

# PRINCIPLES & PRIORITIES: WORKBOOK

A Group Exercise in Fiscal Responsibility  
from The Concord Coalition

**CONCORD  
COALITION**

**Congratulations! You have just become members of Congress -- and you have been assigned to a special committee charged with finding ways to reduce projected federal deficits over the next 10 years.**

**Your committee is responsible for examining a variety of possible spending and revenue policies. Some options reduce spending and/or raise revenues, thereby reducing future budget deficits. Other policies, however, would increase spending and/or lower taxes, which would increase deficits.**

**As you and members of your committee review the options, you should consider:**

**Economics -- How will your decisions affect the economy (jobs and wages) in both the short term and the long term? Could some policies help in the short run but cause damage later?**

**Public Policy -- Should reducing the deficit be your primary goal, regardless of other policy impacts? Which areas of the federal government should receive more or less funding? Which parts of society would be most affected? Is the federal government too big, too small or the right size? Do your choices fit your vision for the nation's future?**

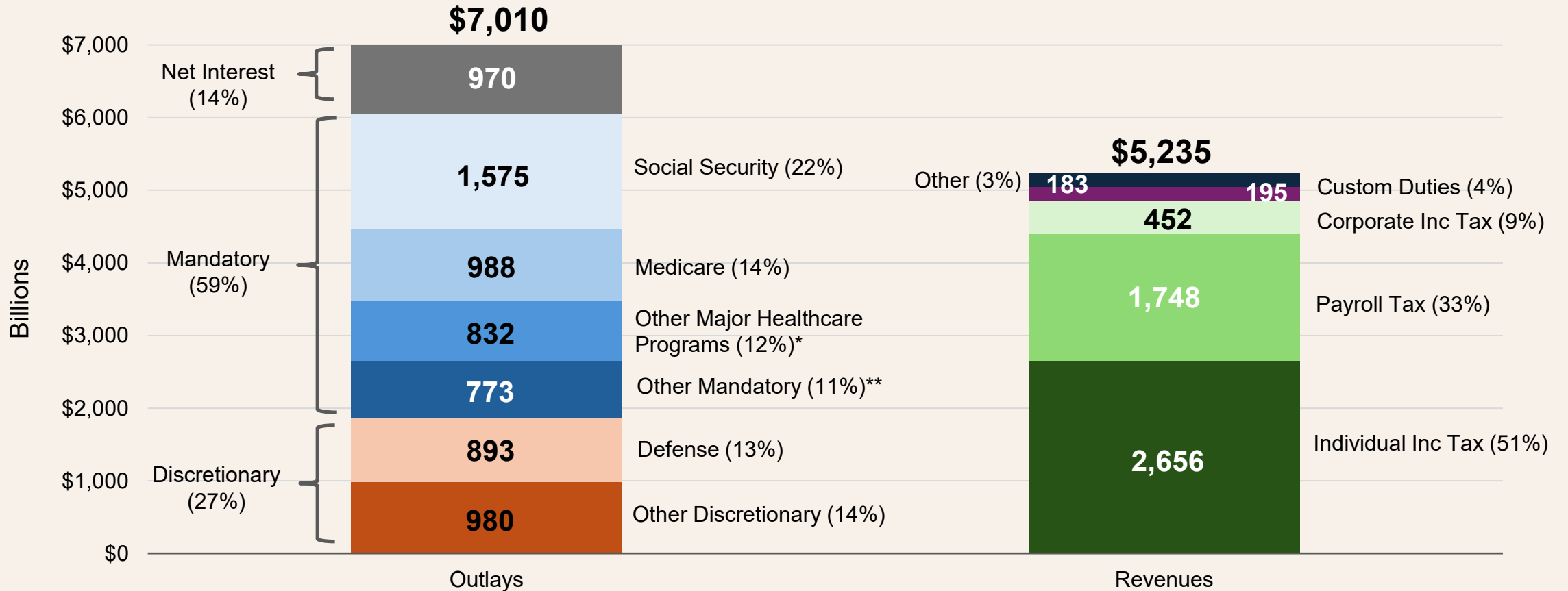
**Politics -- Will voters support your decisions? Can you defend your decisions and be re-elected?**

