GOVERNOR RICK PERRY'S 2020 VISION

CUT, BALANCE & GROW

"THE MOST EXCITING
PLAN SINCE REAGAN'S"

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America is at a crossroads. It can continue down the road of overspending and government control of every aspect of the economy, or it can return to the path of limited government and individual freedom that made America great. The current financial crisis in Europe has provided a window onto America's future if it does not change the course set by the Obama administration: economic stagnation, financial instability, and eventually bankruptcy.

America has a choice between President Obama's failed economic agenda that has increased debt while destroying jobs, or a simple plan to fix the broken tax and regulatory code, repeal job-killing legislation, balance the budget, and grow the economy.

I have a clear vision for America, one in which America returns to its rightful place as the most free and prosperous nation in history and stands tall before the world instead of bowing to foreign leaders.

By 2020, America must have a tax code that is simple and fair; a federal budget that balances without raising taxes; retirement and health care programs that are sustainable and secure; a common-sense regulatory system that does not create undue burdens on job creators; and a growing economy that allows the best and brightest to create and innovate free from government intimidation.

America's best days have not yet been lived.

The current economic problems faced by so many Americans were created by years of wasteful mismanagement and incompetent central-planning and cannot be fixed overnight. To be sure, there are a number of things that can be done by the president on day 1 to begin the process of restoring the American economy. But the reforms necessary to fix the broken tax and regulatory code, balance the budget, and grow the economy for the long-term will take some time and patience. Their implementation requires a clear plan, consistent leadership, and sustained resolve.

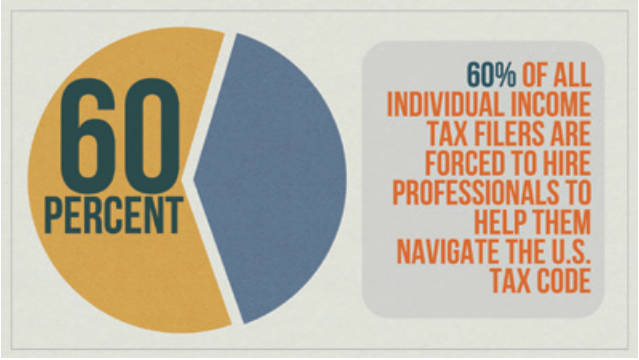
To increase economic growth, we must simplify the tax code so families and businesses are no longer wasting billions of hours and dollars each year just trying to comply with the mess that is the current tax code. To increase economic growth, we must make America the best place in the world to start and grow a business by eliminating special-interest tax breaks and bringing our corporate tax rate more in line with our global trading partners. To increase economic growth, we must free up hundreds of millions of dollars of capital currently held hostage to an unnecessary and burdensome dividends and capital gains tax. To increase economic growth, we must unshackle American small businesses from an oppressive regulatory regime that knows more about intimidation than job creation. To increase economic growth, we must finally enact a balanced budget amendment to the Constitution and put an end to overspending once and for all. The American economy simply cannot grow under the weight of a crushing amount of debt.

A strong America requires a strong economy, a strong balance sheet, and a strong dollar.

America's best days have not yet been lived. By returning to its foundation of limited government, individual liberty, and economic freedom, America can re-establish itself as the best place in the world to grow a business and raise a family. With proven conservative leadership and an unwavering commitment to make Washington as inconsequential in the daily lives of American families and small businesses as possible, we can get America working again.

FIX THE TAX CODE

America's tax code is broken. American families and businesses spend more than 6 billion hours and hundreds of billions of dollars each year attempting to comply with the filing requirements of our nation's increasingly complex tax code.[1] One study estimates that annual tax compliance costs will reach $483 billion by 2015 if no fundamental reforms are made to the tax code.[2] The Internal Revenue Service's (IRS) own Taxpayer Advocate Service testified before Congress that the current tax code imposes excessive compliance burdens, is filled with special tax breaks, creates opportunities for abuse, and promotes non-compliance. *Over the last decade the federal tax code has been changed 4,428 times – an average of more than once a day – including 579 new changes in 2010 alone.*[3] The current tax code is more than 3 million words long; the mere instructions accompanying the 1040 form exceed 100 pages.[4]



It is no wonder that 60 percent of all individual income tax filers are forced to hire professional tax preparers to help them navigate the tax code.[5] But unfortunately for the individual taxpayers being represented, the professional tax preparers even have issues: a Government Accountability Office (GAO) on-site investigation of professional preparers found evidence that the professionals did not always know what they were doing either.[6] "Tax payers relying on paid preparers to provide them with accurate, complete, and fully compliant tax returns may not get what they pay for," GAO wrote.[7] "Nearly all of the returns prepared for us were incorrect to some degree, and several of the preparers gave us very bad tax advice[.]"

Innocent taxpayers are being held hostage by a monstrous system of taxation that only grows worse with each passing year. American families deserve a system that is low, flat and fair. They should be able to file their taxes on a postcard instead of a massive novel-length document.

Changes are also needed for the nation's corporate tax system to make America once again the best place in the world to start and grow a business. At 39.2%, the combined federal-state corporate tax rate in the U.S. is the second-highest overall rate in the world among OECD nations.[8] And while statutory rates have been falling worldwide for the past two decades, corporate tax rates in the U.S. have not, as 2011 marks the twentieth straight year in which the U.S. corporate tax rate has exceeded the average of other OECD nations.[9] The disparity in corporate tax rates between the U.S. and the rest of the world has put the U.S. at a distinct competitive disadvantage. Because the higher tax rates increase the cost of capital and required return on new investments, many corporations choose to invest elsewhere, costing the U.S. valuable jobs and revenue.[10]

1 National Taxpayer Advocate, Written Statement of Nina E. Olson before the U.S. Senate Committee on Finance, June 28, 2011 (pg. 15)

2 Tax Foundation, The Rising Cost of Complying with the Federal Income Tax, October 26, 2006 (pg. 2)

3 National Taxpayer Advocate, Written Statement of Nina E. Olson before the U.S. Senate Committee on Finance, June 28, 2011 (pg. 16)

4 Tax Policy Center, It's that time again - 5 myths about paying taxes, April 11, 2011

5 National Taxpayer Advocate, Written Statement of Nina E. Olson before the U.S. Senate Committee on Finance, June 28, 2011 (pg. 8)

6 Government Accountability Office, Written statement of Director of Strategic Issues Michael Brostek before the U.S. Senate Committee on Finance, April 4, 2006 (pg. 16)

7 Government Accountability Office, Written statement of Director of Strategic Issues Michael Brostek before the U.S. Senate Committee on Finance, April 4, 2006 (pg. 16)

8 Tax Foundation, U.S. Corporations Suffer High Effective Tax Rates by International Standards, September 2011 (pg. 1)

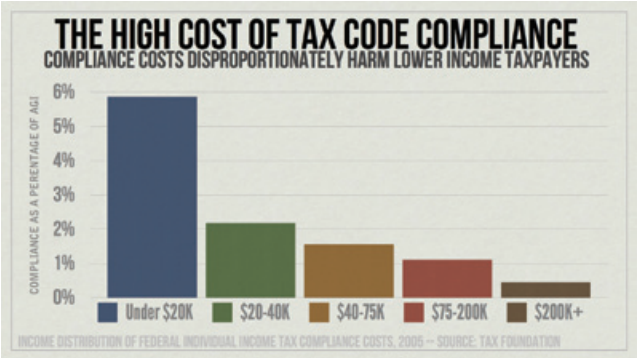
9 Tax Foundation, Countdown to #1: 2011 Marks 20th Year That U.S. Corporate Tax Right Is Higher Than OECD Average, March 9, 2011

10 Center for Freedom and Prosperity, Written statement of Director of Government Affairs Brian Garst, May 26, 2011 (pg 2.)

COMPLIANCE COSTS: BROKEN STATUS QUO

TAXPAYER'S ADJUSTED GROSS INCOME	COMPLIANCE BURDEN AS A PERCENTAGE OF AGI
UNDER $20,000	5.87%
$20,000-$50,000	2.18%
$50,000-$75,000	1.56%
$75,000-$200,000	1.11%
$200,000 AND OVER	0.45%

INCOME DISTRIBUTION OF FEDERAL INDIVIDUAL INCOME TAX COMPLIANCE COSTS, 2005 – SOURCE: TAX FOUNDATION



America needs to send the message to the rest of the world that the U.S. is open for business.

The corporate tax code is also riddled with loopholes and special-interest tax breaks that are not available to hard-working individual taxpayers. While many families struggle to pay their tax bills, some billion-dollar corporations find a way to avoid paying any federal taxes at all. While individual Americans struggle every year with tax compliance, large companies spend billions on tax avoidance. Special-interest corporate tax breaks and loopholes need to be eliminated so that small businesses and large corporations can compete on a level playing field.

Tax complexity also makes it possible for some individuals and businesses to entirely avoid paying taxes they owe. The National Taxpayer Advocate testified that reducing complexity and simplifying the tax would "improve compliance by taxpayers" and that "complexity creates opportunities for abuse that can be exploited by those who want to avoid their tax obligations."[11] The gap between what is owed and what is collected in tax revenue could be as high as $345 billion each year.[12] Non-compliance by some individuals and businesses increases the tax burden on the millions of Americans who jump through hoops to follow the law and pay their taxes on time.

The American tax code is too big, too complicated, and too riddled with loopholes and special interest tax breaks that increase compliance costs and impede economic growth. Tinkering around the edges of the code will do nothing to provide families and job creators with the long-term certainty they need to make new investments or hire new workers.

Implementing a simple flat tax plan that protects lower- and middle-income families and eliminates special-interest corporate tax breaks is the best way unleash economic growth and free the country's entrepreneurs and job creators from the shackles of an incomprehensible tax code.

INSTITUTE INDIVIDUAL FLAT INCOME TAX RATE OF 20%

By implementing a simple and optional flat tax that will allow Americans to file their taxes on a postcard, up to $483 billion a year could be saved by American families and businesses in reduced compliance costs alone.[13] A simpler, flatter tax code – free from the dozens of individual carve-outs that make the code so incomprehensible – will remove the disincentives to work, entrepreneurial risk-taking, and investment that form the foundation of a strong and vibrant economy.

Lower- and middle-income families will be able to take advantage of an optional 20% flat tax rate that includes generous standard exemptions of $12,500 for individuals and their dependents, as well as deductions for mortgage interest, charitable contributions, and state and local taxes.

