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ISSUE BRIEF

A Dozen Ways the D.C Deficit Discussion Hurts Ohio

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Ohio has a big stake in the outcomes of the federal budget discussions, with more than a third of funding in the state budget flowing from Washington. The threat is much greater for health and human services, which have dramatically higher shares of federal funding. In this issue brief, Policy Matters Ohio provides charts and tables to understand the importance of the federal dollar to Ohio. The President and Congress need to take a balanced approach to deficit reduction that includes new revenues to balance the cuts already imposed. They should not force severe cuts to essentials, especially for people in need, and they should not increase job loss, poverty or inequality.

The United States and international economies are weak and unstable. Domestically, joblessness is high and real recovery seems far away. To pull out of this situation, we need to hire the unemployed, stimulate demand and support communities. The federal budget deficit has expanded as a result of war spending, tax cuts and the Great Recession. In the past, we've brought deficits down in large part by jump-starting the economy, thereby increasing what Americans had to spend, promoting job creation, and boosting tax revenues. Cutting necessities and slashing spending accelerates layoffs, depresses demand, and deepens recessions, while also hurting individuals, families and communities.

Policymakers are debating proposals that could:

- Force massive cuts in Medicare, Medicaid, and likely Social Security;
- Force massive cuts in such key areas such as education, environmental protection, research, and veterans programs;
- Protect tax cuts for millionaires and special-interest tax breaks for powerful corporations with high-priced lobbyists – at the expense of ordinary Americans;
- Increase poverty and inequality and leave millions struggling to make ends meet.

We urge members of the super committee, in particular, Ohio Senator Rob Portman, to prevent further damage to his constituents. Instead of cutting an additional \$1.2 trillion beyond the \$900 million already cut, he should be talking about restoring and protecting the programs Ohioans depend on.

Overview of the Debt Discussions

When the Obama administration sought routine permission to boost the debt limit and allow funds to flow for committed purposes, Congress insisted on direct budget cuts and spending control mechanisms in exchange. The Budget Control Act, which was enacted on August 2 and defines the terms of the exchange, raises the debt limit by at least \$2.1 trillion (in steps), which is currently estimated to be sufficient through early 2013. In exchange, it calls for close to \$1 trillion in cuts in discretionary programs over the next decade and would impose automatic, across-the-board spending cuts in many programs if Congress fails to enact an *additional* \$1.2 trillion in deficit-reduction measures by January 15, 2012. Those across-the-board cuts, through a process known as 'sequestration,'

would take effect in January 2013, and would represent approximately a 9 percent annual cut in affected non-defense programs, along with roughly a 9 percent cut in defense programs.¹ The cuts will impact ‘discretionary’ programs, with budgets that are scrutinized and appropriated each year, and ‘non-discretionary’ programs (also known as “mandatory” or “entitlement”), which are legislatively established and are not subject to the annual appropriation process.

The Act will reduce spending by imposing "caps" on annual appropriations bills (the appropriation bills cover discretionary programs). This ensures that cuts of just under a trillion dollars (depending on the base used) will be taken from discretionary programs over the next ten years.

The Budget Control Act also establishes another process to further reduce the debt by *another* \$1.5 trillion dollars over the decade. A “Joint Selection Committee” has been appointed to come up with a proposal for how to do this by November 23 of this year. The Joint Selection Committee can recommend any kind of deficit-reduction measures: further cuts in the new discretionary caps, cuts in any entitlement program, and/or cuts to tax expenditures or tax increases of any kind. They must report that proposal to Congress for consideration by December 2. Congress must vote by December 23d. The legislation must be enacted into law by January 15, 2012. A “fast track” process that precludes amendments would facilitate achievement of this tight timeframe. Figure 1 outlines the process and timeframe of the Joint Selection Committee.

In addition, by the end of December Congress must also consider and take a vote on whether to adopt an amendment to the United States constitution that mandates that the federal budget be balanced each year.

