



815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

RICHARD L. TRUMKA
PRESIDENT

ELIZABETH H. SHULER
SECRETARY-TREASURER

ARLENE HOLT BAKER
EXECUTIVE VICE-PRESIDENT

LEGISLATIVE ALERT!

(202) 637-5057

March 27, 2012

Dear Representative:

On behalf of the AFL-CIO, I am writing to urge you to vote against the Republican FY 2013 budget resolution (H. Con. Res. 112), introduced by Budget Committee Chairman Paul Ryan and scheduled for floor consideration later this week. According to the Center on Budget and Policy Priorities, the Ryan budget “would produce the largest redistribution of income from the bottom to the top in modern U.S. history and likely increase poverty and inequality more than any other budget in recent times (and possibly in the nation’s history).”

H. Con. Res. 112 would jeopardize the economic security of working families by ending Medicare as we know it and gutting Medicaid, while at the same time blowing a huge hole in the federal budget with obscenely wasteful cuts in tax rates for the richest Americans and Wall Street. The Ryan budget would increase the number of Americans without health insurance by 30 million by repealing the Affordable Care Act (ACA) and another 14 to 27 million by block granting Medicaid. It would also create an unprecedented fast track procedure for Social Security benefit cuts, and it would undermine U.S. economic growth over the long term by literally wiping out productive federal investments in infrastructure, education, worker training, manufacturing, and clean energy. In all of these ways, the Ryan budget is a direct threat to the economic well-being of America and the future of the American middle class.

Despite recent promising increases in employment, the U.S. is still suffering from a jobs crisis caused by the financial crash of 2008 and the subsequent Great Recession, and our first priority should be to close the jobs deficit. Yet the Ryan plan would take us in the wrong direction. Its budget cuts would result in the loss of 2.8 million jobs in 2014, according to standard economic forecasting models.

The House Republican budget would strike at the foundations of middle class income security by ending Medicare as we know it. It would turn Medicare into a voucher program with a cap on program expenditures that would cut spending for the average senior by 35 to 42 percent, a policy that would simply shift health care costs to seniors rather than reduce overall health care spending. In fact, the Ryan budget would increase overall spending in the health care system because the cost of private insurance today is 30 percent higher than Medicare for the same level of benefits. The voucher program would create two-tier health coverage for seniors, where those who can pay extra to supplement their vouchers would have access to the most advanced treatments

and the best doctors while everyone else would face a lower level of care and higher copayments.

The Ryan plan purports to preserve traditional Medicare as an option for seniors and people with disabilities. However, experience has shown that private plans will design their benefits and marketing to “cherry pick” the healthiest seniors, causing coverage under traditional Medicare to lose its cost advantage over private insurance and to decline into a “death spiral.” This is what House Speaker Newt Gingrich was talking about in the 1990s when he proposed making Medicare “wither on the vine.”

The Ryan Republican budget would raise the Medicare eligibility age from 65 to 67. Raising the Medicare eligibility age would not only penalize those engaged in physically demanding occupations, it would actually increase health care costs for employers, individuals, and state health insurance exchanges while further increasing the number of Americans without health insurance. Finally, by repealing the Affordable Care Act, the Ryan plan would increase the cost of prescription drugs by \$2,400 per year for seniors in the infamous “donut hole” coverage gap in Part D drug coverage.

The Ryan budget would eviscerate Medicaid by turning it into a block grant program and capping its funding growth at 3.5 percent below the current rate. Medicaid funding would be reduced by 22 percent over the next ten years – a reduction of \$800 billion. According to the Congressional Budget Office, “Cutbacks might involve reduced eligibility for Medicaid...coverage of fewer services, lower payments to providers, or increased cost-sharing by beneficiaries – all of which would reduce access to care.” Most Americans will rely on Medicaid at some point in their lives for community-based long term care or nursing home services for a family member, and it would be reckless to reduce access to these services. Although Medicaid currently costs 27 percent less for children and 20 percent less for adults than private insurance, the Ryan plan cynically caricatures Medicaid as a wasteful program in order to justify stealing its funding to pay for tax breaks for the wealthy.

