

A BIPARTISAN PLAN TO REDUCE OUR NATION'S DEFICITS

EXECUTIVE SUMMARY

This bipartisan, comprehensive, and balanced plan consistent with the recommendations of the Bowles-Simpson fiscal commission that will:

- Slash our nation's deficits by \$3.7 trillion/\$3.6 trillion over ten years under CBO's March 2011 baseline, or \$4.65 trillion/\$4.5 trillion under the original fiscal commission baseline (which used the President's 2011 budget request as the starting point for discretionary spending).
- Stabilize our publicly-held debt by 2014.
- Reduce our publicly-held debt to roughly 70% of our economy by 2021.
- Impose unprecedented budget enforcement.

A COMPREHENSIVE AND BALANCED PROPOSAL

The plan uses a two-step legislative process: (1) an initial bill that makes immediate cuts; and (2) a process for a second bill to enact comprehensive reform and put our nation on a stable fiscal path. The plan would:

Immediately implement aggressive deficit reduction down payment

- Cut deficits by \$500 billion.

Dramatically cut discretionary spending

- Cut nonsecurity and security discretionary spending over 10 years.
- Maintain investments that encourage economic growth, strengthen the safety net for those who truly need it, and preserve a strong national defense.

Carefully strengthen the solvency of our most important entitlement programs

- Spend health care dollars more efficiently in order to strengthen Medicare and Medicaid, while maintaining the basic structure of these critical programs.
- Fully pays for SGR (the "doc fix") over 10 years.

Fundamentally reform our tax code

- Reduce marginal income tax rates and abolish the \$1.7 trillion Alternative Minimum Tax.
- Encourage greater economic growth.
- Enhance the competitiveness of American businesses and workers against global competition.
- Reform spending through the tax code to eliminate investment distortions and tax gaming.
- Change the debate about taxes in America from rate levels and carve outs to competitiveness, fairness and growth.
- If CBO scored this plan, it would find net tax relief of approximately \$1.5 trillion.

Strictly tighten the government's budget processes

- Impose spending caps and security/nonsecurity firewalls.
- Sequester accounts at the end of the year to recoup any excessive spending by Congress.
- Restrict the use of emergency designations that circumvent the spending caps.
- Prevent Congress from exceeding the caps by requiring a stand-alone resolution subject to a 67-vote threshold, in order to isolate that vote to increase the deficit from any other policy items.

Reform Social Security for future generations

- Ensure 75-year solvency of Social Security and provide for a decennial review of the program to ensure it remains solvent.
- Reform Social Security on a separate track, isolated from deficit reduction – any savings from the program must go towards solvency.