



**PETER G.
PETERSON**
FOUNDATION

2012–2014

PROGRESS REPORT



Our mission is to increase public awareness of the nature and urgency of key fiscal challenges threatening America's future and to accelerate action on them. To address these challenges successfully, we work to bring Americans together to find and implement sensible, long-term solutions that transcend age, party lines and ideological divides in order to achieve real results.



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I.

LETTER
FROM THE
FOUNDER
AND
CHAIRMAN

A Moral Obligation to Future Generations

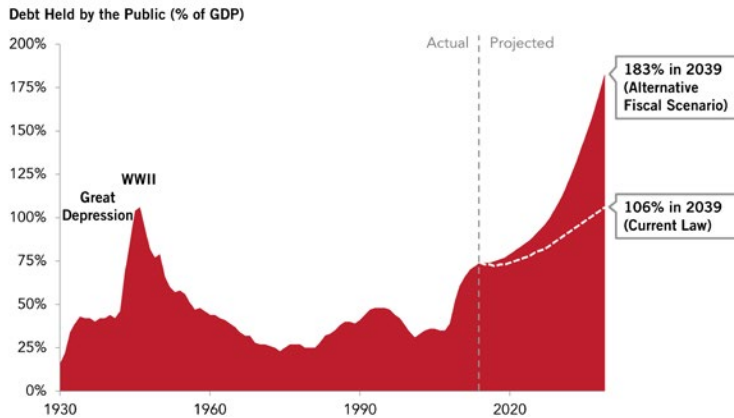


SEVERAL YEARS AGO, I retired from business and considered what I might do with my time that would be both fulfilling and meaningful. I believed then, as I do now, that we have a moral obligation to future generations to build a dynamic, growing American economy that is defined by opportunity, mobility, and prosperity.

Unfortunately, there is a troublesome challenge standing in the way of achieving that goal: our nation's undeniable and unsustainable long-term debt. To face this transcendent threat to America's future, in 2008 I established the non-partisan Peter G. Peterson Foundation, an organization dedicated to increasing awareness and accelerating action on solutions to our long-term fiscal and economic challenges.

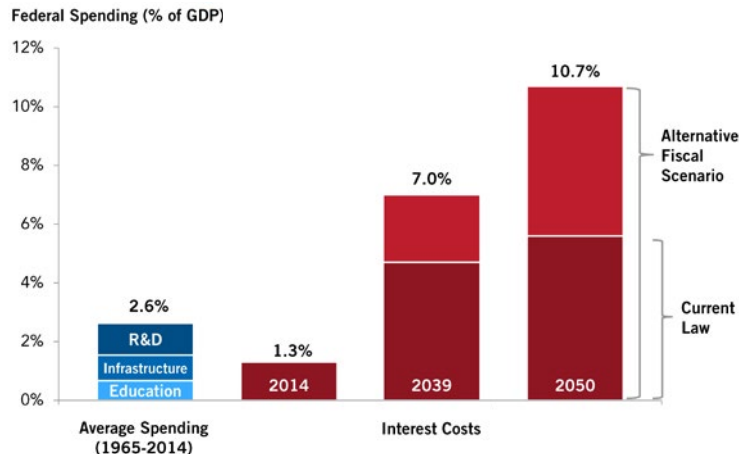
Despite repeated fiscal squabbles, including debt limits, sequesters and government shutdowns, we have not solved our fundamental long-term challenges. The basic threat to our economy posed by the long-term debt remains. The drama-filled budget

U.S. Debt Held by the Public Is on an Unsustainable Path



SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014. Compiled by PGPF.
NOTE: Data for the alternative fiscal scenario includes economic feedback.

By 2050, Interest Costs on the Debt Are Projected to Be Four Times What the Federal Government Has Historically Spent on Education, R&D, and Infrastructure Combined



SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014; and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2016*, February 2015. Compiled by PGPF.
NOTE: Infrastructure excludes defense. Data for the alternative fiscal scenario does not include economic feedback.

battles of the last few years have focused almost entirely on the near term, putting aside the more difficult, but much more important, long-term questions.

The non-partisan Congressional Budget Office (CBO) projects that, under current law, federal debt will climb from 74 percent of GDP in 2014 to more than 100 percent in 25 years. Under its less optimistic alternative scenario, CBO predicts that debt could rise to a staggering 183 percent of GDP in the same time frame, which would be almost five times the average over the past 50 years. These unprecedented high levels of debt would threaten our economic future, and the quality of life of every American.

Without action, we will be less able to make critical investments in our future in large part because we will be paying for our past. Over the next 10 years, we will spend a staggering \$5.5 trillion on interest alone under current law. In 2014, total federal interest costs were 1.3 percent of GDP—but by 2050, CBO projects that interest could soar to 10.7 percent of GDP. That would be four times the historical federal investment in education and job training, research and development, and nondefense infrastructure *combined*—areas vital for long-term growth. Many of us feel that we need more private and public investments in our future, but if we don't deal with our fiscal imbalances, where will we get the resources? We can't let our future be diminished by our past.

So as we pause to report on our progress, we are as committed as ever to fulfilling our mission. The challenges we face are serious, but solvable, and we have engaged in a range of exciting and innovative approaches to help meet our goals.

I am particularly proud of our recent launch of the Peterson Center on Healthcare (PCH). This new organization established by the Foundation represents a major new effort to transform U.S. healthcare into a high-performance system. By identifying, validating and driving the adoption of solutions that improve outcomes and lower costs, PCH's mission is to make higher-quality, more efficient healthcare a reality for all Americans.

Through these efforts, and many more exciting initiatives on the horizon, we strive to help ensure that the American Dream is alive and well for the next generation of Americans. It is this next generation that has the most to gain, and the most at stake, in how we build our fiscal and economic future.

PETER G. PETERSON
Founder and Chairman

II.

LETTER FROM THE PRESIDENT AND CEO

Fiscal Health Builds Economic Strength



AMERICA'S long-term fiscal health is closely linked to its economic strength. Unfortunately, despite recent improvements in current deficits, we remain on a dangerous long-term fiscal path that threatens our economy.

Over the last three years, there's been a lot of talk about America's fiscal challenges—and a lot of economically damaging brinksmanship to go with it. But unfortunately, we have yet to make meaningful progress on fixing the long-term structural imbalance between revenues and spending. The politics may be difficult, but the math is simple: America's aging demographics, rising healthcare costs and inadequate tax system all contribute to a dangerous growth in debt in the decades to come.

Our growing debt is not just an abstract problem—it has serious and far-reaching economic consequences. Remaining on an unsustainable path will hurt our government's ability to meet the needs of the future, from education to transportation to re-

search and development to national security. If we are unable to make adequate investments in our future, our nation will have a harder time competing in the global economy. Federal borrowing can crowd out private investment, limiting the amount of capital available to businesses to grow. And vital programs like Social Security, Medicare, and Medicaid could face sharp cuts that hurt the most vulnerable Americans.

The good news is that we can choose a better future. Indeed, many promising solutions exist—and accelerating action on these solutions is the Peterson Foundation’s core mission. Over the past three years, we have engaged in a wide range of successful programs and initiatives toward this goal:

- We have a unique role as a convener and consensus builder, bringing together a diverse range of people, organizations and ideas to bridge partisan divides—including through our signature annual event, the Fiscal Summit.
- We strive to be a respected source of policy alternatives, partnering with America’s brightest fiscal and economic minds to develop original substance and solutions.
- We work to educate, engage and inspire Americans with initiatives that build awareness, drive a thoughtful national dialogue and rally public support for policy reforms that will support a vibrant economic future.
- We produce a robust range of our own research and analysis, enriching the conversation, presenting clear, unbiased facts and adding insights about the fiscal challenge.
- And we are empowering the next generation to take action, through unique college-based programs like Up to Us, because the voice of America’s millennials is essential as we chart our economic future.

The Foundation is proud to continue its work in these areas to develop and promote solutions to strengthen our fiscal foundation, and promote a growing, thriving economy with greater opportunity, mobility and prosperity for all Americans.

After all, we have so much to gain by proactively addressing the challenge. Improving our long-term fiscal picture will help foster an environment with greater access to capital, more private investment, improved business and consumer confidence, a solid safety net, and the ability to invest in priorities like education, research and development, and infrastructure.

This Progress Report highlights our work to help illuminate the path toward a more prosperous America. Thank you for reading, and thank you for your partnership in building a brighter future.



MICHAEL A. PETERSON
President and Chief Executive Officer



■ **Gwen Ifill**, Moderator/Managing Editor, *Washington Week*; Co-Author/Managing Editor, *PBS Newshour*
President Bill Clinton, Founder of the Bill, Hillary & Chelsea Clinton Foundation and 42nd President of the United States

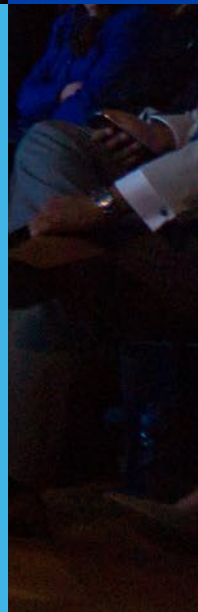


III.

CONVENING INDIVIDUALS, ORGANIZATIONS AND IDEAS

IN TODAY'S highly partisan political landscape, coming to agreement on what's best for the future of the country can seem elusive. The good news is that when it comes to fiscal and economic priorities, consensus can be found.

To bridge the partisan divide with common sense solutions, the Peterson Foundation leverages its unique role as an effective convener of individuals, organizations and ideas. In bringing together America's most respected voices from across the ideological spectrum, the Foundation demonstrates that good solutions not only exist, but they also can gain broad support.



Fiscal Summit

THE FOUNDATION'S FISCAL SUMMIT is the premier annual gathering dedicated to addressing our nation's long-term debt and economic future.

Since its debut in 2010, the Fiscal Summit has showcased ideas and insight from preeminent thought leaders from across the political and policy spectrum, including: President Bill Clinton, Bill Gates, Governor Chris Christie, Speaker John Boehner, Treasury Secretary Tim Geithner, Fed Chairman Alan Greenspan, Fed Chairman Paul Volcker, Representative Paul Ryan, Minority Leader Nancy Pelosi, Admiral Mike Mullen, business leaders David Cote and Jay Fishman, and many more. Fiscal Summit conversations and interviews have been moderated by some of the nation's most respected journalists, including Tom Brokaw, Gwen Ifill, Andrea Mitchell, and Bob Schieffer.

- The *2014 Fiscal Summit: Our Economic Future* emphasized the connection between a strong fiscal foundation and a growing, thriving economy. Leading lawmakers and economists examined the interconnected relationship between addressing our nation's long-term debt and a strong, growing economy.
- The *2013 Fiscal Summit: Facing the Future* examined the most powerful trends shaping America's future, exploring the implications of today's fiscal decisions on America's workforce, healthcare, education, technology, national security and economy. A highlight was a keynote conversation between President Clinton and Bill Gates, interviewed by MSNBC's Tamron Hall.
- The *2012 Fiscal Summit: America's Case for Action* brought together leaders from government, policy, academia and the media to discuss the importance of building bipartisan consensus and political will for action in an election year and as policymakers considered a range of fiscal and budgetary decisions, including the approaching "fiscal cliff."



■ **Representative Paul Ryan**
(R-WI), Chairman, House Ways
and Means Committee



■ **Tamron Hall**, Anchor,
NewsNation
Bill Gates, Co-Chair,
Bill & Melinda Gates
Foundation
President Bill Clinton



■ **Representative Nancy Pelosi**
(D-CA), House Democratic Leader



■ **Governor Chris Christie**
(R-NJ)



■ Senator Patty Murray (D-WA)



■ Representative John Boehner (R-OH), Speaker of the House



■ David Wessel, Director, Hutchins Center on Fiscal and Monetary Policy, Brookings Institution

■ Tim Geithner, Former U.S. Treasury Secretary

Fiscal Cliff and Beyond

WITH A SERIES of tax increases and spending cuts slated to go into effect automatically and immediately in January 2013, policymakers were confronted with what became known as the “fiscal cliff.” Many leading observers, including the non-partisan Congressional Budget Office (CBO), predicted that these changes, if allowed to occur, would have threatened the fragile economic recovery.

To address this impending threat and highlight bipartisan solutions for addressing our long-term debt, the Foundation convened leading economic and fiscal policymakers for The Fiscal Cliff and Beyond.

Held following the 2012 election, The Fiscal Cliff and Beyond explored the potential ramifications of the fiscal cliff and a range of potential solutions. Foundation Chairman and former Secretary of Commerce Pete Peterson interviewed two former Chairmen of the Federal Reserve, Alan Greenspan and Paul Volcker, in a discussion about the consequences of inaction and the opportunity to put America on a more sustainable long-term fiscal path. Subsequent sessions included conversations with National Economic Council Director Gene Sperling; Representatives Peter Roskam (R-IL) and Chris Van Hollen (D-MD); Co-Chairmen of the National Commission on Fiscal Responsibility and Reform, Erskine Bowles and Alan Simpson; former CBO Directors Alice Rivlin and Douglas Holtz-Eakin; and former Office of Management and Budget and CBO Director Peter Orszag.