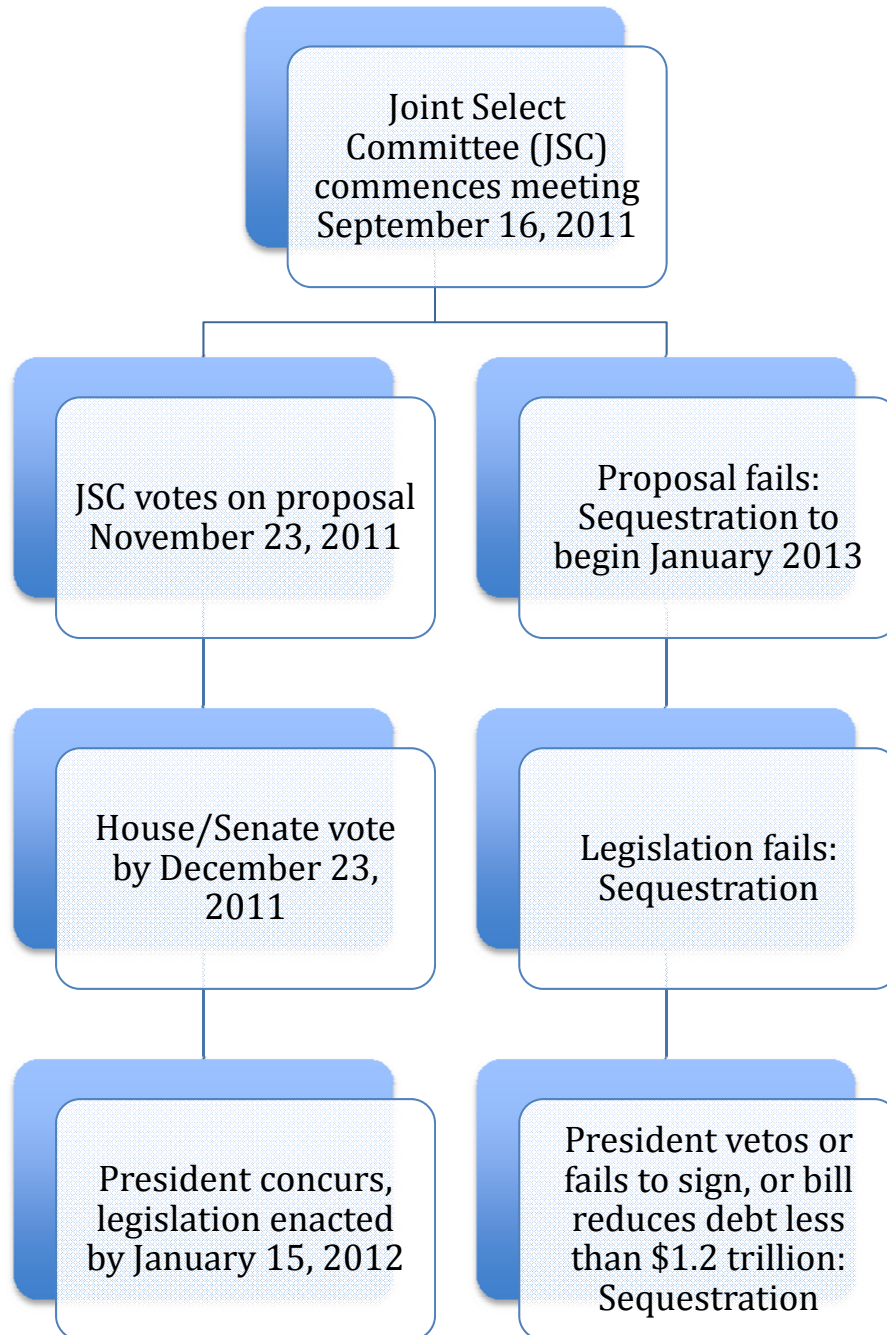
Under the Budget Control Act (“BCA”), the debt ceiling is lifted in steps regardless of whether the Joint Select Committee agrees on a proposal and reports it to Congress; whether Congress passes or approves that proposal within the time frame allotted under the BCA; whether the proposal is enacted into law or not and whether the Constitutional Balanced Budget Amendment is adopted or not. For the time being, this offers some measure of stability to the nation’s credit rating, to the faltering American economy and to international financial markets. If agreement is not reached and legislation is not passed, automatic cuts will be taken across-the-board in many programs through sequestration, effective January 2013. Defense programs would be cut by about \$55 billion annually over the next decade and non-defense programs would also be cut by a corresponding amount over the same time period. Both non-discretionary and discretionary programs would be impacted.

Some important programs are *exempt* from sequestration, such as Social Security and Medicaid. Federal retirement benefits of various kinds are exempt. Power authorities, like the Tennessee Valley Authority or the Bonneville Power Authority, are exempted. A set of programs that serve low-income families are exempted: the Academic Competitiveness/Smart Grant Program, the Child Care Entitlement to States, ‘Child Enrollment Contingency Fund, Child Nutrition Programs (with the exception of special milk programs), Children’s Health Insurance Fund, Commodity Supplemental Food Program, Contingency Fund, Family Support Programs, Federal Pell Grants under section 401 Title IV of the Higher Education Act, Grants to States for Medicaid, Payments for Foster Care and Permanency, Supplemental Nutrition Assistance Program, Supplemental Security Income Program, Temporary Assistance for Needy Families and refundable tax credits such as the Earned Income Tax Credit. Figure 2 outlines the division of cuts among major programs under sequestration.

¹ Richard Kogan, “How Potential Across-The-Board Cuts in the Debt Limit Deal Would Occur,” Center for Budget and Policy Priorities, August 8, 2001.

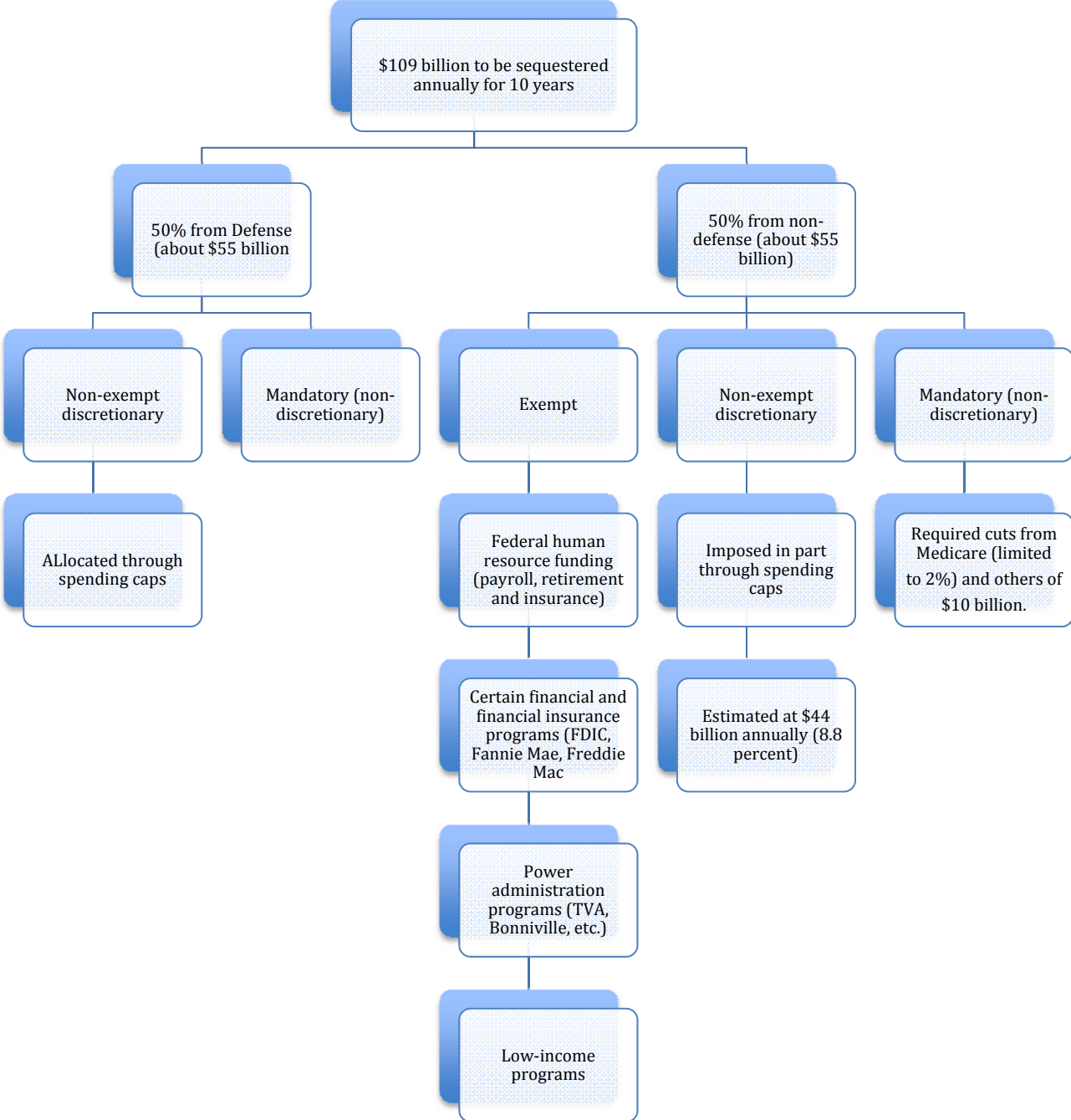
Note: The material in this section is drawn from the Center for Budget and Policy Priorities writings on the Budget Control Act.