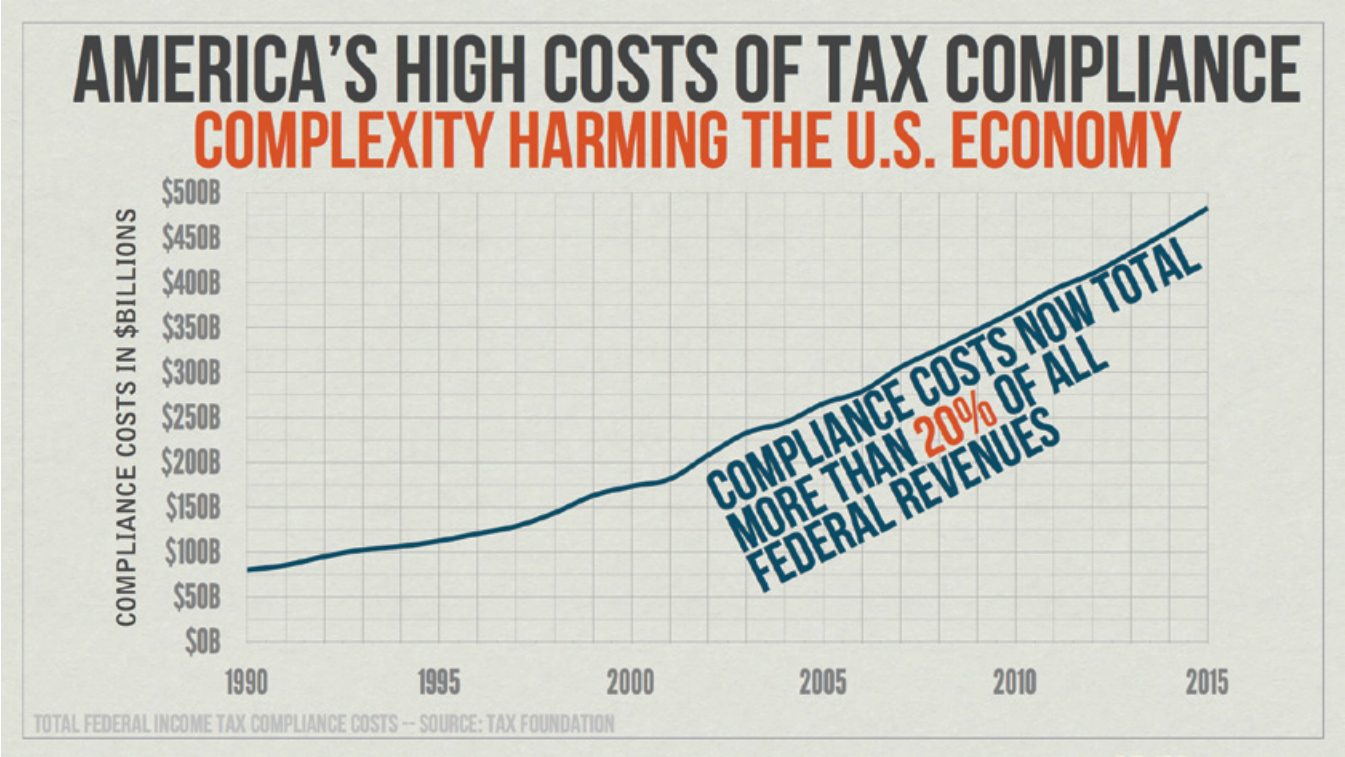
Nearly two dozen countries worldwide have adopted flat tax systems, with thirteen of them transitioning to the new system within the last decade.[14] Estimates by the non-partisan Tax Foundation show significant taxpayer savings from reduced compliance costs

11 National Taxpayer Advocate, Written Statement of Nina E. Olson before the U.S. Senate Committee on Finance, June 28, 2011 (pg. 11)

12 Sen. Max Baucus, Baucus Looks to Simplify Tax Code to Improve Compliance, Fairness, June 28, 2011

13 Tax Foundation, The Rising Cost of Complying with the Federal Income Tax, October 26, 2006 (pg. 2)

14 CATO Institute, The Global Flat Tax Revolution, July/August 2007



alone. If given the option of a simple, postcard-sized tax return, individual taxpayers could save thousands of dollars each year in tax compliance costs.[15] And by removing the myriad distortions in the current tax code that impede the efficient allocation of capital, economic growth will be unleashed across the country, creating new jobs and higher incomes for all Americans.

The new flat individual income tax system will be designed so that federal individual income tax receipts will be equal to approximately 8% of the country's gross domestic product (GDP), in line with the historical share of federal individual income tax revenue relative to the size of the economy.[16] The cumulative tax changes proposed, including those to the corporate income tax system, will be designed so that total federal revenues average 18% of GDP, the 50-year U.S. average for federal tax receipts.[17] The federal payroll tax will not be affected by the new flat tax system.

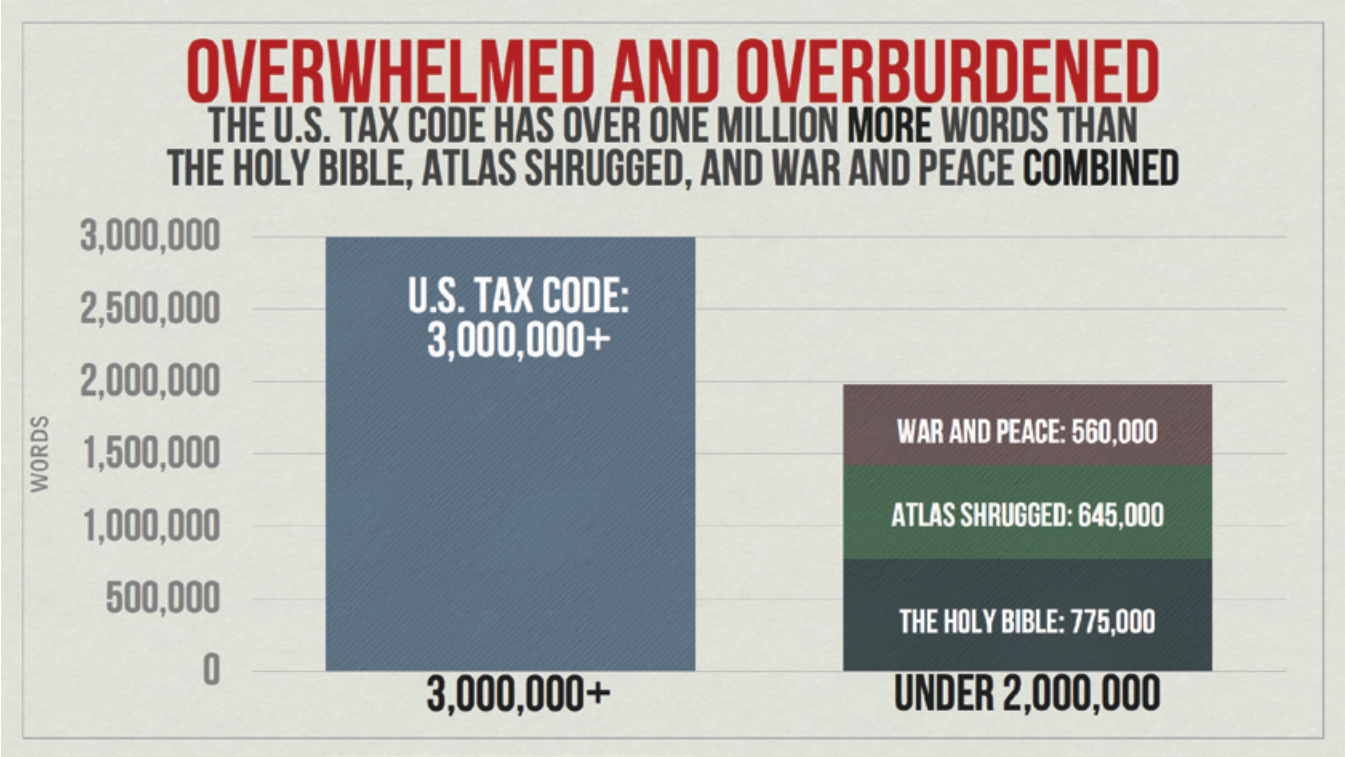
ALLOW INDIVIDUALS TO CHOOSE BETWEEN EXISTING TAX CODE OR NEW FLAT TAX SYSTEM

Under the new flat tax system, taxpayers will have the ability to opt-in to the new system or remain under the existing tax code. Those families or small business owners who made investment decisions years ago based upon the structure of the existing tax code will have the freedom to remain in the current system if they so choose. And taxpayers who desire a simpler, less expensive system are free to move into the optional new flat tax system and take advantage of a postcard-sized tax return that could be filled out in minutes.

15 Tax Foundation, The Rising Cost of Complying with the Federal Income Tax, October 26, 2006 (pg. 2); Tax Foundation estimates $487.2 billion in compliance costs by 2015 (pg. 2), of which 42 percent (pg. 1) are borne by the over 140 million individual income tax filers in the U.S.

16 White House Office of Management and Budget, Historical Tables - Table 2.3; Includes federal individual income tax receipts as a percentage of GDP from 1960 through 2010

17 Congressional Research Service, Social Security: Calculation and History of Taxing Benefits, January 15, 2010 (pg. 9)



PRESERVE DEDUCTIONS FOR MORTGAGE INTEREST, CHARITY, AND STATE/LOCAL TAXES

Although the proposed flat tax system will not include most special tax credits or deductions embedded within the existing system, families and business that made investment decisions years ago based on the existence of those deductions or credits will still have the option to take advantage of those deductions and credits by remaining within the existing tax system. However, the new optional flat tax system will also include deductions for mortgage interest, charitable contributions, and state and local taxes.

Eliminating the deduction for mortgage interest payments could potentially drive housing prices down even further, while eliminating the deduction for charitable contributions could potentially reduce private funding for non-profits that provide vital services to the less fortunate in the midst of a severe economic downturn. And because interest expenses are taxable when received by the lender, the mortgage interest deduction at the personal level maintains overall tax neutrality for the expenditure. Federal taxpayers should also not be punished for tax decisions imposed on them by their state or local governments. Since families are never able to actually use the income they pay in taxes to state and local governments, it makes sense to also retain the deduction for state and local tax payments.

ELIMINATE TAX ON SOCIAL SECURITY BENEFITS

Because the Social Security system is structured as a pay-as-you-go system where current workers largely provide benefits to current retirees, it makes little sense to tax the benefits of current retirees in order to provide benefits to current retirees. Approximately 17 million Social Security beneficiaries, the vast majority of whom make less than $50,000 each year, are currently forced to pay income taxes on their benefits.[18] Today's senior citizens who paid into the Social Security system for generations should not be taxed yet again on their Social Security benefits. For over 40 years Social Security income was earned-tax free; it was not until 1983 that Congress changed the law and explicitly authorized a new tax on Social Security

18 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI)

benefits.[19] Under the optional flat tax system, the original tax treatment of Social Security benefits will be restored Social Security income will again be tax-free.

