



Solutions Report

Considerations for Sustaining the Fiscal Future of the United States Government

These solutions can be found in pdf format at www.stevenwilson.org.
Disclaimer: The information in this document is intended for discussion purposes only.

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This document is intended for discussion purposes only. The solutions do not represent any implicit or explicit guarantee of success. The solutions contained in this document are merely conceptual designs. Any further consideration would require a detailed review and scoring of all information.

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Background

The five solutions in this document were assembled over the course of three months by a grassroots team who live in the 1st Congressional District of Minnesota.



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Problem: Traditional Campaign Politics

Traditional Campaign Politics

Traditional campaign politics, we define, as amassing a large amount of money from anybody, mainly for the purpose of discrediting the competition.

List of Concerns with Traditional Politics

- Traditional politics, although seemingly effective, is not the best approach.
- Traditional politics tends to polarize and weaken America rather than strengthen America.
- Traditional politics is a poor use of money especially when the economy is tight.
- Traditional politics does not generally demonstrate specific solutions.
- Traditional politics does not provide true transparency of the candidate's full intentions.
- Traditional politics does not always demonstrate the capacity to develop good policy.
- Traditional politics does not demonstrate the ability of the candidate to run a cost-effective government-related entity.

Challenge to Voters

1. Candidates who spend a lot of money during the election and provide no specific solutions, can be expected to do the same after elected.
2. Candidates who demonstrate loyalty to special interest groups and major parties before the election can be expected to do the same after elected.
3. Candidates who throw mud before an election can be expected to do the same after an election.

So why do we continue to use traditional politics?

The demand for a different approach has not been strong enough. Today, the demand is strong. The voters are looking for answers and the nation is in need of solutions.

Current Situation

In 2010 and the foreseeable future, Federal, State and Local Governments will have to find more solutions with less money. Candidates will need to demonstrate frugality in their campaigns not just talk about frugality. The political paradigm has to shift and it has to shift in the 2010 election. Voters will need to make a deliberate decision whether to support traditional politics or support a new approach.

Goal

Develop and implement a campaign process that demonstrates solutions rather than hot air.

Obstacle

50% of America will likely stay entrenched in traditional politics. It will be up to the other 50% to support a new approach.

Solution: Traditional Campaign Politics

SmartPoliticsSM

SmartPoliticsSM is defined as using a smaller amount of money only from voters with the emphasis on developing specific solutions and clean marketing.

Smaller Amount of Money

Typical U.S. House campaigns in Minnesota, for example, can cost \$1 to \$3 million per candidate not counting in-kind staffing and services. Candidates under the SmartPoliticsSM approach commit to a smaller amount of money at the beginning of the campaign.

Specific Solutions

The candidate should not be the product. The candidate's ability to develop solutions with the people should be the product. Why not let the people of the district take part in developing the solutions first hand with the candidate before the election? Lastly, post those solutions on the campaign website allowing more input.

Integrity Pledge

The best campaign reform comes from the candidates themselves. Voters should require their candidates to sign an integrity pledge. Here is an example of an integrity pledge for U.S. House candidates:

Integrity Pledge

1. Stop the Negativity

I pledge not to use the name of my opponents or the name of opposing parties on my website in any negative manner unless it is factual as supported by public record.

2. Stick to the Issues

I pledge to develop at least five specific solutions addressing the issues of our nation with assistance from volunteers in my district. The solutions will be on my campaign website.

3. Fiscal Responsibility

I pledge to spend no more than one million dollars of campaign donations during the 2010 election. I also pledge to minimize or eliminate money from special interest groups.

Candidate Signature _____ Date _____

Objective

If candidates cannot demonstrate the ability to manage their own campaign wisely, they should not be allowed to manage the United States of America.

Problem: Social Security

Social Security

Overall, Social Security is the more stable of the social programs operated by the United States government. The vast majority of benefits have designated funding sources. The trust fund also has the great advantage of a huge reserve fund made up of approximately 2.3 trillion dollars. The fund also has several years to establish a plan for a soft landing.

