Ryan Prepared Opening Statement
Administration's Statutory PAYGO Proposal
June 25, 2009

- First, I want to note that I appreciate *any real effort* by the Administration and Congress to get a grip on our nation's mounting fiscal crisis.

- But when I look at the broader budgetary context that's developed in the first six months of this Administration, I'm afraid this PAYGO debate is little more than a distraction.

- The President's budget will produce record deficits – as far as the eye can see. Deficits never fall below $600 billion, and hit $1.2 trillion by the end of the budget window. And under his budget, the national debt will nearly *triple* over the next decade.

- Second, after signing a bloated 2009 omnibus spending bill, a stimulus bill that will cost more than $1 trillion with interest costs, and proposing an 11% increase in *non-defense* discretionary spending for this year alone, the Administration is now demanding that Congress rush though a huge new entitlement under the slogan of "health care reform."

- <u>Just this week – Treasury has had to issue a record $104 billion in new debt to support all of this spending</u>.

- Not surprisingly, polls have started to show the public's concern about this deluge of spending and debt Washington is racking up.

- So...we get a cabinet meeting to highlight $100 *million* in savings; followed a few weeks later by a day-long media blitz to trumpet this PAYGO bill. Clearly, both of these efforts were intended to give the impression that the Administration is putting its foot down on out-of-control spending.

- ➢ But if you read the papers after either of these announcements, you'll know I'm not alone in my skepticism. Even *The Washington Post* said that the President doesn't deserve much credit for his PAYGO proposal because of "his failure to adjust his spending plans to budgetary reality."

- ➢ But not withstanding all that, there are some aspects of this bill that are real improvements to the House Majority's existing rule.

  - ▸ Most notably – the Administration's proposal would modify PAYGO so that simply preventing one unintended tax hike – such as the expansion of AMT, or expiration of the 2001 and 2003 tax laws – doesn't result in yet another unintended tax hike.

  - ▸ The Administration's proposal would also direct CBO and OMB to *ignore* the too-often employed "timing shift" gimmick – the practice of shifting spending or revenue from one year to the next in order to claim it as "savings."

- ➢ Regrettably, these positive aspects will likely be overwhelmed by the basic, but significant shortcomings in this bill.

- ➢ First, there are no caps on annual appropriations – which make up 40 percent of total spending. PAYGO in the past has been accompanied by discretionary spending caps – and that's been a critical element of spending control. But the Administration didn't do that.

- ➢ Second, "emergency" spending is also exempt.

- ➢ Third, PAYGO can still be easily circumvented through gimmicks such as artificial reductions in spending, as we saw in the recently enacted SCHIP bill that met PAYGO only by assuming that funding will be cut by 65% in 2014.

- ➢ But most important, PAYGO does nothing to address our greatest challenge to our long-term budgetary and fiscal health – the entitlement crisis already speeding toward us.

- So while I certainly appreciate any genuine effort at fiscal discipline, I don't think it's wise to pretend we can substitute a "PAYGO" slogan for the real, immediate action needed to get spending, deficits, and debt under control.

- I hope we can move this legislation toward budget reforms that actually tackle the real fiscal problems we face. And I'll assure both Chairman Spratt and Director Orszag that – when they're ready – I'll be the first in line to help bring about that result.