NO FEDERAL SALES TAX OR VALUE-ADDED TAX

The new flat tax system will have no federal sales tax or business value-added tax (VAT). When added to existing federal income taxes and state and local income sales taxes, a national sales tax would be highly regressive. Low-income families spend a much higher percentage of their incomes on food and gas than do those with considerable wealth. For example, a household earning $25,000 each year would spend roughly 40% of its income on food, utilities, and health care, while a household earning $130,000 each year would pay less than 15% of its income on those three items.[20]

The federal sales tax and the VAT also obscure the true costs of federal taxes by embedding them in the prices of every day goods. When the true cost of taxation is hidden from the taxpayer, it becomes easier for politicians to raise taxes. "[I]n practice the VAT has rarely replaced the income tax, or even resulted in a lower income-tax rate," the Wall Street Journal noted on tax day in 2010.[21] "Of the 10 major OECD nations with VATs or national sales taxes, only Canada has lowered its rate." For example, although Denmark originally initiated a VAT rate of only 9%, its rate today is 25%. [22]

Administrative and compliance costs would also increase under a VAT. According to the Tax Policy Center, "Adding a VAT on top of the existing income tax system would add to total costs of administration for the entire system because businesses would face additional reporting requirements and the IRS would have to administer an entire new tax, without shedding responsibility for other taxes."[23]

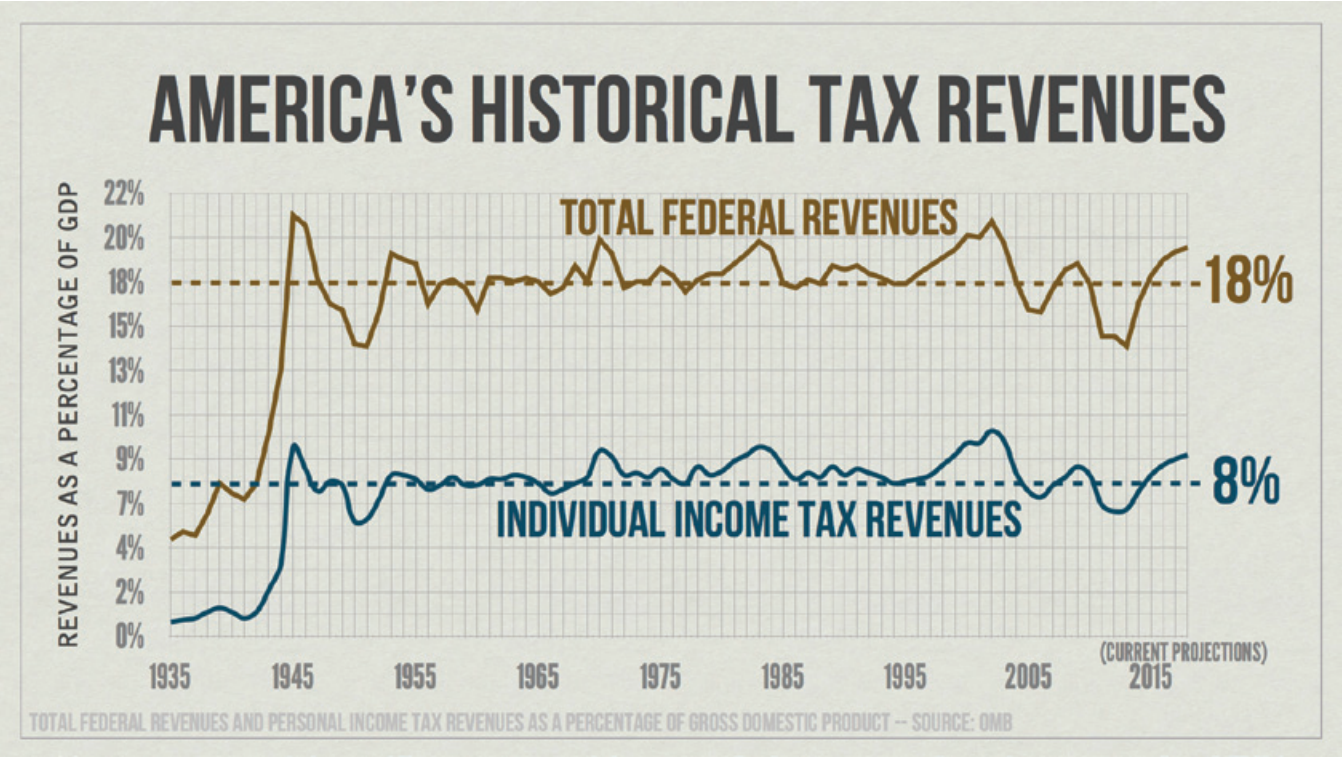
19 Bureau of Labor Statistics, Income before taxes: Average annual expenditures and characteristics, 2010

20 Wall Street Journal, Europe's VAT Lessons, April 15, 2010

21 Wall Street Journal, Europe's VAT Lessons, April 15, 2010

22 Tax Policy Center, Effects of Imposing a Value-Added Tax to Replace Payroll Taxes or Corporate Taxes, March 18, 2010 (pg. 19)

23 Internal Revenue Service, Estate Tax Overview, March 25, 2011



ELIMINATE TAX ON QUALIFIED DIVIDENDS AND LONG-TERM CAPITAL GAINS

The quickest way to spur economic growth is to leave money in the hands of the American people and to encourage the movement of capital. Eliminating the tax on qualified dividends and long term capital gains will free up literally hundreds of millions of dollars the American people currently are sitting on to avoid a tax on the gain – a tax that is a "second" tax on their money. Between the economic recession, housing market collapse, and decline of the stock market in recent years, American families have lost trillions of dollars worth of their hard-earned savings. As big banks received billions in taxpayer bailouts and watched their profits soar, working Americans watched helplessly as the value of their homes, retirement accounts, and stock portfolios dwindled. By eliminating the tax on qualified dividends and long-term capital gains, entrepreneurs and small business owners can unleash capital to spur economic activity and the growth of the American economy.

ELIMINATE THE DEATH TAX

The federal estate tax is defined by the Internal Revenue Service as "a tax on your right to transfer property at your death." Under current law, the tax is temporarily set at the rate of 35 percent with an exemption of $5 million. On January 1, 2013 the estate tax is set to return at a top marginal rate of 55 percent (with an additional 5% surtax for certain estates) on all assets above a $1 million exemption amount. The estate tax is paid by the recipients of an inheritance and is due within 9 months of the decedent's death. If the heirs do not have sufficient cash, personal property and business assets must be sold to pay the tax. In the case of family business owners and farmers, the tax often exceeds the ability of the family to pay. These heirs are consequently forced to sell off part, if not all, of their enterprise in order to pay the tax. Eliminating the death tax is necessary to protect family businesses, farms and jobs.

ELIMINATE CORPORATE LOOPHOLES AND SPECIAL-INTEREST TAX BREAKS

Many Americans are rightly outraged by news stories that corporations like GE somehow pay nothing in taxes after earning more than $14 billion in profits.[24] Due to the mind-boggling complexity of the tax code, large corporations can implement the most effective tax avoidance strategies money can buy, while American taxpayers are forced to send thousands of dollars to the federal government instead of spending it on their families. And unlike small businesses that cannot afford to house an army of lawyers and tax accountants, large and sophisticated corporations have the means to find and use every tax avoidance strategy that lies buried in the tax code. The myriad tax breaks, loopholes, and so-called tax expenditures available within the corporate tax code need to be phased out over time to ensure a level playing field for family-owned small businesses and multi-national corporations.

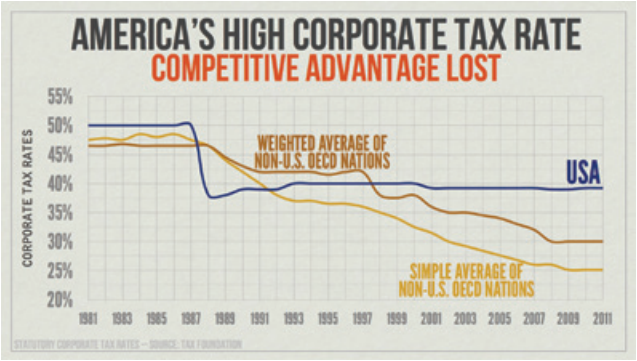
REDUCE CORPORATE INCOME TAX RATE TO 20% TO ENHANCE AMERICAN COMPETITIVENESS

The U.S. has the second-highest corporate tax rate in the developed world. Over the past 13 years, 30 countries within the OECD have lowered their corporate tax rates to increase their global competitiveness, while the U.S. corporate tax rate remained unchanged.[25] According to aggregates of more than a dozen estimates of effective tax rates across the world, the U.S. effective corporate tax rate of 28% exceeds the average rate of most other nations by nearly 8%.

24 New York Times, G.E.'s Strategies Let It Avoid Taxes Altogether, March 24, 2011

25 Tax Foundation, U.S. Corporations Suffer High Effective Tax Rates by International Standards, September 2011 (pg.4)

Bringing the U.S. tax rate more in line with America's global competitors will increase incentives for companies to locate their new factors or hire new employees in the U.S.



ENHANCE AMERICAN COMPETITIVENESS BY TRANSITIONING TO A TERRITORIAL TAX SYSTEM

The current "worldwide system" of corporate taxation used by the U.S. creates significant incentives for American companies with foreign subsidiaries to leave profits overseas instead of investing them in the U.S. The worldwide system of taxation taxes overseas income first at the tax rate in the country where the income is earned and then a second time when profits are brought back to the U.S. In essence, income earned in a foreign tax jurisdiction can be tax-deferred until it is brought back to the U.S. Under a territorial system, corporate profits would be taxed only once – in the country where the income is earned. When combined with a lower corporate tax rate, transitioning to a territorial system of taxation would make the U.S. far more competitive with other countries, increasing economic growth and creating more jobs for American workers.

ALLOW LOCKED-UP OVERSEAS CAPITAL TO BE BROUGHT BACK TO THE U.S. AT A REDUCED TAX RATE

More than $1 trillion in income is stuck overseas due to the current complicated U.S. treatment of foreign-earned corporate income according to numerous studies from researchers on both sides of the political divide. Although a territorial system of taxation eliminates the issue of locked-up overseas income going forward, a reduced tax rate on repatriated earnings can help attract capital that has been left overseas since the most recent repatriation holiday in 2004.