■ **Donald Marron,**
Director of
Economic Policy
Initiatives &
Institute Fellow,
Urban Institute





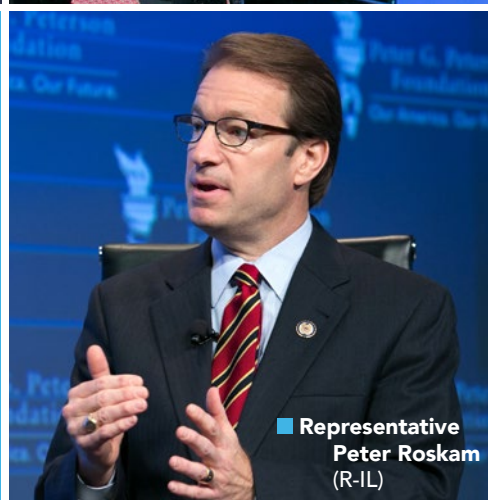
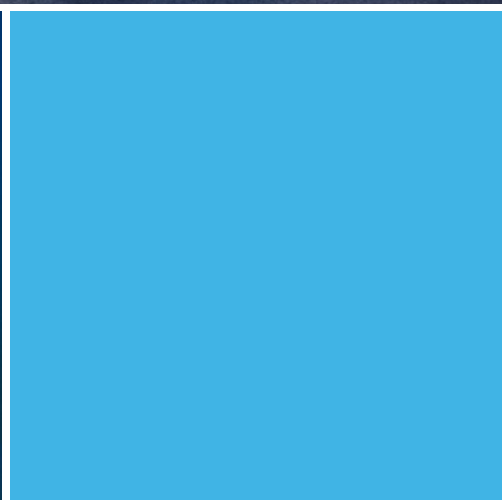
■ **Pete Peterson**, Founder and Chairman, Peter G. Peterson Foundation
Alan Greenspan, Former Chairman, Federal Reserve Board
Paul Volcker, Former Chairman, Federal Reserve Board



■ **Martin Feldstein**, Professor of Economics, Harvard University; Former Chairman, Council of Economic Advisers



■ **Erskine Bowles and Alan Simpson**, Co-Chairmen of the National Commission on Fiscal Responsibility and Reform



■ **Representative Peter Roskam** (R-IL)



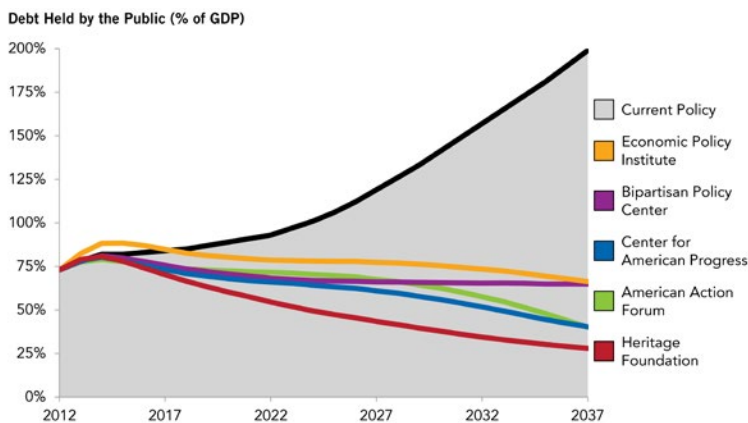
■ **Representative Chris Van Hollen** (D-MD)

Solutions Initiative II

THE FISCAL CLIFF AND BEYOND event also included an important update to the Foundation’s Solutions Initiative. First launched as part of the 2011 Fiscal Summit, the initial Solutions Initiative brought together respected policy groups from across the political spectrum to present their plans for stabilizing America’s long-term fiscal outlook. Each group put forward specific policy recommendations, reflecting their unique perspectives and priorities. Significantly, each group successfully stabilized America’s debt over the long term, demonstrating that there is indeed a range of viable options available to policymakers.

For Solutions Initiative II, the Foundation asked the groups to update their long-term plans, while also addressing the near-term challenges of the fiscal cliff. The leading organizations that took part—the American Action Forum, the Bipartisan Policy Center, the Center for American Progress, the Economic Policy Institute, and the Heritage Foundation—proposed specific, comprehensive plans for resolving the fiscal cliff impasse and putting the nation on a sustainable long-term path. They also

Solutions Do Exist: PGPF Solutions Initiative Plans from Five Think Tanks Show Declining Federal Debt Through 2037



SOURCE: Peter G. Peterson Foundation, *Solutions Initiative II*, November 2012. See pgpf.org/fiscalcliff/solutionsinitiative for more details.

- **Ben White**, Chief Economic Correspondent, *POLITICO*
- **Douglas Holtz-Eakin**, President, American Action Forum
- **Alice Rivlin**, Former Co-Chair of the Debt Reduction Task Force, Bipartisan Policy Center
- **Michael Ettlinger**, Former Vice President for Economic Policy, Center for American Progress
- **Josh Bivens**, Research and Policy Director, Economic Policy Institute
- **Alison Acosta Fraser**, Former Director, Thomas A. Roe Institute for Economic Policy Studies, Heritage Foundation



identified and analyzed potential obstacles to achieving a budget deal and implementing their plans, while recommending top policy priorities for congressional policymakers and the incoming presidential administration.

This second phase of the Solutions Initiative demonstrated once again that progress on our fiscal challenges—both near-



term and long-term—is possible. Although the solutions varied widely in the specific choices made, the organizations’ proposals made clear that policymakers have options to proactively address our unsustainable long-term trajectory. Solutions II proved that our nation can build a foundation for a prosperous economy for generations to come.



AMERICAN ACTION
F O R U M



POLITICO Morning Money Breakfast Briefings

TO DRIVE the conversation about America’s fiscal and economic future, the Foundation joined with *POLITICO* to present a series of Morning Money Breakfast Briefings, hosted by Chief Economic Correspondent, Ben White.

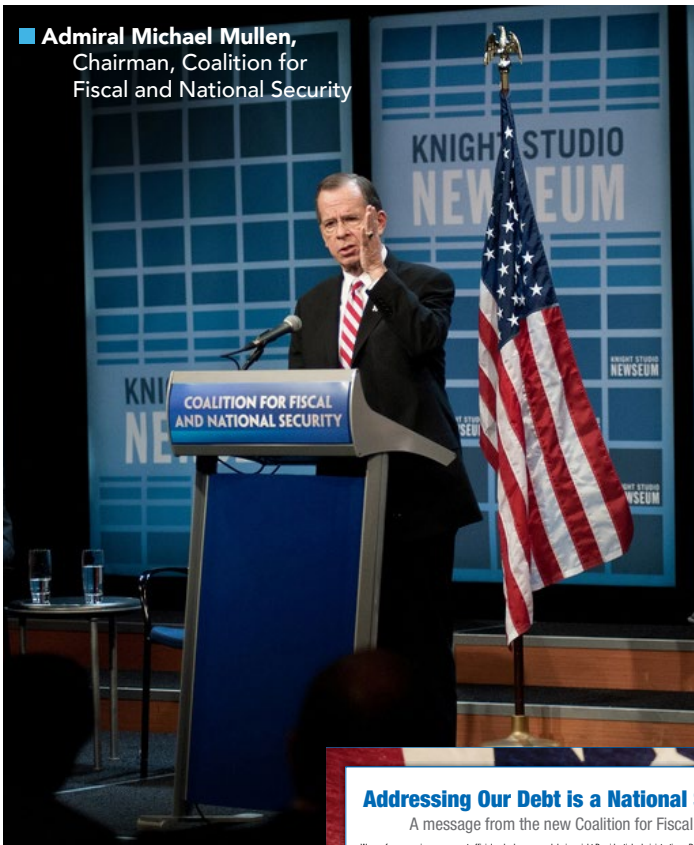
The series debuted in 2013, featuring in-depth conversations with leading policymakers and newsmakers. Guests have included Senator Rob Portman (R-OH), House Minority Whip Steny Hoyer (D-MD), Senior Advisor to the President Valerie Jarrett, Representative Patrick McHenry (R-NC), Housing and Urban Development Secretary Shaun Donovan and Director of the Consumer Financial Protection Bureau Richard Cordray.

Topics include discussions of fiscal policy decisions, ways to achieve long-term reform, market trends and projections, and other critical matters shaping the economic future of the country.

Morning Money Breakfast Briefings are interactive, as audience members—including those attending the event in Washington, D.C. as well as viewers around the country watching via live video stream online—use Twitter hashtag #MorningMoney to pose questions to the guest through interviewer Ben White.



■ Admiral Michael Mullen, Chairman, Coalition for Fiscal and National Security



Coalition for Fiscal and National Security

IN DECEMBER 2012, the Foundation convened a group of distinguished defense, economic and foreign policy leaders to issue an urgent call to address America's central fiscal and national security challenges. The Coalition for Fiscal and National Security, chaired by Admiral Michael Mullen, developed core principles for fiscal and defense policies that reflect the realities of the 21st century.

The Coalition is comprised of highly respected and accomplished national leaders, including senior government officials who have served during eight presidential administrations (both Democratic and Republican) and former leaders in Congress from both parties.

The Coalition outlined a framework for averting the fiscal cliff and setting goals for long-term deficit reduction that is consistent with meeting our national security objectives, stating, "We join together now because we strongly believe that our long-term debt is the single greatest threat to our national security, and we urge elected leaders to agree by the end of this year on a plan that both averts the fiscal cliff and puts the debt on a downward path. U.S. national security in the 21st century rests on both economic and military strength, for our military might and diplomatic muscle ultimately depend on a vibrant economy. Unless we change course, our huge and growing debt will undermine our economic growth, our military strength, and our global leadership."

To amplify their call for a strong national defense and fiscal responsibility, the Coalition ran full-page advertisements in the *New York Times*, *Washington Post*, *Wall Street Journal* and other outlets.

COALITION MEMBERS:

- Admiral Michael G. Mullen, *Chairman*
- Secretary Madeleine K. Albright
- Secretary James A. Baker, III
- Samuel R. Berger
- Secretary Harold Brown
- Dr. Zbigniew Brzezinski
- Secretary Frank Carlucci
- Secretary Robert M. Gates
- Secretary Henry A. Kissinger
- Senator Sam Nunn
- Secretary Paul O'Neill
- Secretary George P. Shultz
- Representative Ike Skelton
- Chairman Paul Volcker
- Senator John Warner

Addressing Our Debt is a National Security Imperative

A message from the new Coalition for Fiscal and National Security

We are former senior government officials who have served during eight Presidential administrations, Democratic and Republican, and former leaders in Congress from both parties. We join together now because we strongly believe that our long-term debt is the single greatest threat to our national security, and we urge elected leaders to agree by the end of this year on a plan that both averts the fiscal cliff and puts the debt on a downward path.

U.S. national security in the 21st century rests on both economic and military strength, for our military might and diplomatic muscle ultimately depend on a vibrant economy. Unless we change course, our huge and growing debt will undermine our economic growth, our military strength, and our global leadership. Our leaders should use the consensus against going over the fiscal cliff as an opportunity to agree now on a framework for significant fiscal reform in 2013. Another "kicking of the can" — the lowest common denominator of what both parties can currently accept, without any structural reforms that truly address the nation's problems — is not acceptable. We must reassure our own citizens and businesses, the international financial markets, and the greater global community that America will address its fundamental challenges and maintain its leadership role in the world. At a minimum, the resolution of the fiscal cliff by the end of the year should have the following components:

- **The Objective:** Our fiscal goal must be to stabilize the debt as a share of the economy, and put it on a downward path for the longer term. We cannot continue to grow our national debt faster than our economy if we want to maintain our global leadership. Any solution which does not meet this simple test is insufficient.
- **The Framework:** To achieve this objective, our leaders should decide on a fiscal framework that results in substantial deficit reduction over the next 10 years and structural changes to our fiscal policies that eventually balance the budget over the long term, including:
 - Specific levels of revenue, spending and deficits over the next 10 years, and parameters for longer-term fiscal reform, including future levels of debt as a share of the economy, and a date by which the budget must balance.
 - Tax reforms to raise more revenues, encourage growth and enhance progressivity — and it must be decided how much should be done through eliminating deductions, increasing rates and/or more fundamental changes to our tax code.
- Changes to entitlements to put them on a sustainable long-term path, as well as changes to defense and other discretionary spending, while protecting the most vulnerable and preserving sufficient resources to invest in the future.
 - In our judgment, advances in technological capabilities and the changing nature of threats make it possible, if properly done, to spend less on a more intelligent, efficient and contemporary defense strategy that maintains our military superiority and national security.
- **The Process:** Congress and the President should agree on an expedited process to enact legislation reflecting this framework in 2013, including appropriate default and enforcement mechanisms that ensure we will achieve the targeted result.

In a time of division and drift, the true test for America is neither military nor economic — it is political. We ask our elected officials from both parties to assert genuine leadership, communicate to the American people what needs to be done, and make pragmatic policy decisions to power our nation's economy, democracy, and role in the world. It will require courage, shared sacrifice and a willingness to compromise and make the tough choices essential to setting a new course for our nation. It summons the truest form of patriotism — putting our country first.

The Coalition for Fiscal and National Security

 Admiral Michael G. Mullen former Chairman of the Joint Chiefs of Staff	 Madeleine K. Albright former Secretary of State	 James A. Baker, III former Secretary of State and the Treasury	 Samuel R. Berger former National Security Advisor
 Harold Brown former Secretary of Defense	 Zbigniew Brzezinski former National Security Advisor	 Frank Carlucci former Secretary of Defense	 Robert M. Gates former Secretary of Defense
 Henry A. Kissinger former Secretary of State and National Security Advisor	 Sam Nunn former Chairman of the Senate Committee on Armed Services	 Paul O'Neill former Secretary of the Treasury	 George P. Shultz former Secretary of State and the Treasury
 Ike Skelton former Chairman of the House Committee on Armed Services	 Paul Volcker former Chairman of the Federal Reserve	 John Warner former Chairman of the Senate Committee on Armed Services	 Peter C. Pearson Foundation Our America. Our Future.