Figure 1: Deficit Reduction Process Under Budgetary Control Act of 2011



Source: Policy Matters Ohio based on Federal Funds Information for the States, “Hypothetical Impact of Sequestration on Major Discretionary Programs,” Special analysis 11-04, September 1, 2011.

Figure 2: Division of Cuts Among Major Programs Under Sequestration



Source: Policy Matters Ohio based on Federal Funds Information for the States, “Hypothetical Impact of Sequestration on Major Discretionary Programs,” Special analysis 11-04, September 1, 2011.

Note: The list of exempted programs provides examples, but is not comprehensive.

Cuts in discretionary programs covered by the annual appropriations caps will reduce Ohio’s federal funding; further cuts such as those that may be imposed by sequestration will deepen the problem. Some important programs are exempted from sequestration as mentioned, but other essentials will be cut. A cuts-only approach to further debt reduction endangers schools, public safety, emergency response and

other necessities. The following section provides an overview of federal funding in the Ohio budget and illustrates the danger of further cuts.

Federal Funds Supporting Services in Ohio

In the current state budget for the two years that began July 1 of this year, \$16.1 billion federal dollars support services in the General Revenue Fund (GRF), which is the flexible part of the budget. In other words, about 29 percent of the GRF comes from the federal government. The General Revenue Fund is made up of revenues elected officials make decisions about and is the best indicator of choices Ohio has made over the years. The federal share of the total budget, from all funding sources and including all of the duplication and double accounting of the Ohio budget,² is \$41 billion over the biennium, a little over a third of all funding at about 37 percent (Table 1).

Specific federal funds are received by a number of agencies, including Agriculture, EPA, Development, Rehabilitation and Corrections, the Adjutant General, Arts, the Attorney General, and more. Table 1 illustrates the total volume of federal dollars in the Ohio budget, in the GRF, in non-GRF funds, and across all sources in the “all funds” budget.

Table 1: Share of Federal Funding in the SFY 2012-13 Ohio Budget, GRF, Non-GRF and All Funds, Current Biennial Budget, SFY 2012-13 (Real Dollars, Not Adjusted for Inflation)

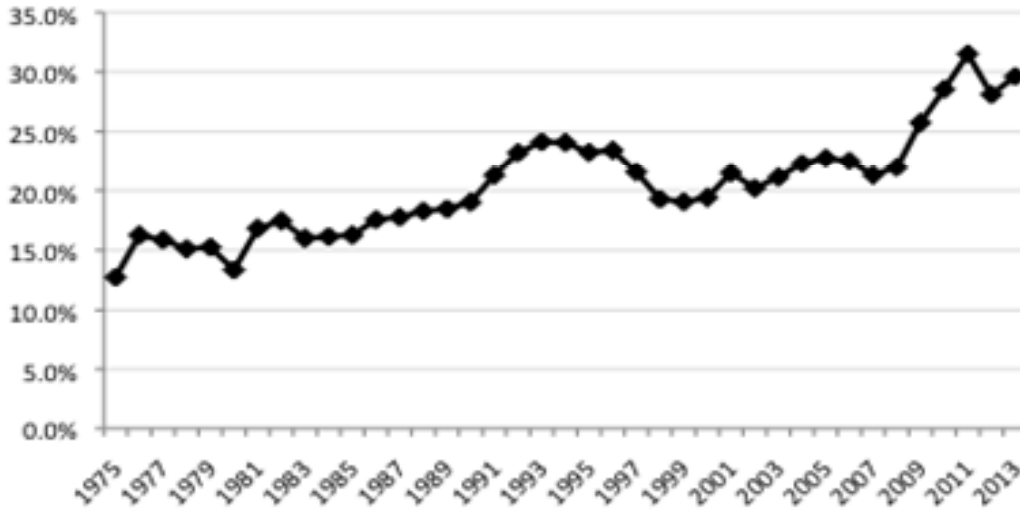
COMPONENT OF BUDGET	SFY 2012	SFY 2013	TOTAL: SFY 2012-13
GRF	\$27,065,812,027	\$28,713,017,807	\$55,778,829,834
Federal share of GRF	\$7,606,077,503	\$8,505,278,593	\$16,111,356,096
Federal share as % of GRF	28.1%	29.6%	28.9%
Non-GRF	\$28,729,299,241	\$27,676,307,915	\$56,405,607,156
Federal share of non-GRF	\$12,942,390,465	\$12,134,170,450	\$25,076,560,916
Federal share as percent of non-GRF	45.0%	43.8%	44.5%
Total budget (All funds)	\$55,795,111,268	\$56,389,325,722	\$112,184,436,990
Federal share of all funds	\$20,548,467,968	\$20,639,449,043	\$41,187,917,012
Federal share as percent of all funds	36.8%	36.6%	36.7%

