

Highlights of "Simpson-Bowles" Budget Alternative

Takes the framework and benchmarks set by the President's bipartisan National Commission on Fiscal Responsibility and Reform and puts them into a budget resolution framework. Provides a blueprint for committees of jurisdiction to draft specific policies to achieve savings targets, based on the general principles outlined in the Simpson-Bowles report.

Key principles

- Embodies the Fiscal Commission approach
- **Shared sacrifice:** Everything is on the table
- **Big enough to matter:** Cuts the deficit by over \$4 trillion over the next 10 years, sufficient to stabilize the debt by 2015 and reduce debt as a percentage of GDP below 70% by 2020
- **Balanced approach:** Achieves deficit reduction with 2/3 spending cuts, 1/3 tax reform
- **Smart savings instead of dumb cuts:** Permanently repeals the sequester required by the Budget Control Act and replaces across-the board cuts with a balanced, comprehensive fiscal plan to reduce the deficit and stabilize the debt

Main elements

Tax reform:

- Comprehensive tax reform to promote growth, simplify the tax code, reduce marginal tax rates across the board, and reduce the deficit by \$1 trillion through 2021.
- Reduces the \$1.1 trillion in annual tax expenditures and tax breaks
- Reduce tax rates for individuals, small businesses, and corporations

Health care:

- Immediate reforms achieving savings of \$485 through 2021 based on principles and framework in Simpson-Bowles report to pay for permanent SGR fix and reduce costs over the next decade.
- Sets a limit on long-term growth for federal health care spending of GDP+1 requiring additional reforms if the policies in this resolution and other reforms fail to keep spending below targets

Discretionary spending:

- Total discretionary spending for FY13 of \$1.043 trillion and growth limited to 1% below inflation after 2013 for total savings of \$625 billion beyond caps set in Budget Control Act
- Additional savings divided proportionally between domestic and defense spending

Other provisions:

- Instructions for committees to find approximately \$300 billion in savings from other mandatory programs such as agriculture and federal retirement
- Bipartisan cooperation to enact plan to strengthen Social Security and put it on a fiscally sustainable path based on the principles and framework outlined in Simpson-Bowles report
- Fully repeals sequester and replaces with comprehensive fiscal plan
- Strong enforcement mechanisms to enforce spending cuts and ensure budget remains on a path to stabilize and reduce debt as a percentage of GDP

Major Savings by Category in Simpson-Bowles Budget Alternative

| | 2013- 2017 | 2013-2022 |
|--|----------------|----------------|
| Discretionary Savings below CBO Current Policy Baseline Required by Initial BCA Caps | \$170 | \$502 |
| Additional Discretionary Savings Beyond BCA Caps | \$129 | \$624 |
| Total Discretionary Savings | \$299 | \$1,126 |
| Gross Health Care Savings | \$214 | \$576 |
| SGR | -\$100 | -\$271 |
| Cap Health Growth at GDP+1% | \$0 | \$50 |
| Net Health Care Savings | \$114 | \$355 |
| Other Mandatory Savings (Including All PI) | \$102 | \$305 |
| Chained CPI | \$64 | \$266 |
| Match Highway Spending and Revenues | \$87 | \$156 |
| Comprehensive Tax Reform | \$360 | \$1,200 |
| Social Security Reform (Excluding Chained CPI) | \$48 | \$232 |
| Interest Savings | \$55 | \$547 |
| TOTAL DEFICIT REDUCTION | \$1,129 | \$4,187 |
| Deficits in Billions | 2,716 | 4,512 |
| Deficit at End of Window (2017/2022) in Percent of GDP | 1.9% | 1.4% |
| Debt at End of Window (2017/2022) in Percent of GDP | 73.9% | 67.9% |