



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

CHAIRMEN

MITCH DANIELS
LEON PANETTA
TIM PENNY

PRESIDENT

MAYA MACGUINEAS

DIRECTORS

BARRY ANDERSON
ERSKINE BOWLES
CHARLES BOWSHER
KENT CONRAD
DAN CRIPPEN
VIC FAZIO
WILLIS GRADISON
WILLIAM HOAGLAND
JIM JONES
LOU KERR
JIM KOLBE
DAVE MCCURDY
JAMES MCINTYRE, JR.
DAVID MINGE
MARNE OBERNAUER, JR.
JUNE O'NEILL
PAUL O'NEILL
BOB PACKWOOD
RUDOLPH PENNER
PETER PETERSON
ROBERT REISCHAUER
ALICE RIVLIN
CHARLES ROBB
MARTIN SABO
ALAN K. SIMPSON
JOHN SPRATT
CHARLIE STENHOLM
GENE STEUERLE
DAVID STOCKMAN
JOHN TANNER
TOM TAUKE
GEORGE VOINOVICH
PAUL VOLCKER
CAROL COX WAIT
DAVID M. WALKER
JOSEPH WRIGHT, JR.

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