Written Testimony for the U.S. Senate Committee on Aging

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Submitted by:

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Good morning. Thank you, Chairman Casey, Ranking Member Scott, and members of the Committee. My name is Hayden Dublois, and I am the Data and Analytics Director at the Foundation for Government Accountability (FGA). FGA is a non-profit organization dedicated to helping millions of individuals achieve the American Dream. Thank you for the opportunity to testify on behalf of FGA on the topic of seniors' financial security in the United States.

Seniors are faced with a cost-of-living crisis brought on by rising inflation. Since January 2021, prices have risen by more than 13 percent, with core prices recently hitting a 40-year high.[1-2] Even in Florida, Americans are not immune; Inflation is costing Florida families an additional $794 per month, or nearly $10,000 more per year.[3] To put that in real dollars and cents, that means a typical family will spend nearly $100 more per month on groceries alone.[4]

However, America's seniors who are living on fixed incomes are also facing significant price increases. The average American over the age of 65 will spend more than one-third of their budget on utilities, transportation, and food.[5] In each of these areas, inflation has had a devastating impact.[6]

While some have inaccurately claimed that these price increases hurt seniors less, the evidence clearly suggests otherwise. The R-CPI-E price index reported by the Bureau of Labor Statistics (BLS) focuses on price changes tailored to the spending patterns of seniors. **This senior-specific index has increased by nearly eight percent year-over-year, and more than 13 percent since January 2021.**[7] Transportation-related expenses for the elderly alone have increased by nearly 29 percent since January 2021, creating an astonishing burden for elderly Americans.[8]

SENIORS ARE FACING AN INFLATION CRISIS

Price increases specific to Americans over the age of 65

Category	Price Increase Since Jan 2021
Transportation	28.8%
Food & Beverages	16.0%
Housing	12.1%
Apparel	10.5%
Other Goods & Services	9.7%
Recreation	8.3%
Medical Care	5.6%
Education & Communication	1.2%
All Items	**13.2%**