Source: Policy Matters Ohio based on Ohio Legislative Service Commission (LSC), Budget in Detail as enacted (2011 actual expenditures).

The amount of funding provided by the federal government to Ohio has increased over time. In 1975 only 12.7 percent of GRF resources came from Washington DC, but this amount increased to 28.9 percent in the current biennial (two-year) budget (Figure 3).

² Under budget protocol for the State of Ohio, the state actually appropriates some funds that pass through state coffers but do not fund state services, like tax refunds or municipal taxes collected and then remitted to localities.

**Figure 3: Federal Dollars as a Share of Ohio’s General Revenue Fund, SFY 1975-2013
(Not Adjusted for Inflation)**

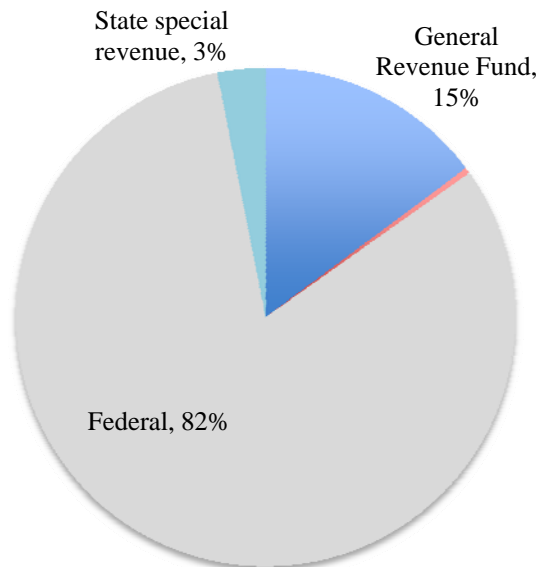


Source: Policy Matters Ohio, based on Ohio Legislative Service Commission, “Table 3 - Total State and Federal GRF Expenditure History,” at <http://www.lsc.state.oh.us/fiscal/revenuehistory/staterevenue.htm>

The share of program funding funded by federal dollars varies by program area, but it is particularly significant in programs that deliver health and human services. The Appendix provides a table with the specific figures for the dozen programs illustrated here.

Figure 4 illustrates how 82 percent of the funding for the Ohio Department of Aging comes from federal sources. This amounts to \$162.4 million for the current biennium. This configuration of federal support for Ohio’s health and human services is mirrored in the six major agencies providing health and human services in Ohio.

Figure 4: Share of Funding by Type of Fund in the Ohio Department of Aging, SFY2012-13

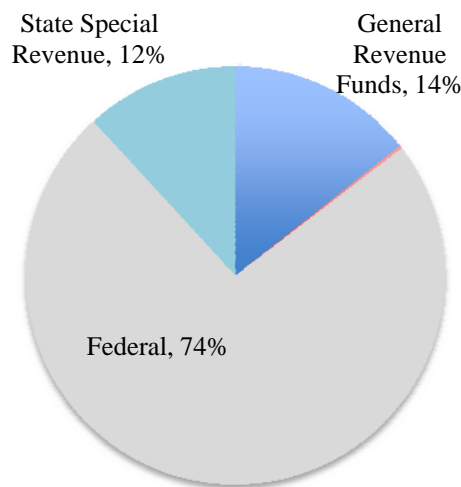


Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

A small but important component of federal funding administered through the Ohio Department of Aging is \$63.5 million for ‘Federal Independence Services.’ Authorized under the Older Americans Act (OAA), some of the services include chore services, counseling, adult day care, education, employment, escort, friendly visitor, health services, home health aide, home maintenance, homemaker, information/referral, legal services, congregate meals, home-delivered meals (Meals on Wheels), outreach, protective services, recreation, respite care, telephone reassurance, and transportation. The OAA is a discretionary program vulnerable to cuts from the annual appropriation caps of the BCA. It could be cut more if the Joint Select Committee imposes more spending cuts or if the committee fails and the sequester process kicks in.

At 74 percent, nearly three quarters of the funding for the Department of Alcohol and Drug Addiction Services comes from discretionary programs of the federal government (Figure 5). The annual spending caps will reduce resources available for discretionary spending over the next decade. While the Joint Select Committee will not decide on the funding for individual discretionary programs, the chance of preservation of services is better if there are revenues and not just cuts in the final budget agreement.