The Ryan plan’s repeal of the Affordable Care Act would not only increase the ranks of the uninsured, but would also do away with important consumer protections such as a prohibition on denying coverage due to pre-existing conditions, a ban on rescissions, and the elimination of annual and lifetime coverage caps. Two and a half million young adults would lose health care coverage because health plans would no longer be required to maintain coverage for adult children up to age 26. Consumers would also lose billions of dollars in premium rebates and reductions from the repeal of the ACA’s Medical Loss Ratio requirements.

The House Republican budget would further erode middle-class income security by providing a path for a radical reduction in Social Security benefits. The Ryan plan would establish unprecedented fast track procedures for Social Security legislation and require Congress and the President to consider such legislation every year in which a shortfall is projected in the program’s funding over 75 years. The document accompanying Rep. Ryan’s budget rules out tax increases to fill the 75-year funding gap,

and it endorses an increase in the Social Security eligibility age and changes to the Social Security benefit formula. These cutbacks would reduce benefits for seniors – a group with average lifetime earnings of as little as \$38,000.

The Ryan budget would wipe out federal investments in productive investment over the long term. It would cut total federal spending to 16 percent of gross domestic product (GDP) by 2050, its lowest level since 1950 when Medicare and Medicaid did not yet exist and there was little significant funding for education, highways, or environmental protection. The most immediate victims of these cuts, of course, would be federal employees who would bear the brunt of \$368 billion in cuts over ten years, including massive reductions in retirement benefits and a ten percent reduction in jobs.

The Ryan budget would slash education, training, employment, and social services by 20 percent compared to FY 2012 levels. Schools would receive little assistance in preparing students for jobs, and workforce training and retraining activities would be cut significantly, amounting to a per capita reduction of 48 percent compared to FY 2010. Investment in transportation and infrastructure would be cut 28 percent. Funding for highways, bridges, commuter rail, bus systems, Amtrak, and air traffic control would be cut \$31.5 billion in FY 2013 alone. Funding for research and development would be reduced 24 percent per capita. Overall, public investment would fall by \$871 billion over ten years. The Ryan budget would make it impossible to build an economy that is “built to last” with a strong infrastructure and well-educated and well-trained workers.

The Ryan plan also attacks programs that are important for the less fortunate. It would cut the Supplemental Nutrition Assistance Program (SNAP) by \$123 billion over ten years, and it would scale back the federal Pell Grant program that helps lower-income families access higher education.

These draconian spending cuts at the expense of lower- and middle- income households are designed to offset a staggering \$10 trillion in tax cuts that heavily favor high-income Americans and corporations. The Ryan budget would not only keep the Bush tax cuts for the wealthy from expiring on schedule at the end of this year, but it would reduce the top marginal tax rate even further to 25 percent. The House Republican budget would cut taxes for millionaires by at least \$187,000 on average in 2014.

The Ryan plan does call for “tax reform” to address the massive revenue shortfall resulting from all these tax cuts for rich people. But the math shows that this brand of tax reform would inevitably lead to *higher taxes* on the middle class by closing important tax benefits for middle-income taxpayers, such as the tax exclusion for employer-provided health benefits and the home mortgage interest deduction, while locking in a lower top marginal tax rate to benefit the super-rich. The budget would also lock in a reduction in the top corporate income tax rate to 25 percent, which would necessarily add to the deficit. Even more outrageous, the Ryan budget would create incentives for offshoring jobs and abusing foreign tax havens by eliminating U.S. taxes on the overseas income of U.S. corporations.

The Washington Post notes that the Ryan plan's tax benefits "would flow overwhelmingly to the wealthiest Americans, while Mr. Ryan would take a machete to programs that help the least fortunate" and concludes that the Ryan budget's "lopsided approach is dangerously wrong for the country." It is no exaggeration to say that the Ryan plan would transform America from a land of opportunity for all into a land of entitlement for the rich.

This dangerous budget resolution boils down to taking from the many to benefit the few, and we urge you to vote against it.

Sincerely,

A handwritten signature in black ink, appearing to read "William Samuel". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

William Samuel, Director
GOVERNMENT AFFAIRS DEPARTMENT