

Principles & Priorities: Long-Term Budget Challenges

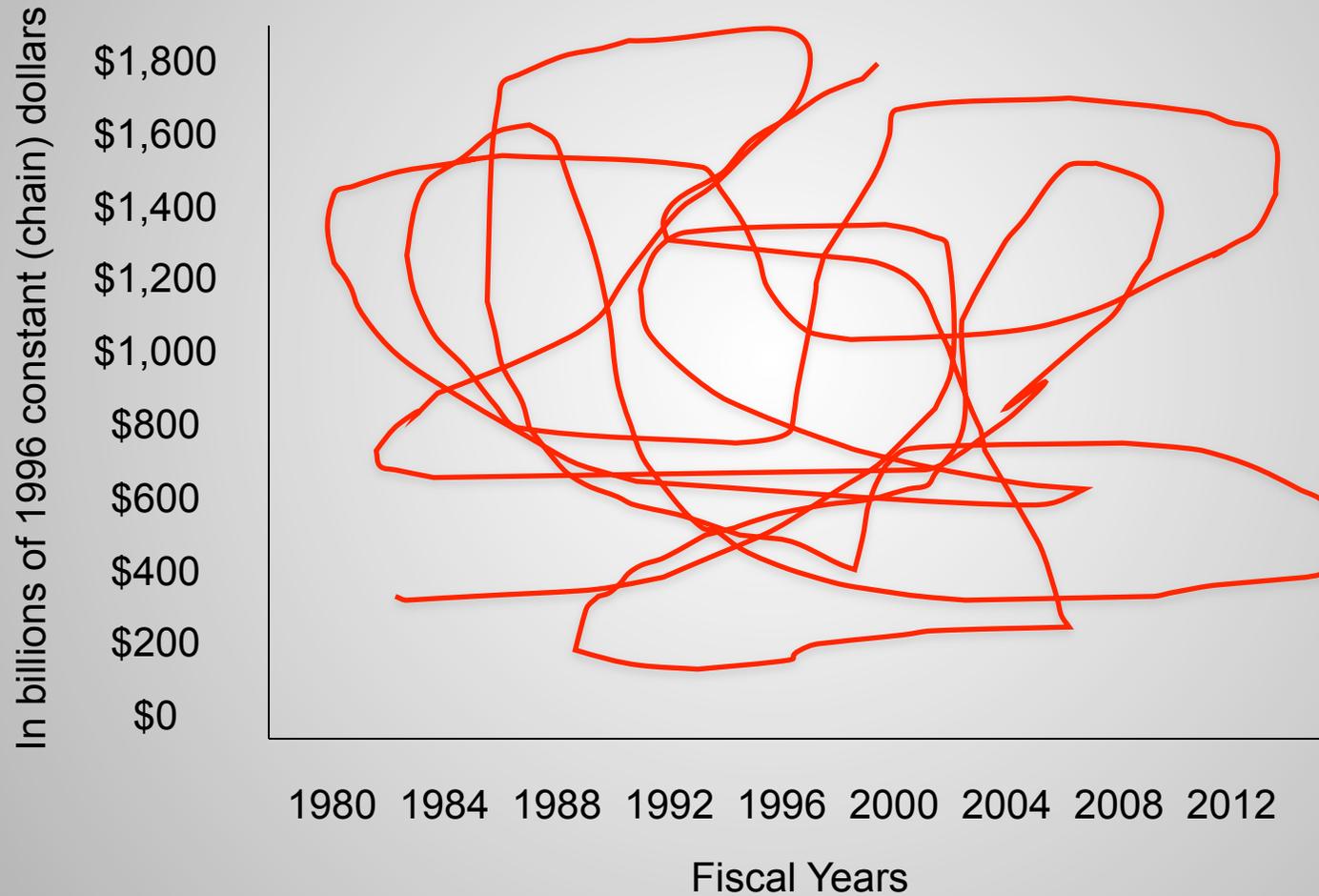


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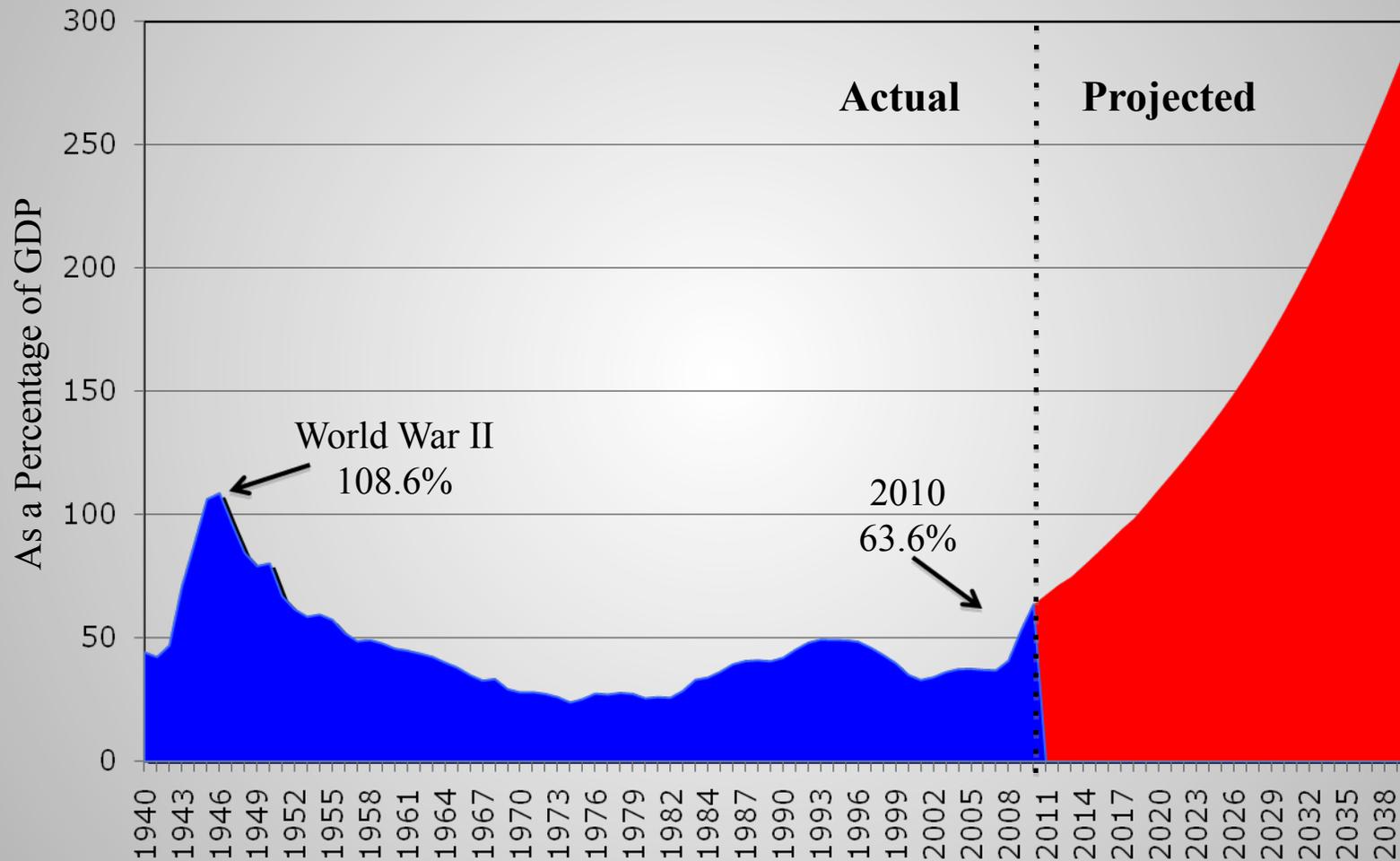
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Current Fiscal Policy