Figure 5: Share of Funding by Type of Fund in the Ohio Department of Alcohol and Drug Addiction, SFY2012-13

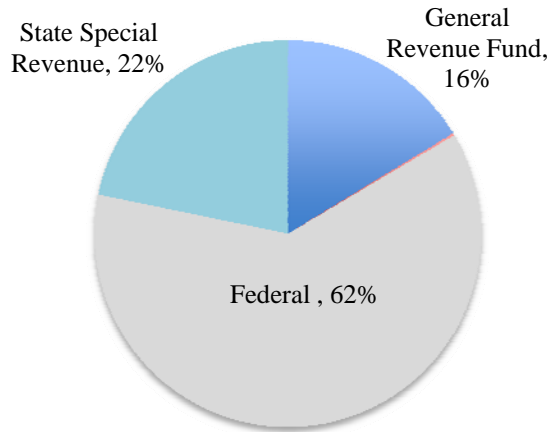


Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

The largest single source of federal funding for the Ohio Department of Alcohol and Drug Addiction Services is the Substance Abuse Prevention and Treatment Block Grant awarded by the Substance Abuse and Mental Health Services Administration. These monies are distributed to local boards for treatment and prevention services. Ohio’s new budget bill shows a slight increase in federal funding for these services is anticipated in this biennium, but those projections are not likely to be fulfilled with declining appropriation caps. Further cuts would only make it worse. The state of Ohio is not apt to restore funding from its own sources. The thousands of cuts at the local level may be expected to hinder assistance at the municipal or county level as well.

Figure 6 illustrates the share of federal funding in the Ohio Department of Developmental Disabilities (ODDD), which provides services to mentally and physically handicapped Ohioans. In the current biennium, \$2.3 billion will be provided by the federal government, 62 percent of the agency’s budget.

Figure 6: Share of Funding by Type of Fund in the Ohio Department of Developmental Disabilities, SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

These funds are primarily Medicaid reimbursement for services to Medicaid recipients, including home and community-based services, services provided in developmental centers, and for targeted case management services. Medicaid is exempted from the sequester process, which will protect some of the most vulnerable of Americans from debt reduction.

Figure 7 illustrates the federal share of the Ohio Department of Health. Almost three quarters of the biennial funding of the Ohio Department of Health, about a billion dollars, come from the federal government. This funding includes the maternal child health block grant, Women, Infants and Children (WIC), and federal public health programming, which protects us from epidemics, viruses and public health risks (Table 2).

Table 2: Federal Funding for the Ohio Department of Health

Program	FY2012	FY2013	TOTAL
Maternal Child Health Block Grant	\$27,068,886	\$27,068,886	\$54,137,772
Preventive Health Block Grant	\$7,826,659	\$7,826,659	\$15,653,318
Women, Infants, and Children	\$308,672,689	\$308,672,689	\$617,345,378
Medicaid/Medicare	\$29,625,467	\$29,257,457	\$58,882,924
Federal Public Health Programs	\$137,976,988	\$137,976,988	\$275,953,976
TOTAL	\$511,170,689	\$510,802,679	\$1,021,973,368

Source: Policy Matters Ohio based on Ohio LSC, Budget in Detail for the current biennium

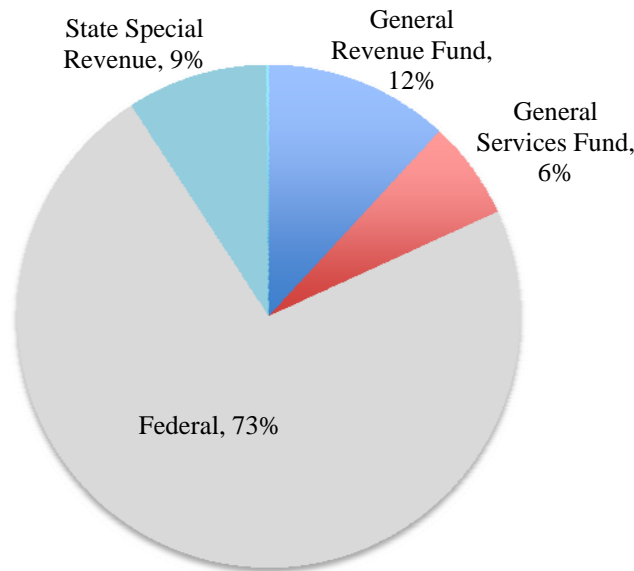
WIC, a health and nutrition program, is the largest line item the federal government funds within the Ohio Department of Health. Ohio is the seventh largest state and Ohio's WIC program is the seventh largest in the nation, serving 297,672 people in 2010.³ In these hard times, half of Ohio's infants

³ Ohio is also in the top quarter of all states in terms of cost-effectiveness, with a ranking of the 8th lowest in average food package cost and 12th lowest in administrative costs.

receive WIC services. More than 50 percent of WIC families are working families. According to the 2010 Annual Report for the WIC program in Ohio, WIC supports 1,254 jobs throughout the state.⁴

WIC is a discretionary program, subject to annual appropriation caps and not exempt from sequester. It is the responsibility of our elected leadership to prevent this deeply harmful sequestration process from impacting programs like WIC.

Figure 7: Share of Funding by Type of Fund in the Ohio Department of Health, SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

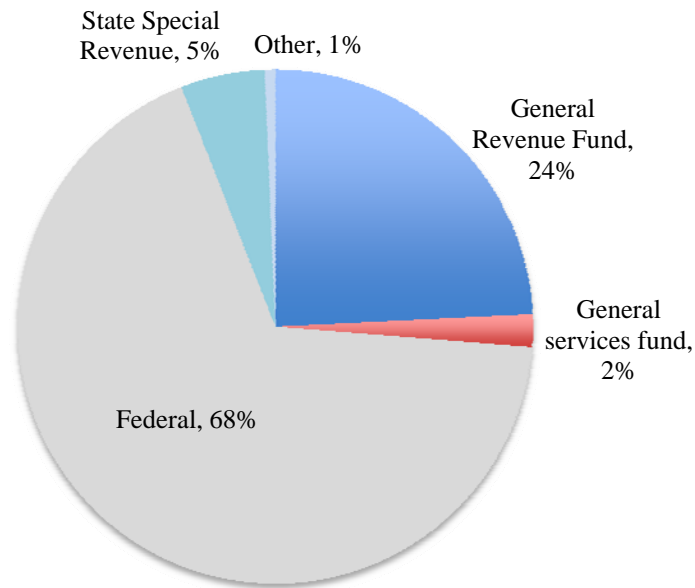
The lion's share of federal funding coming to Ohio passes through the Ohio Department of Job and Family Services (ODJFS). Figure 8 illustrates that in the current biennium just over two-thirds of the budget of ODJFS will be provided by the federal government: \$30.9 billion. The funding supports Medicaid, Temporary Aid to Needy Families (TANF), Workforce Training, Child Care, Adoption Services, and more.

