



## Summary of the Sequester Offset Solutions (SOS) Plan September 16, 2015

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October 1 marks the return of sequester-level caps that were temporarily lifted under the 2013 Ryan-Murray Bipartisan Budget Act. Yet neither Congress nor the President have proposed to spend within these sequester-level caps – which are roughly \$90 billion lower than the Budget Control Act caps. If lawmakers choose to enact sequester relief, they should abide by three principles:

- **Fully offset all costs of sequester relief over ten years.**
- **Focus on policies that would save increasing amounts over the long term.**
- **Strengthen budget enforcement to prevent gaming of the spending caps.**

### The Sequester Offset Solutions (SOS) Plan

CRFB's *Sequester Offset Solutions (SOS)* plan offers one option to provide fiscally responsible sequester relief, comprised of four parts:

- 1. Establish New Spending Caps above Sequester Levels (-\$320 billion with interest)**
  - Repeal half of the discretionary reductions in FY 2016 and FY 2017
  - Index the FY 2017 spending cap to the chained CPI
- 2. Offset Two-Year Sequester Relief, Including Interest (\$110 billion)**
  - Enact \$50 billion of savings by expanding policies from the Ryan-Murray budget agreement related to federal retirement, the PBGC, and user fees, while replacing the Medicare sequester with more steady Medicare payments
  - Enact \$60 billion of savings from the President's budget related to Medicare, student loans, farm subsidies, and oil and gas revenue
- 3. Offset Continued Sequester Relief by Adopting the Chained CPI (\$210 billion)**
  - Adopt chained CPI – a more accurate measure of inflation – government wide; dedicates non-Social Security savings and tax revenue to sequester relief
  - Use Social Security savings to extend solvency
- 4. Strengthen Enforcement of Budget Caps**
  - Limit uncapped war spending to President's request and to items directly related to war spending
  - Phase out use of fake "CHIMPs" to offset higher real discretionary spending

### Fiscal, Economic, and Policy Impact of SOS Plan

- Ensures adequate defense and non-defense spending by replacing haphazard cuts with smart reforms
- Grows the economy by at least 0.2 to 0.3 percent each year
- Pays for itself within 10 years while closing 15 percent of Social Security's gap
- Reduces the debt by \$1.3 to \$1.8 trillion over 20 years