



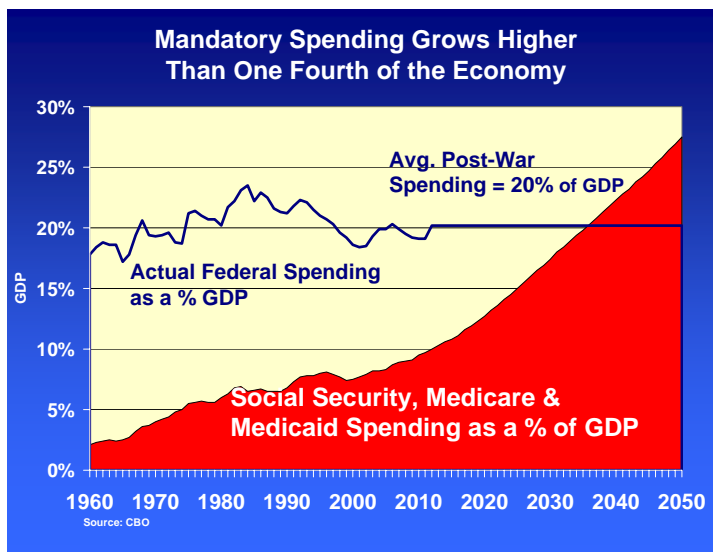
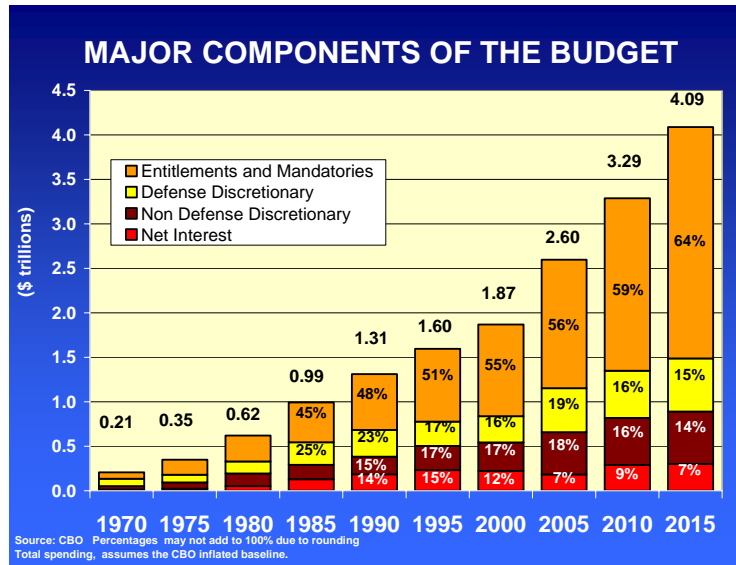
S.O.S.: STOP OVER-SPENDING ACT OF 2006



SPENDING RESTRAINT - DEFICIT REDUCTION - BUDGET ENFORCEMENT - FISCAL RESPONSIBILITY

Gregg Mechanism for Automatic Deficit Reduction

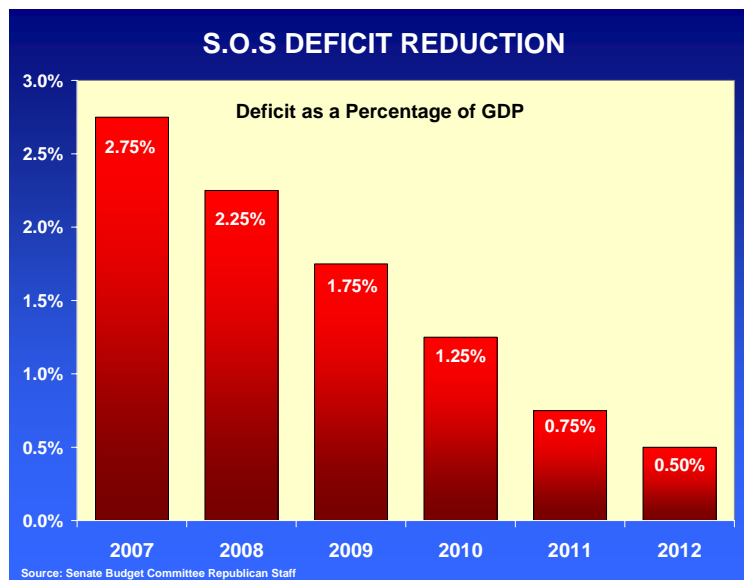
Getting entitlement spending under control and reducing the federal deficit is critical to ensuring the long-term health of our nation's finances. Congress dipped its toe in the water of the entitlement problem last year, passing the Deficit Reduction Act, slowing the rate of growth of entitlements by \$39 billion over the next five years. It was a good start, but more needs to be done. Entitlement spending, excluding interest on the debt, now represents 56 percent of all federal spending. Left unchecked, that will grow to more than 62 percent in 10 years.



Similar to the Gramm-Rudman legislation in 1985, the Automatic Deficit Reduction Mechanism in the Stop Over-Spending Act is stronger and updated for current budget realities. It targets budget deficits and entitlement spending that threaten to overwhelm the nation's fiscal resources once the Baby Boom Generation begins to retire. The SOS sharply reduces the federal deficit as a percentage of our economy as measured through the Gross Domestic Product (GDP) through reconciliation or sequestration if necessary.

The bill requires Congress to produce entitlement spending reductions commensurate with capping the deficit at 2.75% (\$379 billion) of GDP in 2007, declining to 0.5% of GDP in 2012. In 2006, the deficit is currently forecast to be 2.3% of GDP. Highlights include:

- The Act establishes a deficit limit based on a percentage of GDP. The deficit triggers are as follows:
 - 2.75% of GDP in 2007
 - 2.25% of GDP in 2008
 - 1.75% of GDP in 2009
 - 1.25% of GDP in 2010
 - 0.75% of GDP in 2011
 - 0.5% of GDP in 2012 and beyond



- If the limit is breached in any one year; “automatic reconciliation” goes into effect. The mandatory reconciliation procedure would be similar to the normal reconciliation procedure except:
 - Each Authorizing Committee would be required to report legislation that achieves savings equal to the amount instructed by the Budget Committee. If a Committee fails to report legislation sufficient to meet its instruction the Budget Committee has the authority to include the necessary legislative language to meet the deficit reduction amount.
 - If Congress fails to enact a Reconciliation bill with savings that meet the deficit target, automatic across the board reductions (“sequestration”) of mandatory spending would automatically go into effect.
 - The proposal exempts Social Security, net interest, funds obligated by law, other obligations backed by the full faith and credit of the U.S. government, and existing legal contracts.