To read a more detailed message from the Coalition, please visit www.FiscalAndNationalSecurity.org

■ **Michael Peterson**, President and Chief Executive Officer, Peter G. Peterson Foundation
Phillip Swagel, Professor in International Economic Policy, University of Maryland
Gene Sperling, Former Director, National Economic Council





IV.

ADVANCING POLICY INSIGHTS AND SOLUTIONS

A **CORE PART** of the Peterson Foundation's mission is to encourage and elevate reforms and solutions to the forefront of the policy conversation. The Foundation actively seeks, supports and collaborates with leading economists, policymakers, academics and think tanks to develop research and analysis on the drivers of our long-term debt, the risks to our economic future, and solutions that put us on a more sustainable and prosperous path.

By partnering with leading organizations in the policy arena, the Foundation has developed research that examines not only comprehensive fiscal reforms, but also more targeted issues including interest costs, national security, economic growth and healthcare policy.

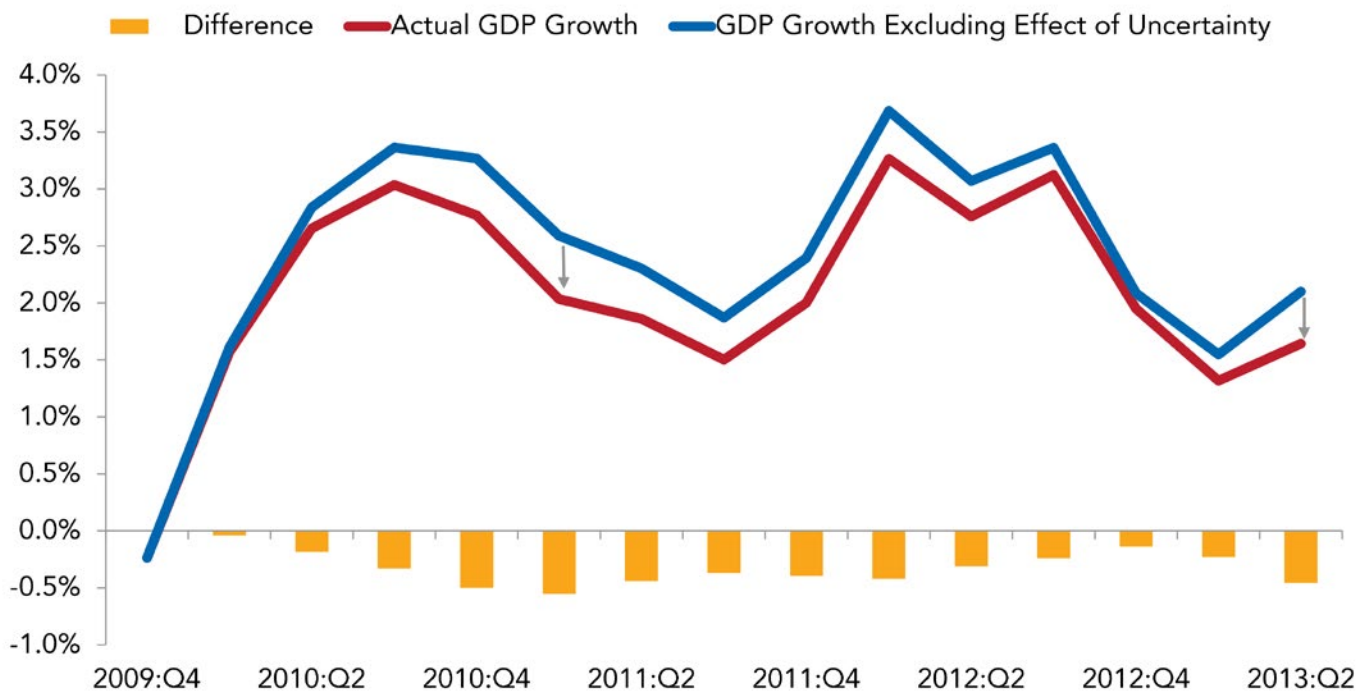
The Cost of Crisis-Driven Fiscal Policy

IN OCTOBER 2013, the Foundation partnered with Macroeconomic Advisers to analyze the economic costs of the recent cycle of fiscal crises in Washington. Examining indicators including GDP growth, the unemployment rate and corporate credit spreads, the analysis found that the recent policy and political battles, including the sequester, the government shutdown and

brinksmanship on the debt ceiling, caused significant damage to the economy. In one key finding, the report concluded that crisis-driven government and the resulting fiscal policy uncertainty had directly harmed the American economy by increasing the unemployment rate by 0.6 percentage points, or the equivalent of 900,000 jobs.

Since the End of 2009, Fiscal Policy Uncertainty Has Reduced Economic Growth by 0.3 Percentage Points per Year

GDP Growth (% Change from Four Quarters Earlier)



SOURCE: Macroeconomic Advisers, LLC, *The Cost of Crisis-Driven Fiscal Policy*, October 2013.

Major Surgery Needed: A Call for Structural Reform of the U.S. Corporate Income Tax

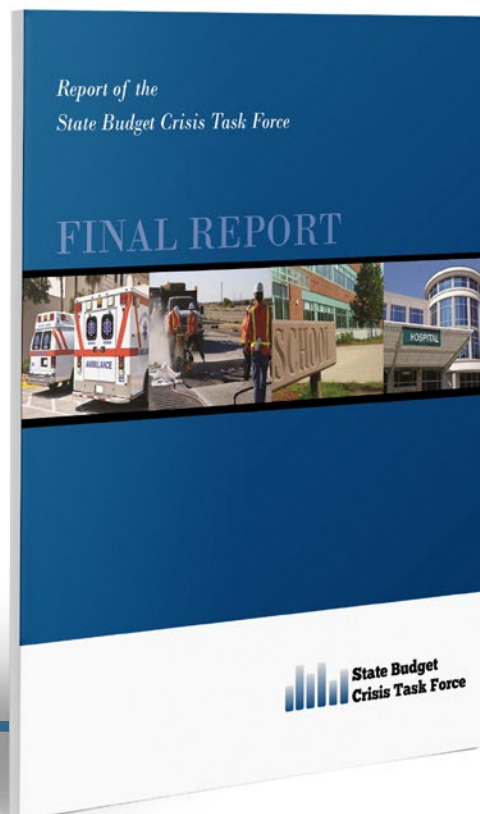
TO ADDRESS the difficult questions surrounding corporate tax reform, the Foundation brought together a bipartisan team of leading tax scholars: Eric Toder (Co-Director of the Urban-Brookings Tax Policy Center) and Alan Viard (Resident Scholar at the American Enterprise Institute). In their paper “Major Surgery Needed: A Call for Structural Reform of the U.S. Corporate Income Tax,” Toder and Viard discuss flaws in the United States corporate tax system and propose two comprehensive options for reform. The paper finds that the current U.S. corporate tax is inefficient, distorts economic decision making, and is poorly designed, allowing many large corporations to avoid paying taxes on profits earned overseas.

The paper also presented and evaluated two options for reducing the distortions created by our current corporate income tax system. The first option would increase international cooperation on corporate taxation. Greater international cooperation could reduce corporate tax avoidance without placing U.S. corporations at a competitive disadvantage. The second option would achieve the same goal by eliminating the corporate income tax system but expanding the individual income tax system so that it taxes corporate income as it accrues to individual shareholders.

State Budget Crisis Task Force

RECOGNIZING that many states face long-term fiscal challenges, the Foundation provided support to the State Budget Crisis Task Force, co-chaired by former Lieutenant Governor of New York Richard Ravitch and former Federal Reserve Chairman Paul Volcker. Over the course of nearly three years, the task force worked with leading experts and stakeholders in state budget policy, convened four national dialogues to discuss drivers of state fiscal stress, and held a major media event at the National Constitution Center in Philadelphia featuring a keynote address by President Bill Clinton.

The Task Force published an overview report on state fiscal stress; reports on specific fiscal challenges of six states; reports on the long-term challenges posed by pensions, transportation infrastructure, Medicaid, and federal fiscal policy; and a final report with recommendations to reform state and federal budget processes.



Fiscal Balancing Act

IN ORDER TO counter the myth that America faces a choice between either growing the economy or stabilizing its long-term debt, the Foundation commissioned a bipartisan team of leading economists to demonstrate how policies to promote economic growth and fiscal stability can be achieved together, and are in fact, complimentary.

In their report, “Fiscal Balancing Act,” respected economists Janice Eberly and Phillip Swagel discuss ways to balance existing federal commitments with the need to invest in our future, examining a range of short- and long-run policies aimed at cre-

ating an environment for broadly shared income gains, greater competitiveness and social mobility. The paper discusses the close linkage between America’s fiscal health and economic performance, specifically outlining how addressing long-term fiscal challenges can support growth and job creation.

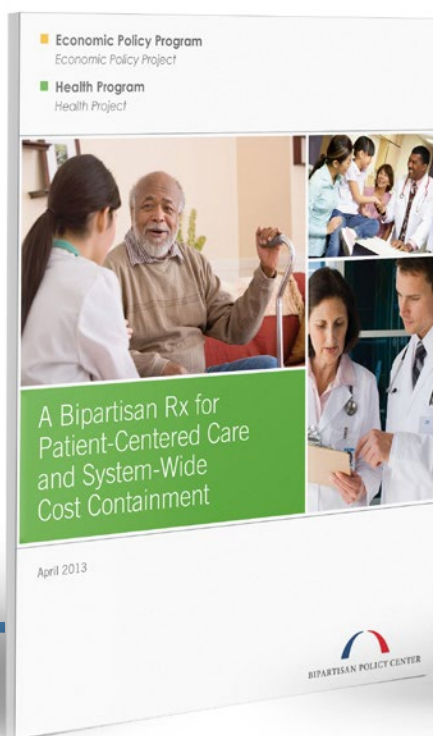
“Fiscal Balancing Act” was presented at the annual Clinton Global Initiative America conference in Denver in June 2014, with a panel discussion featuring Swagel, Gene Sperling (former National Economic Council Director), and Michael Peterson.



A Bipartisan Rx for Patient-Centered Care and System-Wide Cost Containment

WITH A GRANT from the Peterson Foundation, the Bipartisan Policy Center (BPC) developed *A Bipartisan Rx for Patient-Centered Care and System-Wide Cost Containment*, a comprehensive set of recommendations from a bipartisan team of policymakers including former Senate Majority Leaders Tom Daschle (D-SD) and Bill Frist (R-TN), former Senator Pete Domenici (R-NM), and former Office of Management and Budget and Congressional Budget Office Director Alice Rivlin.

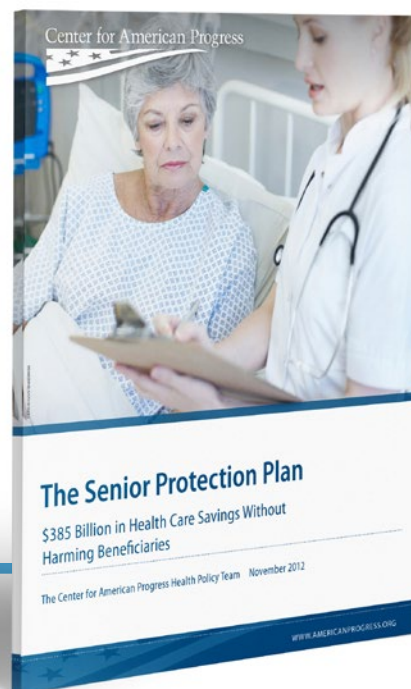
BPC's recommendations included a comprehensive approach for controlling healthcare costs, and a list of cost containment strategies to reduce cost growth and enhance value throughout the healthcare system. BPC's rigorous analytical work provided a specific blueprint for policymakers to save more than \$500 billion over ten years.



The Senior Protection Plan and other Healthcare Initiatives

THE FOUNDATION also partnered with the Center for American Progress (CAP) to support a range of efforts to contain overall and federal healthcare spending and improve the value and efficiency of the Medicare program and the healthcare system.

As part of this grant, CAP released an influential healthcare report, *The Senior Protection Plan*, with 47 specific ideas for saving almost \$400 billion over ten years. Four of CAP's proposals in this area were enacted by Congress in January 2013. Among other initiatives, under the leadership of Ezekiel Emanuel and Neera Tanden, CAP also brought together leading health policy experts and published the article, "A Systemic Approach to Containing Health Care Spending," in the *New England Journal of Medicine*.