Debt Held by the Public as a Percent of GDP 1940-2040



Source: GAO Analysis, 2010 and OMB Historical Tables 2010.

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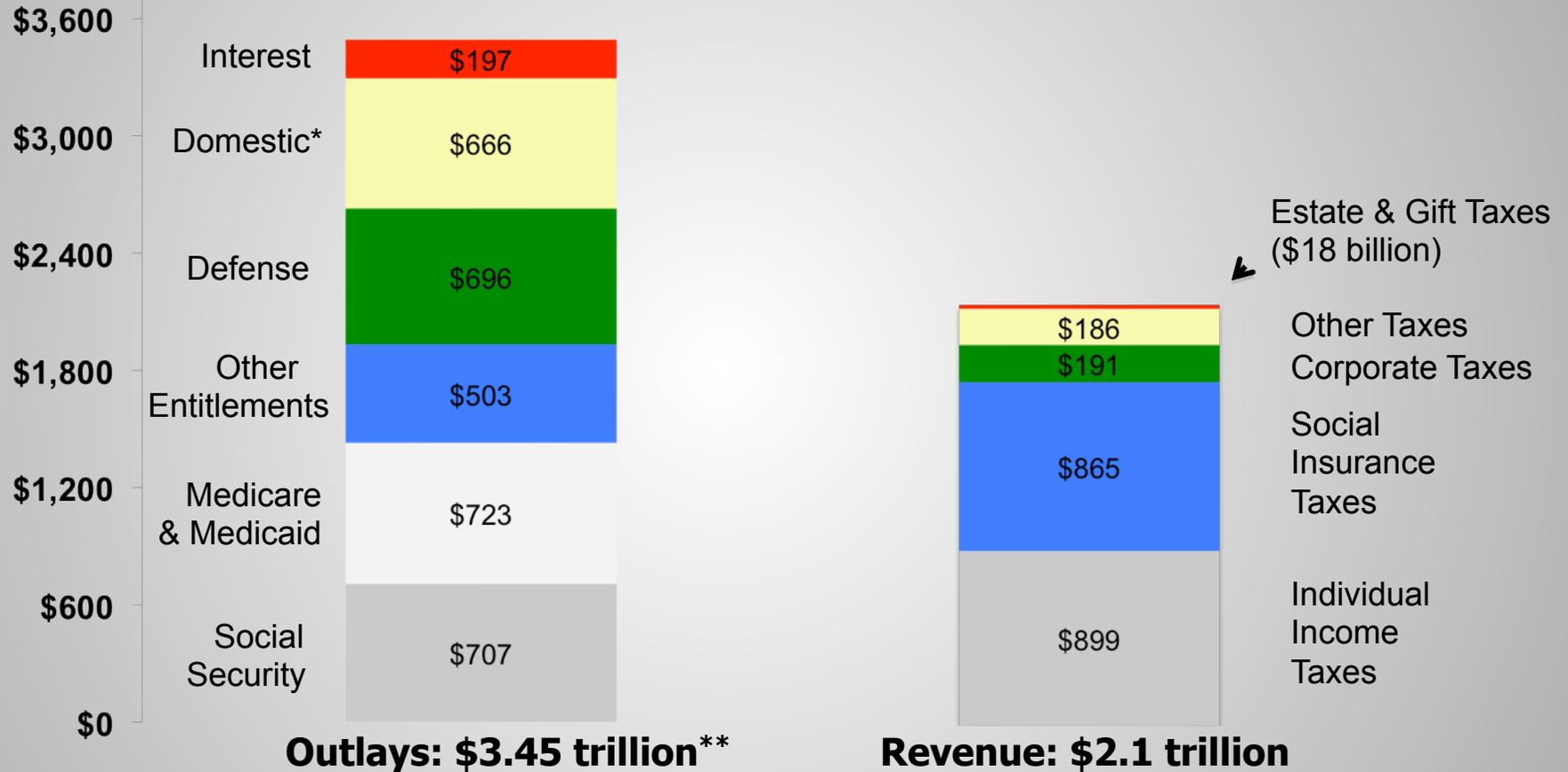


Federal Revenue and Spending (FY2010)

Revenues	\$ Bil	%	Spending	\$ Bil	%
Individual Income Taxes	899	26	Health Care	835	24
Social Insurance / Payroll Taxes (SI, Medicare, & FICA)	865	25	Social Security	707	21
Other Taxes	207	6	National Defense	696	20
Corporate Income Taxes	191	6	Income Security	624	18
Total Revenue	2,162	63	Interest	197	6
DEFICIT	1,294	37	Other	180	5
			Education	125	4
			Environmental	47	1
			International Affairs	45	1
			Total Outlays	3,456	100



Composition of FY 2010 Federal Government Revenues and Outlays (Deficit: \$1.29 Trillion)



*Includes all appropriated domestic spending such as education, transportation, homeland security, housing assistance and foreign aid.

