

November 14, 2012

TO THE MEMBERS OF THE UNITED STATES CONGRESS AND THE PRESIDENT:

The undersigned organizations call on Congress and the President to immediately begin a process to fundamentally restructure our nation's entitlement programs—Medicare, Medicaid and Social Security—and to put these valued and important programs on a sustainable financial path.

Federal Budget Perspective

The nonpartisan Congressional Budget Office (CBO) in its 2012 Long-Term Budget Outlook report issued in June 2012 states:

“In the past few years, the federal government has been recording the largest budget deficits since 1945, both in dollar terms and as a share of the economy. Consequently, the amount of federal debt held by the public has surged. At the end of 2008, that debt equaled 40 percent of the nation's annual economic output, a little above the 40-year average of 38 percent. Since then, the figure has shot upward: By the end of this year (2012), the Congressional Budget Office (CBO) projects, federal debt will exceed 70 percent of GDP—the highest percentage since shortly after World War II.”

If we are ever to get control of these large deficits and rising debt levels, we must get control of the principal cause of these deficits—federal spending. For 2012, the total projected outlays for the federal government for all spending (mandatory, discretionary and net interest) is \$3.56 trillion. Of that total, mandatory spending (Medicare, Medicaid, Social Security and other social programs) is \$2.05 trillion or 57.6% of total spending. Discretionary spending is \$1.29 trillion, or 36.2% of total spending and interest on the debt is \$220.5 billion, just over 6% of the total.

Meanwhile, total revenue collected by the federal government is \$2.44 trillion. About \$1.12 trillion is collected via the individual income tax, \$181 billion comes from corporate income tax and the rest, \$1.03 trillion, comes from Social Security, excise and other taxes. When the expenditures are netted against the revenues, we see a deficit of \$1.2 trillion.

Even a cursory examination of these numbers indicates that mandatory spending is not only the biggest category of federal spending but it already exceeds all revenue collected from federal income taxes by a wide margin. Even more troubling, according to the Congressional Budget Office (CBO), mandatory spending is projected to increase in the next 10 years from just over \$2 trillion to over \$3.5 trillion. At that time, it will represent almost 65% of total spending.

A primary reason for the growth of debt is demographics. Starting in January of this year, an estimated 10,000 baby boomers began retiring daily. The baby boomer wave of 77 million Americans entering our entitlement programs has started. They will place a significant and sustained increase in the share of the population receiving benefits from Social Security and Medicare, as well as long-term care services financed by Medicaid.

CBO's report stated: "During the next decade alone, the number of people over the age of 65 is expected to rise by more than a third. Over the longer term, the share of people age 65 or older is projected to grow from about 13 percent now to 20 percent in 2037, whereas the share of people ages 20 to 64 is expected to fall from 60 percent to 55 percent." Demography is destiny and unlike other aspects of the entitlement debates, demographics are facts.

Medicare and Medicaid

Medicare is the third largest program in the federal budget and cost nearly \$560 billion in 2011 — or 16% of total federal spending. Federal spending for Medicare and Medicaid rose from 2.2% of GDP in fiscal year 1985 to 5.6% in 2011 according to CBO. Well over half of that was Medicare, and the retirement of the baby boom, combined with growth of health care costs, is projected to push Medicare spending from 3.7% of GDP in 2011 to 6.4% of GDP in 2035.

Driving these realities is the underlying worker-to-beneficiary ratio. In 1965, there were about 4.6 workers for each Medicare beneficiary. In 2005, there were about 3.8 workers for each Medicare beneficiary. In 2020, there are projected to be only 2.2 workers for each Medicare beneficiary.

As President Obama said on October 3, Medicare is "the big driver of our deficits right now."

Social Security

The federal government spends more on Social Security than it does on any other single program. The CBO estimates that outlays for Social Security in fiscal year 2012 will total \$769 billion, accounting for more than one-fifth of all federal spending.

