

# Statutory PAYGO Presents an Opportunity to Cut Spending: Myths and Facts

## THE ISSUE

President Joe Biden's irresponsible spending has driven inflation to rates not seen in four decades, pushing the economy into a recession. This spending also violates the Statutory Pay-As-You-Go (PAYGO) Act of 2010, which requires new deficits to be offset at the end of each calendar year.

President Biden's spending that has triggered Statutory PAYGO presents an important opportunity to cut excessive government spending.

Violations of Statutory PAYGO require spending cuts. Congress should ensure that these cuts happen by:

1. **Enacting targeted spending reductions** of at least as much as required by law.
2. **Enforcing Statutory PAYGO** and letting sequestration happen.
3. **Rejecting any effort to simply waive enforcement** of Statutory PAYGO.

## STATUTORY PAYGO: MYTHS AND FACTS

**Myth:** President Biden's spending has no consequences.

**Fact:** Americans are suffering due to President Biden's irresponsible spending that has fueled rates of inflation not seen in four decades. His spending has also triggered Statutory PAYGO, which requires new deficits to be offset through an enforcement mechanism known as sequestration, or through other deficit-reducing spending cuts.

**Myth:** Statutory PAYGO is always waived, so Congress should just cancel enforcement.

**Fact:** Waiving Statutory PAYGO or clearing the American Rescue Plan from the Statutory PAYGO scorecard would have the effect of increasing government spending by more than \$100 billion above what would be required under current law. Higher government spending would further add fuel to the inflationary fire caused by Washington's irresponsible spending.

**Myth:** President Biden's spending was enacted by reconciliation, so Statutory PAYGO can be waived with just 50 votes in the Senate.

**Fact:** Although the American Rescue Plan Act was enacted through the reconciliation process, which bypasses a Senate filibuster, a provision to waive or otherwise turn off enforcement of Statutory PAYGO cannot be passed via reconciliation. This is because such a provision would violate the Byrd rule. In all practicality, this means that any legislation to modify enforcement of Statutory PAYGO must get 60 votes in the Senate.

**Myth:** Statutory PAYGO is a bipartisan problem requiring a bipartisan solution.

**Fact:** President Biden's spending that has triggered Statutory PAYGO is purely of the Left's own making. Not a single Republican voted for President Barack Obama's Statutory PAYGO law in 2010. Not a single Republican voted for President Biden's \$1.9 trillion American Rescue Plan Act. If Biden and his allies are unhappy with the consequences of their actions, they can ask Republicans to help to replace sequestration with targeted

spending cuts in an amount equal to or greater than the remaining required sequestration enforcement.

**Myth:** Sequestration is an across-the-board spending cut.

**Fact:** Only about 2 percent of the \$5.9 trillion federal budget is subject to Statutory PAYGO sequestration. Programs comprising the vast majority of the federal budget are exempt from Statutory PAYGO sequestration, including Social Security, veterans' programs, means-tested welfare programs, refundable tax credit payments, discretionary spending, defense discretionary funding, and dozens of other programs.

**Myth:** Sequestration will slash Medicare benefits.

**Fact:** To carry out the Statutory PAYGO sequestration requirement, the Office of Management and Budget would reduce Medicare payments to providers over the next year by only 4 percent. Of the \$923 billion in anticipated spending in the baseline, sequestration would reduce outlays only by about \$37 billion. According to the Congressional Research Service, "Generally, Medicare's benefit structure remains unchanged under a mandatory sequestration order and beneficiaries see few direct impacts." While providers and plans would receive slightly smaller payments from the taxpayers, beneficiaries would generally not pay any higher out-of-pocket costs.

**Myth:** Sequestration would gut important programs.

**Fact:** The programs that are subject to sequestration are limited in terms of their budgetary impact and consist primarily of subsidies and other activities that are outside the proper scope of the federal government. A few examples of such nonessential taxpayer-funded spending include the Emergency Citrus Disease Research and Development Trust Fund, the Agriculture Wool Apparel Manufacturers Trust Fund, the Concrete Masonry Products Board, subsidies for airline tickets to underused airports, billions to bail out irresponsible banks, and bureaucratic administrative expenses. If Congress wants to spend more taxpayer dollars on a program subject to sequestration, it should fund it through the regular discretionary appropriations process, taking funding from lower-priority programs.

**Myth:** Congress cannot replace the required sequestration cuts with other spending reforms.

**Fact:** President Biden's spending that has triggered Statutory PAYGO is an important opportunity for Congress to begin reining in excessive government spending and to turn the tide on inflation. If Congress does not want President Biden to enforce the law and cut spending through sequestration, lawmakers should enact targeted spending reductions in an amount equal to or greater than the remaining required sequestration enforcement.