The majority of Ohio's health and human services are delivered through ODJFS and the federal government is the largest funder of those services. As Ohio's economy has contracted, thousands have lost jobs and demand for safety net services has soared. Between 2009 and 2013, the share of Ohioans with health insurance through their jobs is expected to drop from about 66 percent of the population to 57 percent, according the Office of Health Transformation of the Kasich Administration.⁵ The State estimates the number of Ohioans qualifying for health services through Medicaid over the same period will increase by 20.4 percent, from almost 2 million to about 2.3 million people.

⁴ Ohio WIC Annual Report, 2010.

⁵ State of Ohio, Office of Health Transformation, "Medicaid 101," at <http://www.healthtransformation.ohio.gov/LinkClick.aspx?fileticket=NB34Pz1IpMQ%3d&tabid=70>

Figure 8: Share of Funding by Type of Fund in the Ohio Department of Job and Family Services, SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

Federal funding underpins the safety net in myriad ways - for adoption services, food assistance, workforce training, cash assistance and more (Table 3). Within the items listed on Table 3 are both discretionary and non-discretionary programs. Some of these programs, like Medicaid and TANF are protected from sequestration. Others are not.

Sequestration will not be a sensitive administrator. Poverty, hunger, disease, addiction and other terrible outcomes could be made worse. Instead we should let the tax cuts for the wealthy expire and return to the tax levels we had in the strong economic expansion of the 1990s. We should also eliminate tax expenditures that benefit corporations and top earners. These two measures would bring in new revenue, a needed balance to the incredibly harsh cuts that have already been imposed. The safety net should not be cut further.

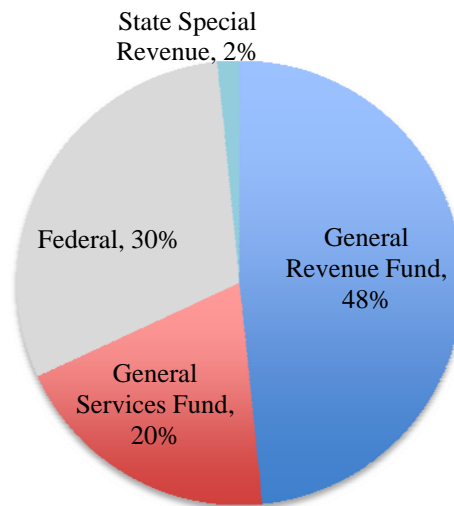
Table 3: Federal Funding Within Ohio's Department of Job and Family Services

Program	FY2012	FY2013	Total
Adoption Services - Federal	\$41,085,169	\$41,085,169	\$82,170,338
Support Services - Federal	\$9,322,222	\$9,207,441	\$18,529,663
Computer Projects - Federal	\$13,105,167	\$12,937,222	\$26,042,389
Office OH Health Plans - Fed	\$12,556,921	\$12,286,234	\$24,843,155
Health Care/Medicaid - Federal	\$7,530,008,024	\$8,429,762,527	\$15,959,770,551
Child Welfare	\$29,769,865	\$29,769,866	\$59,539,731
Federal Operating	\$49,128,140	\$48,203,023	\$97,331,163
Food Assistance/State Admin	\$180,381,394	\$180,381,394	\$360,762,788
Refugee Services	\$11,582,440	\$12,564,952	\$24,147,392
SpecialActivities/Child&Family	\$2,259,264	\$2,259,264	\$4,518,528
Social Services Block Grant	\$64,999,999	\$64,999,998	\$129,999,997
Child Support	\$255,812,837	\$255,813,528	\$511,626,365
Adoption Maint./Admin.	\$352,183,862	\$352,184,253	\$704,368,115
Emergency Food Distribution	\$5,000,000	\$5,000,000	\$10,000,000
Faith Based Initiatives	\$544,140	\$544,140	\$1,088,280
Children's Trust Fund Federal	\$2,040,524	\$2,040,524	\$4,081,048
Health Information Technology	\$411,661,286	\$416,395,286	\$828,056,572
Health Care Federal	\$2,637,061,505	\$2,720,724,869	\$5,357,786,374
Hospital Care Assurance Match	\$372,784,046	\$380,645,627	\$753,429,673
OHP Health Care Grants	\$9,405,000	\$20,000,000	\$29,405,000
Interagency Reimbursement	\$1,621,305,787	\$1,380,391,478	\$3,001,697,265
Child Care Federal	\$208,290,036	\$204,813,731	\$413,103,767
IV-E Foster Care Maintenance	\$133,963,142	\$133,963,142	\$267,926,284
Child Support Projects	\$534,050	\$534,050	\$1,068,100
Workforce Investment Act	\$176,496,250	\$172,805,562	\$349,301,812
Federal Unemployment	\$188,680,096	\$186,723,415	\$375,403,511
TANF Block Grant	\$727,968,260	\$727,968,260	\$1,455,936,520
Total	\$15,047,929,426	\$15,804,004,955	\$30,851,934,381

Source: Policy Matters Ohio, based on Ohio LSC Budget in Detail

Figure 9 shows that a somewhat smaller share of mental health funding comes from the federal government relative to the other five major health and human service agencies. A little less than a third of the budget of the Ohio Department of Mental Health, 30 percent in the current biennium, is from federal sources. Under sequestration, the Mental Health Block Grant could see reductions of between 10 percent to more than 30 percent in FFYs 2012-13 compared to FFYs 2010-11.

