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OFFICE OF MANAGEMENT AND BUDGET

2012 STATUTORY PAY-AS-YOU-GO ACT ANNUAL REPORT

AGENCY: Office of Management and Budget (OMB).

ACTION: Notice.

SUMMARY: This report is being published as required by the Statutory Pay-As-You-Go (PAYGO) Act of 2010, 2 U.S.C. §931 et seq. The Act requires that OMB issue (1) an annual report as specified in 2 U.S.C. §934(a) and (2) a sequestration order, if necessary.

FOR FURTHER INFORMATION CONTACT: Patrick Locke. 202-395-3672.

SUPPLEMENTARY INFORMATION: This report and additional information about the PAYGO Act can be found at http://www.whitehouse.gov/omb/paygo_default.

Authority: 2 U.S.C. 934

Courtney Timberlake,
Assistant Director for Budget.

This Report is being published pursuant to section 5 of the Statutory Pay-As-You-Go (PAYGO) Act of 2010, Public Law 111-139, 124 Stat. 8, 2 U.S.C. §934, which requires that OMB issue an annual PAYGO report, including a sequestration order if necessary, no later than 14 working days after the end of a congressional session.

This Report describes the budgetary effects of all legislation enacted during the second session of the 112th Congress and presents the 5-year and 10-year PAYGO scorecards maintained by OMB. Because neither the 5-year nor 10-year scorecard shows a debit for the budget year, which for purposes of this Report is fiscal year 2013,¹ a sequestration order under subsection 5(b) of the PAYGO Act, 2 U.S.C §934(b), is not necessary.

There was no legislation designated as emergency legislation under section 4(g) of the PAYGO Act, 2 U.S.C. 933(g) enacted during the second session of the 112th Congress. In addition, the scorecards include no current policy adjustments made under section 4(c) of the PAYGO Act, 2 U.S.C. 933(c), for legislation enacted during the second session of the 112th Congress. For these reasons, the Report does not contain any information about emergency legislation or a description of any current policy adjustments.

I. PAYGO Legislation with Budgetary Effects

PAYGO legislation is authorizing legislation that affects direct spending or revenues; and appropriations legislation that affects direct spending in the years beyond

¹ References to years on the PAYGO scorecards are to fiscal years.

the budget year or affects revenues in any year.² For a more complete description of the Statutory PAYGO Act, see the OMB website, http://www.whitehouse.gov/omb/paygo_description, and Chapter 14, “Budget Process,” of the *Analytical Perspectives* volume of the 2013 Budget, <http://www.gpo.gov/fdsys/pkg/BUDGET-2013-PER/pdf/BUDGET-2013-PER.pdf>.

The 5-year PAYGO scorecard shows that PAYGO legislation enacted in the second session of the 112th Congress was estimated to have PAYGO budgetary effects that decreased the deficit by \$839 million each year from 2013 through 2017.³ Balances carried over from prior sessions of the Congress further increase the savings being shown on the 5-year scorecard in years 2013 through 2015 but would increase the deficit in 2016. The 10-year PAYGO scorecard shows that PAYGO legislation for the second session of the 112th Congress decreased the deficit by \$1,134 million each year from 2013 through 2022. Balances from prior sessions further increase the savings in years 2013 through 2021.

In the second session of the 112th Congress, 56 laws were enacted that were

² Provisions in appropriations acts that affect direct spending in the years beyond the budget year (also known as “outyears”) or affect revenues in any year are scorable for the purposes of the PAYGO scorecards except if the provisions produce outlay changes that net to zero over the current year, budget year, and the four subsequent years. As specified in section 3 of the Statutory PAYGO Act, off-budget effects are not counted as budgetary effects. Off-budget effects refer to effects on the Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance) and the Postal Service.

³ As provided in section 4(d) of the PAYGO Act, 2 U.S.C. §933(d), budgetary effects on the PAYGO scorecards are based on congressional estimates for bills including a reference to a congressional estimate in the Congressional Record, and for which such a reference is indeed present in the Record. Absent such a congressional cost estimate, OMB is required to use its own estimate for the scorecard. Only one bill enacted during the second session of the 112th Congress (P.L. 112-154) had such a congressional estimate and therefore OMB was required to provide an estimate for all other PAYGO laws enacted during the session.

determined to constitute PAYGO legislation. Of the 56 enacted PAYGO laws, two laws were estimated to have PAYGO budgetary effects (costs or savings) in excess of \$500 million over one or both of the 5-year or 10-year PAYGO windows. These were:

- An Act to extend the National Flood Insurance Program, and for other purposes, Public Law 112-123; and
- National Defense Authorization Act for Fiscal Year 2013, Public Law 112-239.