A study conducted for the U.S. Chamber of Commerce by former CBO director Douglas Holtz-Eakin estimated that a one-time repatriation tax rate of 5.25% would bring over $1 trillion in capital back to the U.S., creating up to 2.9 million new jobs and $360 billion in increased economic output.[26] Laura Tyson, the former head of the White House Council of Economic advisers for President Clinton, authored a study for the New America Foundation that found a reduced repatriation rate would increase GDP by up to $336 billion, create between 1.3 million to 2.5 million new jobs, and increase tax revenue by $36 billion.[27]

26 U.S. Chamber of Commerce, The Need for Pro-Growth Corporate Tax Reform – Repatriation and Other Steps to Enhance Short- and Long-Term Economic Growth, August 2011 (pg. 21)

27 New America Foundation, The Benefits for the U.S. Economy of a Temporary Tax Reduction on the Repatriation of Foreign Subsidiary Earnings, Fall 2011 (pg. 7)

American families deserve a tax system that is low, flat & fair.

FIX THE FEDERAL REGULATORY SYSTEM

The federal regulatory system is out of control. *Between 2001 and 2010, the federal government implemented 38,710 new regulations and proposed an additional 23,987.*[28] The Federal Register, which contains all new and proposed regulations, expanded more than 81,000 pages in 2010, a 30% increase over the 35-year average of 62,810 pages.[29] The Code of Federal Regulations (CFR) – the warehouse of permanent rules published in the Federal Register – contained 165,494 pages in 2010.[30] The document's index alone is more than 1,100 pages.[31]

28 Office of the Federal Register, Federal Register Documents – Chart 10, September 27, 2011 (provided via e-mail from FedReg.Info@nara.gov)

29 Office of the Federal Register, Federal Register Pages Published – Chart 7, September 27, 2011 (provided via e-mail from FedReg.Info@nara.gov)

30 Office of the Federal Register, Code of Federal Regulations – Total Pages 1938 Through 1949, and Total Volumes and Pages 1950 Through 2010 – Chart 12, September 27, 2011 (provided via e-mail from FedReg.Info@nara.gov)

31 Office of the Federal Register, Code of Federal Regulations Page Breakdown – 1975 Through 2010 – Chart 13, September 27, 2011 (provided via e-mail from FedReg.Info@nara.gov)

It has become impossible for even the most conscientious individuals and small businesses to keep track of the ever-growing morass of federal rules imposed upon the public ever year. When asked by a congressional office for a list of all federal regulations that contain criminal penalties, the Congressional Research Service responded that "the task is inordinately time-consuming and defies a precise count under any standard."[32] Imagine how the small businesses and entrepreneurs who are forced to navigate the labyrinth must feel.

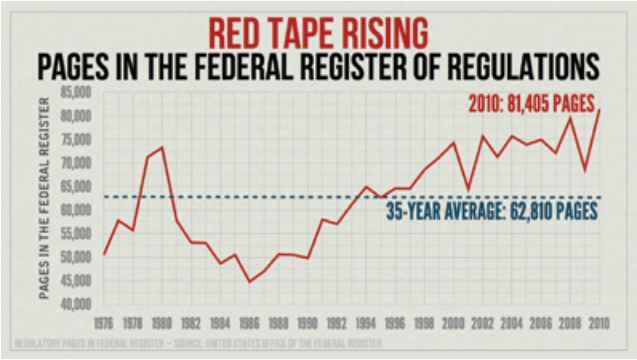
Rather than operate as a system meant solely to implement constitutional legislation passed by Congress and signed into law by the president, the federal regulatory system has become a bureaucratic tool for intimidation and a shadow system of taxation on American job creators.

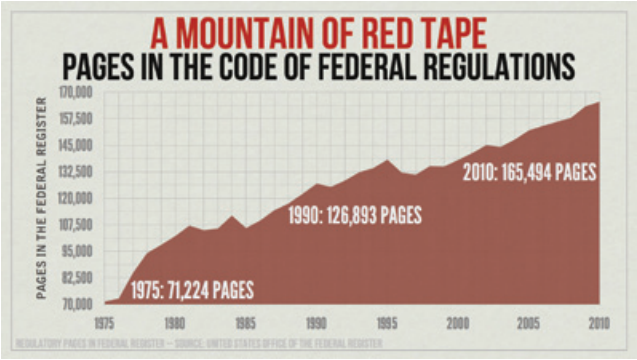
32 Congressional Research Service, Federal Regulations Holding Criminal Penalties – Confidential Memorandum, October 12, 2011

$1.1+ TRILLION IN FEDERAL REGULATORY COSTS

		ANNUAL COST PER EMPLOYEE FOR FIRMS WITH:		
TYPE OF REGULATION	ALL FIRMS	FEWER THAN 20 EMPLOYEES	20-499 EMPLOYEES	500+ EMPLOYEES
ALL FEDERAL REGULATIONS	$5,633	$7,647	$5,411	$5,282
ECONOMIC	$2,567	$2,127	$2,372	$2,952
WORKPLACE	$922	$920	$1,051	$841
ENVIRONMENTAL	$1,249	$3,296	$1,040	$710
TAX COMPLIANCE	$849	$1,304	$948	$780

ANNUAL FEDERAL REGULATORY COSTS BY FIRM SIZE -- SOURCE: SMALL BUSINESS ASSOCIATION





Instead of adequately protecting the U.S. border, the current administration used its limited resources to conduct sting operations against Amish farmers.[33] Instead of using every tool available to combat rampant theft of U.S. intellectual property by Chinese companies, the current administration sent a SWAT team to harass an American guitar manufacturer for having the audacity to still build things in the U.S.[34]

Research from the Small Business Administration (SBA) estimated that the cost of federal regulations totals more than $1.1 trillion with a cost to small businesses of $7,647 per employee.[35] For the manufacturing industry, the cost of federal regulations per employee is more than $10,000. According to SBA, "The manufacturing sector in particular bears the highest total regulatory burden in terms of cost per firm."[36]

The U.S. federal regulatory system is in desperate need of overhaul. *Of the more than 38,000 new regulations were issued between 2001 and 2010, fewer than 10% were reviewed by the Office of Management and Budget.*[37]

Americans need to be confident that every new rule issued by the federal government has been thoroughly analyzed and reviewed for its impact on individual liberty, economic growth, and job creation. And they need to be confident that unaccountable agency bureaucrats will not have free rein to strangle entrepreneurs and small businesses with onerous regulations meant to appease special-interest groups.

IMMEDIATE MORATORIUM ON ALL PENDING REGULATIONS

The current regulatory regime cannot be effectively audited and improved while agencies still have the ability to issue thousands of new regulations. An immediate freeze on all pending and new regulations is necessary to ensure a full audit of existing regulations. Common-sense exceptions will be available for regulations deemed by the president to be routine or essential to American security.

FULL AUDIT OF EVERY REGULATION PASSED SINCE 2008

Before any new regulations are implemented, every regulation promulgated since the beginning of 2008 must be audited and judged according to the following criteria: is it affordable, is it effective, and does it do more harm than its purported good? The "affordability" test will analyze the effect of regulations on job creation and economic growth. The "effective" test will determine if the regulations have been successful or if less burdensome rules could be used to get similar results. The "harm" test will judge whether the responsible agency has created more harm to the economy than its perceived benefits.

Regulations that fail all three tests will be repealed, those that fail any single test will be rewritten, and those that pass every test will be left in place. While some opponents of rigorous regulatory oversight may assert that it is just too difficult to examine that many regulations, it is even more difficult to increase

33 Washington Times, Feds sting Amish farmer selling raw milk locally, April 28, 2011

34 Gibson, Gibson Guitar Corp. Responds to Federal Raid, August 25, 2011

35 Small Business Administration Office of Advocacy, The Impact of Regulatory Costs on Small Firms, September 2005 (pg. 2)

36 Small Business Administration Office of Advocacy, The Impact of Regulatory Costs on Small Firms, September 2005 (pg. 61)

37 Office of Management and Budget, 2011 Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities, 2011 (pg. 13)

economic growth and create jobs when more than 90% of all federal regulations are never reviewed for their effect on the economy. If federal bureaucrats can issue an average of 3,500 new regulations and propose another 2,400 each year, then they can certainly review previously issued regulations during a moratorium on new regulations.[38]

FEDERAL REGULATIONS AUTOMATICALLY SUNSET UNLESS CONGRESS RENEWS THEM

Just as working families must regularly re-evaluate their spending priorities, federal policy makers should also be required to assess whether decades-old regulations still make sense. A requirement that all new federal regulations will automatically sunset after seven years unless explicitly renewed by Congress will ensure continuous review of every new federal regulation. It will also empower the country's elected lawmakers to hold federal agencies accountable for costly regulations that destroy jobs and reduce economic growth.

INSTITUTE ANNUAL REGULATORY BUDGET FOR EACH AGENCY

When designing regulations, agency officials should be required to prioritize based on total cost, just like small business owners must prioritize demands on the time of their employees. Under current law there is no limit to the potential cost that can be embedded into a new regulation or mandate. By instituting an annual regulatory budget for each agency, bureaucrats will be incentivized to design proposals in a way that maximizes benefits while minimizing costs, as opposed to defining the benefits so broadly that they always outweigh the total cost to businesses and taxpayers. In cases where an agency needed authority beyond its annual budget, formal waiver requests would be subject to Congressional approval on a case-by-case basis.

CREATE A SEARCHABLE PUBLIC DATABASE WITH ALL REGULATIONS CURRENTLY IN FORCE

Forcing entrepreneurs and small business owners to wade through the more than 165,000 pages of the Code of Federal Regulations to determine what arcane federal regulations might apply to their operations is not right. Nor should job creators need to employ an army of lobbyists and lawyers to help them stay on the right side of the law. They should be able to easily find descriptions, public comments, and cost estimates of all relevant regulations. A simple and searchable online database of all federal regulations currently in force – including succinct summaries, all public comments, and all related cost-benefit analyses – would allow employers and taxpayers to better understand the rules that apply to them, why they exist, how much they cost, and their effects on economic growth and job creation.

If federal bureaucrats can issue an average of 3,500 new regulations and propose another 2,400 each year, then they can certainly review previously issued regulations during a moratorium on new regulations.

38 Office of the Federal Register, Federal Register Documents – Chart 10, September 27, 2011 (provided via e-mail from FedReg.Info@nara.gov); Average of regulations issued and proposed from 2008 through 2010

PRESERVE SOCIAL SECURITY
FOR ALL GENERATIONS OF AMERICANS

Regardless of the phrases one uses to characterize Social Security, nearly everyone agrees that the program is broken. If no changes are made to the system, benefits will immediately be slashed by 23 percent in 2036 when the program officially runs out of money to fund promised benefits.[39] Such an outcome would be a disaster. Sensible reforms to the system must be made to ensure that future generations of retirees can rely upon Social Security's safety net just as their parents and grandparents did. Social Security is a vital safety net that has protected millions of retirees for several generations, but the safety net is beginning to fray.