However, the 2009 Social Security Trust Fund report shows that the fund will be exhausted in the year 2037. At that point benefits for seniors will automatically drop to about 75% of normal benefits. This is a problem as 35% of seniors rely on social security for 90% of their income. The report implies one of three actions to allow long-term sustainability: reducing benefits by 13% or increasing revenue by 16% or a combination of the two.

I.O.U.s

The elephant in the room is the 2.3 trillion dollar fund mentioned above. Essentially, the money in the trust fund has been loaned to the general fund in the form of treasury securities. These securities are really I.O.U.s to the Social Security Trust Fund. So, if the general fund of the federal government owes the money to the Social Security Trust Fund, how does the money get paid back? The sad part is the general fund does not have the money available to pay it back nor does it have a designated revenue source to generate the money. The general fund of the federal government will likely need to borrow money from the public to pay back borrowed money it owes to the Trust Fund. We need to be clear. This I.O.U. problem is not derived from Social Security; this problem is derived from the general fund which is the responsibility of Congress. So, there are two separate issues. One issue is the shortfall in the Social Security trust fund itself and the second issue is the I.O.U.s from the general fund.

Where Are We Today?

Despite repeated calls for action, Congress has not dealt with the tough decisions surrounding the future shortfalls in the Social Security Trust Fund itself or the I.O.U.s from the general fund. This document will deal with the future shortfalls in the Social Security Fund.

Considerations

As a minimum, Congress should approve a safety net to protect seniors in the event a major reform package is not developed in time. However, even the safety net should provide a long-term sustainable approach to Social Security.

Objective

The objective of a solution is to sustain nearly 100% of social security benefits for seniors.

The sooner decisions are made with either a safety net or a full reform, the easier the objective can be accomplished.

Solution: Social Security

Social Security Safety Net

A Social Security Safety Net would be enacted when the Social Security Trust Fund is within 20 years of exhaustion as determined by the Social Security Board of Trustees annual report.

If at any time before October 1, 2020, the above trigger occurs, the Social Security Safety Net would be deployed. The Social Security Safety Net would be based upon the following assumptions:

- There are three basic segments of people impacted by Social Security: Those paying into Social Security, those approaching retirement age and those receiving benefits.
- Success can and will be obtained after a small degree of shared sacrifice occurs by each of the three segments as described below.

Those Paying into Social Security

Currently, employees are capped on the amount paid into social security each year. Once the employee reaches a certain wage amount the employee is free of any further contribution to Social Security for that calendar year. Each year the cap amount increases slightly. In early 2010 the amount was just under \$107,000 of W-2 income. The shared sacrifice for employees would be to raise the cap to \$200,000 gradually. In other words any income earned between \$107,000 and \$200,000 annually would continue to have payroll taxes deducted for Social Security. This change would occur immediately upon deployment of the safety net.

Those Approaching Retirement Age

The age of retirement would gradually start to increase within three years of the deployment of the safety net. It would continue to be indexed to life expectancy over the longer term.

Those Receiving Benefits

Seniors receiving social security would receive half of the normal Cost of Living Adjustment (COLA) for five years. This would occur three years after the deployment of the safety net.

Long-Term Monitoring and Adjustments

Annual Review Committee

The unique aspect of this solution is the difficulty in planning ahead for decades. By nature, the number and size of variables are hard to predict. Therefore, it would be best to establish an annual review committee that could recommend timely adjustments to assure a fully sustainable trust fund. The committee would need to make midcourse corrections based on a well-engineered math model, constant feedback of real world data and frequent small changes. This group would: monitor, report to Congress and implement. Here are a few guidelines:

1. Total income must always be greater than total outgo.
2. Minimize impact on those paying into the fund and those receiving benefits.
3. Corrections can be made quarterly.
4. Continue funding from current sources, that is, no income from the general fund.
5. Investments of the surplus will continue to be limited to treasury securities; however trustees will manage the investments to maximize interest.