Defense Advisory Committee

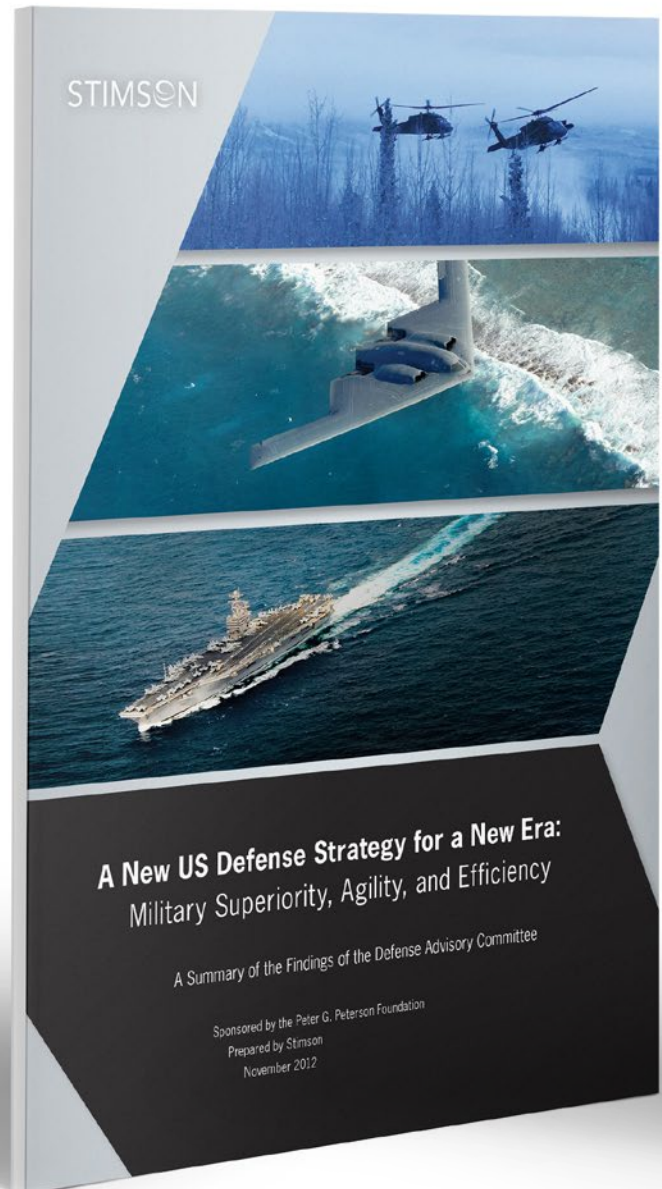
RECOGNIZING the key connections between America’s fiscal, economic and national security, the Foundation established the Defense Advisory Committee (DAC), and funded a series of reports under the leadership of the Henry L. Stimson Center. The DAC is a bipartisan panel of former high-ranking military officers, former national security policymakers, and distinguished academics.

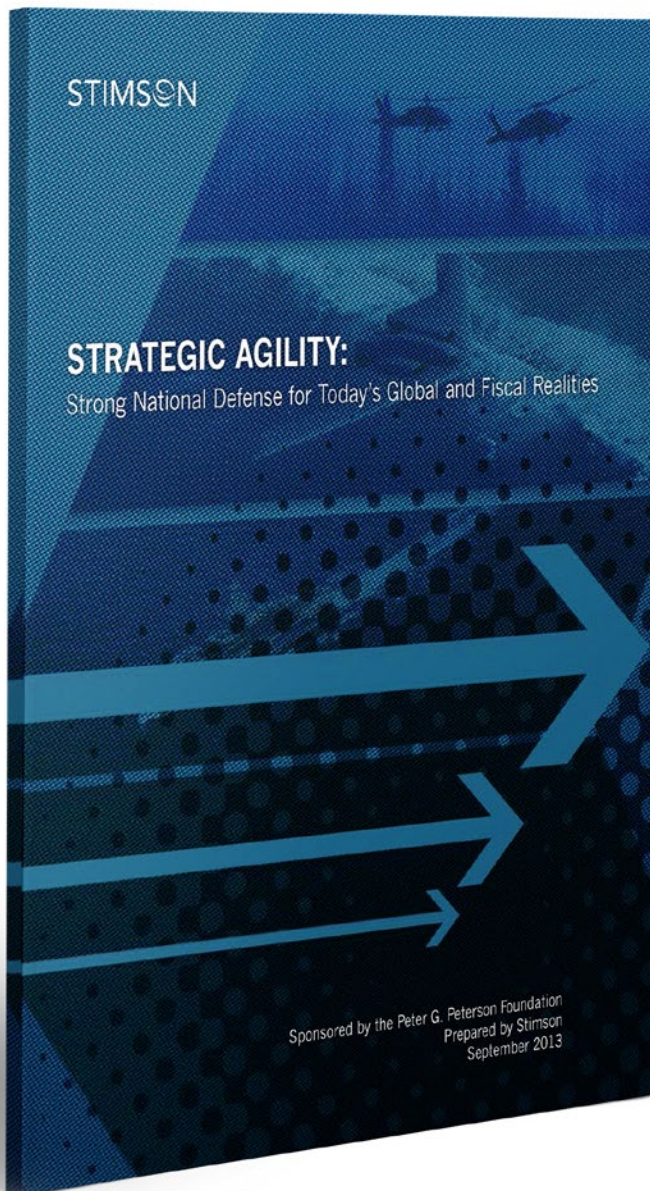
In November 2012, the DAC issued the report, *A New US Defense Strategy for a New Era*, which examined modern global threats, reviewed U.S. interests and priorities, and proposed a new defense strategy that reflects the evolving international environment.

A year later, the Committee reconvened and expanded its group of experts to develop a series of specific new defense policy recommendations to comply with the lower spending caps under the Budget Control Act. This report, titled *Strategic Agility*, included detailed options for the Department of Defense to advance an updated defense strategy that maintains U.S. power and national security, while meeting the required budget levels.

In March 2014, the Stimson Center released a new report comparing the policies in the President’s budget proposal with the specific recommendations in *Strategic Agility*, finding that the President’s proposal incorporated (fully or partially) 21 of the DAC’s 27 recommendations.

The work of the Stimson Center and the DAC was influential in reinforcing the importance of the threat that the country’s long-term debt poses to our fiscal, economic and national security, and in developing bipartisan consensus on defense policy solutions in a new era of global threats.





Flirting with Default: Issues Raised by Debt Confrontations in the United States

IN FEBRUARY 2014, the Peterson Institute for International Economics released a collection of papers from independent economists exploring the consequences of sustained U.S. fiscal uncertainty on the national and global economy. The report, *Flirting with Default: Issues Raised by Debt Confrontations in the United States*, was funded by the Foundation and examined the damaging effects of the cycle of crisis-driven government, and in particular the repeated practice of risking default on our nation's obligations through debt ceiling standoffs.

The authors identified a range of negative consequences from these debt confrontations, including higher borrowing costs, lower investment, a threatened economic recovery, weakened trade markets, the erosion of the dollar, and other international implications.

The report concluded that crisis-driven fiscal policy has had significant consequences for the economy, stating: "There is no room for disagreement...that a budget process that threatens recurrent deadlock and even possible default on U.S. government debt is seriously harmful to American well-being and international standing."



■ Attendees at the Common Ground Summit in February 2013 discuss their perspectives on the nation's long-term fiscal challenges



V.

ENGAGING AMERICANS AND INSPIRING ACTION

A **FUNDAMENTAL** part of the Peterson Foundation's mission is educating and engaging Americans on the importance of addressing our fiscal and economic challenges. The Foundation works to engage a wide range of citizens, building popular support and inspiring them to take action to advocate for policy reforms that will support a vibrant economic future.

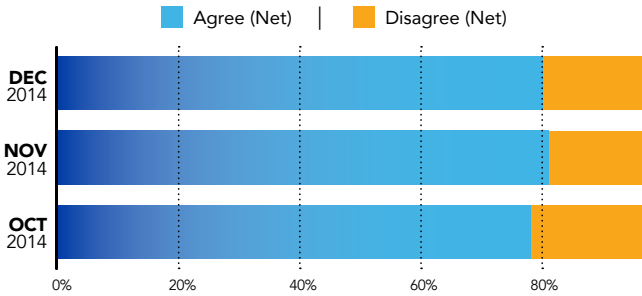
Through a range of innovative outreach models, the Foundation raises the level of understanding of complex issues, driving a thoughtful national dialogue on pathways to fiscal stability and economic growth. Importantly, our education and engagement programs also demonstrate that there is a bipartisan public mandate for a comprehensive approach to solving our fiscal problems.



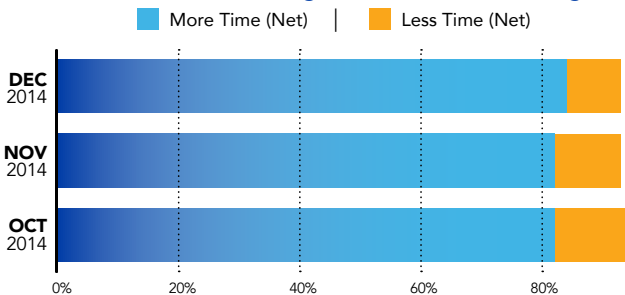
Fiscal Confidence Index

THE FISCAL CONFIDENCE INDEX is a monthly survey that provides a current pulse on how Americans view Washington’s progress in addressing our nation’s fiscal and economic challenges. Since its inception in December 2012, the Fiscal Confidence Index has shown policymakers, reporters, and the general public that Americans hold deep concerns about the level of our long-term debt, and that they urge policymakers to address our fiscal and economic future as a top priority. The Foundation also conducts additional topical public surveys, polling voters on current events to gauge views on the latest news and developments.

Some people say that addressing the national debt should be among the President and Congress’ top 3 priorities. Do you agree or disagree?



And when it comes to our national debt, do you think it is an issue that the President and Congress should spend more time addressing or less time addressing?



“More” Campaign

FOLLOWING the 2014 midterm elections, the Foundation launched a \$1 million national advertising campaign called “More,” highlighting the key opportunity lawmakers have to address our nation’s unsustainable long-term debt in order to help ensure more economic growth, now and in the future.

The 30-second ad, which focused on what we as a nation have to gain by addressing our fiscal and economic challenges, aired on the Sunday morning shows—ABC’s *This Week*, CBS’s *Face The Nation*, Fox’s *Fox News Sunday*, and NBC’s *Meet The Press*—as well as on cable channels, including CNBC, CNN, Fox News and MSNBC.



“Let’s Get Started” Campaign

IN DECEMBER 2013, the Foundation launched “Let’s Get Started,” an optimistic, forward-looking advertising campaign to highlight the fact that Americans nearly universally want to see both parties work together to solve our country’s long-term fiscal and economic problems. The campaign was featured in numerous national online and print publications, targeting Washington, D.C. decision-makers in the key period between the 2013 government shutdown and the Murray-Ryan Bipartisan Budget Act. The effort had wide reach, with 5.5 million impressions online and 2.1 million impressions in print publications including *POLITICO*, *The Hill*, *Roll Call* and *National Journal*.

THE VAST MAJORITY OF AMERICANS
WANT ACTION
TO SOLVE THE LONG-TERM NATIONAL DEBT

88% OF AMERICANS

WANT THE BUDGET CONFERENCE COMMITTEE TO ADDRESS OUR LONG-TERM DEBT.

Nearly universally, Americans want to see both parties work together to solve the country’s long-term fiscal and economic problems. What’s more, voters from both parties are willing to do their part: **a majority of Republicans** are willing to accept revenue increases, and **a majority of Democrats** are willing to accept entitlement reforms, as part of a comprehensive plan to stabilize our long-term debt. The American people are ready to make progress.

LET’S GET STARTED

Read the full survey at pgpf.org



Peter G. Peterson
Foundation

Our America. Our Future.


“Fiscal Thursday” at the Republican and Democratic National Conventions

IN 2012, in partnership with Bloomberg L.P., the Foundation sponsored “Fiscal Thursday” at both the Republican and Democratic National Conventions in Tampa, FL and Charlotte, NC, respectively. “Fiscal Thursday” brought together policy experts and political, business, and civic leaders to discuss the implications of America’s fiscal challenges for the economy and the election. The events, which were live-streamed at Bloomberg.com, included a morning session in which lawmakers discussed the legislative

outlook and agenda, and an afternoon session featuring top government and private-sector leaders discussing the effect of fiscal uncertainty on economic growth and confidence.

As part of the initiative, the Foundation widely released a series of informational print and digital advertorials that detailed the fiscal challenge, the threat to America’s economy, and the fact that bipartisan solutions exist.

ADVERTISEMENT



Peter G. Peterson Foundation
Our America. Our Future.

THERE’S NO DEBATE: PRESIDENTIAL CANDIDATES MUST ADDRESS DEBT

As President Obama and Former Governor Romney square off in the presidential debates, fiscal and economic issues top the agenda. How would each candidate fix the debt and put America on a more sustainable fiscal path? We asked experts on both sides of the aisle to weigh in on the challenges that must be addressed

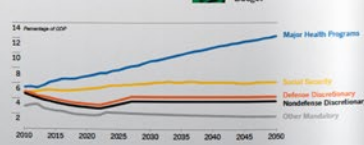
Given the fragile state of the economy, why focus on the long-term debt problem now? We can’t escape the long-term debt problem. The longer we wait to deal with it, the greater the uncertainty, with growing risks to financial markets. At the same time, we can’t practically deal with the problems all at once, impacting the sluggish economy. What we can do—what we must do—as a matter of first priority, is agree on a plan that over time will bring our exploding debt under control. That will provide the strong signal we need that our political parties can work together to deal with the looming threat of unmanageable public debt.

Paul Volcker,
Former Chairman of the Federal Reserve Board

Can the debt problem be solved without reforming Social Security, Medicare and Medicaid?
To solve the long-term debt problem, everything has to be on the table. Without changes, Social Security, Medicare and Medicaid simply aren’t sustainable. Reforms can be made in gradual ways that protect the vulnerable. Because health-care costs are growing faster than the economy and consuming a larger and larger share of the federal budget, a comprehensive fiscal plan has to include reforms to federal health spending. These reforms should reduce spending across the entire health-care system, not simply shift the federal government’s costs to individuals, employers or state and local governments.

