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Ten Things to Look for in Upcoming Budget Resolutions March 11, 2013

In the coming days, the House and Senate Budget Committees will each offer and debate on budget resolutions that put forward visions for reforming spending programs and the tax code. With the exception of the past few years, the normal congressional budget resolution process has been fairly commonplace in setting annual spending levels while also laying out spending and revenue paths for several years into the future. This year's budget resolutions, however, may be particularly important since they may serve as the foundation for a bipartisan deal on deficit reduction. With that in mind, it is important for Americans to know what productive and responsible budget resolutions would do to not only offer real fiscal solutions, but also lay the groundwork for a compromise.

Responsible budget resolutions should seek to do the following:

1. Put the debt on a downward path relative to the economy. Current debt levels stand at 73 percent of GDP – about twice the historical average – and are on track to rise to nearly 79 percent a decade from now. As the economy recovers, any responsible plan must begin to not only stabilize but reduce the debt as a share of the economy this decade and beyond. Failing to put the debt on a downward path would slow long-term growth, reduce budget flexibility, and increase the risk of a future crisis.

2. Include serious entitlement reforms. Population aging and growing health care costs represent the primary threats to fiscal sustainability, and budget resolutions must address these concerns with real savings to slow the growth of federal health care and retirement programs. Although Social Security is technically “off-budget,” ideally budget resolutions would include a policy statement or Sense of Congress acknowledging the need for action to make Social Security sustainably solvent over the next 75 years. Entitlement reforms could be enacted in a way that protects the most vulnerable in society.

3. Include pro-growth tax reform. The current tax code is badly in need of reform. Although budget resolutions do not enact or require specific reforms, they should include language and targets for comprehensive pro-growth tax reform that reduces the cost of tax expenditures in order to lower budget deficits and make the tax code more competitive.

4. Specify a process to enact spending cuts and entitlement and tax reforms. Budget resolutions offer an opportunity to put in place fast-track instructions to achieve deficit reduction and other fiscal reforms. While savings targets alone are a start, responsible budget resolutions should also include requirements for Committees to



follow through on achieving those savings targets with legislative action.

5. Put all areas of the budget on the table for discussion. Making needed reforms to spending programs and the tax code to control rising deficits and debt will require tough decisions. While not every program needs to be reformed in the same ways or by the same magnitude, taking certain parts of the budget off the table for discussion can increase the burden on other programs while also making compromise more difficult.

6. Focus on the long-term. While getting the debt on a downward path over the medium term is important, the ultimate success of a fiscal plan may hinge whether it controls debt in the long-term. Budget resolutions should suggest the types of policies with long-term implications and should also set long-term fiscal targets.

7. Avoid non-credible savings targets. Budget resolutions are based on numbers rather than specifics, but those numbers must be credible. The larger the deficit reduction is in a given category of the budget, the more important it is to back up the target with specific ideas to achieve it. Large “magic asterisks” should be avoided.

8. Address, don’t ignore, expected policy changes. In the coming months and years, policymakers will be required to make decisions on whether to maintain or replace the sequester, what to do about the expiring “doc fix,” and how to deal with the expiration of various refundable tax credits in 2017, among other policies. Budget resolutions should either assume the most likely scenario or else identify an explicit choice to deviate from that scenario.

9. Avoid budget gimmicks. Budget resolutions should rely on real savings rather than fakery. Assuming funding for Hurricane Sandy will not continue over the next decade does not represent real savings. Assuming savings from a war drawdown already underway does not represent new savings because the drawdown is already in place. And relying on optimistic economic forecasts to generate additional revenue does not represent real savings. Gimmicks undermine the seriousness and credibility of any budget resolution.

10. Demonstrate willingness to compromise on a bipartisan basis. Budget resolutions are by their nature partisan, but versions from the House and Senate must ultimately be reconciled in order to pass a single concurrent budget resolution. Responsible budget resolutions would lay the groundwork for compromise by indicating areas they are willing to move from party doctrine, incorporating ideas advocated by the other side, remaining politically realistic, and avoiding lines in the sand that can complicate reaching a bipartisan compromise.

With sequestration already in effect as of March 1st and the debt limit looming in the summer, these budget resolutions represent an opportunity to refocus the budget debate on fiscal sustainability. Hopefully, policymakers on the respective Budget Committees and lawmakers in both chambers of Congress will produce deficit reduction plans that adhere to these guidelines. If they do, it will make the process for reaching an agreement that much easier, making our economic and budgetary future brighter.