The cost of the Social Security program will rise significantly in coming decades as more members of the baby-boom generation reach retirement age and longer life spans leads to longer retirements. As a result, a significantly larger share of the population will draw benefits.

In 2010, for the first time since the enactment of the Social Security Amendments in 1983, annual outlays for the program exceeded annual revenues excluding interest credited to the trust funds. CBO projects that the gap will continue and that outlays will be greater than revenues by around 10% over the next decade. After that, the shortfall will only grow.

The aging of the population is due to both increased life expectancy and decreased fertility. In 1965, 65-year-old retirees could expect to live for 14.7 more years; by 2006, they could expect to live for 18.6 more years. In 1965, the fertility rate was 96.3 births per 1,000 females aged 15 to 44; by 2004, it had fallen to 60.7 births.

Conclusion

Our nation's entitlement programs are unsustainable. If we do not make sensible reforms, the programs will go bankrupt—and so will the nation. No one can dispute that.

As Congress and the Administration work to resolve America's growing financial challenges and escalating debt, they must begin to fundamentally restructure these entitlement programs. The undersigned organizations recognize that these issues are daunting ones, but the demographic facts, the fundamental reality of a broken financing mechanism combined with extending life expectancy and, 77 million more people entering these programs require taking action now.

Thus again, the undersigned organizations urge you to immediately:

- Extend all of the expiring tax rates;
- Extend vital expired tax provisions;
- Provide alternative minimum tax (AMT) relief; and
- Find spending cuts to replace a sequestration never intended to go into effect.

Short term action is not a substitute for long term fundamental fiscal reform. In addition to immediate action on the fiscal cliff, we also urge you to:

- Firmly commit to tackling comprehensive tax reform in the next Congress; and
- Agree to develop a long term plan to address America's excessive spending, particularly entitlement spending.

Sincerely,

Adirondack Regional Chamber of Commerce – NY
Air Conditioning Contractors of America
Air Movement and Control Association, International
American Apparel & Footwear Association (AAFA)
American Bakers Association
American Beverage Association
American Composites Manufacturers Association
American Council of Engineering Companies
American Forest & Paper Association
American Gas Association
American Institute for International Steel
American International Automobile Dealers Association
American Iron and Steel Institute
American Land Title Association
American Meat Institute
American Road & Transportation Builders Association
American Trucking Associations
Arizona Chamber of Commerce and Industry
Arizona-New Mexico Cable Communications Association
Arkansas State Chamber of Commerce/Associated Industries of Arkansas
Ashland Area Chamber of Commerce – OH
Associated Builders & Contractors, Inc.
Associated Equipment Distributors
Associated General Contractors of America
Associated Oregon Industries
Association Forum of Chicagoland

Association of Commerce & Industry of New Mexico
Association of Washington Business
Baton Rouge Area Chamber – LA
Beaver Dam Chamber of Commerce – WI
Bismarck-Mandan Chamber – ND
Boise Chamber of Commerce – ID
Bossier Chamber of Commerce – LA
Buckeye Valley Chamber of Commerce – AZ
Buffalo Niagara Partnership – NY
Business Council of Alabama
California Manufacturers & Technology Association
Campbell County Chamber of Commerce – WY
Carroll County Chamber of Commerce – GA
Carson Valley Chamber of Commerce – NV
Central Louisiana Chamber of Commerce
Chamber of Commerce of St. Joseph County – IN
Chamber Southwest Louisiana
Chambers of Commerce Alliance of Ventura & Santa Barbara Counties – CA
Chandler Chamber of Commerce – AZ
Chemung County Chamber of Commerce – NY
Chester County Chamber of Business and Industry – PA
City of Central Chamber of Commerce – LA
Connecticut Business Industry Association (CBIA)
Currie Associates
Dallas Regional Chamber – TX
Dayton Area Chamber of Commerce – OH
Denver Metro Chamber of Commerce – CO
East Parker County Chamber of Commerce – TX
East St. Tammany Chamber of Commerce – LA
Eastern Contractors Association, Inc.
Edison Electrical Institute
Electronics Representatives Association
Fabricators and Manufacturers Association, International
Fairfax County Chamber of Commerce – VA
Fergus Falls Area Chamber of Commerce – MN
Financial Executives International
Financial Services Roundtable
Flagstaff Chamber of Commerce – AZ
Florida Chamber of Commerce
Fountain Hill Chamber – AZ
Fox Cities Chamber of Commerce and Industry – WI
Fullerton Chamber of Commerce – CA
Galesburg Area Chamber of Commerce – IL
Gallup McKinley County Chamber of Commerce – NM
Garden Grove Chamber of Commerce – CA
Gateway Regional Chamber of Commerce – NJ
Georgia Chamber of Commerce
Granbury Chamber of Commerce – TX
Greater Albuquerque Chamber of Commerce – NM