Alice Rivlin,
Former Director, White House Office of Management and Budget

100% of the growth of non-interest spending in the federal budget will come from entitlements. Rapidly growing health-care costs are the main driver!

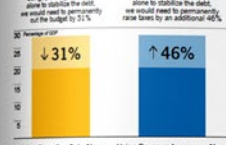


ADVERTISEMENT

Stabilizing our national debt through spending cuts or revenue increases alone would require draconian and unprecedented policy changes!

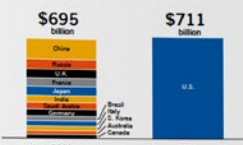
Using spending decreases alone to stabilize the debt would need to permanently raise taxes by 21%.

Using revenue increases alone to stabilize the debt would need to permanently raise taxes by an additional 46%.



Using Spending Cuts Alone Using Revenue Increases Alone

In 2011, the U.S. spent more on defense than the next 13 countries combined!



2011 2011

Can the debt problem be solved by spending cuts alone, or do some type of revenue increases need to be considered? Even with the necessary spending cuts, it will be hard to meet the demands put on federal spending by an aging population and rising health-care costs without more revenue. Over the next 25 years, the number of elderly Americans will surge by about 80 percent—and they will rely on programs like Social Security and Medicare. The best way to raise revenue is with tax reform that simplifies the tax code and improves economic efficiency by limiting tax deductions and loopholes.

Former Sen. Judd Gregg (R-NH), Former Chairman of the Senate Budget Committee

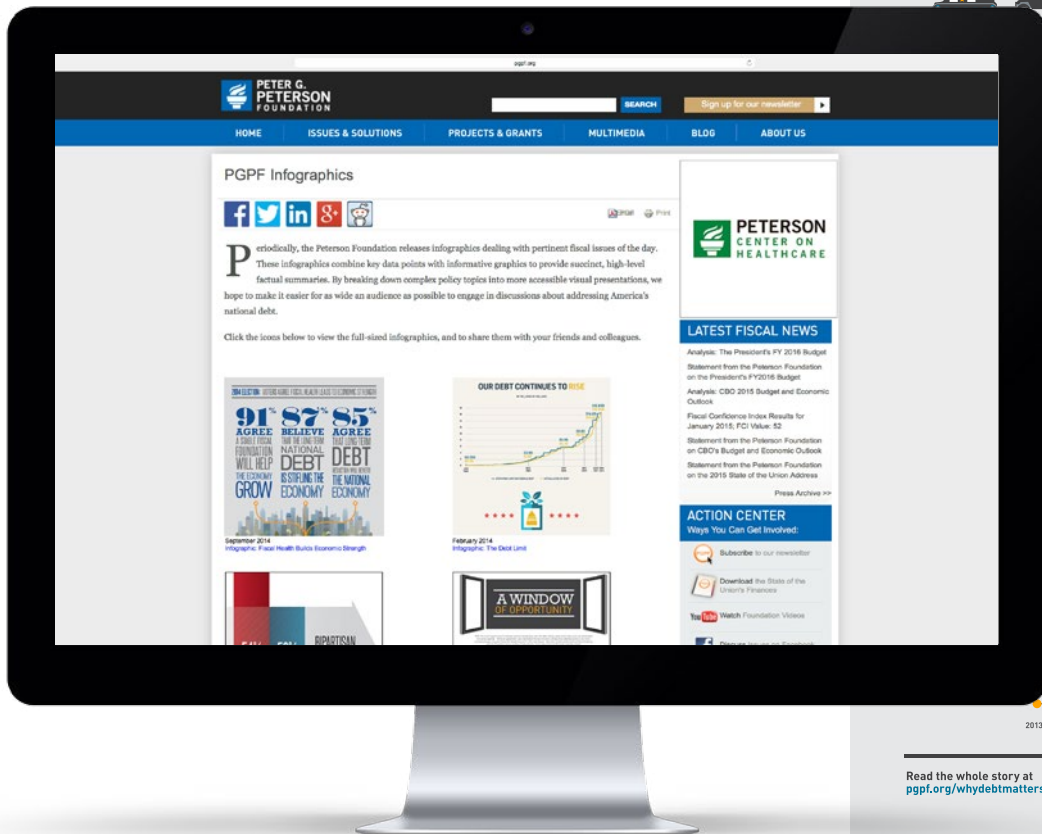
Can defense spending be reduced while still protecting America’s military and global interests? Absolutely. Reducing defense spending should be part of any comprehensive plan to stabilize the federal debt, which is essential to reinvigorating our economy and putting it on a sustainable path. And the fact is we cannot afford a strong military without a strong economy. The key is to reduce the Pentagon’s budget the right way. That means doing it with a strategy attuned to today’s threats and challenges, not yesterday’s. It also means cutting waste protected by special interests. Done that way, the U.S. can maintain its military superiority and keep us secure.

Les Gelb, President Emeritus, Council on Foreign Relations

Social Media and Digital Tools

THE FOUNDATION engages with a lively community over social media, providing a platform for debate and information sharing. Through Facebook, Twitter, Pinterest and more, the Foundation reaches a diverse audience of informed and energized citizens who care about their country's fiscal and economic future.

To further inform the online conversation, the Foundation produces a diverse range of digital tools including infographics, charts, videos and interactive presentations, illustrating the challenge and the range of available solutions.

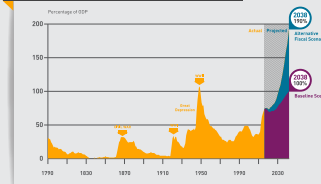


WHY LONG-TERM DEBT MATTERS NOW

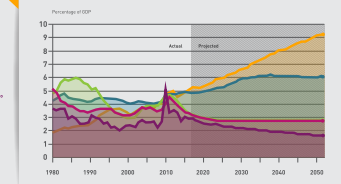
Despite policy changes and slowing health care costs, federal debt is still projected to climb to unsustainable levels.

Healthcare is the major driver of the projected federal spending growth over the long term.

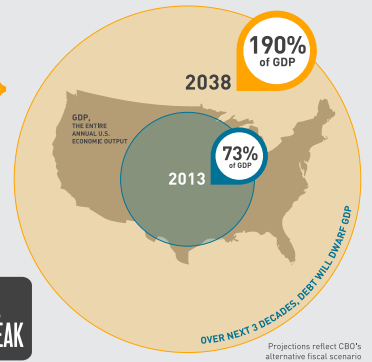
DEBT HELD BY THE PUBLIC



FEDERAL SPENDING UNDER CURRENT LAW

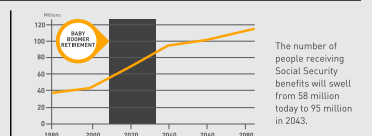


PUBLICLY HELD DEBT
COULD RISE TO AS MUCH AS
190%
OF GDP



BY 2038 DEBT COULD BE AT ITS
HIGHEST LEVEL SINCE WWII PEAK

MEDICARE ENROLLMENT
SOARS
BABY BOOMERS TURN 65

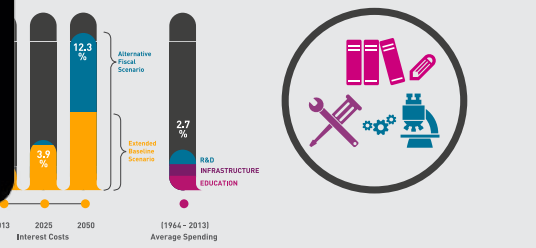


The number of people receiving Social Security benefits will swell from 58 million today to 95 million in 2043.

WITHOUT ACTION
SOCIAL SECURITY BENEFITS
WILL BE CUT
BY AN AVERAGE OF 23%
IN 2033

5% GAP ANNUALLY BETWEEN FEDERAL SPENDING AND REVENUE BY 2029 TOTALING \$1.7 TRILLION

BY 2050, INTEREST COSTS ON THE DEBT
COULD BE MORE THAN 4X
WHAT THE FEDERAL GOVERNMENT HAS HISTORICALLY SPENT ON
EDUCATION, R&D, AND INFRASTRUCTURE COMBINED



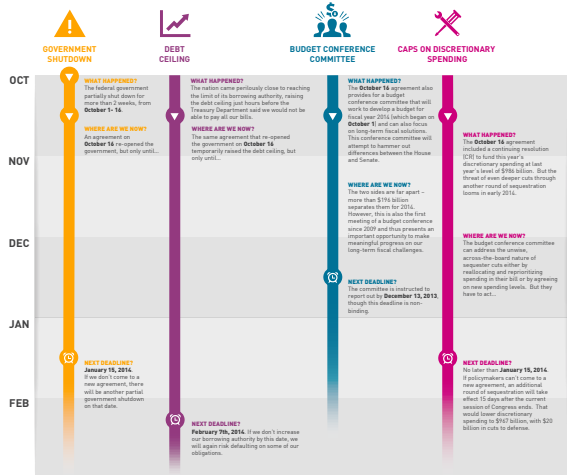
Read the whole story at pgpf.org/whydebtmatters





A WINDOW OF OPPORTUNITY

With the recent government shutdown and brinkmanship over the debt ceiling, government-by-crisis has dominated the policy agenda. While an agreement was reached at the last minute to temporarily address some of our more pressing issues, new and important deadlines loom in the near future. Over the coming weeks and months, Congress and the President have a window of opportunity. Let's take a look at the fiscal calendar ahead.



Public Engagement

THE FOUNDATION supports the work of 501(c)(3) organizations like the Committee for a Responsible Federal Budget (CRFB) and the Concord Coalition, non-partisan groups that work to educate and engage Americans across the country about fiscal policy issues and our nation's long-term debt outlook.

CRFB spearheads a number of effective outreach and education initiatives including The Moment of Truth Project, which developed comprehensive fiscal policy reform proposals, and the Campaign to Fix the Debt, a non-partisan effort to put America on a better fiscal and economic path. The Concord Coalition engages Congressional leaders and policy organizations from across the political spectrum, encouraging public debate and enabling a critical dialogue between citizens and their leaders through forums and town halls across the country.



Maya MacGuineas, President of the Committee for a Responsible Federal Budget, announces the launch of the Congressional Fiscal Leadership Council






VI.

TRANSFORMING HEALTHCARE: IMPROVING QUALITY AND LOWERING COSTS

IN 2014, the Peterson Foundation launched the Peterson Center on Healthcare, which has a mission of making higher-quality, more affordable healthcare a reality for all Americans. The Center works to transform U.S. healthcare into a high-performance system by finding and validating innovative healthcare solutions that improve quality of care and lower costs, and accelerating their adoption on a national scale. The Center is a natural extension of the Foundation's ongoing efforts, as healthcare not only comprises the vast majority of the nation's long-term fiscal obligations, but it also represents a key challenge for our economy.



■ VI. TRANSFORMING HEALTHCARE: IMPROVING QUALITY AND LOWERING COSTS



■ **Jon Lapook**, Chief Medical Correspondent, *CBS Evening News with Scott Pelley*; Professor of Medicine, NYU Langone Medical Center
Arnold Milstein, Professor of Medicine, Director, Clinical Excellence Research Center, Stanford University
Nayana Vyas, Founder and President of Clinical Affairs, Family Physicians Group
Gary S. Kaplan, Chairman and CEO, Virginia Mason Health System



■ **Bill Gates**



■ **Jon Lapook**
Glenn D. Steele, Jr., President and CEO, Geisinger Health System
Debra Ness, President, National Partnership for Women & Families
Mary Langowski, Executive Vice President for Strategy, Policy & Market Development, CVS Health



■ **Atul Gawande**, Surgeon, Brigham and Women's Hospital; Professor, Harvard Medical School



■ **Jeffrey Selberg**, Executive Director, Peterson Center on Healthcare
Drew Altman, President and CEO, Henry J. Kaiser Family Foundation
Michael Peterson



THE UNITED STATES healthcare system is the most expensive in the world, yet our health outcomes are worse than in many other nations. Ineffective care puts Americans through unnecessary treatments, leaves us in poorer health, and shortens our life expectancy. Moreover, the high cost of healthcare makes everything in our economy more expensive, and reduces the resources that individual families and the nation have to invest in our collective future. Improving healthcare performance must be one of the nation's most important priorities.

To address this problem, in 2014, the Peterson Foundation established the Peterson Center on Healthcare, which is dedicated to making higher-quality, more affordable healthcare a reality for all Americans. Launched with an initial commitment from the Foundation of \$200 million, the Center finds and validates innovative healthcare solutions that improve quality of care and lower costs, and then works to accelerate their adoption on a national scale. The Center collaborates with stakeholders across the healthcare system and engages in grant-making, partnerships, and research.

This new organization is a natural extension of the Foundation's ongoing efforts on fiscal and economic issues, as healthcare not only represents the vast majority of the nation's long-term fiscal obligations, but it also represents a key challenge for our economy, affecting wages, competitiveness and our future prosperity.

