



March 23, 2004

Dear Representative:

AARP is concerned with the effect of the policies recommended in the budget resolution, H. Con. Res. 393 and H.R. 3973, the Spending Control Act of 2004. While the budget outlook for large and continuing deficits requires some sacrifices, the policies proposed in the budget resolution reported by the House Budget Committee are unfair, unbalanced, and counterproductive. Similarly, the Spending Control Act is greatly flawed and should be rejected by the House.

AARP has serious concerns about proposals to reduce federal Medicaid funding. Arbitrary reductions in Medicaid would be particularly harmful at this time, as those who rely on this program are already losing access to care as states continue to wrestle with budget shortfalls and adjust to the loss of temporary assistance provided last year. We understand the need to correct funding mechanisms that may siphon off money meant for health care, but any savings achieved should be redirected and tracked to ensure that they are used to provide health care. Questionable practices must be addressed without immediate cuts that could harm some of our most vulnerable citizens, including the frail elderly, children and the disabled. The negative impact of arbitrary cuts would reverberate further to local health care providers as they struggle to furnish care without funding, and then again as costs are inevitably shifted to local governments, other insurers, and businesses.

The funding levels for domestic discretionary programs in the committee resolution are also deeply troubling to AARP and its members. The resolution assumes that non-homeland security domestic discretionary spending will be held \$114 billion below the Congressional Budget Office (CBO) baseline over five years. Many of the appropriated programs serving vulnerable populations have been frozen or reduced in recent years. Further funding reductions -- if the unrealistic level of discretionary spending is maintained -- will result in unacceptable cuts in the services provided to those people with the greatest need for them. Therefore, we urge you to support amendments to either the budget resolution or H.R. 3973 that include more appropriate levels for discretionary spending.

AARP believes that the revenue reconciliation instructions to the Committee on Ways and Means should be modified. The resolution provides for a revenue reconciliation bill that would reduce revenues by \$137.6 billion between 2005 and 2009, \$58 billion more than called for in the Senate budget resolution. However, the cost of this policy rises substantially over the ten year period. AARP urges the House to reconsider this proposed erosion of the revenue base at the very time when deficits remain high and the budget faces increased pressure from the upcoming retirement of the first baby boomers.

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The budget enforcement provisions in H.R. 3973 are uneven and should be rejected. AARP believes that both mandatory spending and revenues should be subject to a pay-as-you-go rule, and that this rule should be applied to all spending and revenue changes, including those policies assumed in the budget resolution. The provisions in the bill as reported by the Budget Committee would not include policies in the resolution under this budget discipline. The Senate, in its consideration of similar provisions, rejected this approach and adopted a provision that applies equally to new spending and tax cuts. We urge you to remedy this flaw in H.R. 3973.

We look forward to working with you to improve the budget resolution and to develop effective budget enforcement legislation. If you need any additional information, please feel free to contact me, or have your staff contact Ridge Multop of the Federal Affairs Department at (202) 434-3760.

Sincerely,

A handwritten signature in cursive script, appearing to read "William D. Novelli". The signature is written in black ink and is positioned below the word "Sincerely,".

William D. Novelli