Greater Beaumont Chamber of Commerce – TX
Greater Columbia Chamber of Commerce – SC
Greater Durham Chamber of Commerce – NC
Greater Fort Wayne Chamber of Commerce – IN
Greater Irving-Las Colinas Chamber of Commerce – TX
Greater North Dakota Chamber of Commerce
Greater Palm Bay Chamber of Commerce – FL
Greater Raleigh Chamber of Commerce – NC
Greater Reading Chamber of Commerce & Industry – PA
Greater Sandoval County Chamber of Commerce (GSCCC) – NM
Greater Shreveport Chamber of Commerce – LA
Greater Summerville/Dorchester County Chamber of Commerce – SC
Greater Tampa Chamber of Commerce – FL
Greater Lehigh Valley Chamber of Commerce – PA
Hastings Area Chamber of Commerce & Tourism Bureau – MN
Hilton Head Island – Bluffton Chamber of Commerce – SC
Hong Kong.China.Hawaii Chamber of Commerce – HI
Huntingdon County Business and Industry – PA
Huntington Beach Chamber of Commerce – CA
Indiana Chamber of Commerce
International Council of Shopping Centers
International Foodservice Distributors Association
International Franchise Association
Ironworker Employers Association of Western PA
Irvine Chamber of Commerce – CA
Jeff Davis Business Alliance – LA
Jefferson Chamber of Commerce – LA
Joliet Chamber of Commerce – IL
Kalispell Chamber of Commerce – MT
Kentucky Chamber of Commerce
Kershaw County Chamber of Commerce – SC
Kingman Area Chamber of Commerce – AZ
Lake Havasu Area Chamber of Commerce – AZ
Lodi District Chamber of Commerce – CA
Long Beach Area Chamber of Commerce – CA
Los Angeles Area Chamber – CA
Los Angeles Metro Hispanic Chamber of Commerce – CA
Loudoun County Chamber of Commerce – VA
Lubbock Chamber of Commerce – TX
Manatee Chamber of Commerce – FL
Marshall Area Chamber of Commerce – MN
Maui Chamber of Commerce – HI
Melbourne Regional Chamber of East Central Florida
Mesa Chamber of Commerce – AZ
Metal Powder Industries Federation
Metals Service Center Institute
Michigan Chamber of Commerce
Minneapolis Regional Chamber of Commerce – MN
Minnesota Chamber of Commerce