In addition, 8 laws were enacted that were estimated to have PAYGO budgetary effects (costs or savings) greater than zero but less than \$500 million over one or both of the 5-year or 10-year PAYGO windows. These acts were:

- FAA Modernization and Reform Act of 2012, Public Law 112-95;
- St. Croix River Crossing Project Authorization Act, Public Law 112-100;
- Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012, Public Law 112-154;
- An Act to amend the African Growth and Opportunity Act to extend the third-country fabric program and to add South Sudan to the list of countries eligible for designation under that Act, to make technical corrections to the Harmonized Tariff Schedule of the United States relating to the textile and apparel rules of origin for the Dominican Republic-Central America-United States Free Trade Agreement, to approve the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003, and for other purposes, Public Law 112-163;

- Lions Clubs International Century of Service Commemorative Coin Act, Public Law 112-181;
- Medicare IVIG Access and Strengthening Medicare and Repaying Taxpayers Act of 2012, Public Law 112-242;
- Dignified Burial and Other Veterans' Benefits Improvement Act of 2012, Public Law 112-260; and
- An Act to amend title 5, United States Code, to make clear that accounts in the Thrift Savings Fund are subject to certain Federal tax levies, Public Law 112-267.

Finally, in addition to the laws identified above, 46 laws enacted in the second session were estimated to have negligible budgetary effects. The budgetary effects of these laws were estimated to fall below \$500,000 in each year and in the aggregate from 2013 through 2022.

II. Budgetary Effects Excluded from the Scorecard Balances

Three laws enacted in the second session of the 112th Congress had estimated budgetary effects on direct spending and revenues that are not included in the calculations for the PAYGO scorecards due to exclusions required by law. Public Law 112-96, the Middle Class Tax Relief and Job Creation Act of 2012; Public Law 112-141, the Moving Ahead for Progress in the 21st Century Act; and Public Law 112-240, the American Taxpayer Relief Act of 2012, all contain provisions that state “[t]he budgetary effects of this Act shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.” For this reason, the

budgetary effects of these laws are not included in the PAYGO scorecards.

III. PAYGO Scorecards

STATUTORY PAY-AS-YOU-GO SCORECARDS (in millions of dollars, negative amounts portray decreases in deficits)										
	2013	2014	2015	2016	2017					
Second Session of the 112 th Congress	-839	-839	-839	-839	-839					
Balances from Previous Sessions	<u>-9,155</u>	<u>-9,155</u>	<u>-9,155</u>	<u>1,880</u>	<u>0</u>					
Five-year PAYGO Scorecard	-9,994	-9,994	-9,994	1,041	-839					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Second Session of the 112 th Congress	-1,134	-1,134	-1,134	-1,134	-1,134	-1,134	-1,134	-1,134	-1,134	-1,134
Balances from Previous Sessions	<u>-7,081</u>	<u>-710</u>	<u>0</u>							
Ten-year PAYGO Scorecard	-8,215	-8,215	-8,215	-8,215	-8,215	-8,215	-8,215	-8,215	-1,844	-1,134

The total net budgetary effects of all PAYGO legislation enacted during the second session of the 112th Congress on the five-year scorecard reduces the deficit by \$4,196 million. This total is averaged over the years 2013 to 2017 on the 5-year PAYGO scorecard, resulting in a savings of \$839 million in each year. Balances carried over from prior sessions of the Congress add to these savings in 2013 through 2015, resulting in a savings of \$9,994 million each year in 2013 through 2015. However, the balance carried over for 2016 reduces the 2016 savings by \$1,880 million, which results in a net cost on the 5-year PAYGO scorecard in 2016 of \$1,041 million. The five-year PAYGO window extended only through 2016 in the first session of the 112th Congress, so there were no five-year balances to carry over into 2017.

The total 10-year net impact of legislation enacted during the second session of the 112th Congress was a savings of \$11,343 million. The 10-year PAYGO scorecard shows the total net impact averaged over the 10-year period, resulting in \$1,134 million in savings every year. Balances from prior sessions increase the savings to \$8,215 million in 2013 through 2020 and to \$1,844 million in 2021.

IV. Sequestration Order

As shown on the scorecards, the budgetary effects of PAYGO legislation enacted in the second session of the 112th Congress, combined with the balances left on the scorecard from previous sessions of the Congress, resulted in net savings on both the 5-year and the 10-year scorecard in the budget year, which is 2013 for the purposes of this Report. Because the costs for the budget year, as shown on the scorecards, do not exceed

savings for the budget year, there is no “debit” on either scorecard under section 3 of the PAYGO Act, 2 U.S.C. §932, and there is no need for a sequestration order.

The savings shown on the scorecards for 2013 will be removed from the scorecards that are used to record the budgetary effects of PAYGO legislation enacted in the first session of the 113th Congress. The totals shown in 2014 through 2022 will remain on the scorecards and will be used in determining whether a sequestration order will be necessary at the end of future sessions of the Congress.

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