At its launch, the Center announced three initial programs:

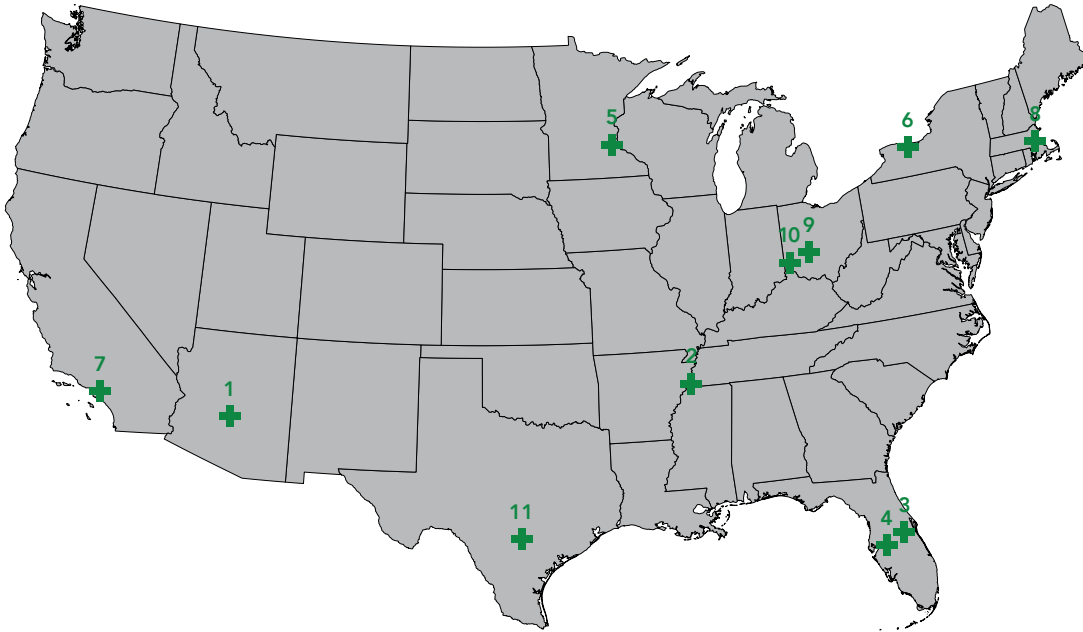


Stanford Clinical Excellence
MEDICINE Research Center

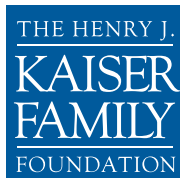
- 1 We partnered with **Stanford University's Clinical Excellence Research Center (CERC)** to find and validate exceptionally high-performing primary care practices in the United States. The study of 15,000 U.S. primary care sites examined 11 exemplary primary care practices, uncovering 10 features of these sites that deliver higher-quality care at a substantially lower total annual healthcare cost.

Eleven High-Performing Primary Care Practices

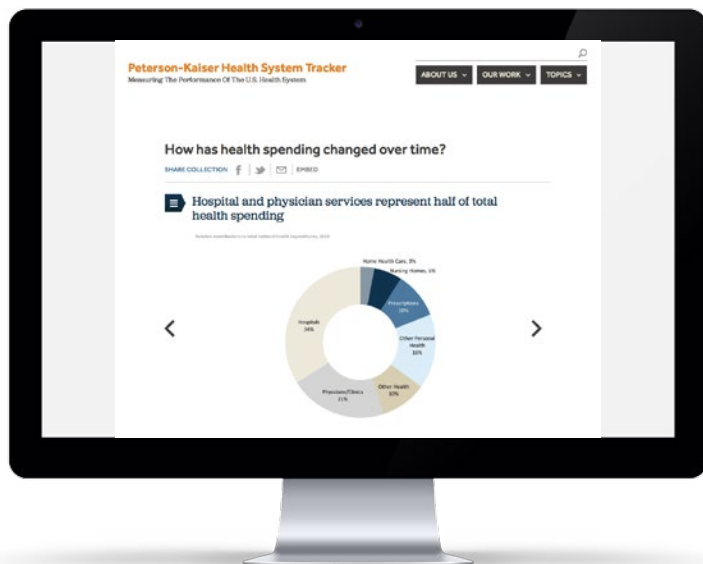
The CERC research team identified 11 front line primary care practices in communities large and small that illustrate “bright spots” in our nation’s healthcare system—small clinical teams that deliver high-quality care at much lower-than-average total cost to commercially insured populations. They include:



1. **Banner Health Clinic Internal Medicine** (Phoenix, AZ)
2. **Baptist Medical Group, Memphis Primary Care** (Memphis, TN)
3. **Family Physicians Group** (Kissimmee, FL)
4. **Florida Medical Clinic Internal Medicine** (Zephyrhills, FL)
5. **Northwest Family Physicians** (Crystal, MN)
6. **Ridgewood Med-Peds** (Rochester, NY)
7. **St. Jude Heritage Medical Group** (Yorba Linda, CA)
8. **South Cove Community Health Center** (Quincy, MA)
9. **SureCare Medical Center** (Springboro, OH)
10. **TriHealth West Chester Medical Group** (West Chester, OH)
11. **USAA Health Services** (San Antonio, TX)



2 We joined with the **Henry J. Kaiser Family Foundation** to develop a new digital platform dedicated to analyzing the performance of the U.S. healthcare system. The *Peterson-Kaiser Health System Tracker* provides comprehensive data on how the U.S. healthcare system is performing on critical quality and cost measures.



**NATIONAL
QUALITY FORUM**

3 We are collaborating with the **National Quality Forum** to convene leaders from both the public and private sectors to identify specific actions that can be taken to make data and analytics more available to support systems improvement in healthcare.



ADVISORY BOARD

THE PETERSON CENTER ON HEALTHCARE'S Advisory Board provides key advice and guidance on the mission, strategies and initiatives of the Center. The Advisory Board members have vast experience in U.S. healthcare, offer a diversity of perspectives and viewpoints, and represent a range of key healthcare stakeholder groups, including consumers, providers, payers, academia, government, business and philanthropy.

Harvey V. Fineberg

Chairman of the Advisory Board, Peterson Center on Healthcare; President, Gordon and Betty Moore Foundation

Bill Frist

Senior Fellow, Bipartisan Policy Center

Bill Gates

Co-Chair, Bill & Melinda Gates Foundation

Jim Guest

Former President and CEO, Consumers Union

Mark McClellan

Robert J. Margolis Professor of Business, Policy, and Medicine, Duke University; Director, Duke Center for Health Policy

Drew Altman

President and CEO, Henry J. Kaiser Family Foundation

Joseph Antos

Wilson H. Taylor Scholar in Health Care and Retirement Policy, American Enterprise Institute

Philip Bredeesen, Jr.

Former Governor of Tennessee

Arnold Milstein

Professor of Medicine, Director, Clinical Excellence Research Center, Stanford University

Stuart Butler

Senior Fellow of Economic Studies, Brookings Institution

Meredith B. Rosenthal

Professor of Health Economics and Policy, Harvard T.H. Chan School of Public Health

Delos M. Cosgrove

President and CEO, Cleveland Clinic

Olympia J. Snowe

Former U.S. Senator to Maine

Dan Crippen

Former Executive Director, National Governors Association

Glenn D. Steele, Jr.

Chairman, xG Health Solutions

Helen Darling

Strategic Advisor, Former President and CEO, National Business Group on Health

Gail Wilensky

Senior Fellow, Project Hope

Ezekiel J. Emanuel

Vice Provost for Global Initiatives, Chair of Medical Ethics and Health Policy, Diane v. S. Levy and Robert M. Levy University Professor, University of Pennsylvania

Ronald A. Williams

Former Chairman and CEO, Aetna; Chairman and CEO, RW2 Enterprises, LLC



The background features a collage of financial data visualizations. At the top left, there's a pie chart with segments labeled 14% and 3%. Below it, a 3D bar chart shows values like 68, 33, 28, 6, and 7. To the right, another 3D bar chart displays values such as 140, 120, 100, 80, 60, 40, 20, 0, 22, 73, 11, 15, 25, 28, 8, 65, 33, 12, 55, 59, 12, 18, 14, 45, 31, 12, 10, 11, 12, 12. In the center, a line chart tracks four data series (green, red, blue, purple) over a period of 7 units, with values ranging from 50 to 200. At the bottom, a spreadsheet grid is visible with various numerical entries.

VII.

PROVIDING RELIABLE RESEARCH AND ANALYSIS

THE PETERSON FOUNDATION'S in-house research team produces a broad range of non-partisan analysis of complex fiscal and economic issues. From fiscal primers to timely analyses of the latest developments on Capitol Hill, the Foundation's research team brings a credible and independent perspective, illuminating trends and takeaways and helping to educate policymakers and the general public about critical issues facing our nation.

■ VII. PROVIDING RELIABLE RESEARCH AND ANALYSIS

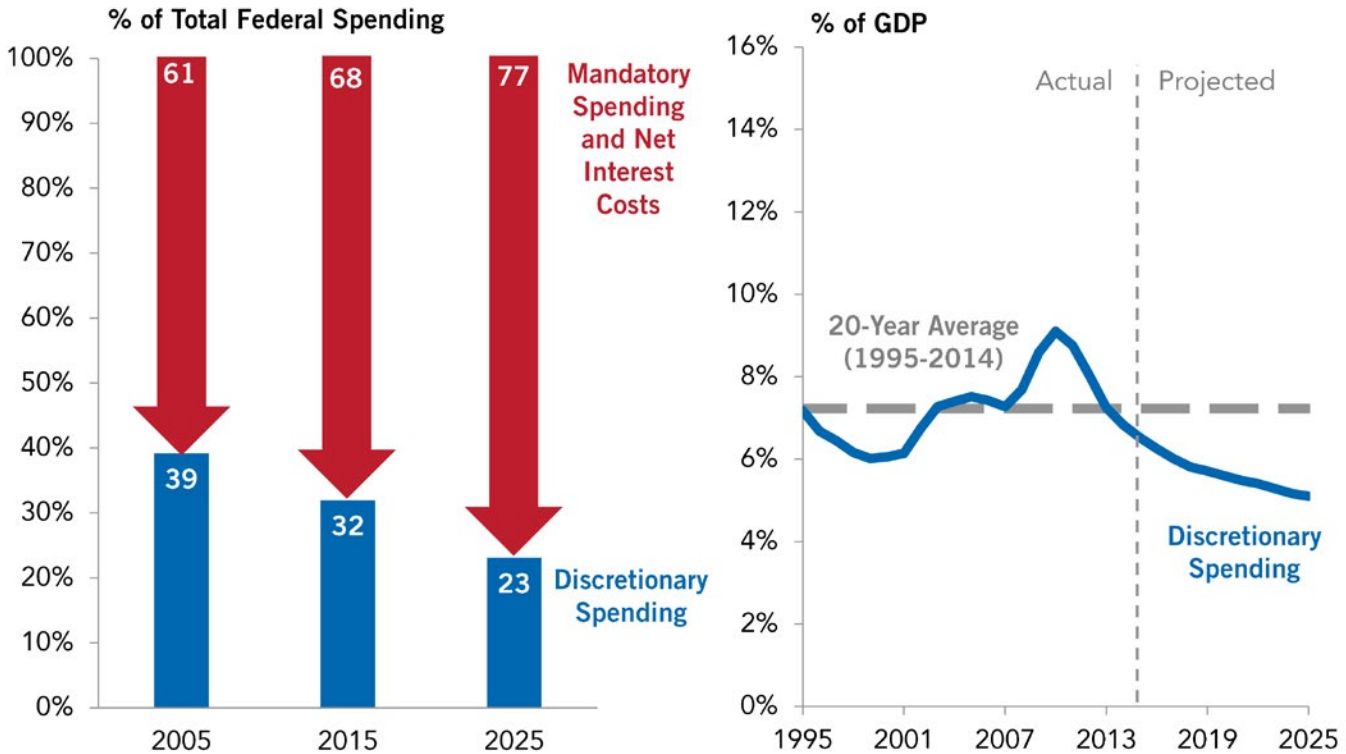
THE FUNDAMENTAL MISSION of the Peterson Foundation is an educational one. Fiscal policy is complex, and there are often misperceptions and a lack of understanding amongst the public. The Peterson Foundation strives to be a trusted source of fiscal information. The in-house research team informs the Foundation’s work and produces a number of resources to enrich the conversation about fiscal and economic trends and their implications for long-term debt and the future economy.

The Foundation’s research and analyses communicate fiscal and economic facts accurately, clearly and compellingly, adding a non-partisan and credible perspective to the discussion. The Foundation produces a range of educational resources, including

primers on spending and tax issues, analyses of enacted legislation and budget proposals from the White House and Congress, as well as explanations of individual issues, such as the debt limit, fiscal cliff, and sequestration. The research team also produces analyses of significant fiscal news including CBO reports, Social Security and Medicare Trustees reports, and other major data releases and publications.

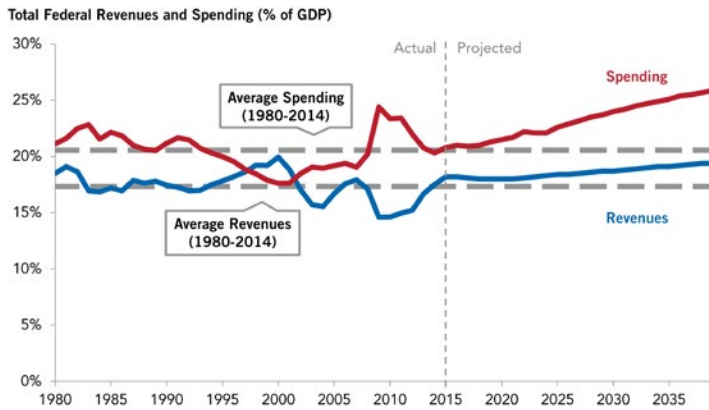
One of the Foundation’s most widely used research products is its series of charts, which interpret data and illuminate fiscal and economic trends. These visual tools make complex issues more accessible, informative and shareable for voters across the country.