Problem: Medicare

Medicare Part A

The 2009 Medicare Trustees Report states the trust fund will be exhausted in 2017. At that time Medicare may turn into Maybe-care. There is no guarantee that after 2017 retirees will have access to full Medicare Part A benefits. The annual report implies three options listed below:

1. Medicare recipients may need to find hospitals who will receive 65% or less (81% x current 80%) of their normal fees.
2. Payroll taxes for employees and employers more than double or approve some other equivalent tax increase.
3. Some combination of the above.

Since Congress has been unwilling to fully address the issue above, the problem gets worse with each passing day. If congress continues to avoid the issue, there is no safety net in place for Medicare Part A.

Medicare Part B, C, and D

The vast majority of Medicare parts B, C, and D combined do not have designated funding. Therefore, much of the resulting shortfalls turn into deficits. The deficits turn into long-term national debt. In other words, our children and grandchildren are paying for seniors' benefits. They not only pay for many of the benefits, but will likely incur large amounts of interest payments. Our children and grandchildren count on us to make decisions in their best interest. Are we? What will they think when they fully realize what we have done?

Lastly, if lenders were to stop lending money to the U.S. Treasury, recipients of Medicare part B, C, and D would be at risk of losing benefits. Therefore, all forms of Medicare need reform.

Considerations

As a minimum, Congress should approve a safety net to protect seniors in the event a major reform package is not developed in time. However, even the safety net should consider deficits, cost effective health care methods along with preventative care.

Swift approval should allow America to stay proactive.

Objective

The objective of a solution is to sustain a high level of Medicare while minimizing the cost to our children and grandchildren. The solution should also assist in decreasing the overall cost of health care in America.

Solution: Medicare

Medicare Safety Net

A Medicare Safety Net (McSN) would be enacted when the Medicare Trust Fund is within 48 months of exhaustion as determined by the Medicare Board of Trustees Annual Report.

If at any time before October 1, 2020, the above trigger occurs, the Medicare Safety Net would be deployed within 24 months of the report. The Medicare Safety Net would be based upon the following assumptions:

- Government does not have unlimited resources to provide for or subsidize health care.
- People must take more responsibility for their own health.
- Preventative health care dramatically improves both quantity and quality of life.
- Success can and will occur after some degree of shared sacrifice of every American.

Elements of a Medicare Safety Net

Personal Responsibility Vouchers

These vouchers would replace Medicare Part A, B, C, and D in America and would be available to all those who qualify for Medicare. The vouchers would be used to purchase insurance by the recipient in the free market. The amount of the voucher would be the same for everyone. The amount of care that can be purchased with the voucher would be different for everyone. The federal government would not decide coverage; the personal responsibility of individuals would decide coverage. If individuals maintained healthy behaviors, individuals would be able to buy more coverage from private insurance companies with the same voucher. Secondly, insurance companies would be required to use a type of efficiency-based system such as Comparative Effectiveness Research for a portion of their coverage. Therefore, healthcare would be based on results rather than the quantity of service. The voucher plan would be funded within three years of enactment from three revenue sources 1) Current combined payroll tax of 2.9% and the current income tax on Social Security benefits. 2) Current funding from the general fund of the federal budget, however the budget could not contribute more than an amount equal to 20% of the discretionary outlays in that year. 3) Any other current revenue sources as designated by law. Insurance companies could not alter services to voucher recipients due to age.

Free Market

Free market approaches to the general public would not change and can supplement a voucher.

Prevention

A national preventative care plan would be set in place two years after the personal responsibility vouchers. Preventative care would likely assist in decreasing the overall cost of health care in America and eventually Medicare. Preventative services rated A or B by the U.S. Preventative Services Task Force will be chosen that provide a ten to one return on investment or more. These services could include physical exams, weight management and immunizations. These preventative health care services would be available to all Americans free of charge and would be paid in full each year by a two percent national sales tax on all new retail items. This high return on investment care would be available to everyone and would be paid by everyone. Access to preventative care to all Americans would improve, especially in rural areas.

