal responsibility.

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Some of the proposed new initiatives seek to address legitimate, important policy concerns. But there should be no exemptions from the pay-as-you-go rule. If one exemption is granted, advocates of other interests will demand that their priorities be exempted as well. Moreover, if exemptions from the rule are carved out in either the House or Senate versions of the budget resolution, it will greatly complicate efforts to negotiate a final joint congressional budget resolution. In this environment of already excessive red ink, no tax cuts or entitlement increases — whether new measures or extensions or expansions of existing measures, including the entire package of tax cuts enacted in 2001 and 2003, extension of relief from the Alternative Minimum Tax, or reauthorization of farm programs or the State Children's Health Insurance Program — should be enacted without offsets ensuring that they do not increase short- or long-term deficits and debt. It is not responsible to continue to promote legislation that is supposed to improve the lot of the American people without considering the corrosive effects that the cumulative deficits and debt added by such legislation would have on current and future citizens.

To be clear, the budget process alone cannot ensure fiscal responsibility. No matter how tightly budget laws are drawn, they will not work without the political will to make hard choices. Establishment and adherence to budget rules such as pay-as-you-go is a test of that political will. Restoring the pay-as-you-go principle would, at a minimum, force Congress to weigh the short-term political attractions of new proposals against the long-term fiscal consequences. Given where deficits now stand and the known fiscal challenges that lie ahead, it is policymakers' responsibility to do this. They owe future generations no less.