Mississippi Associated Builders & Contractors, Inc.
Missouri Association of Manufacturers
Missouri Chamber of Commerce
Monroe Chamber of Commerce – LA
Montana Chamber of Commerce
Moore County Chamber of Commerce – NC
Motor and Equipment Manufacturers Association (MEMA)
Myrtle Beach Area Chamber/CVB – SC
NAHAD - The Association for Hose & Accessories Distribution
Nashville Area Chamber of Commerce – TN
National Asphalt Pavement Association
National Association of Chemical Distributors
National Association of Manufacturers
National Association of Wholesaler-Distributors
National Beer Wholesalers Association
National Black Chamber of Commerce
National Electrical Contractors Association (NECA)
National Federation of Independent Business
National Grocers Association (NGA)
National Marine Manufacturers Association
National Parking Association
National Restaurant Association
National Retail Federation
National Roofing Contractors Association
Nebraska Chamber of Commerce & Industry
New Jersey State Chamber of Commerce
Non-Ferrous Founders' Society
North American Die Casting Association
North American Equipment Dealers Association
North Carolina Chamber
North Country Chamber of Commerce – NY
North Platte Area Chamber & Development Corporation – NE
Northeast PA Manufacturers & Employers Association
Northern Kentucky Chamber of Commerce
Northumberland County Chamber of Commerce – VA
NUCA, representing utility and excavation contractors
Nuclear Energy Institute
Ohio Chamber of Commerce
Ohio Society of CPAs
Opelika Chamber of Commerce – AL
Orange County Business Council – CA
Oshkosh Chamber of Commerce – WI
Outdoor Amusement Business Association, Inc.
Oxnard Chamber of Commerce – CA
Palm Desert Area Chamber of Commerce – CA
Pennsylvania Chamber of Business and Industry
Pennsylvania Manufacturers' Association
Petroleum Marketers Association of America
Plano Chamber of Commerce – TX

Precision Machined Products Association
Prince William Chamber of Commerce – VA
Redondo Beach Chamber of Commerce and Visitors Bureau – CA
Rehoboth Beach-Dewey Beach Chamber of Commerce – DE
Retail Industry Leaders Association
RI Manufacturers Association
River Heights Chamber of Commerce – MN
River Region Chamber of Commerce – LA
Rochester Area Chamber of Commerce – MN
Rockport-Fulton Chamber of Commerce – TX
Rush Strategies LLC
Ruston-Lincoln Chamber of Commerce – LA
S Corporation Association
Salem Area Chamber of Commerce – OR
Salisbury Area Chamber of Commerce – MD
Salt Lake Chamber – UT
San Angelo Chamber of Commerce – TX
San Antonio Manufacturers Association
San Diego Regional Economic Development Corporation – CA
Santa Clara Chamber of Commerce and Convention-Visitors Bureau – CA
Schuylkill Chamber of Commerce – PA
Scottsdale Area Chamber of Commerce – AZ
Small Business & Entrepreneurship Council
Snack Food Association
Society of American Florists
Society of Chemical Manufacturers and Affiliates
South Baldwin Chamber of Commerce – AL
South Bay Association of Chambers of Commerce – CA
Southern Wayne County Regional Chamber – MI
St. Cloud Area Chamber of Commerce – MN
St. Tammany West Chamber of Commerce – LA
State Chamber of Oklahoma
Steel Manufacturers Association
Tempe Chamber of Commerce – AZ
Texas Association of Business
The Chamber of Commerce serving Johnson City - Jonesborough - Washington County – TN
The Chamber of Commerce serving Middletown, Monroe and Trenton – OH
The Chamber of Reno, Sparks, and Northern Nevada
The Greater Jackson County Chamber of Commerce – AL
The Greater Lafayette Chamber of Commerce – LA
The Kansas Chamber
The Longview Chamber of Commerce – TX
The Ohio Manufacturers' Association
The Real Estate Roundtable
Torrance Area Chamber of Commerce – CA
Tucson Metropolitan Chamber of Commerce – AZ
Tulsa Metro Chamber – OK
Turfgrass Producers International
U.S. Chamber of Commerce

United Fresh Produce Association
United States Telecom Association
Utah Valley Chamber of Commerce
Valley Industry & Commerce Association (VICA) – CA
Vista Chamber of Commerce – CA
Warsaw Kosciusko County Chamber of Commerce – IN
Western DuPage Chamber of Commerce – IL
White Pine Chamber of Commerce – NV
Women Construction Owners & Executives, USA
Woodworking Machinery Industry Association