Mandatory Spending and Interest Costs Will Climb Significantly, While Discretionary Spending Will Fall to Well Below Historical Averages



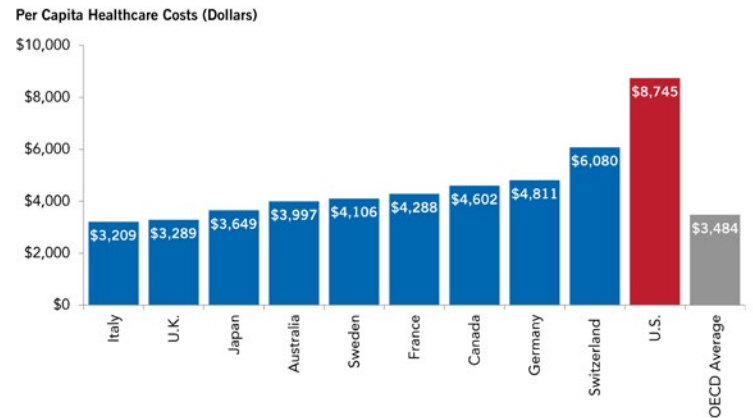
SOURCE: Congressional Budget Office, Updated Budget Projections: 2015 to 2025, March 2015. Compiled by PGPF.

The Growing Debt Is Caused by a Structural Mismatch Between Spending and Revenues



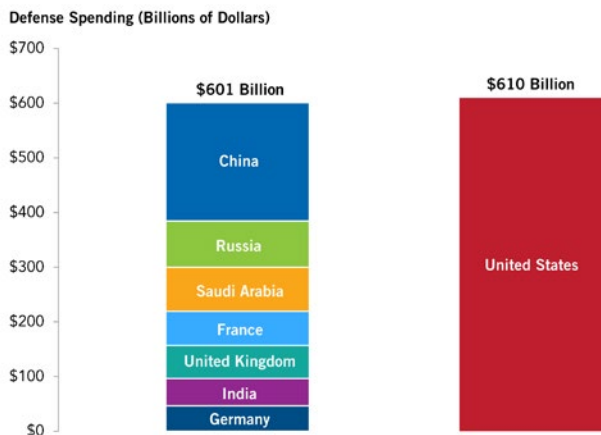
SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014, and *Updated Budget Projections: 2015 to 2025*, March 2015.
NOTE: Projections are from CBO's extended baseline scenario.

Americans Spend More than Twice as Much per Capita on Healthcare as the Average Developed Country Does



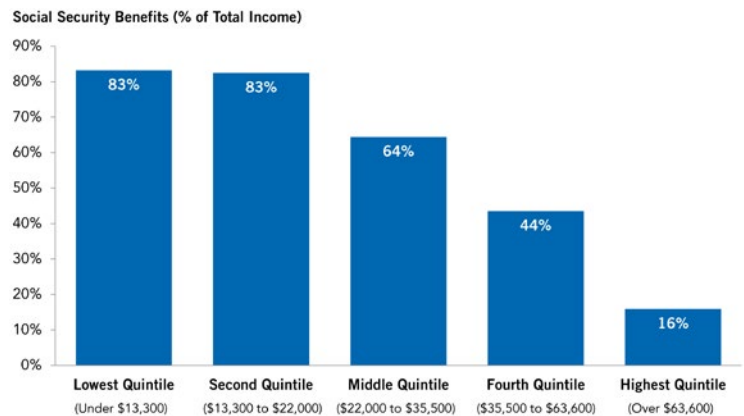
SOURCE: Organization for Economic Cooperation and Development, *OECD Health Statistics 2014*, June 2014. Compiled by PGPF.
NOTE: Per capita health expenditures are for the year 2012, except Australia for which 2011 data are the latest available. Chart uses purchasing power parities to convert data into dollars.

The U.S. Spends More on Defense than the Next Seven Countries Combined



SOURCE: Stockholm International Peace Research Institute, *SIPRI Military Expenditure Database*, April 2015. Data are for 2014. Compiled by PGPF.
NOTE: Figures are in U.S. dollars, converted from local currencies using market exchange rates.

Low-Income Seniors Rely on Social Security Benefits for a Major Share of Their Retirement Income



SOURCE: Social Security Administration, *Income of the Population 55 or Older, 2012*, April 2014. Compiled by PGPF.
NOTE: A quintile is one fifth of the distribution. The lowest quintile is the 20% of the 65+ population with the lowest income.

■ Members of the student team from the University of Texas-Pan American on stage at the Clinton Global Initiative University annual meeting, awarded first place in the 2014 Up to Us competition



VIII.

EMPOWERING AMERICA'S MILLENNIAL LEADERS

OUR NATION'S young people deserve a voice in the discussion of America's fiscal future and the effect it will have on the economy they inherit. The millennial perspective is essential to the debate, and the Peterson Foundation has created a range of innovative programs to educate and engage young people across the country.

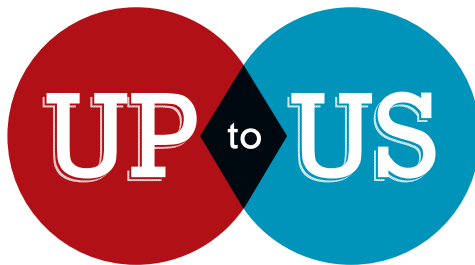


Up to Us

UP TO US is a unique nationwide campus competition that empowers students to communicate with their peers about the nation's fiscal outlook and its implications for the economy. Student teams at universities across the country compete to design and run engaging, thought-provoking and effective campaigns that raise fiscal awareness and give the next generation an influential voice in this critical issue.

In 2014, 22 Up to Us teams from across the country engaged nearly 20,000 students and partnered with more than 240 other campus groups to communicate about our fiscal future. From hosting their elected representatives to leading petition drives and designing imaginative digital tools, students put their creative energy to work, introducing plans to educate, engage and inspire action on the challenges the nation faces from rising long-term debt. Notably, 2014's participation was more than double that of 2013, and the program is poised to continue growing in 2015 and beyond, as America's young leaders take action to build a strong fiscal and economic future.

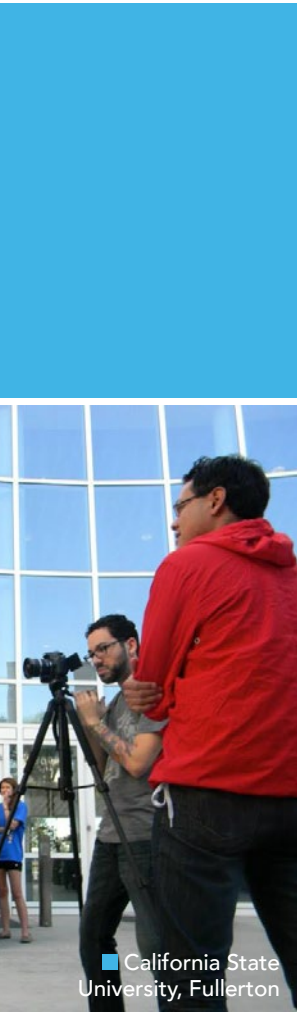
Up to Us is a partnership between the Foundation, Clinton Global Initiative University (CGI U) and Net Impact. Each year's winning team receives a cash prize, as well as recognition from President Clinton at CGI U's annual meeting.



■ University of Michigan



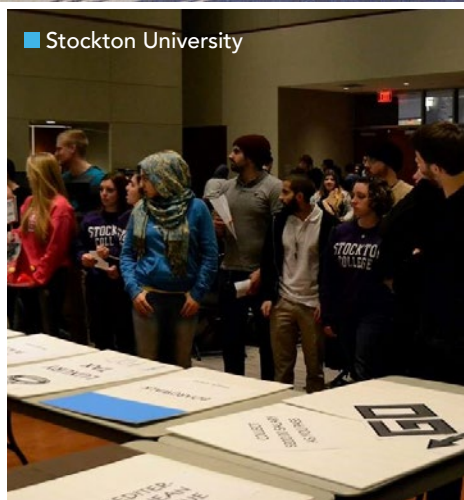
■ Up to Us team leaders at CGI U



■ California State University, Fullerton



■ University of Texas at Austin



■ Stockton University



■ Luther College

Peterson Foundation Fiscal Internship Program

2014 marked the fifth year of the Foundation's Fiscal Internship Program. This program engages and invests in top-level college and graduate students from across the country, enabling them to develop and pursue their interest in fiscal and economic policy.

Fiscal interns take part in a substantive 10-week program, with each student working directly with a scholar at a premier policy institution in Washington, D.C. Participating organizations have included the American Action Forum, the Brookings Institution, the Bipartisan Policy Center, the Committee for a Responsible Federal Budget, the Economic Policy Institute, the Ethics and Public Policy Center, the Hudson Institute, the Henry J. Kaiser Family Foundation, the Mercatus Institute, the National Governors Association and the Urban Institute/Tax Policy Center.

Fiscal interns benefit from a hands-on research-based learning experience and the opportunity to work alongside some of the nation's leading policy experts. Through the weekly seminar hosted by each of the participating organizations, interns examine a wide range of fiscal and economic issues from different perspectives. The highly competitive program draws an applicant pool that includes some of the most impressive undergraduates and graduate students in the country. A highlight of the Fiscal Internship Program, both for the interns and the Foundation, is an annual trip to New York City to visit the Foundation, learn about its work and meet with Pete Peterson and other senior leadership.

■ Fiscal interns visit the Federal Reserve in Washington, D.C.

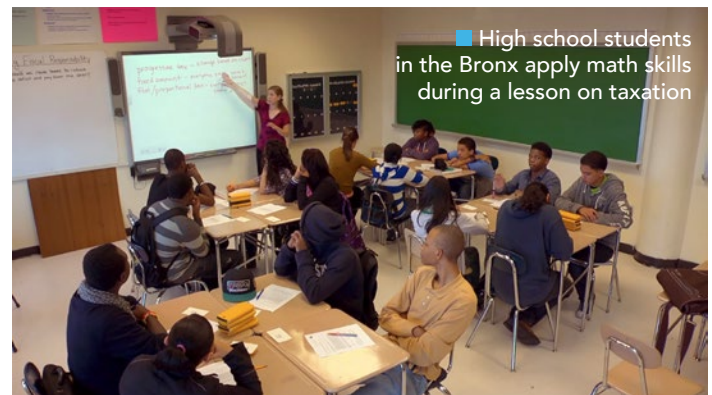


■ Fiscal interns

Improving Fiscal Literacy

TO IMPROVE the teaching and learning of fiscal policy at high schools across the country, the Foundation provided a three-year grant to Columbia University's Teachers College to develop a comprehensive curriculum in economics, civics, history, and mathematics that highlights the nation's fiscal challenges.

The completed curriculum has been made available free of charge to every high school in the country, and is also available online along with supporting materials for teachers. Titled "Understanding Fiscal Responsibility: A Curriculum for Teaching About the Federal Budget, National Debt, and Budget Deficit," the inquiry-based lessons connect students to the current public policy dilemmas about our fiscal and economic outlook that confront the United States and its citizens.



IX.

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List of Grants

FISCAL YEAR 2014

American Enterprise Institute

To support a joint paper on corporate tax reform. (\$50,000)

To support the 2014 Annual Dinner and Irving Kristol Lecture. (\$25,000)

Bipartisan Policy Center

To support a bipartisan effort to develop reforms to maintain or improve the quality of healthcare at lower costs, using Medicare claims data to increase understanding of the use of medical services and estimate the potential budgetary impact of proposed reforms. (\$330,000)

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$21,500)

Brookings Institution

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

To support a joint paper on the impact of taxes on economic growth. (\$100,000)

Business Executives for National Security

To support the 2014 Eisenhower Award Dinner. (\$25,000)

Center for American Progress

To support the 2013 annual convening of leading policymakers and thought leaders. (\$25,000)

Center for Strategic and International Studies

To support the Global Aging Initiative, a project exploring the long-term economic, social, and geopolitical implications of demographic trends in the United States and around the world. (\$50,000)

Clinton Global Initiative

To support the execution of Up to Us, a nationwide campus competition empowering university students to create campaigns that educate and engage their peers on America's fiscal challenges and their impact on economic opportunity, investment in the future, and other concerns of future generations. (\$500,000)

To support CGI America's 2014 meeting and discussions on how to improve the nation's long-term economic competitiveness. (\$250,000)

Committee for a Responsible Federal Budget

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

Committee For Economic Development

To support the 2013 Distinguished Performance Awards Dinner, which recognizes business leaders who advocate for the nation's long-term interests. (\$50,000)

Economic Policy Institute

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

To support research and analysis on long-term unemployment. (\$250,000)

Ethics and Public Policy Center

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

Harvard University

To support the mapping and evaluating overuse of procedures identified through the Choosing Wisely initiative, proposing strategies and policy recommendations for reducing them, and estimating potential resulting cost savings. (\$185,000)

Hudson Institute

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

Independent Sector

To support a conference convening nonprofit leaders to discuss public policy challenges and opportunities facing the nonprofit sector. (\$10,000)

Kaiser Family Foundation

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

To support creation of the Peterson-Kaiser Health Cost Initiative, a resource on the cost and performance of the U.S. health system. (\$1,035,000)

NABE Foundation of the National Association for Business Economics

To support a 2014 national event convening policymakers and business leaders to discuss fiscal and economic issues. (\$20,000)

National Academy of Social Insurance

To support an event honoring the public service of former economic and fiscal policymakers. (\$15,000)

National Governors Association Center for Best Practices

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

Net Impact

To support the development and execution of Up to Us, a nationwide campus competition empowering university students to create campaigns that educate and engage their peers on America's fiscal challenges and their impact on economic opportunity, investment in the future, and other concerns of future generations. (\$571,669)

Peter G. Peterson Institute for International Economics

To support the C. Fred Bergsten endowed chair to prepare analyses related to U.S. economic and fiscal issues. (\$1,000,000)

To support a study on the impact of a U.S. debt default on capital markets, private-sector investment, the dollar, trade, and interest costs. (\$38,500)

Stanford University

To support the Stanford Clinical Excellence Research Center's efforts to identify and evaluate healthcare providers whose innovations result in high-quality healthcare at lower costs. (\$470,000)

Stimson Center

To support continued dissemination and outreach for the report, *A New US Defense Strategy for a New Era*, and to develop specific recommendations to update and implement the strategy. (\$288,507)

To support the Pragmatist + Idealist Awards, an annual event supporting Stimson's mission. (\$25,000)

Teachers College, Columbia University

To support adoption and implementation of the Understanding Fiscal Responsibility curriculum to help high school students understand the facts, significance, and consequences of the nation's fiscal challenges. (\$190,000)

Urban Institute

To support expanded capacity of the Tax Policy Center to analyze tax reform policies. (\$450,000)

To support a joint paper on corporate tax reform. (\$38,949)

To support the 2014 Peter G. Peterson Foundation Fiscal Internship Program. (\$4,500)

Volcker Alliance

To support the State/Local Accountability and Improvement Program and the Public Sector Performance, Impact and Innovation Program. (\$1,000,000)

FISCAL YEAR 2013

American Action Forum

To support the development of long-term fiscal solutions proposals, including identification of top policy priorities for the new Administration and Congress, proposal implementation over the first ten years, and how the proposals address the “fiscal cliff.” (\$150,000)

Atlantic Monthly Group, Inc.