## **THE BUDGET OUTLOOK**

**The federal budget has long suffered from a structural imbalance between revenues and spending, which has led to chronic and structural budget deficits, even during times of relative peace and prosperity. Despite relatively steady economic growth over the last four decades, the structural imbalance persisted, and policymakers have compounded the problem with major legislation that cut taxes or increased spending or both. For this reason, deficits are projected to rise dramatically in the coming years. The nonpartisan CBO has projected that deficits will total more than \$20 trillion over the next decade (This is called the “baseline” estimate for budget deficits). This projection assumes current law following the passage of the 2025 budget reconciliation law, commonly known as the One Big Beautiful Bill Act (OBBBA).**

# Composition of FY 2025 Federal Budget (actual)

Deficit: \$1,775 billion



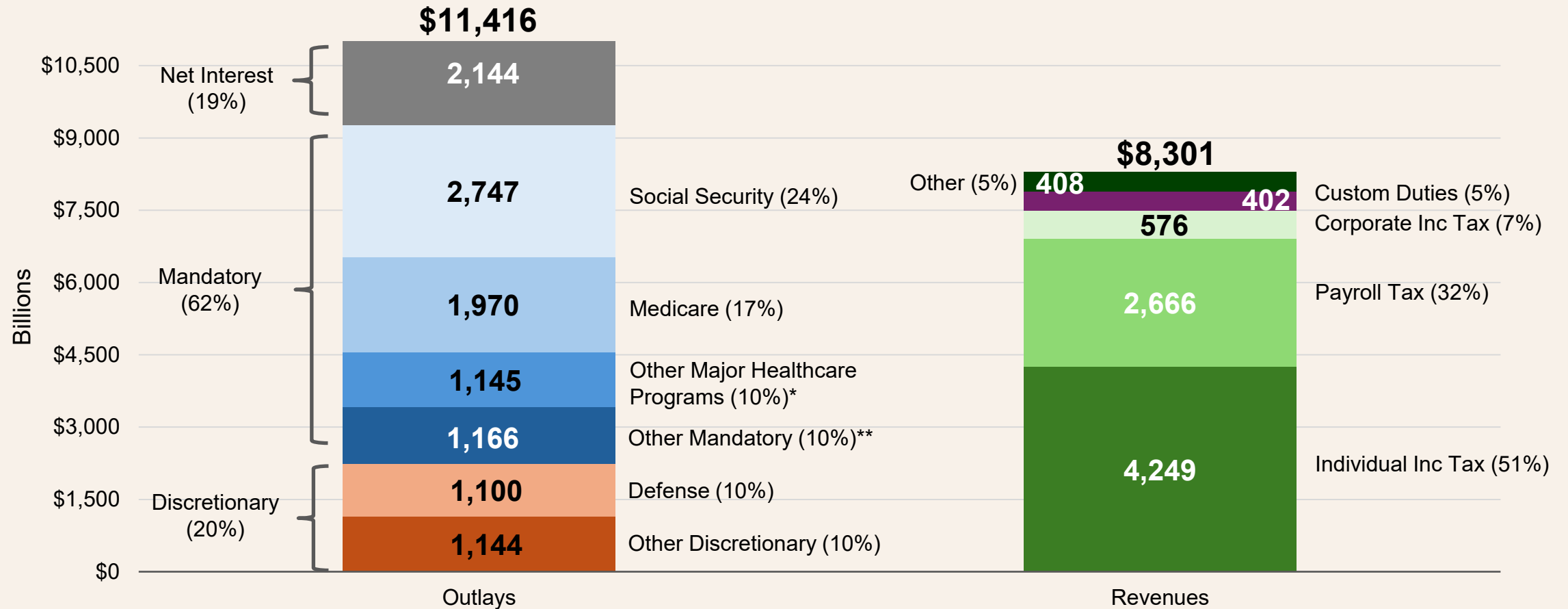
\*Other Major Healthcare Programs includes Medicaid, Children's Health Insurance Program, and premium tax credits.