The financial problems facing Social Security have been well-documented by the Trustees of the program. Vastly different demographics compared to when Social Security was first created are largely responsible for the $17.9 trillion in unfunded liabilities of the program.[40] In 1945, there were 42 workers per Social Security beneficiary. Today there are barely three workers per beneficiary, and by 2060 that number will dwindle to only two.[41] Thanks to amazing medical advances made over the last 75 years, Americans are living much longer than they used to. Total life expectancy from birth in 1940 was 61 years for men and 65 years for women.[42] As of 2010, those numbers had increased to 76 years for men and 80 years for women.[43]

39 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI) Trust Funds, 2011 Report of the Board of Trustees of OASDI Trust Funds, 2011 (pg. 17)

40 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI) Trust Funds, 2011 Report of the Board of Trustees of OASDI Trust Funds (pg. 74)

41 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI) Trust Funds, 2011 Report of the Board of Trustees of OASDI Trust Funds (pg. 61)

42 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI) Trust Funds, 2011 Report of the Board of Trustees of OASDI Trust Funds (pg. 98)

43 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI) Trust Funds, 2011 Report of the Board of Trustees of OASDI Trust Funds (pg. 98)

But because the wonderful increases in life expectancy have not been matched by gradual and phased-in increases in the full retirement age for Social Security benefits, the program has experienced greater financial strain.

Constant raids on the Social Security trust fund by Washington have also worsened Social Security's financial position. For decades the program collected more in revenues from the payroll tax than it disbursed to Social Security recipients. Instead of safely storing that money away for future retirees or giving American taxpayers ownership of their contributions to the Social Security system, lawmakers raided the trust fund to pay for their own pet projects.

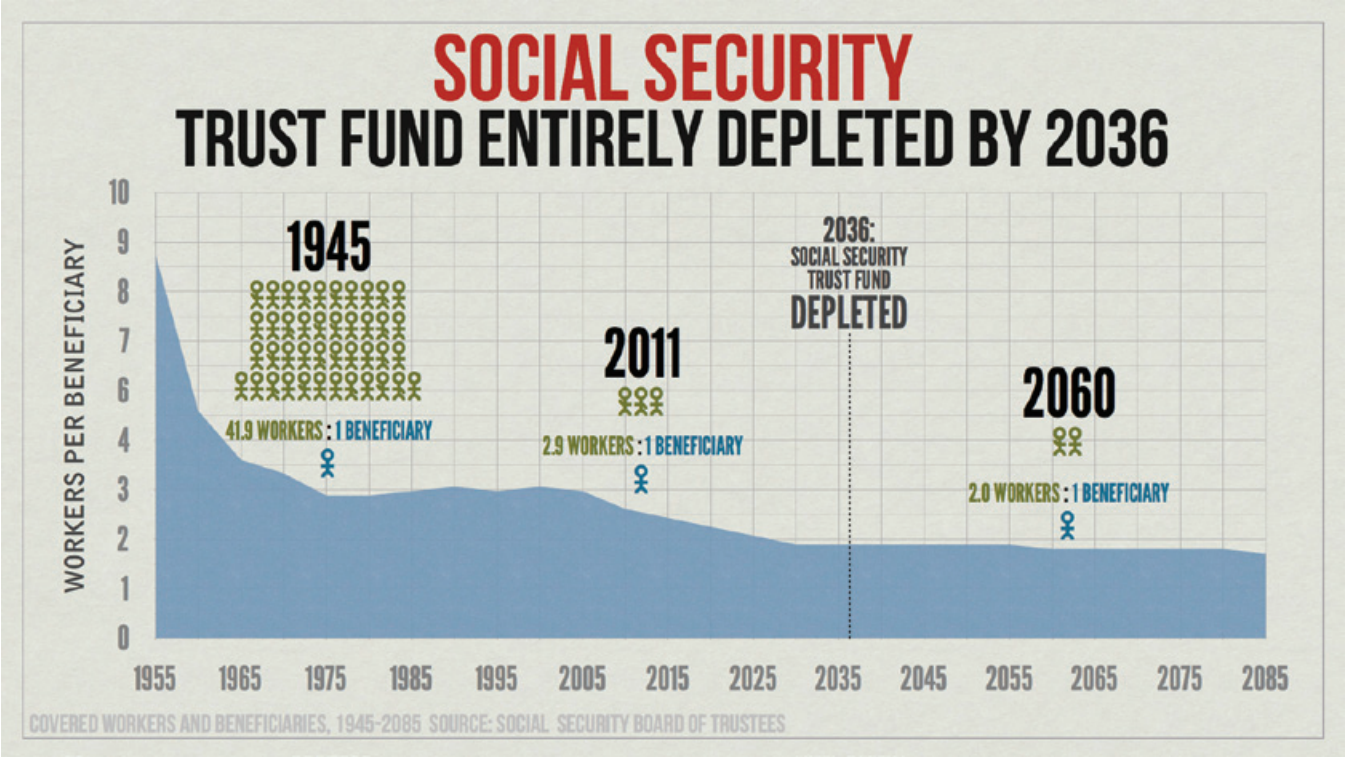
SOCIAL SECURITY REFORM PRINCIPLES

Social Security reform that makes the program sustainable for the long-term should follow three simple principles:

- Preserve benefits for current and near-term retirees,
- Stop the raids on the Social Security trust fund, and
- Give younger workers a true ownership stake in their contributions to Social Security.

PRESERVE BENEFITS FOR CURRENT AND NEAR-TERM SOCIAL SECURITY BENEFICIARIES

The U.S. government must honor its commitments to current senior citizens receiving benefits from Social Security and those rapidly approaching retirement. Hard-working Americans who made retirement plans years ago based on promises made to them about benefits available today do not deserve to have the rug yanked out from under them.



PROTECT THE SOCIAL SECURITY TRUST FUND

When the Social Security system collects more in receipts than it pays out in benefits, the surplus funds should be off-limits to Washington politicians. The current Social Security trust fund balance of over $2.6 trillion represents each and every dollar pilfered from Social Security by spendthrift Washington politicians who treated the program as their own personal piggy banks.[44]

The concept of protecting trust fund assets from being used for other purposes is not new. The federal Highway Trust Fund is the model for how to protect funds in a pay-as-you-go system from being used for unrelated purposes. There is no reason for federal highways to have greater protections than Social Security beneficiaries. *To protect the integrity of the Social Security system program going forward, the trust fund raids must be stopped forever.*

44 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI) Trust Funds, 2011 Report of the Board of Trustees of OASDI Trust Funds (pg. 10)

GIVE YOUNGER WORKERS THE OPPORTUNITY TO OWN THEIR SOCIAL SECURITY CONTRIBUTIONS

The best way to prevent Congress from stealing money from the Social Security trust fund is to allow young Americans to contribute a portion of their earnings to an account with their names on it – a personal retirement account that can never be raided by Washington politicians. Young workers deserve the opportunity to have ownership of their Social Security contributions, to seek a market rate of return if they so choose, and to leave their retirement savings to their dependents when they die. When individual Americans have ownership of their Social Security contributions, their benefits cannot be held hostage or used as bargaining chips by Washington politicians who cannot figure how to pass a budget or keep the government running.

GRADUALLY INCREASE THE FULL RETIREMENT AGE DUE TO LONGEVITY INCREASES

Thanks to marvelous innovations in medical care since Social Security was first created, Americans are now living far longer than anyone expected in the 1930s.

Average life expectancy has increased by 14 years for men and by almost 15 years for women since 1940.[45] This increase in longevity has also placed a greater strain on Social Security's finance. A gradual, phased-in increase in the full retirement age, while leaving the early retirement age at 62 years, can help strengthen Social Security for future generations. There would be common-sense exceptions for those in labor-intensive jobs, such as mining.

INSTITUTE BLENDED INDEXING TO IMPROVE THE SOLVENCY OF SOCIAL SECURITY

Under current law, Social Security benefits are paid out based on the rate of U.S. wage growth that occurred during the worker's years of employment. By changing how benefits are computated based on a system of blended indexing would allow Social Security to grow for the next generation of Americans. Under a blended index, low-wage earners, in addition to those in or near retirement, would continue to receive the present schedule of Social Security benefits. Benefits for high-wage earners would be based on the rate of U.S. price growth that occurred during the workers' years or employment, while benefits for middle earners would be based on a combination of wage and price indexing. Because wages grow more than one percent faster than prices per year, it is estimated that blended indexing could close 70 percent of the long-term deficit of Social Security.[46]

45 The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance (OASDI) Trust Funds, 2011 Report of the Board of Trustees of OASDI Trust Funds (pg. 98)

46 USA Today, Why my plan to fix Social Security will work, June 12, 2005

ALLOW STATE EMPLOYEES TO OPT OUT OF SOCIAL SECURITY

In January of 1981, the county of Galveston, Texas, opted out of the Social Security system and enrolled its employees in a county-run plan.[47] Instead of relying on Congress to protect their retirement contributions, Galveston asked financial advisors to bid on administration of the fund. Like Social Security, county employees contribute 6.2% of their earnings to the system. But unlike Social Security, members of the Galveston plan also receive a term life insurance plan worth up to $215,000. Most importantly, the Galveston plan faces no long-term unfunded liability – it is fully funded through the contributions of its members. State employees across the country deserve the same opportunity to pursue true retirement security through plans that are not facing trillion-dollar deficits.

47 Wall Street Journal, Perry Is Right: There Is A Texas Model for Fixing Social Security, September 24, 2011

Social Security is a vital safety net that has protected millions of retirees for several generations, but the safety net is beginning to fray.

REFORM MEDICARE AND MEDICAID
TO IMPROVE HEALTH CARE

REFORM MEDICARE TO BE SUSTAINABLE FOR THE LONG-TERM

Medicare is a program in crisis. According to an analysis by the Urban Institute, a single-earner couple earning the average wage will pay $60,000 in Medicare benefits over their lifetime but receive $357,000 in benefits.[48] A program that continues to pay out far more than it collects is simply unsustainable. CBO wrote that the program will be insolvent by 2020.[49] And instead of shoring up Medicare for future generations, ObamaCare took $500 billion from the program to create even higher levels of unsustainable entitlement spending.[50]

According to CBO's own calculations, repealing ObamaCare will reduce the cost of health insurance premiums and reduce federal spending on health care.[51] But total repeal of Obama's unconstitutional health care law is only the beginning. More steps are needed to ensure Medicare's sustainability, along with continually improving quality health care available at a lower cost.