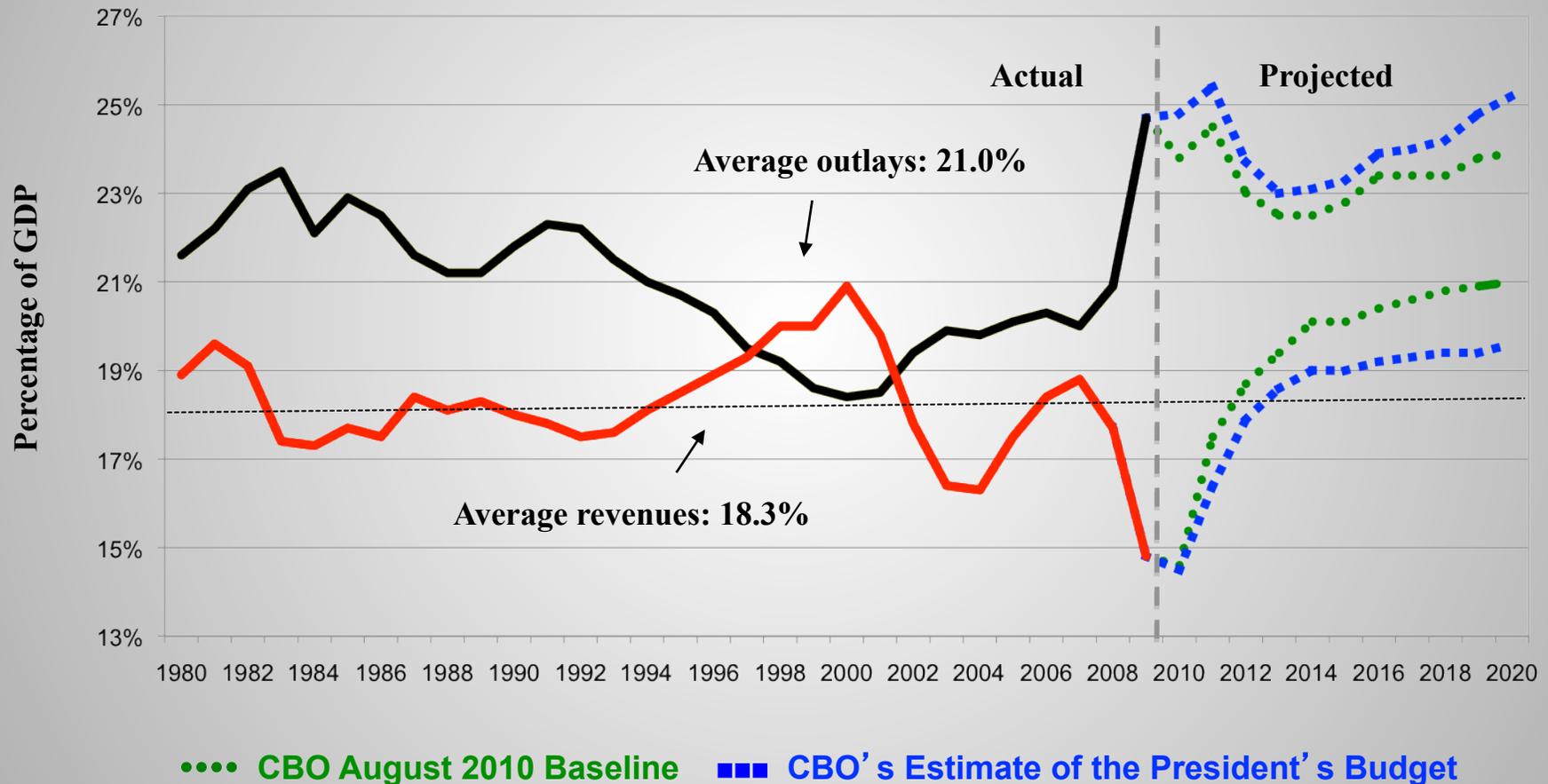
**Numbers may not add due to the preliminary nature of the fiscal year numbers.

Source: CBO October 2010 and Department of Treasury 2010.



Federal Spending vs. Revenues as a Percent of GDP (FY 1980-2020)

CBO August Baseline Compared to the President's Budget



Source: Congressional Budget Office, August 2010..

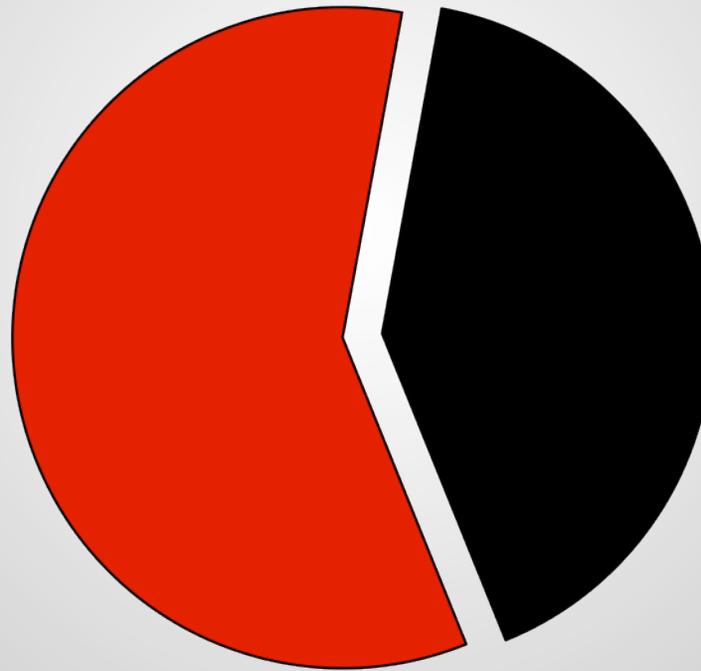


Social Security, Medicare, & Medicaid as a Percentage of the Federal Budget

All other Federal
Spending

\$2.07 Trillion

59%



Social Security,
Medicare and Medicaid

\$1.42 Trillion

41%

Source: Congressional Budget Office, August 2010.