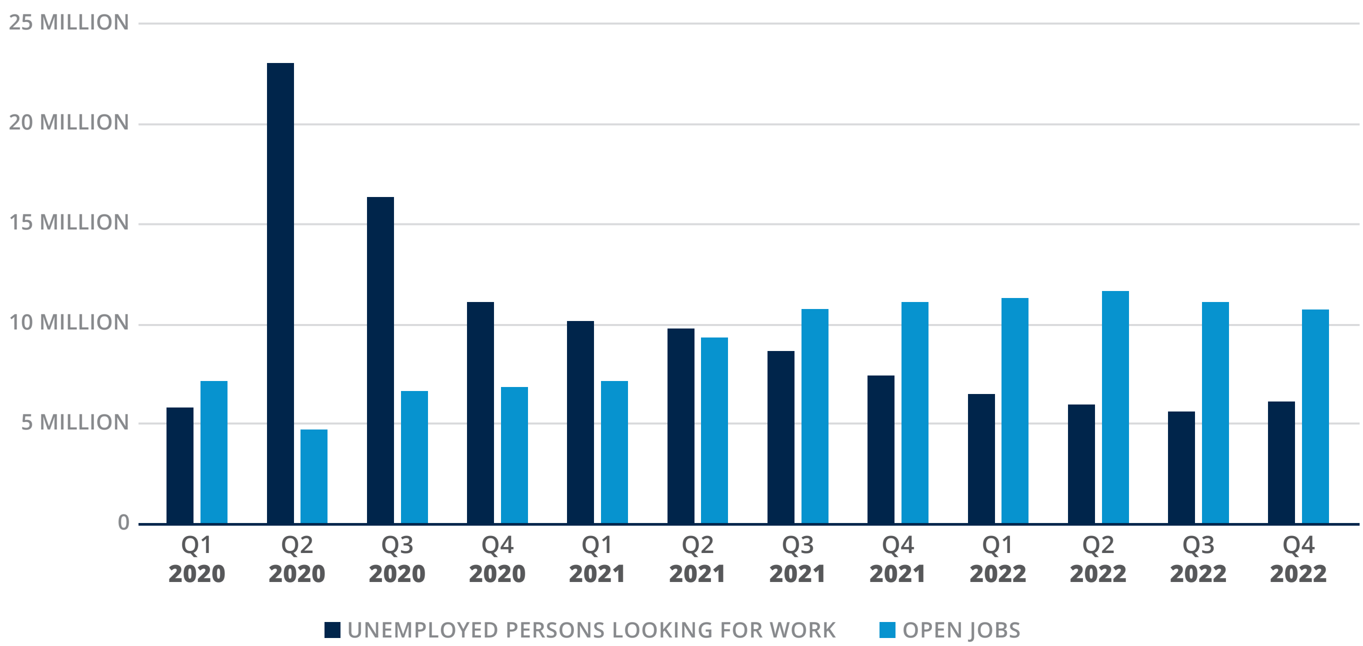
Source: BLS

Furthermore, seniors have been acutely impacted by an erosion of their investments caused by inflation-driven turmoil in financial markets. Between 2010 and 2019, the average stock holdings of seniors increased by approximately 27.5 percent, with roughly half of all elderly Americans holding stocks.[9] Yet, over the last year alone, the S&P 500 has plummeted by more than 15 percent, decimating seniors' investment holdings.[10] In fact, in the first half of 2022, **roughly $3.4 trillion in retirement investments were wiped out.**[11]

Moreover, despite the claims that seniors will be receiving an increase in their Social Security checks for 2023, this increase was entirely driven by automatic cost-of-living adjustments (COLA) that have skyrocketed due to price increases.[12] Unfortunately, even these COLA adjustments are not necessarily good news: The Senior Citizens League has forecasted that the **proposed COLA increase for Social Security may not offset ongoing inflationary costs for seniors**, resulting in a further erosion of seniors' purchasing power.[13]

The causes of the inflation that is harming seniors' financial security are multi-faceted. First, a persistent labor shortage is significantly driving up the costs of goods and services nationwide. Not only has the labor force participation rate been steadily declining over the last two decades, but it took a deep dive at the start of the pandemic and has failed to recover to its pre-pandemic levels.[14] In October 2022, we saw the labor force participation rate fall yet again.[15] In fact, **there are more than three million Americans missing from the labor force** compared to just before the pandemic.[16] As a result, the number of open jobs is still exceptionally high at 10.7 million, with nearly twice as many open jobs compared to individuals actively searching for work.[17-18]