Lawmakers like Rep. Paul Ryan, Sen. Tom Coburn, Sen. Jim DeMint, and Sen. Joseph Lieberman have recognized the importance of tackling Medicare's fiscally unsustainable future and put forward serious, credible proposals that deserve to be fully considered and debated as the nation moves forward to reform Medicare.

Viable Medicare reform options must keep our promises to those at or approaching retirement age, they must ensure the long-term solvency of the program, they must address the enormous fraud and waste that plague the current system, and empower individuals to make choices that best fit their needs in a competitive marketplace.

In particular, Medicare reform options include gradually raising the age of Medicare eligibility (alongside the gradual increase in the full retirement age under Social Security); adjusting Medicare benefits to be paid on a sliding scale based on the income of the recipient; and giving Medicare recipients more control to choose the plan that best fits their unique, individual needs through bundled premium support payments directly to the individual or as a credit against the purchase of health insurance coverage offered through the program.

GRADUALLY RAISE THE ELIGIBILITY AGE FOR MEDICARE

Just as recommended for Social Security, advances in medical technology and innovation have allowed Americans to lead longer, more productive lives today than ever before. As a result, full retirement and eligibility for programs like Medicare and Social Security must adapt to reflect these changes and the viability of the program going forward.

EMPOWER CONSUMERS WHILE REDUCING FRAUD AND WASTE

The adage that nobody spends someone else's money as carefully as they spend their own is certainly true in Medicare where estimates of fraud and waste are often thought to meet or exceed $100 billion annually, or 10% of Medicare spending.[52] Giving Medicare recipients greater control over their health care dollars not only empowers these individuals to choose the coverage and care that best meets their needs, but also

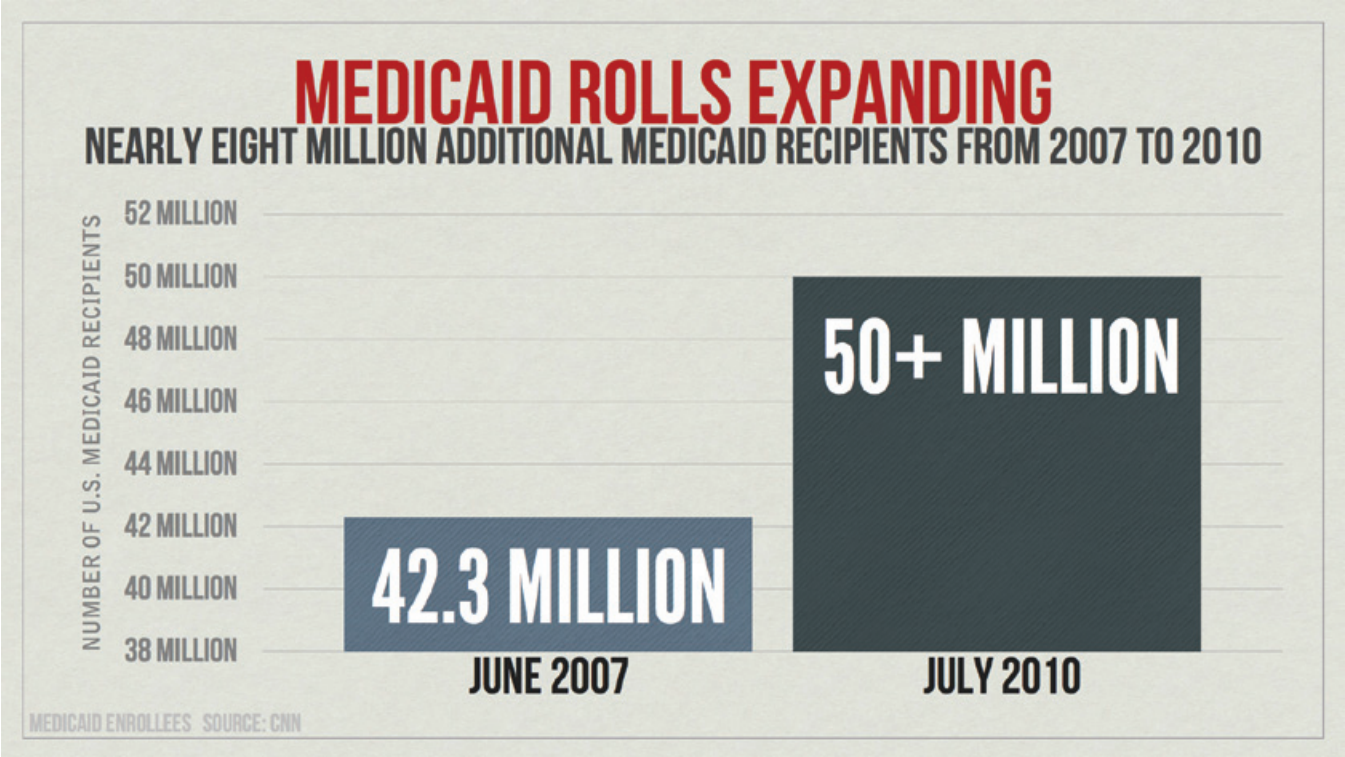
48 Urban Institute, Social Security and Medicare Taxes and Benefits Over a Lifetime, June 2011

49 Congressional Budget Office, March 2011 Medicare Baseline

50 Congressional Budget Office, Written statement of Director Douglas W. Elmendorf before the U.S. House Subcommittee on Health, Committee on Energy and Commerce

51 Sen. Tom Coburn, CBO's Initial Findings On Repealing The Health Overhaul: Lower Premiums, Reduced Costs to Taxpayers, January 6, 2011

52 The Fiscal Times, How Medicare Wastes Almost $50 Billion a Year, September 27, 2011



puts an important check against fraud and waste when those dollars belong to people, not a bureaucracy. Whether Medicare benefits are bundled with other payments to retirees, or simply applied to the purchase of health insurance coverage, the value of the benefit is transparent to the recipient.

RETURN MEDICAID RESPONSIBILITY TO STATES TO INCREASE HEALTH CARE QUALITY AND ACCESS

Medicaid was originally designed as a safety net for the poorest of the poor, but it has since grown to the point where it can no longer provide quality care or ensure health access to those who need it most.[53] Due in part to the recent economic downturn, Medicaid rolls have been increased dramatically, increasing from 42.3 million in June 2007 to over 50 million in July 2010.[54] The system is rapidly approaching a breaking point.

The current administration's response to the myriad problems facing Medicaid has only made matters worse. Instead of working to find a sustainable path for Medicaid, the president has dramatically expanded the program, far beyond its original intention, trapping 25 million new patients in a system where they struggle to access quality health care.[55]

The one-size-fits-all approach that the federal government has applied to Medicaid has failed. The best solution for those in need of access to quality health care is to return responsibility for achieving the original goals of Medicaid to the states using the 1996 welfare reform law as a model. States simply must have the flexibility to design and administer health programs in ways that address the unique challenges faced by each individual state. Instead of the federal government confiscating money from states, taking a cut off the top, and then sending the money back out with limited flexibility for how states can actually use it, individual states should control the program's funding and requirements from the very beginning. Medicaid must be reformed to better serve patients and taxpayers.

53 New England Journal of Medicine, Auditing Access to Specialty Care for Children with Public Insurance, June 16, 2011

54 CNN, Record number of Americans get government help, April 13, 2011

55 Heritage Foundation, New Study Shows Obamacare's Impact on Ohio Coverage and Premiums, September 26, 2011

REPEAL JOB-KILLING LEGISLATION

REPEAL OBAMACARE

ObamaCare is a man-made disaster of epic proportions that will make health care more expensive and the budget more bloated, and it must be repealed as soon as possible using any and all means necessary. Health care reform should have focused on increasing access while reducing costs, but ObamaCare made our health care system's problems even worse. ObamaCare added trillions of dollars in new federal programs that we can't afford, will drive up health care costs for American families and businesses, and diverted more than $500 billion from Medicare. True reform of Medicare and the nation's health care system are essential, but that process cannot begin until ObamaCare is repealed.

REPEAL DODD-FRANK

Instead of ending the concept of "too big to fail," Dodd-Frank enshrined it by granting big banks far more regulatory and legal advantages than for smaller, better managed financial institutions. And even thought proponents of Dodd-Frank claimed that the legislation would greatly reduce the likelihood and cost of future federal bailouts, the legislation actually made taxpayer-funded bailouts even more likely. As Rep. Paul Ryan noted earlier this year, Dodd-Frank gave the Federal Deposit Insurance Corporation the authority "to access taxpayer dollars in order to bail out the creditors of large, 'systemically significant' financial institutions."[56]

56 Rep. Paul Ryan, The Path to Prosperity – Restoring America's Promise, April 5, 2011 (pg. 34)

REPEAL ONEROUS SARBANES-OXLEY REGULATIONS ON SMALL BUSINESSES

Section 404 of the Sarbanes-Oxley Act requires public companies to disclose their own assessments of internal controls over financial reporting as well as an auditor's opinion on the quality of internal financial controls. The cost of these requirements fall disproportionately on smaller public companies, while the benefits to consumers of the required disclosures are far more uncertain.[57] A 2008 study by the Heritage Foundation's Center for Data Analysis found that the true costs of complying with Section 404 of the Sarbanes-Oxley law were 30 times higher than what was initially estimated by the Securities and Exchange Commission.[58] And a 2010 academic study found that "large, more complex companies may benefit from Section 404 requirements at the expense of smaller ones, consistent with the criticism that a 'one-size-fits-all' approach may not be desirable."[59] The burdensome requirements of Section 404 create incentives for growing companies to avoid going public, depriving the U.S. of jobs and economic growth.[60]

57 Securities and Exchange Commission, Final Report of the Advisory Committee on Smaller Public Companies, April 23, 2006 (pp. 33-34)

58 The Heritage Foundation, Sarbanes-Oxley Section 404 Places Disproportionate Burden on Small Public Companies, August 2008 (pg. 6)

59 Cindy R. Alexander et. al., The Economic Effects of SOX Section 404 Compliance, March 2010 (pg.1)

60 Wall Street Journal, Business Regulation vs. Growth: The View from Middle America, August 25, 2011

BALANCE THE BUDGET

The federal government has a spending problem. Last year the government spent $1.3 trillion more than it collected, and total federal debt now approaches $15 trillion.[61,62] By the end of this year, the White House Office of Management and Budget expects the gross amount of federal debt to exceed the size of America's entire economy for the first time in over 65 years.[63] And according to OECD data, America's federal debt relative to its economy is 27% higher than the average for all other OECD countries.[64]