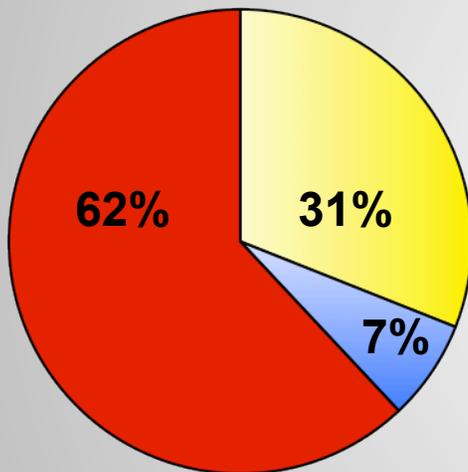
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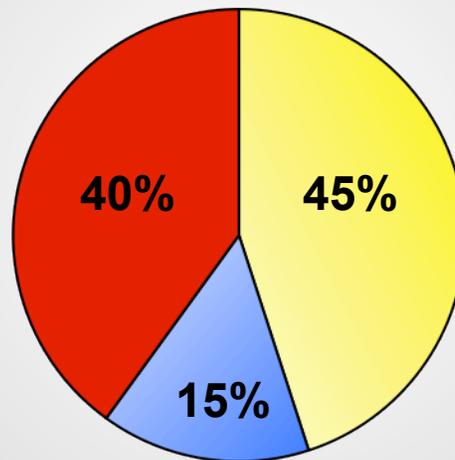


Mandatory spending is consuming a growing share of the budget

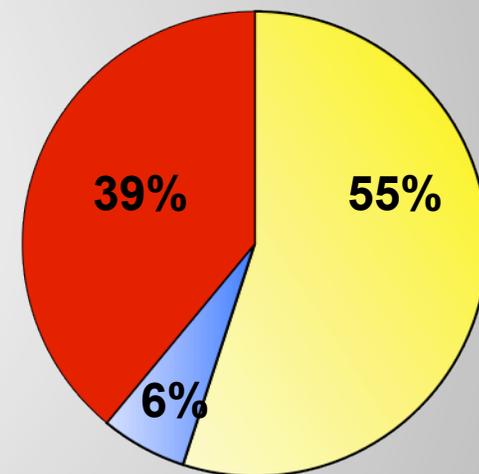
1970



1990



2010



 Mandatory

 Net Interest

 Discretionary

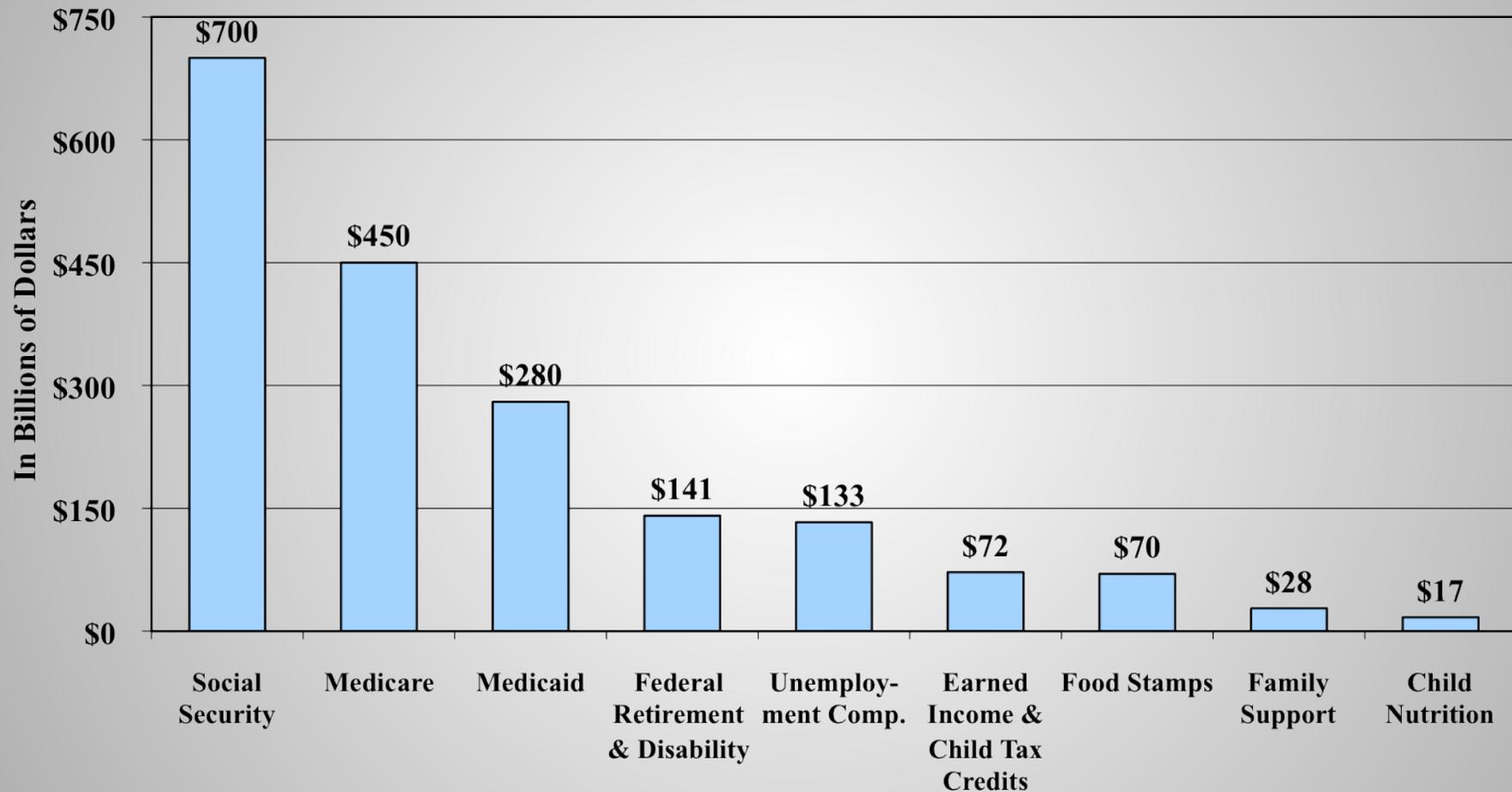
Source: Congressional Budget Office, January 2010.