Problem: National Debt

National Debt

The ten-year budget of the United States government is based on one large assumption. The assumption is that at least one trillion dollars will be borrowed each and every year from this point forward. So, what happens if people around the world stop lending money to the United States? The result will likely be some type of financial crisis. It may be a small crisis or it may be a large crisis. It may come suddenly or it may happen gradually. We don't know for sure. It's hard to begin to even comment on the possible outcomes.

What do we know for sure?

What we do know for sure is the financial path we are on is unsustainable. Almost every area of the budget needs some level of reform to address the national debt. We also know that Congress has put forth little action. The best attempt was by the Senate in the form of the Conrad-Judd Act; however, it failed to pass in the Senate in January. So, where does that leave the nation? Since Congress was unable to act, President Obama issued an executive order for a debt commission called the National Commission on Fiscal Responsibility and Reform. However, there will be no results until after the 2010 election and 14 of 18 commission members will need to agree on the report. Therefore, it is too risky for Congress to simply wait.

Input from Economists

We also know that economists have issued a report in December of 2009 called "Red Ink Rising" requesting immediate action for a credit card limit in America. Leading economists provided the same information to the Senate Budget Committee in February. Here is a summary of the action needed from the reports:

1. Agreement is needed immediately on establishing a credit card limit for America.
2. Develop a deficit reduction plan in 2010.
3. Implementation of the deficit reduction plan needs to begin in 2012.
4. The deficit reduction plan needs to include debt held by the public as a percent of the economy not to exceed 60% by 2018. Some testimony allows for this to occur by 2022.

The debt in item four is dramatically less than projections currently demonstrate.

Considerations

Just the mere passage of a deficit reduction plan will hopefully begin to restore any wavering confidence in our nation's ability to repay its debts to its creditors. The process begins with a national debt (credit card) limit. However, we need to be very clear. In order to support this credit card limit, both spending decreases and revenue increases will likely be needed.

Immediate Action

America needs to agree upon a credit card limit immediately. This document will start there.

Solution: National Debt

National Debt Limit

Beginning with fiscal year 2012, all ten year federal government budgets set forth by the executive and legislative branches will include a certain debt limit. That debt limit shall be measured as a percentage of the Gross Domestic Product (GDP). Specifically, the debt held by the public as measured by the United States Treasury shall be below 60% of GDP in the fiscal year 2018 and continue to decline through 2020. The budgets will also include a functional glide path from the current budgeting year through fiscal year 2018. This debt limit policy will sunset in 2020.

Exceptions

Exceptions will be made to the 60% debt limit and corresponding glide path by any new war that is declared by Congress. An exception can be made to the glide path targets if a sudden drop in the GDP causes a target to be missed.

Timing

This measure needs to be passed by Congress before the 2010 election. We simply cannot wait.

Congressional Self-Discipline

In addition to setting the debt limit, there is great need to uphold that limit. Congress will absolutely need to show self-discipline and be accountable. How does that occur? The size of the national debt is controlled by revenue and by expenditures. Of the two, only expenditures are completely under control of Congress. No money can be spent unless authorized by Congress; the only exception is interest on the debt. Congress has to be accountable for those authorized expenditures.

Accountability

Being accountable means responsibility for outcomes. It implies rewards for achievement and punishment for failure. First, goals must be set for reduced expenditures. An example is to reduce expenditures by two percent every year in order to reach a ratio of debt to GDP of 60% by year 2018. If the cost reduction goal is not met, here are two examples of resulting actions:

1. All committee chairmen or chairwomen and ranking members who are responsible for a failed goal will be relieved of their posts and not allowed to hold like positions on any committees the following session.
2. Ten percent of the pay for all Representatives and their staff will be withheld and placed in individual accounts, invested in U.S. Treasury securities until the end of the session. If the reduction goal is achieved, the money is returned. If not, the securities will be destroyed, electronically shredded, thus reducing the size of the national debt.