\*\*Other Mandatory includes income security programs, Federal retirement programs, Veteran's programs, higher education, agriculture, deposit insurance, and others.

Note: Totals may not sum due to rounding

# Composition of FY 2036 Federal Budget (proj.)

Deficit: \$3,115 billion



The key driver of continued deficits over the next ten years are structural demographic shifts—lower birth rates and a rapidly aging population—that are slowing the growth of the U.S. workforce. As fewer workers support more retirees, spending on Social Security and Medicare will rise sharply, while payroll and income tax revenues fail to keep pace. At the same time, higher levels of federal borrowing and rising interest rates will drive up the government’s interest costs, adding further pressure to the budget.

\*Other Major Healthcare Programs includes Medicaid, Children’s Health Insurance Program, and premium tax credits.

\*\*Other Mandatory includes income security programs, Federal retirement programs, Veteran’s programs, higher education, agriculture, deposit insurance, and others

Note: Totals may not sum due to rounding.

# MAKING THE HARD CHOICES

With your fellow committee members, review and discuss the policy options on the next five pages. Record your group's decisions by placing the options' positive or negative (+/-) effects on the 10-year deficit in the boxes provided. If your group decides not to enact a particular option, simply leave the box blank, or write in a zero. Given the time constraints, your range of possibilities is limited to a representative sample of budget options that have been considered and debated in Washington.

Background information and arguments for and against each of the options are included in the accompanying "Options Book." When discussing the policy options and making your decisions, reflect on your own personal principles and priorities. Ultimately the majority rules, so you will need to carefully consider the views of your fellow committee members and sharpen your persuasive skills. You may decide to compromise on some items in order to win support for others that you consider more important.

The maximum amount of deficit reduction possible in this exercise is approximately \$13 trillion over the coming decade, before interest savings. If, however, you approve all policies that increase spending or reduce revenue, you would increase the deficit by almost \$5 trillion.

**Options with a negative sign (-) will REDUCE annual deficits by cutting expenditures or raising new revenue. Options with a positive sign (+) will INCREASE deficits.**

To guide your committee, August 2025 estimates from the [Committee for a Responsible Federal Budget](#) highlight some deficit reduction benchmarks that would achieve frequently cited fiscal responsibility goals. These are not exact goals (which may play out differently in the real world due to the timing of spending) but instead reference points for your committee at the end of the exercise.

- **\$10 trillion: cut the deficit in half, reducing it to 3% of GDP by the end of the decade**
- **\$9.5 trillion: stabilize debt held by the public at 100% of GDP by the end of the decade**
- **\$18.5 trillion: achieve full budget balance by the end of the decade**

**Category 1 - General Government Spending**

Option Number	Option Title	Effect on 10-Year Deficit (In Billions)	Committee Decision (Write +/- Dollar Value)
1	Expand access to free, universal preschool	+200	
2	Provide national, comprehensive paid family and medical leave	+325	
3	Increase the maximum Pell grant	+123	
4	Eliminate federal subsidies for AMTRAK and other intercity rail systems	-71	
5	Reduce subsidies in the crop insurance program	-47	
6	Eliminate NASA's Deep Space Exploration Systems budget	-93	
7	Reduce the annual across-the-board adjustment for federal civilian employees' pay	-58	
		Category 1 Subtotal:	