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Outlays of Select Mandatory Spending Programs (FY 2010 Projected)



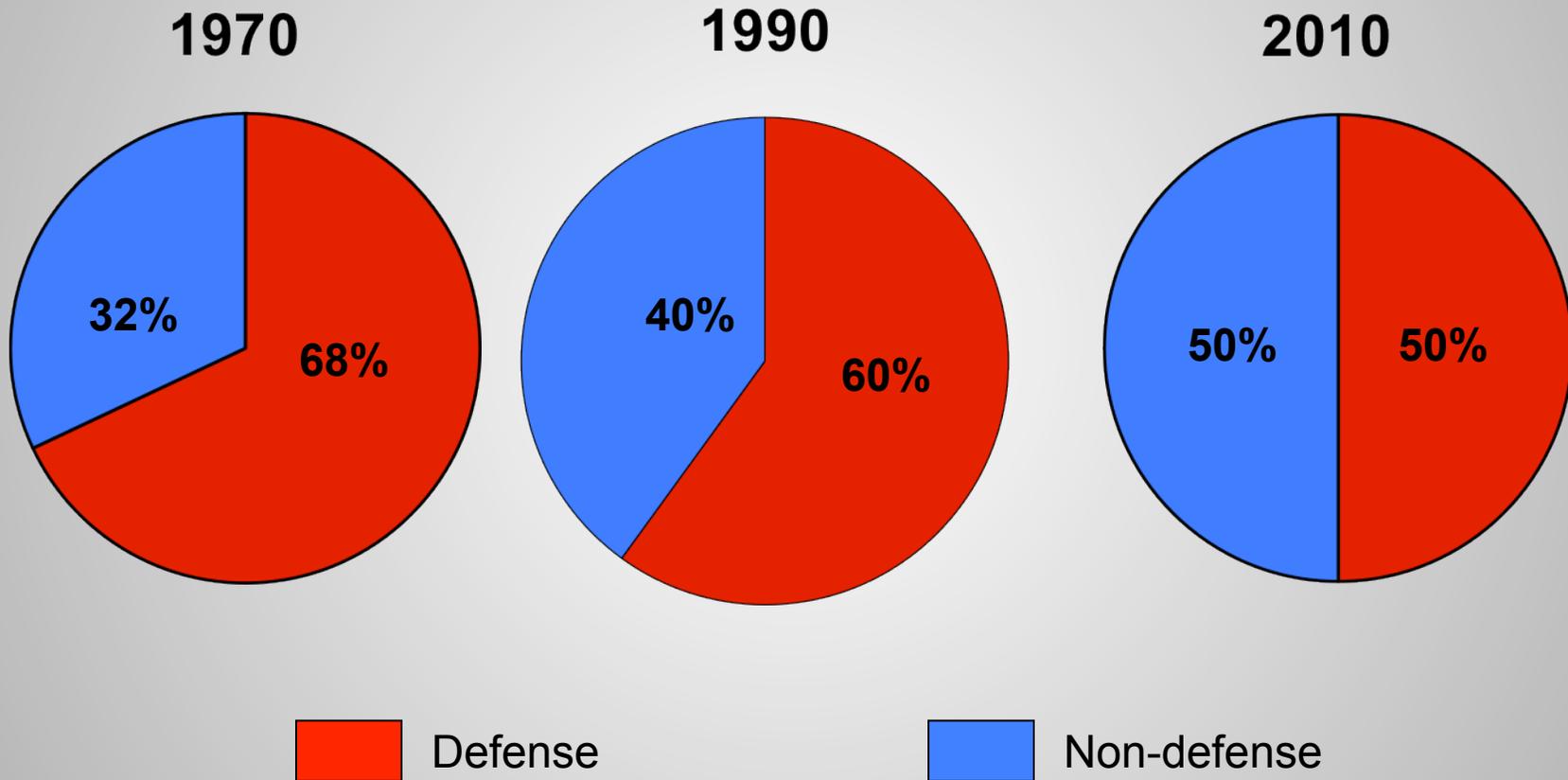
Source: Congressional Budget Office, January 2010.

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Change in Composition of Discretionary Spending

