



THE CONCORD COALITION

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May 12, 2008

The Honorable Allen Boyd, Co-Chair for Administration, The Blue Dog Coalition
The Honorable Dennis Moore Co-Chair for Policy, The Blue Dog Coalition
The Honorable Mike Ross, Co-Chair for Communications, The Blue Dog Coalition
The Honorable Stephanie Herseth Sandlin, Whip, The Blue Dog Coalition
1227 LHOB, United States House of Representatives
Washington, DC 20515-0902

Dear Mr. Boyd, Mr. Moore, Mr. Ross and Ms. Herseth Sandlin,

On behalf of The Concord Coalition, I am writing to express strong support for the Blue Dog Coalition's insistence that pay-as-you-go (paygo) not be waived for a \$52 billion entitlement expansion that has been proposed as an amendment to the emergency supplemental spending bill. While this new spending for veterans' education benefits enjoys widespread support, it does not qualify as an emergency and, if paygo were waived, would be entirely financed with borrowed money.

By insisting that paygo be upheld, even for a popular initiative, the Blue Dog Coalition is setting a very positive example of fiscal responsibility at a crucial moment. To be blunt, paygo is under assault. Last year, the House and Senate took an important step toward restoring fiscal discipline and preventing the long-term outlook from getting any worse by reinstating paygo for new entitlement spending and tax cuts. A similar rule, in effect from 1990 through 2002, was a key factor in turning budget deficits into surpluses during the 1990's.

In recent months, however, Congress has waived paygo for economic stimulus legislation and a one-year Alternative Minimum Tax (AMT) "patch." These waivers alone have added roughly \$180 billion to the projected debt, not including higher debt service costs. Yet these actions were at least time-limited and, aside from the debt service increase, will not have the same long-term consequences as waiving paygo for purposes of expanding permanent entitlement spending, as is at issue here.

With an estimated cost of \$52 billion for the first 10 years alone, strict adherence to paygo in this legislation is both necessary as a matter of budgetary discipline and desirable as a means of compelling the types of trade-offs that must be made for a sustainable fiscal future. It presents a choice between paying our own way or continuing to run up a legacy of debt for future generations of Americans. Expressing support for paygo in the abstract is easy. Making the trade-offs is the hard part.

I am aware that your position has generated strong opposition. That can be expected any time budget rules become inconvenient. However, I have yet to hear a compelling case for why fiscal irresponsibility at home is somehow necessary to honor our troops abroad. To the contrary, your insistence that expanded benefits be paid for demonstrates a willingness to honor our veterans' sacrifice with some sacrifice of our own. Surely, proponents of this benefit do not mean to suggest that it is only worth doing if it doesn't have to be paid for.

In the face of immediate concerns and desires, it is always tempting for lawmakers to lose sight of the fact that current budget policies are on an unsustainable path. The Congressional Budget Office (CBO), the Government Accountability Office (GAO), the Office of Management and Budget (OMB), and independent fiscal and economic policy experts, including The Concord Coalition, confirm that basic reality.

Not only does paygo help to keep the long-term outlook from getting worse, but it also forces explicit acknowledgement of the obvious — at some point, someone will have to pay for deficit financed increases in entitlement spending and tax cuts, if not within the five to 10-year budget window, then in the future through higher taxes or reduced federal programs, benefits and services. There is no free lunch.

How the current situation is resolved will have serious implications beyond the fate of one particular bill. It is already clear that the push for paygo waivers will become more intense as other legislation bumps up against the need to find offsets. If paygo is waived for the proposed expansion of veterans' education benefits, it will be that much more difficult to hold the line on items such as extension of expiring tax breaks ("extenders"), a Medicare physician payment increase and, most expensive of all, another AMT patch. Indeed, waiving paygo in this case may unravel the existing consensus to offset popular initiatives such as expansion of the State Children's Health Insurance Program (SCHIP) and the farm bill.

If Congress maintains its commitment to paygo when the going gets rough, it will send a powerful signal that Washington has found the resolve to take its long-term fiscal problems seriously. Looking ahead, this would set a good precedent for the hard choices that will be needed to achieve fiscal sustainability. By contrast, a decision to waive paygo will signal business as usual — casting in doubt the credibility of paygo for tough decisions on taxes as well as spending. That is why The Concord Coalition appreciates the strong stand the Blue Dog Coalition has taken in this regard and why we hope your position will prevail in the end.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Bixby". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Robert L. Bixby
Executive Director
The Concord Coalition