Problem: Vision

Authors Note:

This is the fifth solution. The first four solutions were prepared entirely by our solutions department. These are volunteers who live in the district and are brilliant, grassroots people with no formal training in policy making. However I, the candidate, Steven Wilson, have developed and written this solution without their capable assistance. I feel it is important for voters to see firsthand where my passion lies as it concerns the nation. I hope to demonstrate that though I have poor eyes, I have good vision.

A Vision for America

Whether you agree or disagree with the spending decisions of our federal government, most would agree we are in a decade of spending. From new Medicare Part D benefits to the wars in Iraq and Afghanistan and now healthcare reform, we are spending lots of money. Even when we try to find ways to stimulate the nations' economy, it still includes big spending. I'm afraid the day of reckoning is fast approaching. To avert that "day of reckoning," we need a new vision for our nation. In fact, we need a vision for our nation, as presently there doesn't seem to be one. My vision is this: We must transition from spenders to innovators. We must transition from consumers to creators. Absent this vision, tax increases may become the default solution.

Credibility

So, what makes a vision credible? Anyone can make up a vision statement, and if they're a good salesperson we may buy it -- even if it is not truly credible.

Therefore, a credible vision for our nation not only looks to the future, it also needs to be backed up by numbers. The numbers need to begin with a "feasibility study." In other words, we need to back our vision with a plan using actual information, not just hot air.

Considerations

We know spending will need to decrease but will our taxes need to increase? That is the problem. In order to discover what our options for increasing revenue are, we need a feasibility study.

A Priority

Innovation must become a priority, and it should be intentional. Metaphorically, it needs to become an Olympic sport. Adults will have to get off the couch and start creating. This will also serve as a model for our children. At the age of 16, I built a small cabin in the woods behind our farm. I had watched my family create buildings all my life. Even though my cabin was full of mistakes, I was not afraid to try. No one should be. Let's get started!

Solution: Vision

A Vision for America

So, let's begin with a feasibility study. This will help us with a direction for America.

Assumptions

1. This study will be a snapshot of fiscal years 2012 through 2018 added together.
2. The main variable is the growth of the economy or GDP (Gross Domestic Product).
3. The national debt will be 60% by 2018. This is, debt held by the public as a % of GDP.
4. The aggregate spending cuts will be 3 trillion dollars from 2012 to 2018 including interest expenses. Remaining adjustments are accomplished with revenue increases from economic growth (GDP) first and tax increases last.

Framework of the Feasibility Study

	<u>Option #1</u>	<u>Option #2</u>	<u>Option #3</u>	<u>Option #4</u> <u>Option #2</u> <u>with SS and</u> <u>Medicare</u> <u>Safety Nets</u>	<u>Option #5</u> <u>Option #3</u> <u>with SS and</u> <u>Medicare</u> <u>Safety Nets</u>
GDP (nominal)	3%	5%	7%	5%	7%
A. Total Interest Expenses					
B. Dollars of Increased Tax Revenue Needed					
C. Unemployment Rate					
D. # of New Jobs Needed					
E. # of Work Visas Needed					
F. Historical Precedence of GDP – # of Years					

Transparency

Here's the deal. If the only options remaining after the spending cuts are 1) major tax increases, and 2) major economic growth through innovation, we need to know that **now**. We can handle it. Innovation is one of our nation's economic cornerstones. However, innovation takes time. This feasibility study must be developed today. The study will give Congress and the President some direction in developing a long-term vision and implementing a plan for our nation's future. If I were to speculate, I would anticipate a pattern in row B such as:

B. Dollars of Increased Tax Revenue Needed	\$3 Trillion	\$2 Trillion	\$1 Trillion	\$1 Trillion	\$0
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Vision Summary

Economically, we need a "generation of creation." Ninety-nine percent of all good ideas have not yet been discovered. Let's get started!