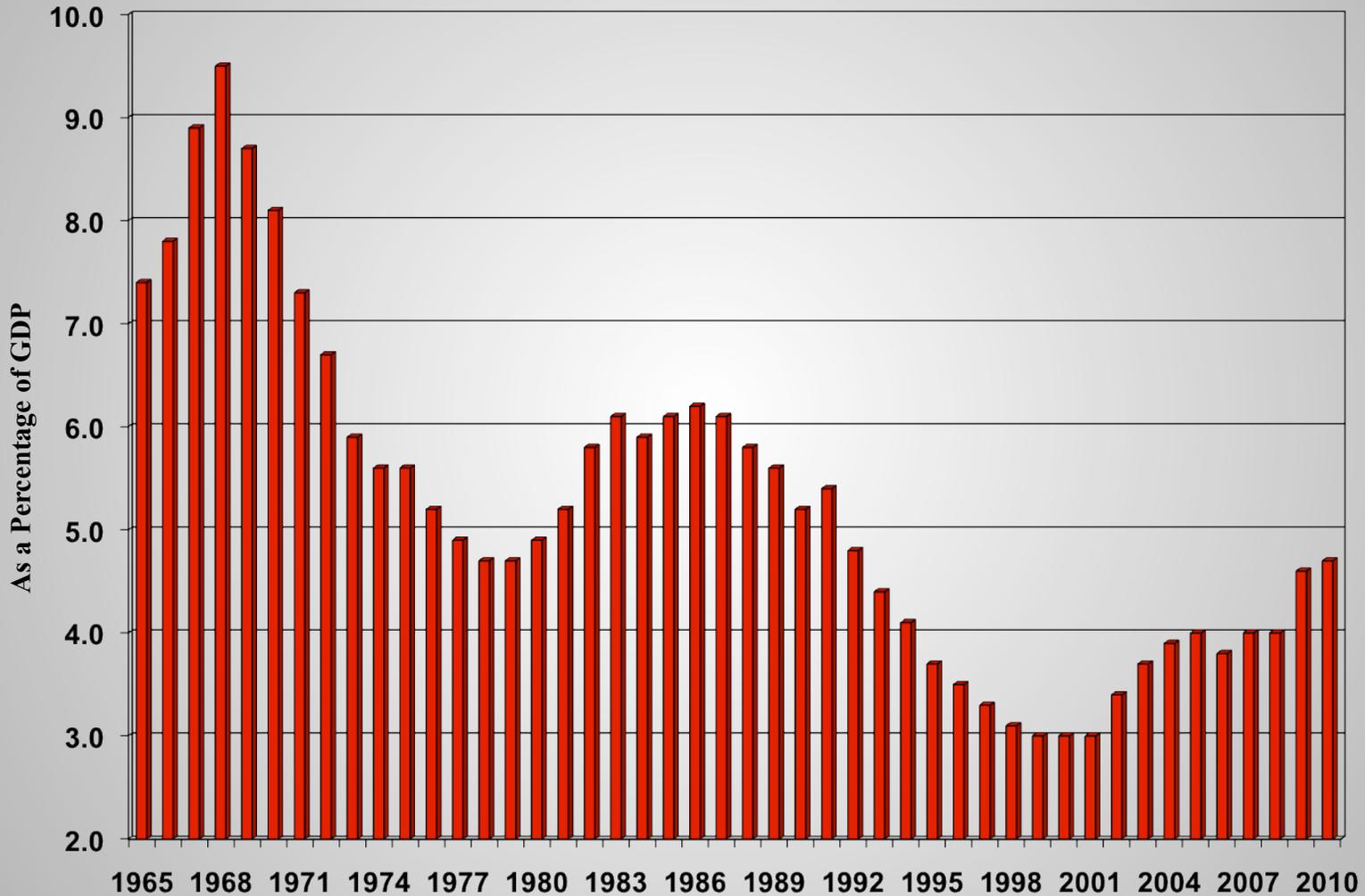


Source: Congressional Budget Office, January 2010.
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Defense Discretionary Spending as a Percentage of GDP



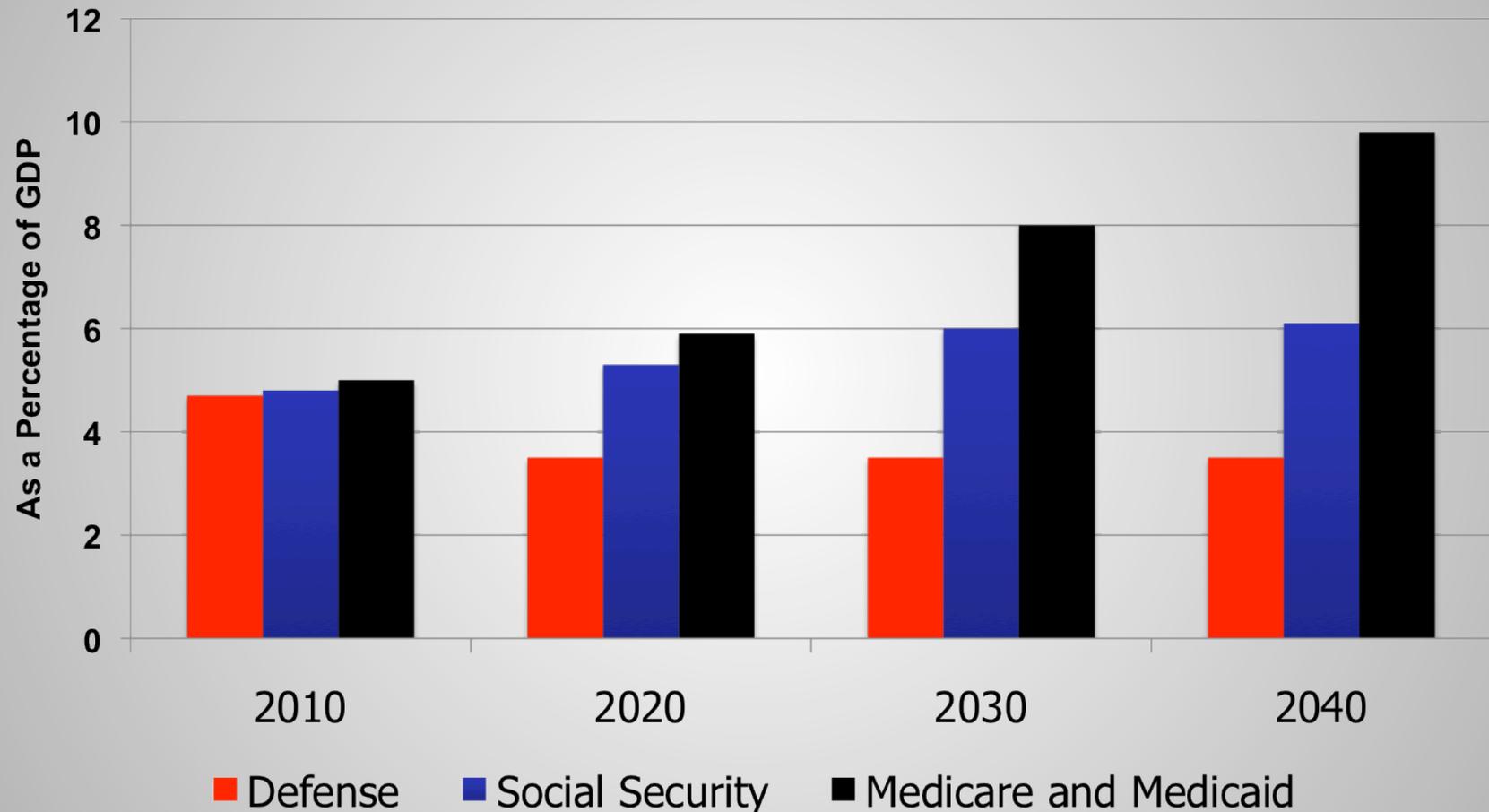
Source: Congressional Budget Office, August 2010.