To support *The Atlantic’s* 2012 Health Care Forum. (\$50,000)

Bipartisan Policy Center

To support the revision and update of long-term fiscal solutions proposals, including identification of top policy priorities for the new Administration and Congress, proposal implementation over the first ten years, and how the proposals address the “fiscal cliff.” (\$150,000)

To support a bipartisan effort to develop reforms to maintain or improve the quality of healthcare at lower costs, using Medicare claims data to increase understanding of the use of medical services and estimate the potential budgetary impact of proposed reforms. (\$670,000)

Center for American Progress

To support the 2012 annual convening of leading policymakers and thought leaders. (\$25,000)

To support the revision and update of long-term fiscal solutions proposals, including identification of top policy priorities for the new Administration and Congress, proposal implementation over the first ten years, and how the proposals address the “fiscal cliff.” (\$150,000)

To support the development of new policy ideas to contain federal and overall healthcare spending and improve the value and efficiency of Medicare and the healthcare system, and advance these ideas through outreach, education, and partnerships with policymakers and stakeholders. (\$400,000)

Center for Strategic and International Studies

To support the Global Aging Initiative, a project exploring the long-term economic, social, and geopolitical implications of demographic trends in the United States and around the world. (\$50,000)

To support the Strengthening of America—Our Children’s Future Forum, a series of public events that stimulated dialogue between leading current and former government officials on the impact of America’s long-term fiscal challenges on its economic and national security. (\$200,000)

Clinton Global Initiative

To support CGI America’s 2012 meeting and discussions on how to improve the nation’s long-term economic competitiveness. (\$250,000)

Coalition to Transform Advanced Care

To support the replication of healthcare practices that ensure compassionate, coordinated care for individuals with advanced illness. (\$250,000)

Committee for a Responsible Federal Budget

To support efforts to advance responsible fiscal policy and budget process reform through outreach and engagement efforts. (\$5,000,000)

Concord Coalition

To support efforts to educate the public about the causes and consequences of federal budget deficits, the long-term challenges facing America's unsustainable entitlement programs, and how to build a sound foundation for economic growth. (\$2,150,000)

To support the 2013 Peter G. Peterson Foundation Fiscal Internship Program. (\$49,719)

Corporation for the Advancement of Policy Evaluation

To support an event convening health policy experts from the public and private sectors to discuss the broad trends shaping the healthcare system and their impact on the nation's economic and fiscal outlook. (\$35,000)

Economic Policy Institute

To support the revision and update of long-term fiscal solutions proposals, including identification of top policy priorities for the new Administration and Congress, proposal implementation over the first ten years, and how the proposals address the "fiscal cliff." (\$150,000)

To support research and analysis on public investment and taxes. (\$100,000)

Heritage Foundation

To support the revision and update of long-term fiscal solutions proposals, including identification of top policy priorities for the new Administration and Congress, proposal implementation over the first ten years, and how the proposals address the "fiscal cliff." (\$150,000)

Hope Street Group

To support an event that convenes policymakers, business leaders, and stakeholder organizations to build common ground on economic policy. (\$25,000)

Independent Sector

To support a conference convening nonprofit leaders to discuss public policy challenges and opportunities facing the nonprofit sector. (\$10,000)

NABE Foundation of the National Association for Business Economics

To support a 2012 national event convening policymakers and business leaders to discuss fiscal and economic issues. (\$20,000)

To support a 2013 national event addressing the nexus of economics, business, and policymaking. (\$15,000)

National Academy of Social Insurance

To support an event honoring the public service of former economic and fiscal policymakers. (\$15,000)

To support a conference regarding Medicare and Social Security issues. (\$10,000)

Nuclear Threat Initiative

To support the second edition of the Nuclear Materials Security Index, a benchmarking project of nuclear materials security conditions on a country-by-country basis, along with the "Global Dialogue on Nuclear Security Priorities" forum. (\$500,000)

Project HOPE

To support a *Health Affairs* conference and related articles to address healthcare costs in the federal budget. (\$25,000)

Research Foundation of the City University of New York

To support dialogue among stakeholders on state-level fiscal challenges and potential solutions. (\$250,000)

Stanford University

To support the Stanford Clinical Excellence Research Center's efforts to identify and evaluate healthcare providers whose innovations result in high-quality healthcare at lower costs. (\$573,841)

University of New Hampshire School of Law

To support a new certificate program, Fiscal Responsibility and the Law, and an annual leadership and fiscal responsibility conference at the Warren B. Rudman Center for Justice, Leadership and Public Policy. (\$1,000,000)

FISCAL YEAR 2012

Clinton Global Initiative

To support CGI America's 2011 meeting and discussions on how to improve the nation's long-term economic competitiveness. (\$250,000)

To support the development and execution of Up to Us, a nationwide campus competition empowering university students to create campaigns that educate and engage their peers on America's fiscal challenges and their impact on economic opportunity, investment in the future, and other concerns of future generations. (\$500,000)

Coalition to Transform Advanced Care

To support the replication of healthcare practices that ensure compassionate, coordinated care for individuals with advanced illness. (\$250,000)

Committee For Economic Development

To support the Fiscal Health Initiative, a program providing non-partisan analysis on long-term fiscal challenges and conducting outreach to the business community in support of more sustainable policies. (\$250,000)

Concord Coalition

To support the 2012 Peter G. Peterson Foundation Fiscal Internship Program. (\$57,500)

To support efforts to educate the public about the causes and consequences of federal budget deficits, the long-term challenges facing America's unsustainable entitlement programs, and how to build a sound foundation for economic growth. (\$1,116,984)

Corporation for the Advancement of Policy Evaluation

To support the 15th Annual Wall Street Comes to Washington Conference, an event convening health policy experts from the public and private sectors to discuss the broad trends shaping the healthcare system and their impact on the nation's economic and fiscal outlook. (\$35,000)

Fund for Public Advocacy

To support the Long-Term Liabilities Roundtable Discussion Series, a series of events engaging members of the public, government officials, and other key stakeholders in dialogue on New York City's long-term liabilities and their impact on its fiscal and economic outlook. (\$50,000)

Independent Sector

To support a conference convening nonprofit leaders to discuss public policy challenges and opportunities facing the nonprofit sector. (\$10,000)

Mobilizing America's Youth

To support the 2011 Millennial Leadership Summit, a two-day conference fostering dialogue between engaged millennials and local and national leaders on civic engagement. (\$25,000)

NABE Foundation of the National Association for Business Economics

To support a 2012 national event addressing the nexus of economics, business, and policymaking. (\$20,000)

Net Impact

To support the development and execution of Up to Us, a nationwide campus competition empowering university students to create campaigns that educate and engage their peers on America's fiscal challenges and their impact on economic opportunity, investment in the future, and other concerns of future generations. (\$445,752)

Research Foundation of the City University of New York

To support a comprehensive analysis of the fiscal challenges faced by six heavily populated states and the development of recommendations to improve their long-term fiscal sustainability. (\$500,000)

■ IX. ABOUT THE FOUNDATION

Stimson Center

To support a panel discussion on defense strategy and the budget entitled “Resources for National Security,” and related event activities. (\$25,000)

To support an analysis of alternative defense strategy and mission choices as part of the Budgeting for Foreign Affairs and Defense program. (\$350,000)

Teachers College, Columbia University

To support promotion, implementation and evaluation of a new curriculum to help high school students understand the facts, significance and consequences of the nation’s fiscal challenges. (\$550,000)

Financial Overview

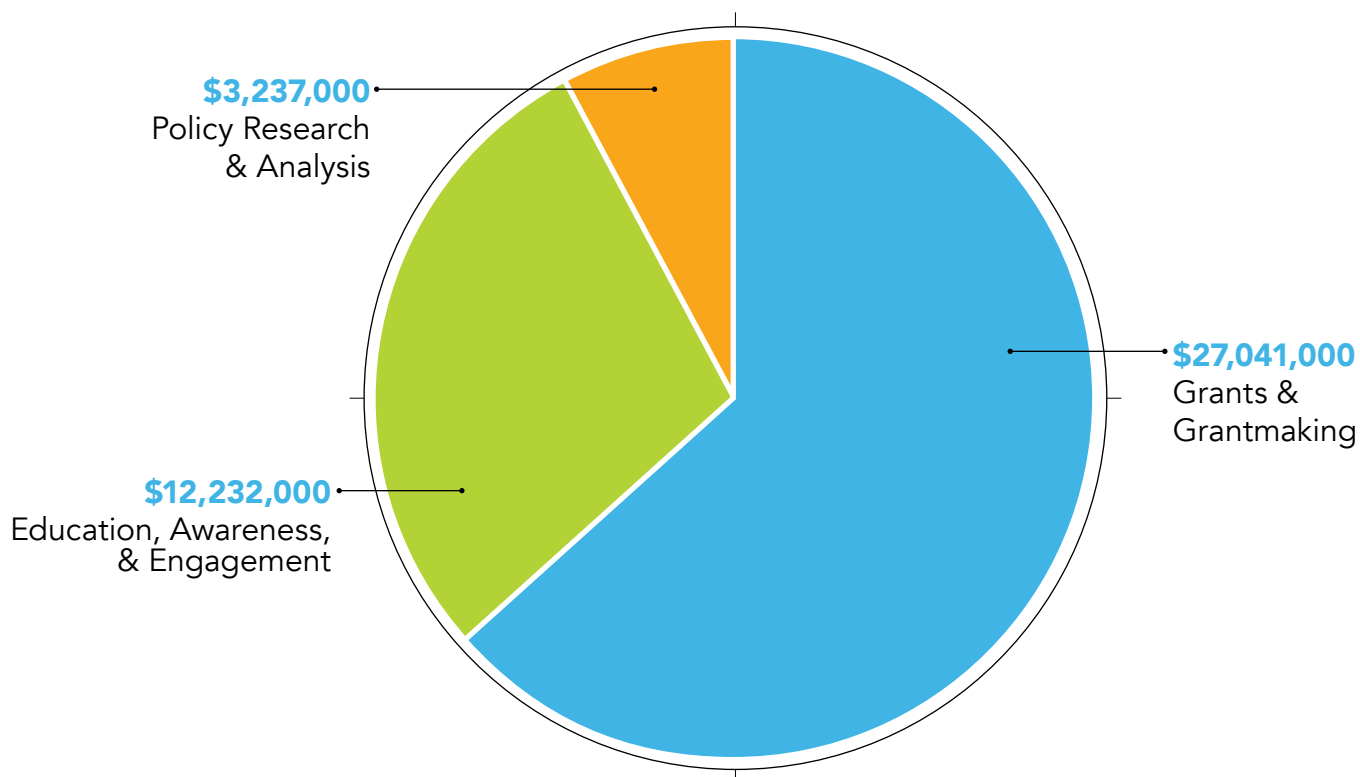
FROM 2012 TO 2014, the Foundation's total expenditures were approximately \$50.6 million, including \$42.5 million in program expenditures and \$8.1 million in supporting services. A breakdown of program expenditures is shown in the chart below.

The Foundation's total unrestricted assets reached \$519.7 million by the year ended March 31, 2014, due primarily to cu-

mulative funding of \$458.0 million from its founder plus asset appreciation. The Foundation's annual financial statements have been audited by Mitchell & Titus, LLP, a member firm of Ernst & Young Global Limited.

From 2008 to 2014, the Foundation's total program expenditures were approximately \$97.0 million.

Total Program Expenditures (2012-2014): \$42,510,000



Total Program Expenditures (2008-2014): \$96,972,000

Foundation Leadership and Advisory Board

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Michael A. Peterson



CONTACT INFORMATION

The Peter G. Peterson Foundation
888-C Eighth Avenue
Box #144
New York, NY 10019

Grant Inquiries: inquiries@pgpf.org
Media Inquiries: media@pgpf.org
General comments or questions: comments@pgpf.org



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