OPEN JOBS EXCEED INDIVIDUALS SEARCHING FOR WORK



Source: BLS

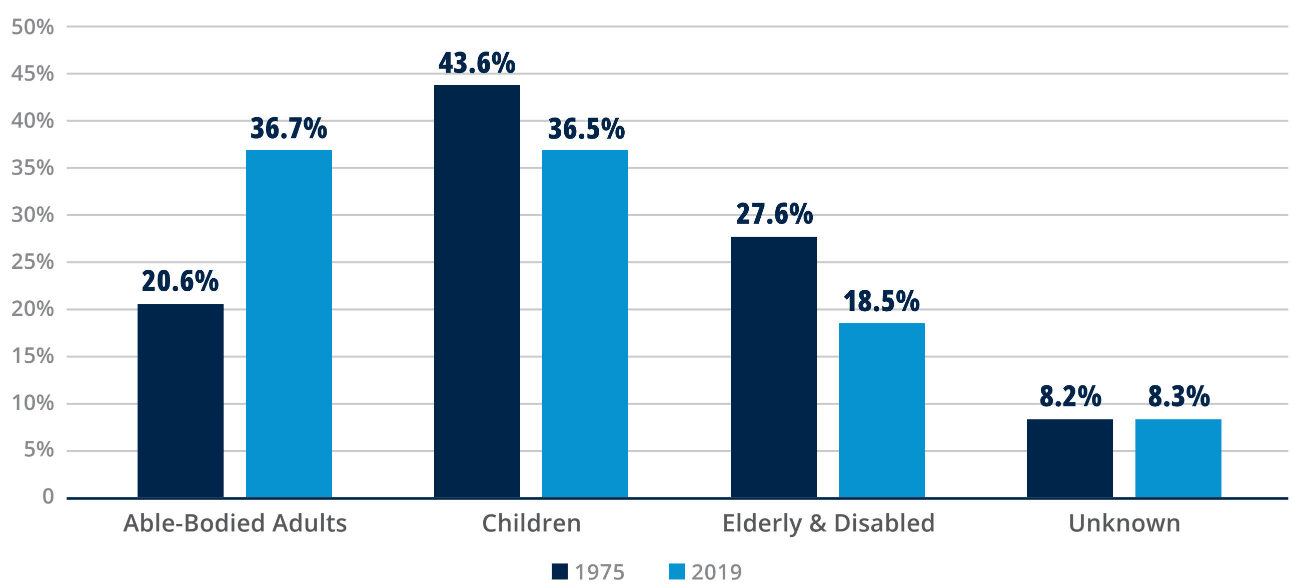
There is an economic consensus that this labor shortage is causing a wage-price spiral that is dramatically increasing the cost of living for Americans, including seniors.[19-22] If those earning an income from steady employment are struggling, then the effects for those on fixed incomes are even more severe.

This labor shortage crisis is being driven by pandemic-era welfare expansions that have made it more lucrative for some Americans to remain home rather than return to work.[23] These include:

- **A nationwide suspension of the work requirement** for able-bodied adults without dependents (ABAWDs) on the food stamp program;[24]
- **The adding of millions of Americans to the Medicaid program** since the beginning of the pandemic due to a combination of different program expansions;[25]
- **Multiple increases in the size of food stamp benefits**, including the use of Emergency Allotments and the Biden administration's unliteral 25 percent increase in food stamp payments;[26-28]
- And much more.

So long as the public health emergency and these pandemic-era welfare expansions continue, the labor shortage will persist—pushing prices higher and higher. These welfare expansions also have the negative consequence of crowding out resources for the most vulnerable, including seniors in poverty. For example, while Medicaid was once a program designed for Americans who were elderly, disabled, children, or otherwise truly needy, the proportion of able-bodied, working-age adults on Medicaid has risen from 20.6 percent in 1975 to 36.7 percent in 2019.[29]

ABLE-BODIED ADULTS ARE TAKING OVER MEDICAID ENROLLMENT



Source: MACPAC

Since the pandemic began, this percentage has assuredly skyrocketed. As more and more able-bodied adults are added to welfare, scarce resources for vulnerable Americans are crowded out— leading to spending diversions and Medicaid waiting lists.[30-31]

In addition to the labor shortage, runaway government spending (such as $5 trillion in pandemic stimulus expenditures) has also driven up inflation.[32] Alleged fixes have only exacerbated the underlying problem. For example, the Inflation Reduction Act will dramatically increase federal spending in certain areas, including by dedicating hundreds of billions to green energy subsidies and credits alone.[33] The Wharton School of Business estimates that the Inflation Reduction Act is causing inflation to accelerate.[34]