While interest rates today remain low, the inexorable rise of federal spending debt will eventually lead to higher interest rate and payments, lower economic growth, and lower standards of living. *The current economic crisis affecting Europe paints a portrait of America's future if Washington politicians refuse to make changes to the federal budget.* If current spending and debt trends continue, individual Americans can each expect by 2035 to have $10,300 less to go around due to the crowding-out effects of the ever-increasing federal debt.[65]

Every child born today is immediately saddled with a federal debt burden of more than $46,000. The share of federal debt for each American household is now $136,000.[66,67] That exceeds the 2010 median sales price of existing homes in cities like Akron, Indianapolis, and Amarillo.[68] *The current administration just wrapped up three consecutive years of trillion dollar deficits and added more than $4 trillion in new debt – an amount*

61 Congressional Budget Office, The Budget and Economic Outlook: An Update, August 2011 (pg. 20)

62 Office of Management and Budget, Historical Tables – Table 7.1

63 Office of Management and Budget, Historical Tables – Table 7.1

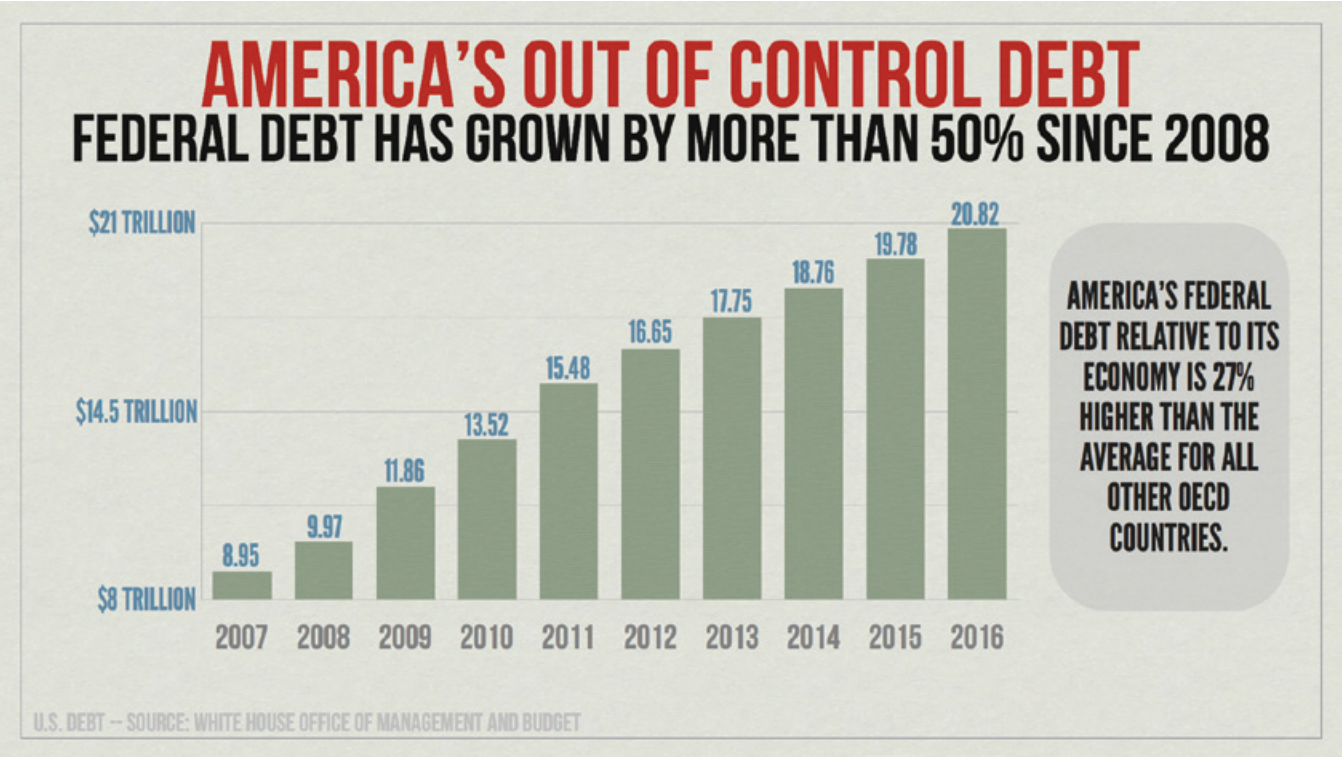
64 OECD, General government gross financial liabilities – Annex Table 32; Data for Chile, Israel, Mexico, and Turkey were excluded from OECD's data set

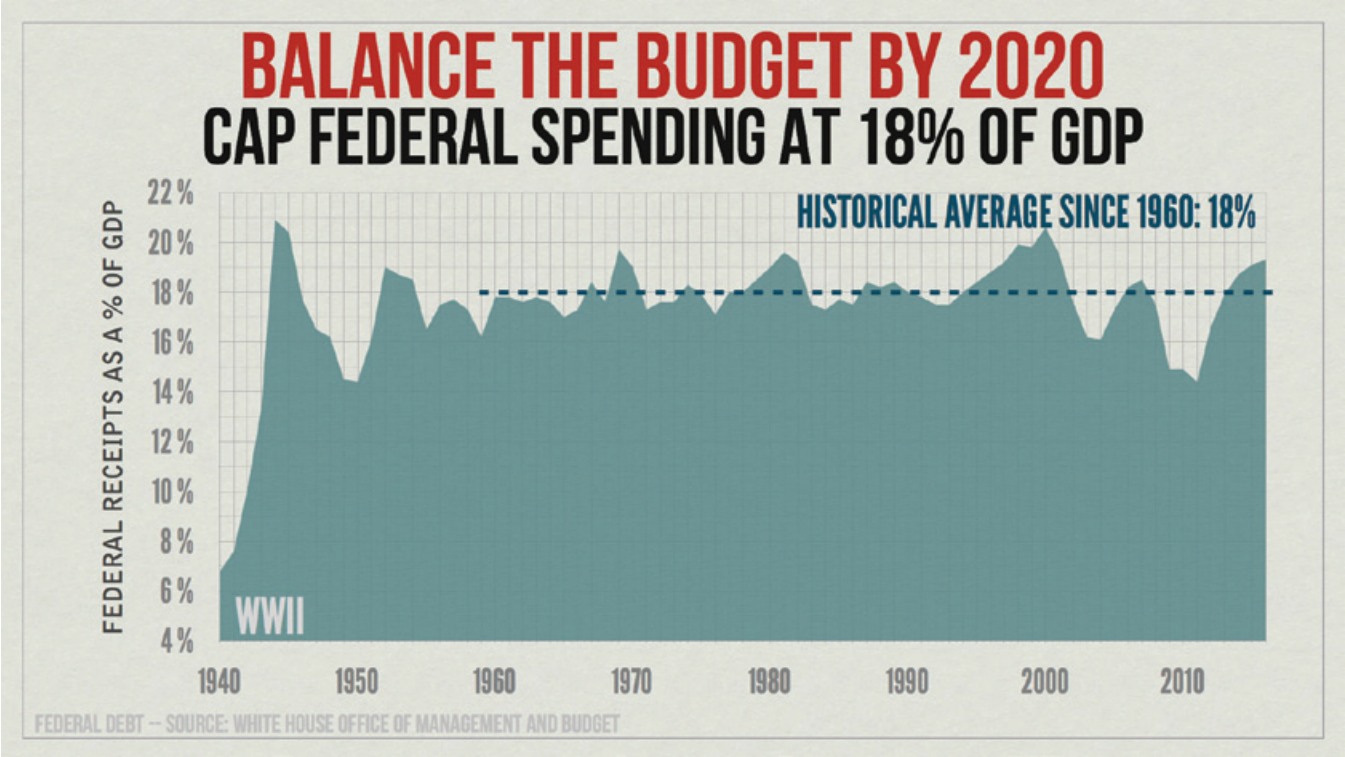
65 Peter G. Peterson Foundation, The Federal Budget Primer, November 8, 2010

66 Office of Management and Budget, Historical Tables – Table 7.1

67 Census Bureau, American Community Survey, 2009

68 National Association of Realtors, Median Sales Price of Existing Single-Family Homes for Metropolitan Areas, 2008-2010





greater than the size of the entire federal debt less than twenty years ago.[69,70]

There exists a simple solution to America's spending problem: a balanced budget. To get a handle on its federal debt problem, the federal government must first stop spending more than it collects each year. Only then can it begin to reduce the total amount of federal debt and free every American family from the debtor's prison that was erected by years of over-spending and fiscal mismanagement.

DEMAND A BALANCED BUDGET AMENDMENT THAT DOES NOT RAISE TAXES

American prosperity has been gravely threatened by runaway spending, increasing debt and deficits, and a political class that refuses to make the tough decisions necessary to restore order to the nation's fiscal house. A balanced budget amendment to the Constitution that limits spending and protects families from tax increases will force Washington lawmakers to finally make the tough decisions about federal spending priorities.

While some inside the Beltway have advocated a so-called "balanced" approach that would raise taxes on middle-class families who are already struggling to pay their bills, innocent American families should not be forced to forever pay the tab run up by spend-thrift politicians. Congress must send a balanced budget amendment to the states as soon as possible to begin the process of getting the federal government's spending and debt problems under control.