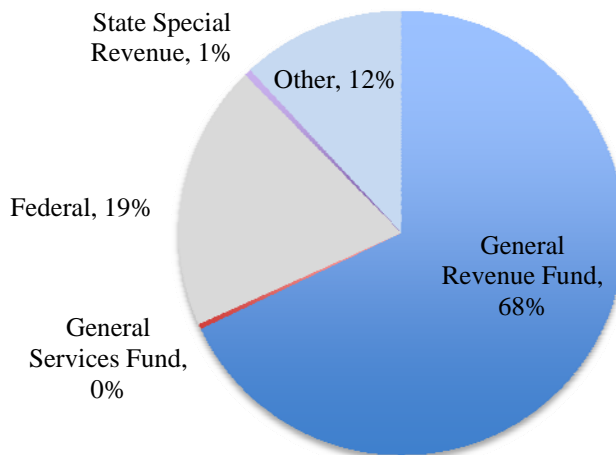
Figure 9: Share of Funding by Type of Fund in the Ohio Department of Mental Health, SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

Federal funding supports many agencies in the state budget, not just the health and human service agencies. While the federal share of the Ohio Department of Education is not as high as in the health and human service agencies at 20 percent of total funding, the amount - \$4.3 billion – is the second largest individual agency funding from the federal government and obviously crucial to Ohio’s classrooms (Figure 10).

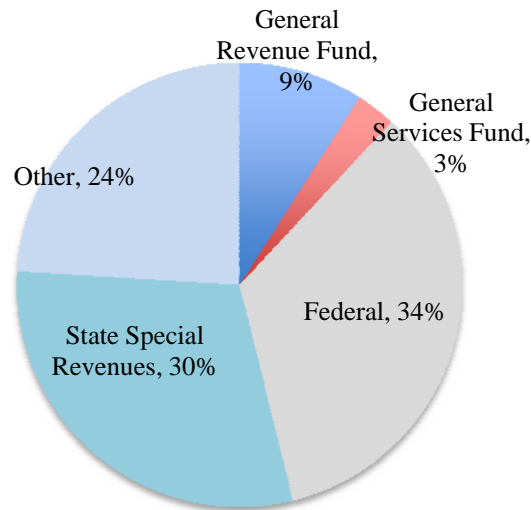
Figure 10: Share of Funding by Type of Fund in the Ohio Department of Education SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

More than a third of the budget of the Ohio Department of Development, \$832.9 million in the current biennium, comes from the federal government (Figure 11). Federal programming that flows through ODOD includes funding to weatherize homes for low-income families, Community Development Block Grant (CDBG) and Small Business Administration funds for non-metropolitan areas.

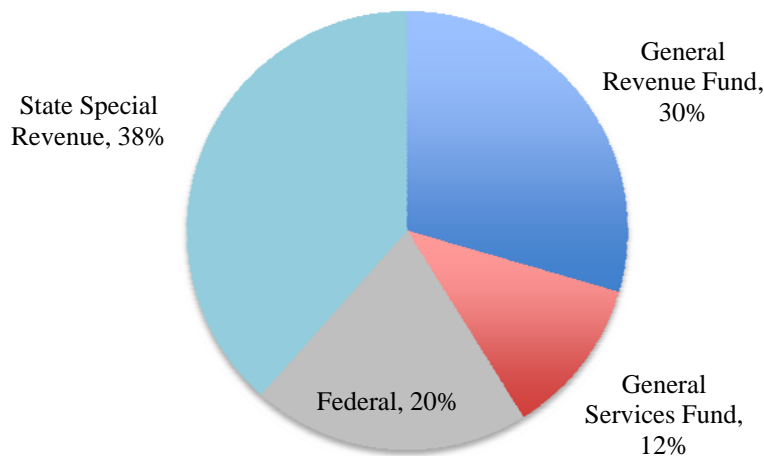
Figure 11: Share of Funding by Type of Fund in the Ohio Department of Development, SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

The Ohio Department of Agriculture receives 20 percent of its funding from the federal government in the current biennium, \$19.4 million, for programs like meat inspection (Figure 12).

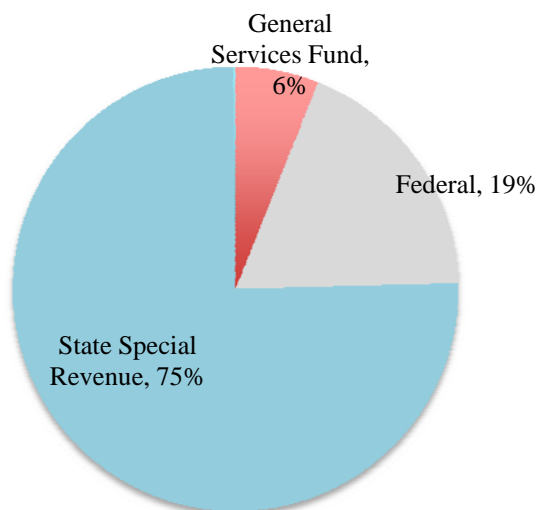
Figure 12: Share of Funding by Type of Fund in the Ohio Department of Agriculture SFY2012-13



Source: Policy Matters Ohio, Based on LSC Budget in Detail for the current biennium

A similar share of federal funding supports the Environmental Protection Agency in Ohio: 19 percent of the OEPA funding, \$68.9 million, is provided by the federal government (Figure 13).

