

Deficit Reduction Package – Nabors Draft 7/19/2011 6:27 PM

Discretionary Caps

Reduce spending by at least \$1.2 Trillion/10 years in BA and > \$1 T in OT relative to adjusted CBO January baseline, with FY 2012 Budget Authority set at \$1.045 Trillion with caps sufficient to achieve target savings. Firewall for FY 12 and FY 13 between defense appropriations bills and other bills, with comparable reductions below a freeze in both categories. Include emergency funding reform, and appropriate cap adjustments for program integrity.

OCO Caps

Reduce spending by at least > \$1 Trillion/10 years (includes State).

Other Items

- Must reduce spending, in the areas delineated below, by net of at least \$200 Billion/10 years, consistent with the table below:

Civilian Retirement	33
Military Retirement	11
TRICARE drug copayments/TRICARE for Life	16
Fannie Mae/Freddie Mac	30
Postal Reform	16
PBGC	9
TSA/flight plan	18
Spectrum/Universal Services Fund	20
Program integrity and asset sales	40
Oil and gas R&D	0.2
Flood insurance	4
Agriculture subsidies/conservation programs	33
Nutrition assistance	2
Higher education (net of Pell fix)	10
Extension of UI benefits	-43
Total, other mandatory savings	~ 200

In addition:

- Settle on CR formula for October 1.
- Enact mutually-agreed health savings which could include an expansion of high-income premiums to pay for a two-year extension of SGR.
- Extend payroll tax cut.

- Provide for other spending items including highway programs, if offset.

Increase of Statutory Debt Limit

Increase the debt limit by \$X Billion).

Additional \$X Billion equal to amount necessary to avoid reaching the debt limit until February 28, 2013] to be released upon submission of Presidential proposal to achieve targets described below in Sections 1 and 2. Upon submission, the House and Senate would consider under expedited procedures a motion to disapprove the \$X Billion increase in the debt limit). Unless both houses disapprove the increase, and such disapproval is upheld by both houses over a potential veto, the increase would take effect.

If the further deficit reduction described below is not enacted by January 1, 2013, the following proposals would go into effect:

- Sequester on Medicare and Medicaid equal to \$425 billion over ten years (\$150 billion across-the-board on Medicare provider payments; \$150 billion across-the-board increase in Medicare premiums, co-pays and deductibles; \$125 billion across-the-board reduction in Medicaid FMAP).
- Make permanent 10%, 15%, 25%, 28% individual rates; other "middle class" tax cuts (PAYGO definition) and estate tax at 2009 parameters. Freeze value of deductions/expenditures at their 2011 maximum level.

Expedited Process for Consideration of Further Deficit Reduction

A bill meeting the conditions set forth below would have limited debate, tight definition of germaneness, and would only be subject to amendments which are consistent with the budgetary guidelines below. In addition to meeting the specific components below, the objective of the bill would be to achieve "primary balance" within a specified # of years.

Section 1

- Title I. Must reduce spending in non-Medicare health programs by at least \$110 Billion/10years. CBO must certify that spending reductions from 2022 to 2031, net of impacts on other federal programs, are at least \$250 Billion (approximately 0.1% of GDP).
- Title II. Must reduce total Medicare spending by at least \$250 B from 2012 to 2021. CBO must certify that spending reductions from 2022 to 2031, net of impacts on other federal programs, are at least \$800 Billion (approximately 0.25% of GDP). Savings would be achieved through changes in policy in the following areas, and other areas:
 - Alteration in the eligibility age for Medicare
 - Adjustments to premiums collected for services and benefits currently covered under Part B and Part D.

- Reforming and streamlining deductibles and co-insurance for covered services.
- Limitations to certain types of supplemental insurance coverage.
- Payments for hospitals, post-acute care, and prescription drugs.
- Title III.
 - Apply the Superlative CPI to Social Security mandatory programs, and the tax code beginning in 2015, with benefit enhancement for the oldest Social Security beneficiaries with low- to moderate- incomes (net saves ~ 0.3 percent of payroll); and,
 - Reduce the 75-year estimated shortfall of the Social Security program by 0.7% (including Superlative CPI as a percentage of taxable payroll, with a balanced package of tax and benefit changes.

Section 2

- Enact fundamental tax reform that generates revenue totaling at least [\$36.288 Trillion + an amount equal to the amount of total savings achieved through Title 1 and Title 2 of Section 1] from 2012-2021 while preserving outlays from extending the 2001 and 2003 tax cuts as amended.
- Reduce, eliminate, simplify, and consolidate expenditures associated with itemized deductions, exclusions, and credits.
- Reduce the number of individual and corporate income tax rates in section 1 and 11 of the Internal Revenue Code of 1986, reducing each rate to the lowest possible level consistent with the overall revenue target described above and with efforts to broaden the individual and corporate income tax bases respectively.
- Maintain an income-based tax system without adding any new tax structures.
- Repeal the current AMT.
- Enact reform that improves international competitiveness and increases incentives for companies to invest in the United States and succeed globally.

Budget Enforcement

Second bill would include necessary enforcement mechanisms to guarantee deficit reduction contained in bill, as well as mutually agreeable reforms to the Budget Act.