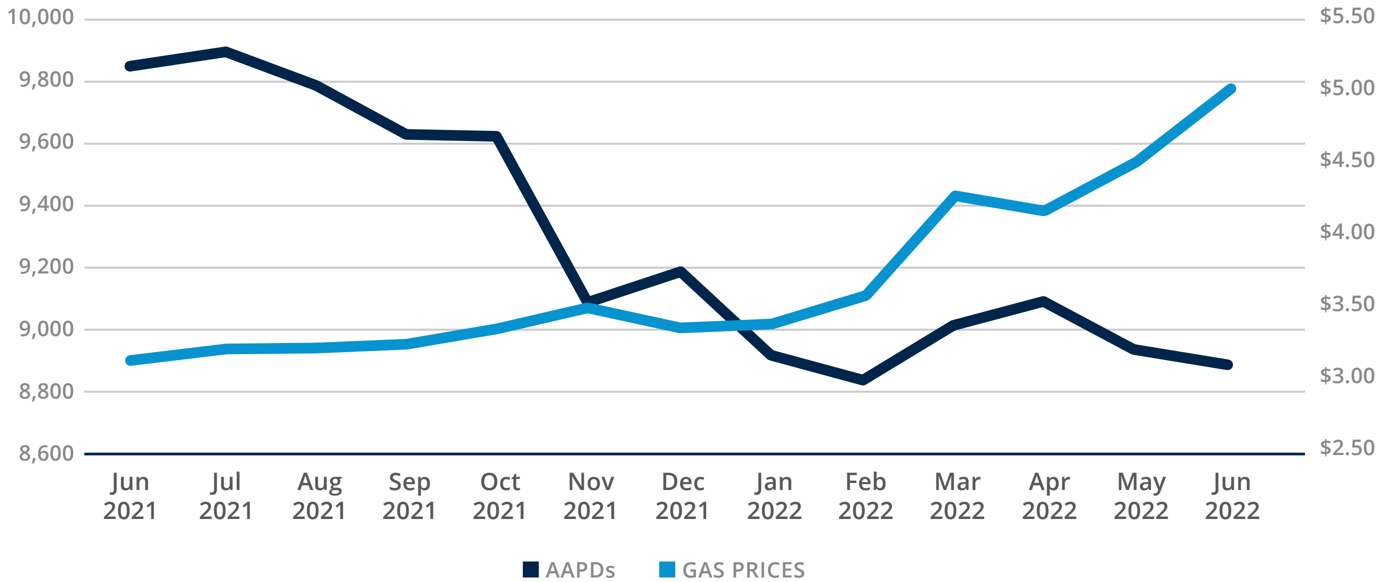
> ***The Wharton School of Business estimates that the Inflation Reduction Act is causing inflation to accelerate.***

Finally, the significant pullback of support for American energy independence has caused both energy prices (such as utilities) and gas prices to skyrocket.[35] Coupled with harmful federal restrictions and guidance, the pressure of the federal government on American energy has driven up inflation. Just some of the examples of recent restrictions on American energy are:

- Bans, restrictions, and other reductions in domestic oil and gas drilling, permitting, and leasing;[36-40]
- Canceling the Keystone XL pipeline;[41]
- Reducing the ability of energy companies to access capital through so-called "environmental, social, and governance" schemes in retirement plans, a new climate risk unit for commodities, and climate risk memorandums for large banks;[42-44]
- Raising the federal government's "risk" score of working with oil and gas industries;
- Increasing stringent vehicle emissions standards;[45]
- Rejoining the ill-conceived Paris Climate Agreement;[46]
- Imposing restrictive new energy building codes;[47] and
- Reducing the availability of public lands for energy production through monument designations.[48]

It is no surprise that, as domestic energy production has been scrutinized, gas prices have risen.

GAS PRICES RISE AS DRILLING PERMITS PLUMMET



**AAPDs refer to applications for permits to drill that are approved and available for drilling*
Sources: BLM, EIA

To improve the immediate financial security of seniors, federal policymakers can and should:

- End the public health emergency and/or untie major expansions of welfare from the emergency so that these expansions can be retired;
- Implement universal work requirements in major federal welfare programs, as proposed in S. 4448, Senator Rick Scott's Let's Get to Work Act of 2022;[49]
- Curb further attempts at reckless spending;
- Reaffirm support for the American energy sector and rescind harmful policies that negatively affect energy independence; and
- Crack down on federal spending through executive rulemaking and guidance by implementing the REINS Act—using Florida's successful REINS policy implemented under then-Governor Rick Scott as a template—which would require congressional approval for costly executive actions.[50]

Together, these five steps will dramatically reduce the rising inflation that seniors on fixed incomes have been grappling with, and provide elderly Americans with a more secure financial future.

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