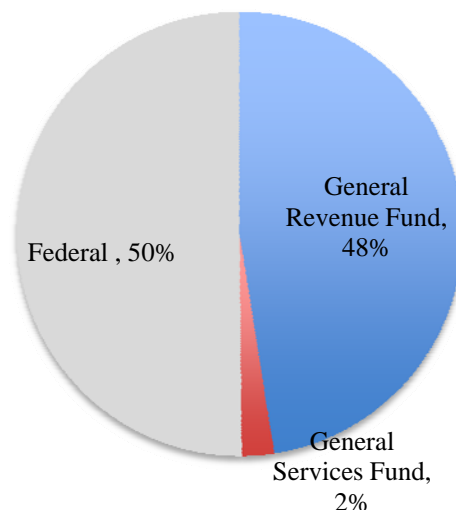
Figure 13: Share of Funding by Type of Fund in the Ohio Environmental Protection Agency SFY2012-13



Source: Policy Matters Ohio, Based on LSC Budget in Detail for the current biennium

Half of the funding of the Ohio Department of Rehabilitation and Corrections comes from the federal government. At \$3.1 billion dollars, this is the third largest allocation among state agencies (Figure 14).

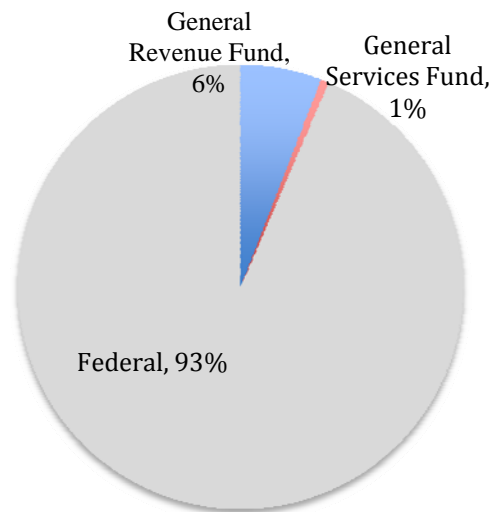
Figure 14: Share of Funding by Type of Fund in the Ohio Department of Rehabilitation and Correction, SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

The Rehabilitation Services Commission, which helps Ohioans with disabilities live and work independently, gets 93 percent of its funding from the federal government, \$420.2 million in the current biennium (Figure 15).

Figure 15: Share of Funding by Type of Fund in the Ohio Rehabilitation Services Commission, SFY2012-13



Source: Policy Matters Ohio, based on LSC Budget in Detail for the current biennium

Many other agencies depend on substantial federal support to deliver state services. Ohio’s Department of Veterans Services receives more than a quarter of its funding from the federal government, about \$54 million. The Adjutant General’s Office receives 37 percent of its funding from the federal government, \$61.9 million in the current biennium, for public safety, peacekeeping and protective services across the state. Twelve percent of the Ohio Department of Natural Resources - \$72.4 million – comes from federal sources.

Summary and Recommendations

To date, deficit reduction has been imposed through cuts only. Major cuts in the programs described in this report would damage Ohio individuals, families and communities. Services funded by the federal government now are critical, as social services were when they were first introduced during the Depression. For example, the Ohio Association of Second Harvest Food Banks tells us that in the wake of the Great Recession, one out of every four children under age five is living in poverty. More than one in four families is dealing with hunger and fear of not being able to feed their children. Throughout the last quarter of 2010, Ohio’s emergency food assistance network helped more than 2.1 million Ohioans. Approximately one-third of all Ohioans receive health care partially funded by the federal government. Nearly a million working Ohio families, most with children, had their take-home incomes boosted by earned income tax credits. Food stamps/SNAP provided critical nutrition assistance to nearly half a million Ohio households.⁶

The federal government supports a wide variety of health and human services in Ohio. Federal dollars also support national priorities that protect us in our daily life: food and drug inspection, medical research, national defense, federal prisons, environmental protection, disease control and more. All of these support jobs, often good jobs, that underpin the economy as well as protecting the community, state and nation. Federal spending itself and federal support for state programs give all Ohioans a reason to be concerned about discussions in Washington that could further cut services and jobs.

⁶ Center for American Progress Action Fund, Half in Ten, “Whose interests will the super committee represent?” – Fact Sheet for Senator Rob Portman, August 2011.

As the debate about the debt reduction continues, we urge members of the Joint Selection Committee and other policymakers to support these key principles:

- **Support a balanced approach to deficit reduction:** A deficit-reduction plan must be balanced and inclusive. We have already made deep cuts to social programs, which must now be balanced by restoring revenue. We should let the Bush-era tax cuts for the wealthiest Americans expire, and return to taxation levels for the wealthy that were in place during the fast-growing 1990s. A substantial share of the new revenues should come from scaling back "tax expenditures," the more than \$1 trillion a year in tax breaks that the tax code provides each year for particular taxpayers or groups of taxpayers.
- **Protect Social Security and Medicare:** The new health reform law includes many provisions to slow growth in health care costs without reducing health care quality or access to care or pushing more people into the ranks of the uninsured. Going further now by slashing Medicare and Medicaid will not work well. Social Security is an integral part of the social contract that Americans expect and deeply support – the program dramatically reduced poverty among the elderly and allows many Americans to live out their retirement years with dignity.
- **No statutory caps, constitutional amendments or other rigid approaches that cripple recession response:** Avoid misguided proposals such as those that would place a statutory cap on total annual federal spending or write a balanced budget requirement into the U.S. Constitution — either of which would prevent the government from responding effectively to recessions (and, in fact, would make recessions worse) while largely or entirely shielding taxes from deficit-reduction efforts.
- **Reduce poverty and inequality,** both of which are higher in the United States than in other Western industrialized nations. Policymakers should adopt and adhere to the principle espoused in the bipartisan Bowles-Simpson deficit-reduction plan to protect the disadvantaged. The major deficit-reduction packages of 1990, 1993, and 1997 all generally protected programs for low-income Americans; those packages, in fact, reduced poverty and inequality even as they reduced deficits.