Statutory PAYGO Presents an Opportunity to Cut Spending

By Matthew Dickerson

The Democrat-enacted Statutory Pay-As-You-Go (PAYGO) Act of 2010 requires that Congress offset new deficits by the end of each fiscal year. Congress usually waives enforcement of Statutory PAYGO, which has driven the national debt to more than $30 trillion. However, Statutory PAYGO is the law, and Congress can—and should—use it as a tool to control spending. The American Rescue Plan Act and other irresponsible Biden spending will leave about $746 billion on the five-year Statutory PAYGO scorecard at the end of the 117th Congress on January 3, 2023. This additional deficit will need to be offset by deficit-reducing legislation or by a presidential sequestration order

WHAT IS STATUTORY PAYGO?

The Statutory Pay-As-You-Go (PAYGO) Act of 2010 was enacted by a unified Democratic Congress and signed by President Barack Obama. Statutory PAYGO requires Congress to offset new deficits by the end of each calendar year.

Congress has been fiscally irresponsible and usually waives enforcement of PAYGO. This has driven the national debt to more than $30 trillion.

However, Statutory PAYGO is the law, and Congress can—and should—use it as a tool to control spending.

How Does Statutory PAYGO Work?

The Office of Management and Budget keeps scorecards on the deficit impacts of legislation that changes mandatory spending or revenues. The scorecards show the average annual costs of the legislation over five and 10 years.

Enforcement of Statutory PAYGO is triggered at the end of each session of Congress if the scorecard shows that the net total deficit increased for the calendar year. To offset this debit, the President is required to issue a sequestration order that cuts spending for a limited set of programs, exempting defense, Social Security, veterans' benefits, welfare programs, and other discretionary spending.

HOW HAS PRESIDENT BIDEN'S SPENDING VIOLATED STATUTORY PAYGO?

President Joe Biden's inflationary American Rescue Plan Act added nearly $2 trillion to the deficit. These deficits were added to the Statutory PAYGO scorecard.

The American Rescue Plan Act and other irresponsible Biden spending will leave about $746 billion on the five-year Statutory PAYGO scorecard at the end of the 117th Congress on January 3, 2023. This amount will need to be offset by deficit-reducing legislation or by a presidential sequestration order.

WHAT SHOULD CONGRESS DO IN FALL 2022?

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.
   Congress should enact legislation to cut federal spending in amounts greater than or equal to the remaining debit on the Statutory PAYGO scorecard. Targeted spending cuts could alleviate the need for some or all of the sequestration enforcement required by statutory PAYGO.

2. Enforcing Statutory PAYGO and letting sequestration happen.
   Alternatively, Congress can do nothing at all. At the end of the 117th Congress, President Biden will be required to issue a sequestration order, reducing inflationary government spending by more than $100 billion.

3. Rejecting any effort to simply waive enforcement of Statutory PAYGO.
   Waiving Statutory PAYGO or clearing the scorecards would increase inflationary government spending massively above what it would be otherwise under current law. Waiving or modifying Statutory PAYGO would require 60 votes in the Senate.

For more information, see Backgrounder *No. 3722 at http://report.heritage.org/bg3722.*