**Category 2 – National Security and Defense Spending**

Option Number	Option Title	Effect on 10-Year Deficit (In Billions)	Committee Decision (Write +/- Dollar Value)
8	Reduce the Department of Defense’s manpower budget	-959	
9	Reduce the Department of Defense's procurement and research & development budget	-75	
10	Repeal the One Big Beautiful Bill Act’s increases to Homeland Security funding	-176	
11	Introduce TRICARE for Life enrollment fees and out-of-pocket minimums for life	-48	
12	Reduce funding for international affairs ("foreign aid")	-225	
13	Means test the Department of Veterans Affairs disability compensation	-253	
		Category 2 Subtotal:	

**Category 3 – Health Care and Social Security**

Option Number	Option Title	Effect on 10-Year Deficit (In Billions)	Committee Decision (Write +/- Dollar Value)
14	Reduce payments for hospital outpatient departments	-157	
15	Move to a premium support model for Medicare	-1,875	
16	Reduce Medicare advantage overpayments	-1,049	
17	Provide dental, vision, and hearing coverage under the Medicare program	+358	
18	Increase the premiums paid for Medicare part B	-510	
19	Repeal Medicaid work requirements	+326	
20	Make permanent the Affordable Care Act's enhanced tax credit	+335	
21	Gradually raise the full retirement age for Social Security	-95	
22	Increase the maximum taxable earnings that are subject to Social Security payroll taxes	-728	
23	Use an alternative measure of inflation to index Social Security and other mandatory programs	-278	
		Category 3 Subtotal:	

**Category 4 - Taxes and Revenues**

Option Number	Option Title	Effect on 10-Year Deficit (In Billions)	Committee Decision (Write +/- Dollar Value)
24	Increase the tax on long term capital gains and dividends by 2 percentage points	-103	
25	Eliminate estate taxes	+313	
26	Raise the corporate income tax rate from 21 to 22 percent OR Raise the corporate income tax rate from 21 to 28 percent	-136 OR -1,350	
27	Reduce tax subsidies for employment-based health insurance	-521	
28	Eliminate certain tax preferences for education expenses	-130	
29	Change the tax treatment of capital gains from sales of inherited assets	-197	
30	Impose a tax on financial transactions	-297	
31	Increase excise taxes on motor fuels by 15 percent and index them for inflation	-212	
		Category 4 Subtotal:	

Category 4 - Taxes and Revenues (cont.)

Option Number	Option Title	Effect on 10-Year Deficit (In Billions)	Committee Decision (Write +/- Dollar Value)
32	Impose a tax on emissions of greenhouse gases OR Impose a value added tax (VAT)	-919 OR -2,180	
33	Reinstate clean energy credits for consumers and businesses	+425	
34	Repeal certain executive branch tariffs	+2,400	
35	Introduce a new payroll tax of 1 percent on all earnings	-1,282	
36	Repeal the increased Child Tax Credit	-817	
37	Raise individual tax rates to pre-2017 levels	-2,193	
38	Repeal temporary tax provisions, including tipped and overtime workers	-252	
39	Eliminate the state and local tax deduction (SALT)	-1,107	
		Category 4 Subtotal:	

In the “Summary of Results” table below, please copy the subtotals from each category to calculate your total impact on the federal deficit over 10 years.

Interest costs on the national debt are an important component of government spending. These costs increase when we add to annual budget deficits, and they fall when we reduce deficits. In the “Summary of Results” table, a line is dedicated to interest costs and adds 15 percent in interest savings for the deficit reduction you have achieved through your policy choices.

Principles & Priorities: Summary of Results	
Category	Effect on Deficit (In Billions)
Category 1 - General Government Spending - Subtotal	
Category 2 - National Security and Defense Spending - Subtotal	
Category 3 - Health Care and Social Security - Subtotal	
Category 4 - Taxes and Revenues - Subtotal	
Sum of Subtotals From All Four Categories	
Interest Savings (Sum of Subtotals X 0.15)	
Total Effect on 10-Year Deficit (Sum of Subtotals + Interest Savings)	