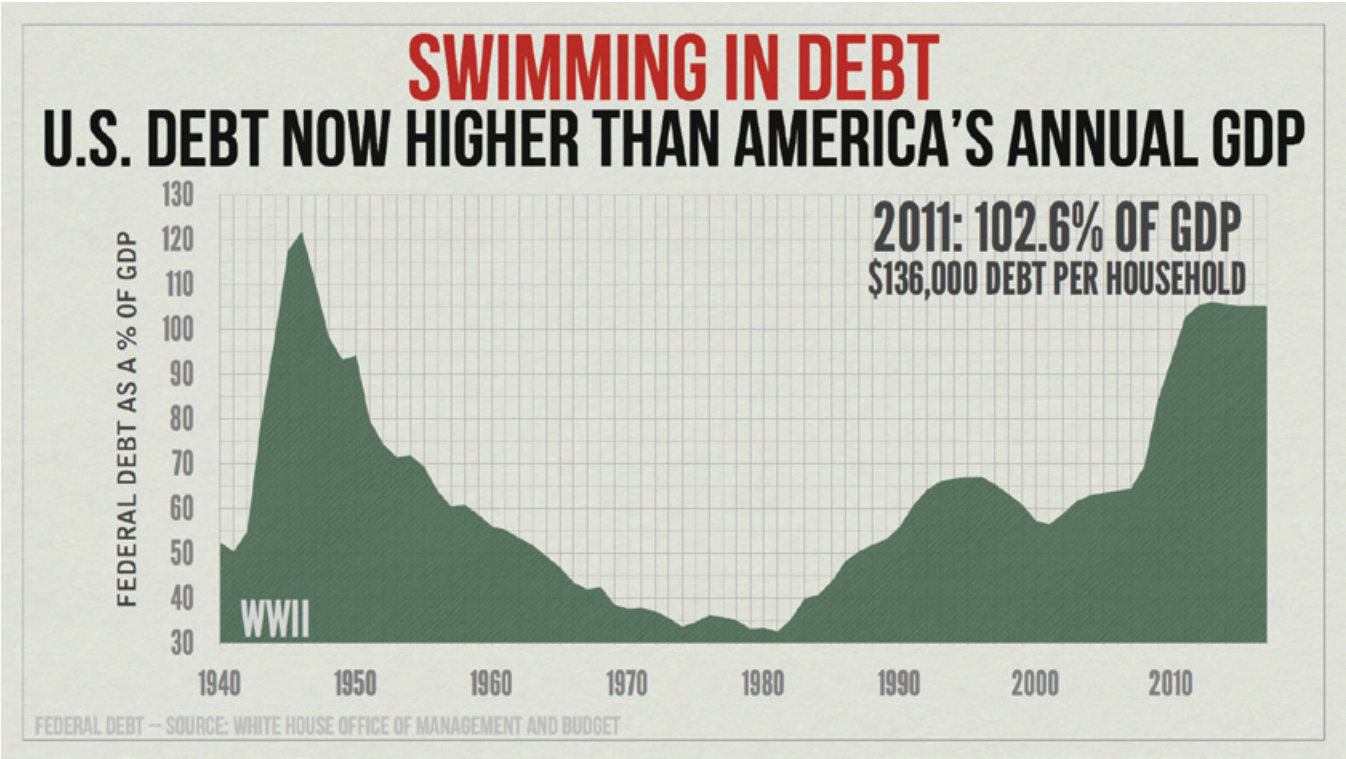
CAP FEDERAL SPENDING AT 18% OF GDP AND BALANCE THE BUDGET BY 2020

If the federal budget is ever going to be balanced – the first step that must be taken before America's enormous debt burden can be reduced – federal spending must be capped at 18% of GDP to avoid a tax burden that far exceeds the national historical average. Since 1960, the ratio of total federal tax receipts to GDP has averaged 18%.[71]

69 CBS News, National debt has increased $4 trillion under Obama, August 22, 2011

70 Office of Management and Budget, Historical Tables – Table 7.1

71 Office of Management and Budget, Historical Tables – Table 1.3; Includes total federal tax receipts as a percentage of GDP from 1960 through 2010



The country's debt and deficit problems were not created overnight and will not be solved overnight. A gradual step-by-step process that acknowledges the political realities of deficit reduction will be required to put the country back on the path to fiscal sanity.

Credible and workable plans to balance the budget within ten years by reforming entitlements and curbing discretionary spending have been proposed in both houses of Congress. A proposal put forth by Sen. Pat Toomey of Pennsylvania balances the budget by 2020 and sets federal spending equal to 18.4% of GDP.[72] The Republican Study Committee budget proposal in the House also balances in 2020 at federal spending equal to 18% of GDP.[73] Workable balanced budget proposals have also been proposed outside Congress. The "Saving the American Dream" plan prepared by the Heritage Foundation reduces federal spending to 18% of GDP by 2019 and reaches balance by 2022.[74]

72 Sen. Pat Toomey, Restoring Balance: A budget proposal for fiscal year 2012 that balances the budget and encourages economic growth, May 10, 2011 (pg. 5)

73 Republican Study Committee, Fiscal Year 2012 Budget, April 2011 (pg. 33)

74 Heritage Foundation, Saving the American Dream: The Heritage Plan to Fix the Debt, Cut Spending, and Restore Prosperity, 2011 (pg. 46)

By working with committed lawmakers who have put forth detailed and credible budget proposals, the president and Congress and eliminate the federal deficit by 2020.

REDUCE NON-DEFENSE DISCRETIONARY SPENDING BY $100 BILLION IN THE FIRST YEAR

Americans who depend on entitlement programs like Medicare and Social Security will not trust lawmakers to tackle entitlement reform until they have proven they can eliminate waste and duplication from the discretionary budget. By cutting non-defense discretionary spending by $100 billion and restoring it to 2008 levels, Washington can demonstrate that it is serious about making the tough decisions necessary to balance the budget. Sen. Tom Coburn recently proposed $9 trillion worth of specific ideas on how to reduce federal spending.

Consolidating Department of Education funding for all elementary and secondary programs, reducing it by 50 percent, and returning the rest of the money

to the states would save $25 billion in the first year.[75] Reducing the portfolio of investments by government-sponsored enterprises like Fannie Mae and Freddie Mac would save $26.5 billion over ten years.[76] And repealing the Davis-Bacon Act and paying market-based wages would save $11.4 billion.[77]

REQUIRE PRESIDENTIAL SIGNATURE ON EVERY FEDERAL BUDGET

As the individual who ultimately authorizes, via his or her signature, the expenditure of taxpayer money, the president needs to have a stake in annual budget negotiations. The country's massive fiscal problems are not going to be solved by either the president or Congress acting alone. Giving a budget resolution the force of law via a presidential signature will also make the spending levels within the resolution subject to statutory spending caps. Under current the law, Congress adopts a concurrent resolution which does not require a presidential signature and does not carry the force of law.

INSTITUTE AUTOMATIC GOVERNMENT SHUTDOWN PROTECTION

American troops overseas and senior citizens should not have to worry about their income security because Washington politicians refuse to do simple things like pass a budget or fund the government. They should not be used as hostages in a partisan political battle to see which party can hold out the longest before the other blinks. Automatic government shutdown protection would fund discretionary federal spending at the previous year's level of spending if no budget or specific spending bills were signed into law before the end of a fiscal year.

75 Sen. Tom Coburn, Back in Black – U.S. Department of Education, July 2011 (pg. 8)

76 Sen. Tom Coburn, Back in Black – U.S. Department of Treasury, July 2011 (pg. 13)

77 Sen. Tom Coburn, Back in Black – U.S. Department of Labor, July 2011 (pg. 16)

NO MORE EARMARKS

Individuals who depend on programs like Medicare and Social Security will never trust Washington to reform those programs as long as lawmakers spend billions of dollars on Bridges to Nowhere. In order to be trusted with vital entitlement programs, Congress and the president must first prove that they can be trusted to not waste money on smaller items like earmarks. *A permanent ban on earmarks will demonstrate to American taxpayers that Washington is serious about tackling the nation's unsustainable fiscal problems.*

REQUIRE EMERGENCY SPENDING TO BE SPENT ONLY ON EMERGENCIES

Data compiled by CBO shows that since 2003 Congress has appropriated an average of $120 billion each year in so-called supplemental spending bills.[78] When "emergency" designations are applied by Congress to those bills, they become exempt from normal budget rules and spending caps. True emergencies are not nearly as predictable as Washington politicians using budget loopholes to get around spending rules.

A 2010 analysis by the Concord Coalition found that misuse of emergency spending bills has directly led to higher spending and deficits.[79] Instead of pretending that predictable expenditures should be given special treatment to avoid spending caps, lawmakers should only be allowed to use the emergency declaration on true emergencies that are purely unforeseen, unpredictable, unanticipated, and entirely temporary in nature.

END BASELINE BUDGETING AND REQUIRE COMMON-SENSE SCORING RULES

Current Washington budget rules assume that new programs and spending increases continue forever, an assumption that has led directly to the massive increase in federal spending over the last decade. In contrast,

78 Congressional Budget Office, CBO Data on Supplemental Budget Authority for the 2000s, 2010

79 The Concord Coalition, Growing Misuse of "Emergency" Designation Weakens Budget Discipline and Increases Deficit Spending, May 10, 2010 (pg. 3)

tax relief provisions are often assumed to expire at the end of a five- or ten-year window. The result is upward pressure on spending and tax collections, all due to arbitrary scoring rules written in the mid-1970s.

Unlike Congress, families struggling to make ends meet cannot assume an infinite stream of money to make ends meet. Every single federal agency and program should be required to justify every dime of funding they wish to receive from taxpayers, instead of continued funding being treated as a given. It is time for Washington politicians to treat taxpayer money just like taxpayers do.

Dynamic scoring should also be required for tax legislation. The current system of static scoring ignores the fact that people and companies behave differently depending on how they are taxed. Dynamic scoring would take into account the incentives of different proposed tax policies and the increased economic growth and job creation that can result from lower tax rates and long-term predictability of the tax code.

PAYGO FOR NEW FEDERAL PROGRAMS

Before creating any new federal programs, Washington politicians must first eliminate or reduce spending in existing programs in amounts equal to or greater than the new program. For too long, Washington politicians have created new federal programs without eliminating existing programs that may be duplicative, ineffective, or wasteful. For example, an expansive 345-page GAO analysis of federal duplication identified 34 specific areas across several dozen agencies where the federal government could save billions of dollars by consolidating duplicative programs.[80] A lack of political will, not credible options, is the reason for rampant duplication throughout the federal government.

80 Government Accountability Office, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, March 2011 (pp. 10-12)

FREEZE FEDERAL CIVILIAN HIRING AND SALARIES UNTIL THE BUDGET IS BALANCED

The federal workforce has ballooned under the current administration, with 175,000 new positions being created since 2009.[81] Americans deserve a leaner, more efficient federal workforce, not one that pays its employees far more than what comparable private employees receive, or one that hands out bonuses and promotions regardless of performance. Federal bureaucrats should not receive real increases in pay while taxpayers are losing their jobs and struggling to pay their bills.

NO MORE BAILOUTS

The Troubled Asset Relief Program, also known as TARP, was wrong when it was signed into law in 2008, it is wrong today, and it will be wrong tomorrow. Instead of bailing out irresponsibly managed banks with taxpayer money, policy makers should focus on removing the government-created incentives that created the financial crisis in the first place. Although alternatives to TARP had been proposed prior to the legislation's ultimate passage, including a proposal from the Republican Study Committee, Washington politicians preyed on the fears of a financial collapse to ram the bailout through Congress.

Contrary to the claims of many TARP proponents that the bailout would allow troubled banks to expand lending and potentially prop up the faltering economy, lending contracted even further. According to an analysis of TARP expenditures by the Washington Post, lending declined in the immediate months following TARP's passage and banks that received TARP money "reduced lending more sharply than banks that didn't."[82]

81 U.S. Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, $1.4 Trillion in Savings, September 2011 (pg. 3)

82 Washington Post, Despite Federal Aid, Many Banks Fail to Revive Lending, February 3, 2009