



Leadership Council of Aging Organizations

James P. Firman, Chair

FEDERAL BUDGET PRINCIPLES

The Leadership Council of Aging Organizations (LCAO) is a coalition of 68 national nonprofit organizations concerned with the well-being of America's older population and committed to representing their interests in the policy-making arena. As the budget process continues to move forward, we believe the nation can and should reduce the deficit over time through a balanced approach that includes budget savings from increases in revenue and thoughtful, targeted reductions in spending when and where necessary, without increasing poverty or income inequality.

Spending cuts to discretionary programs enacted last year, primarily in the Budget Control Act, have produced \$1.5 trillion in savings for fiscal years 2013 to 2022. In the name of deficit reduction, some have called for additional deep cuts in funding for senior services, health care, workforce development, affordable housing, and other vital domestic programs while extending and expanding tax cuts for those who do not need them and continuing unnecessarily high military spending. Some would cut Social Security, Medicare, and Medicaid in ways that would darken the future for millions of vulnerable Americans - young and old. In particular, it is important to note that Social Security has not contributed to the current budget problem.

The reality is these federal programs form a successful backbone of initiatives that provide support to millions of older Americans, workers and families in need. These kinds of proposed cuts run counter to American values of opportunity and security for all.

There are other more equitable, budget balancing options, specifically on the revenue side. Numerous recent surveys support the mounting consensus that the solution to addressing the deficit must include significant revenues, and that the richest households should not receive continued tax cuts. In an April 2012 survey by CNN/ORC International, 68 percent of Americans agreed that “the present tax system benefits the rich and is unfair to the ordinary working man or woman.” A June 2012 poll by Hart Research Associates found that 68 percent of respondents supported continuing the Bush tax cuts for income below \$250,000 but ending them for income above \$250,000. In a July 2012 survey by the Pew Research Center, by a two-to-one margin, respondents said that raising taxes on incomes above \$250,000 would help the economy rather than hurt it.

It is also important to note that, according to the Congressional Budget Office, Americans paid the lowest tax rates in 30 years to the federal government in 2009, and that permitting the 2001 and 2003 tax cuts to expire for income above \$250,000 would reduce the federal deficit by \$950 billion over 10 years.

A responsible solution to current fiscal challenges need not threaten the economic and health security of elders and their families. Instead, the federal government must continue to be an engine for shared prosperity and a defender of older Americans.

The Leadership Council of Aging Organizations believes these principles should guide any negotiation to address the budget gap:

1. Any budget agreement should be developed with the overarching goal of building economic security for older Americans and their families, strengthening the middle class, and promoting job growth.
2. In addressing the annual deficit and accumulated national debt, any budget agreement must adopt a balanced approach, including revenue raisers, whether through reform of tax expenditures or promoting an equitable tax system, as well as savings from mandatory and discretionary spending which yields the resources necessary to address national needs, reduce the deficit, and retire debt. Given our nation's significant fiscal challenges and difficult budget choices, a universal, across-the-board extension of the 2001 and 2003 tax cuts should be rejected. We particularly have very serious reservations about the affordability and fairness of extending tax cuts for the highest income individuals.
3. Any budget agreement must protect those older adults (and ALL Americans) in greatest need, both socially and economically, by fairly balancing budget resources against sacrifices, protecting low-income Americans and, ultimately, taking no actions that increase economic vulnerability, hunger, or poverty. Any budget agreement should protect income and health security for low-income Americans.
4. Any budget agreement must be sensitive to the impact of the current economic downturn, which demands budget solutions that stabilize both the American economy and the budgets of low- and middle-income American families, in line with the economic situation of working and retired older Americans.
5. Any budget agreement should recognize that Social Security does not contribute to the federal deficit and that negotiations to ensure long-term solvency should be addressed independently. Among other things, attempts to means-test Social Security benefits, impose a chained CPI, or raise the retirement age would result in benefit cuts that would drastically harm both today's and future generations of older Americans while doing nothing to reduce the federal deficit. Similarly, the Civil Service Retirement System is fully funded, actuarially sound and does not contribute to the federal deficit.
6. Any budget agreement, in building on the cost savings and efficiencies of the Affordable Care Act, must reduce the rate of increase in federal health spending by addressing the systemic causes of health care inflation, not by shifting costs on to consumers, to states or singling out Medicare and Medicaid. The essential structure and integrity of the Medicare and Medicaid programs must be maintained.
7. In addressing the nation's rising health care costs -- and their growing share of federal budget expenditures -- any budget agreement must protect consumers, maintain the health care workforce and access to needed health and long-term care, and preserve the federal government's authority to determine eligibility and consumer protections for federal programs serving older adults and people with disabilities, particularly those dually eligible for both Medicare and Medicaid, and others living on low, fixed incomes.
8. Any budget agreement must avoid resorting to any additional automatic, arbitrary spending caps and sequestration mechanisms which deny legislators the opportunity to set priorities in the allocation of tax dollars, now and in the future. The across-the-board sequestration called for under the Budget Control Act is an example of arbitrary cuts that will harm supports and services for the elderly and their families. Sequestration should be averted in keeping with the principles stated in this document. The reductions in discretionary spending that the 112th Congress and the President have already achieved should be counted toward any deficit reduction target, and further cuts to domestic discretionary programs below the caps established in the Budget Control Act should be rejected.

December 2012

1901 L Street, NW, 4th Floor, Washington, DC 20036 ♦ (202) 479-1200 ♦ (202) 479-0735 (Fax)
Email: LCAO@ncoa.org ♦ Website: www.LCAO.org