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Projected Growth in Entitlement Spending far Greater than Defense Spending



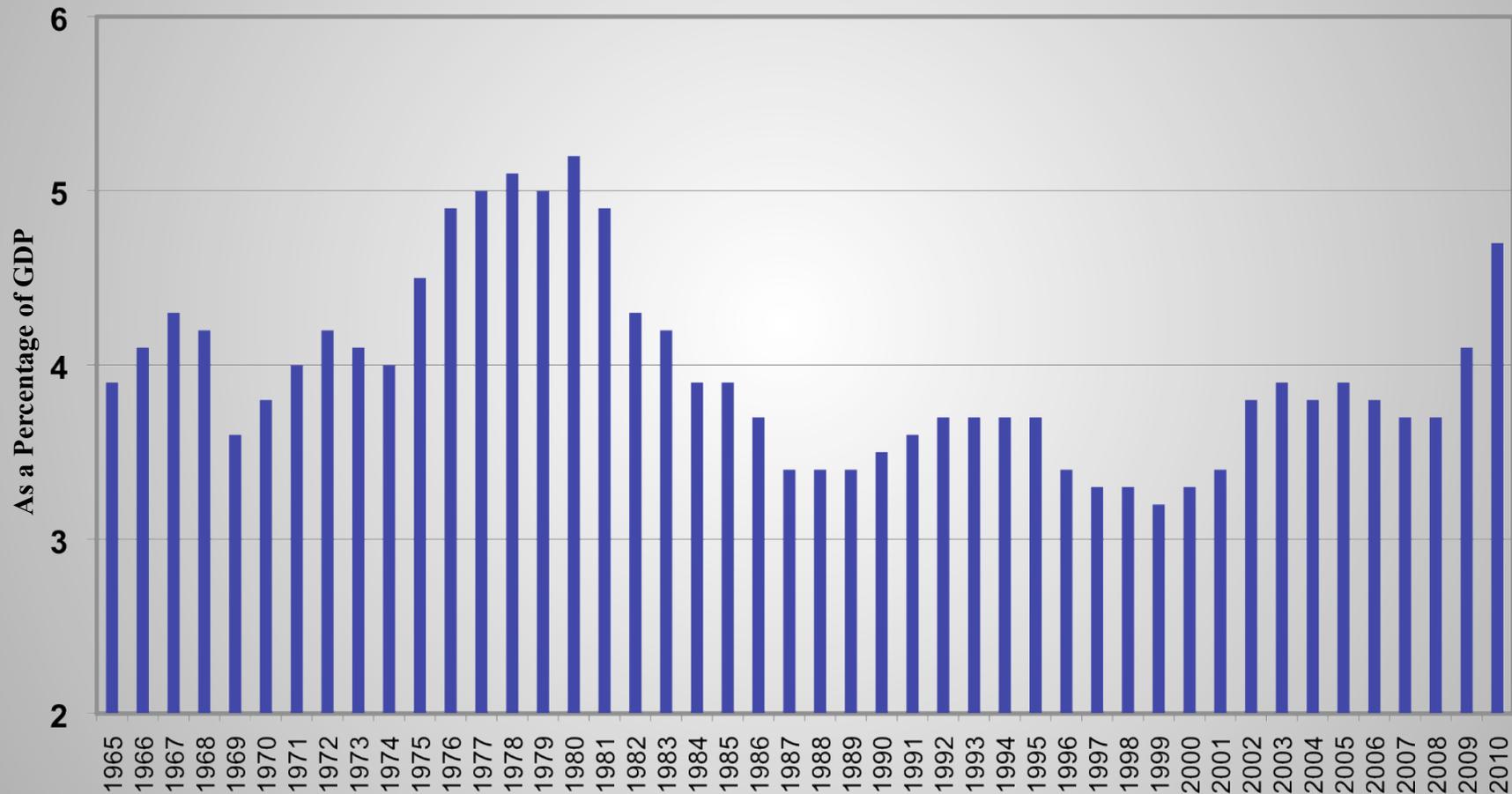
Source: Government Accountability Office and Congressional Budget Office. 2010.

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Non-Defense Discretionary Spending as a Percentage of GDP



