



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

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Republican House Rules Make Fiscally Irresponsible Changes

Overview

The Republican rules package takes a dramatic and fiscally irresponsible approach to implementing their priorities, particularly with changes under the Budget Committee's jurisdiction. It is quickly becoming apparent that House GOP leaders are abandoning their campaign pledges to responsibly tackle the deficit and to have the most open and transparent Congress in history.

The rules package guts the pay-as-you-go concept, replacing the House rule with a new one-sided "cut-as-you-go" scheme that not only exempts certain tax cuts, but also requires new net mandatory spending to be offset by only spending cuts, not revenue increases. In particular, the new rules exempt tax cuts for the wealthiest Americans, as well as any repeal of the health care law, from having to comply with the deficit neutrality standard Democrats followed under our House pay-as-you-go rule. The rules also allow reconciliation packages to deepen the deficit – a change that flies in the face of the original purpose of budget reconciliation – and exempt tax cuts from statutory pay-as-you-go requirements.

The rules also give the Budget Committee Chair extraordinary power to establish new 2011 appropriations limits that were not even available before the vote on the rules package. Giving the Chair unilateral authority to impose new spending levels without even a vote or debate is a violation of their promises to operate in a transparent and open manner. On their very first day in the majority, House Republicans put in place rules to limit open debate and keep the American people in the dark.

Notable Changes

"Cut-as-you-go" Replaces Pay-as-you-go – The new rules replace pay-as-you-go with a "cut-as-you-go" scheme that enforces discipline only on the spending side of the budget. In a break from past pay-as-you-go rules, spending increases must be offset dollar for dollar by spending cuts; revenue increases are no longer eligible to offset spending increases. The rule allows for an emergency exemption but decreases transparency by no longer requiring a separate vote on that aspect.

Allows Trillions of Dollars of Tax Breaks to Increase the Deficit – The new rules establish a major loophole in statutory pay-as-you-go by authorizing the Budget Chairman to use Enron-like creative accounting to hide the real cost of new tax cuts. Not only do the rules exempt a much broader array of provisions from compliance with the House pay-as-you-go rule, they also weaken statutory pay-as-you-go by allowing the Budget Committee Chair to exclude these items from the estimates used to calculate OMB's statutory pay-as-you-go scorecard. In addition to opening the door for more increases to the deficit, these exemptions will cause difficulty in working with the Senate, which will be operating under the existing statutory pay-as-you-go rules. Exemptions would include numerous revenue provisions, including:

- permanent extension of all provisions of EGTRRA and JGTRRA (the Bush tax cuts, including the upper income reductions that have previously not been exempt),
- adjustment of the AMT to prevent a larger number of taxpayers being affected than in 2008 (this matches the concept of the statutory pay-as-you-go exemption but is permanent),
- permanent extension of the latest estate and gift provisions (statutory pay-as-you-go allowed for two years at the 2009 parameters),
- a new 20 percent deduction in gross income for small businesses, and
- legislation implementing trade agreements.

Allows Deficit-busting Repeal of Health Care Reform – The rules allow exemptions from both the new cut-as-you-go rule and statutory pay-as-you-go for the budget impacts of a total repeal of health care reform. The Democratic health care reform law saved more than \$100 billion over ten years, and a trillion dollars in the next ten years.

Eliminates House Debate on 2011 Appropriations Level – The rules give the Budget Chairman unilateral authority to set spending caps without open debate or a vote on the floor of the House. Republicans approved the rules even though they did not know the allocations, which still have not yet been made available.

Subverts Intent of Reconciliation by Allowing Deficit Increases – Previous House rules require that reconciliation directives in a budget resolution reduce the deficit. The new rules limit spending increases but allow deficit increases without limit through revenue reductions.

Limits Flexibility during Floor Consideration of Appropriations Bills – They require that appropriations bills include "spending reduction accounts" designed to hold the savings resulting from floor amendments that lower the bill's spending below its allocation, making the amounts unavailable for other spending.

Adds New One-Sided Constraints on Long-Term Spending – Instead of supporting fiscal responsibility, the rules package establishes a long-term point of order that limits only spending increases but not tax cuts in the 40 years beyond the period covered by the budget resolution. The Senate has a similar rule that applies to deficit impact, not just to spending.

Eliminates the "Guarantee Level" for Highway and Mass Transit Programs – At a time when investments in our crumbling infrastructure are critical to moving our nation forward, the rules package walks away from the guaranteed funding levels that have been in place for more than a decade. A number of transportation interest groups have strongly criticized dropping the guarantee levels. They are concerned that funding for the programs will drop as a result of the new rule, causing loss of jobs and potential funding problems for state and local governments. However, it should be noted that maintaining the guaranteed level is likely to result in the need for additional transfers to the trust fund or increases in the gas tax.