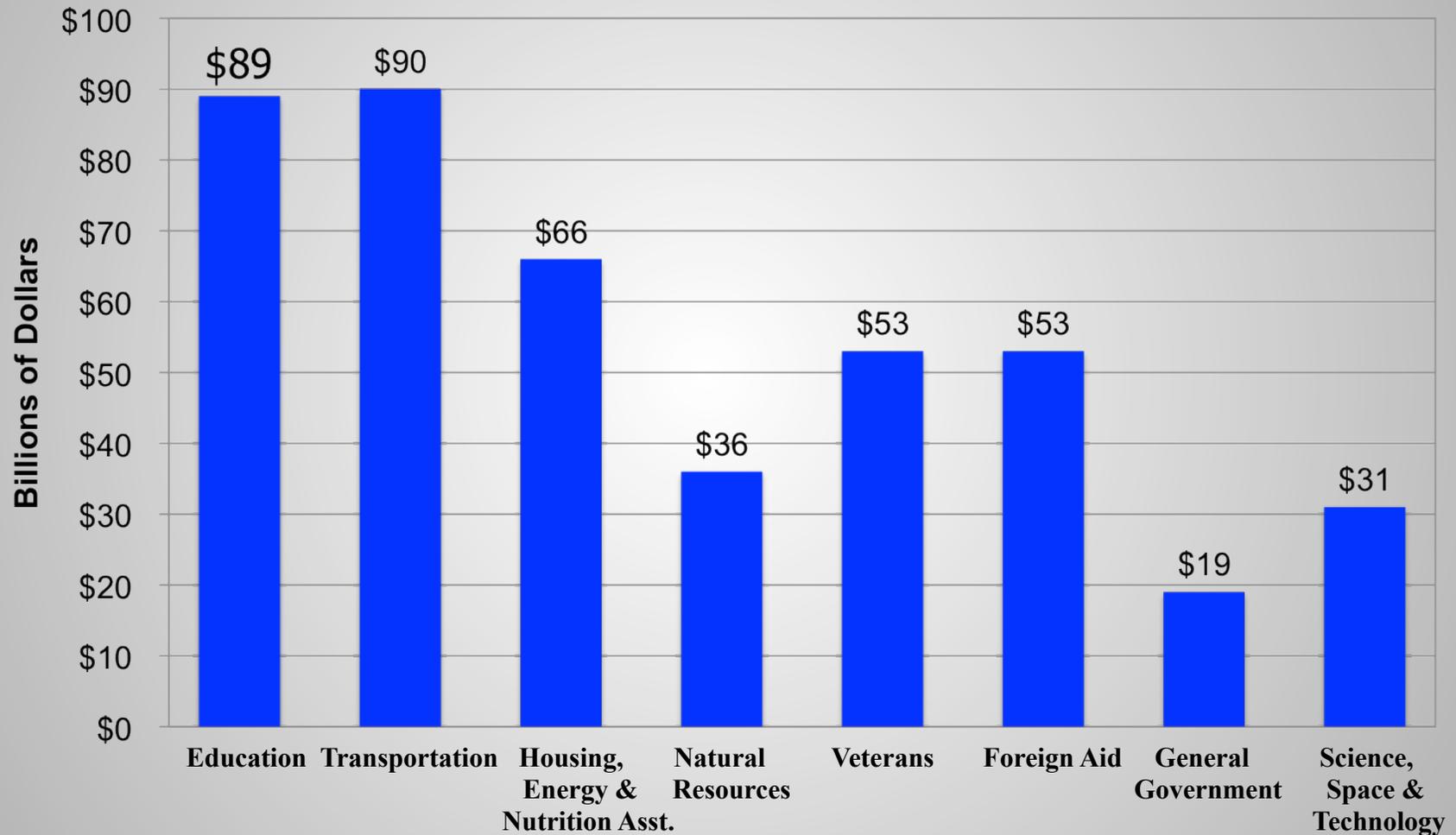
Source: Congressional Budget Office, January 2010.

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Outlays of Select Non-Defense Discretionary Programs (FY 2010 Projected)



*includes ground, air, and water

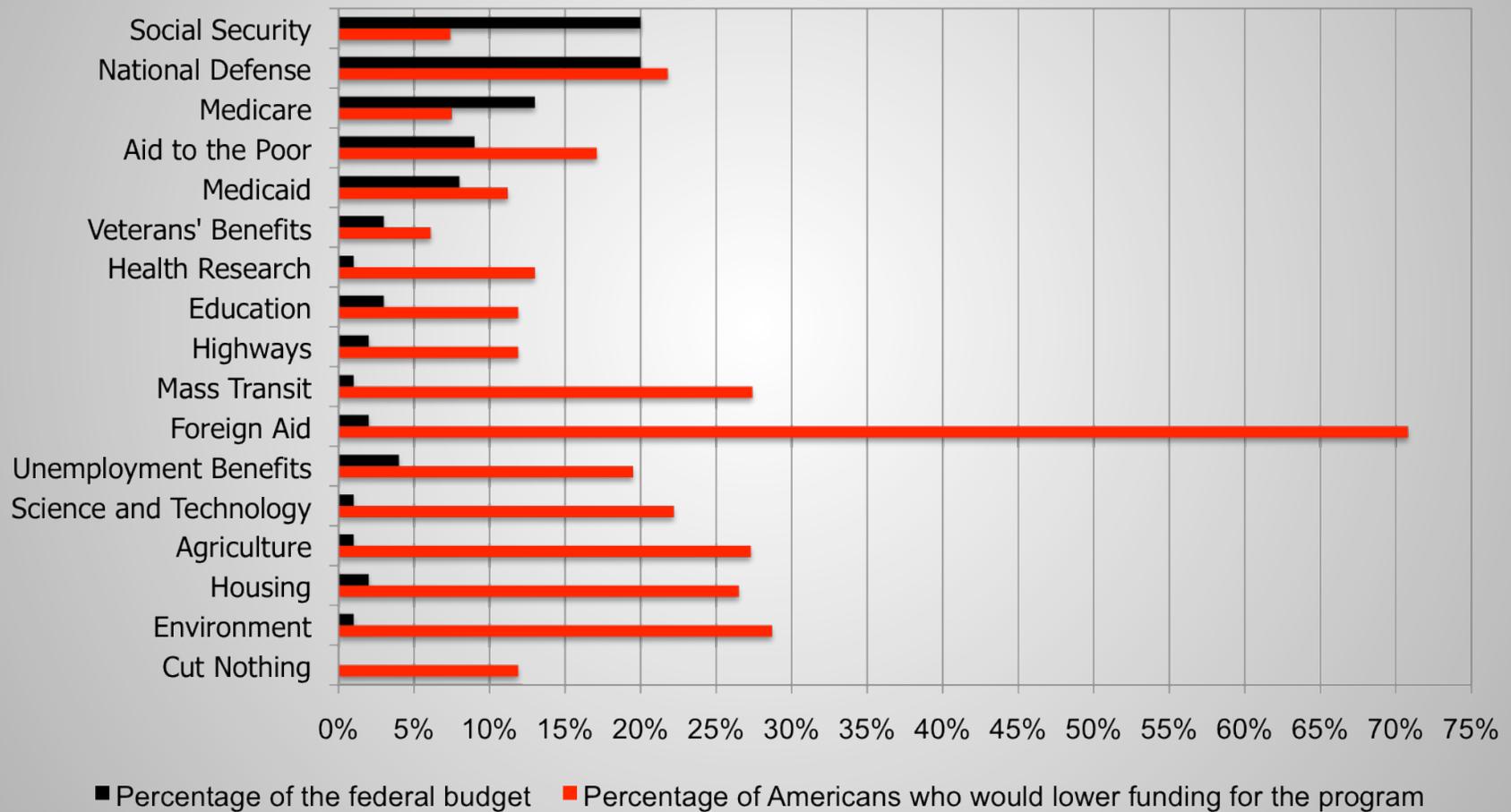
Source: Congressional Budget Office, January 2010.

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Americans Want to Cut Spending – But Not on the Programs That Cost the Most

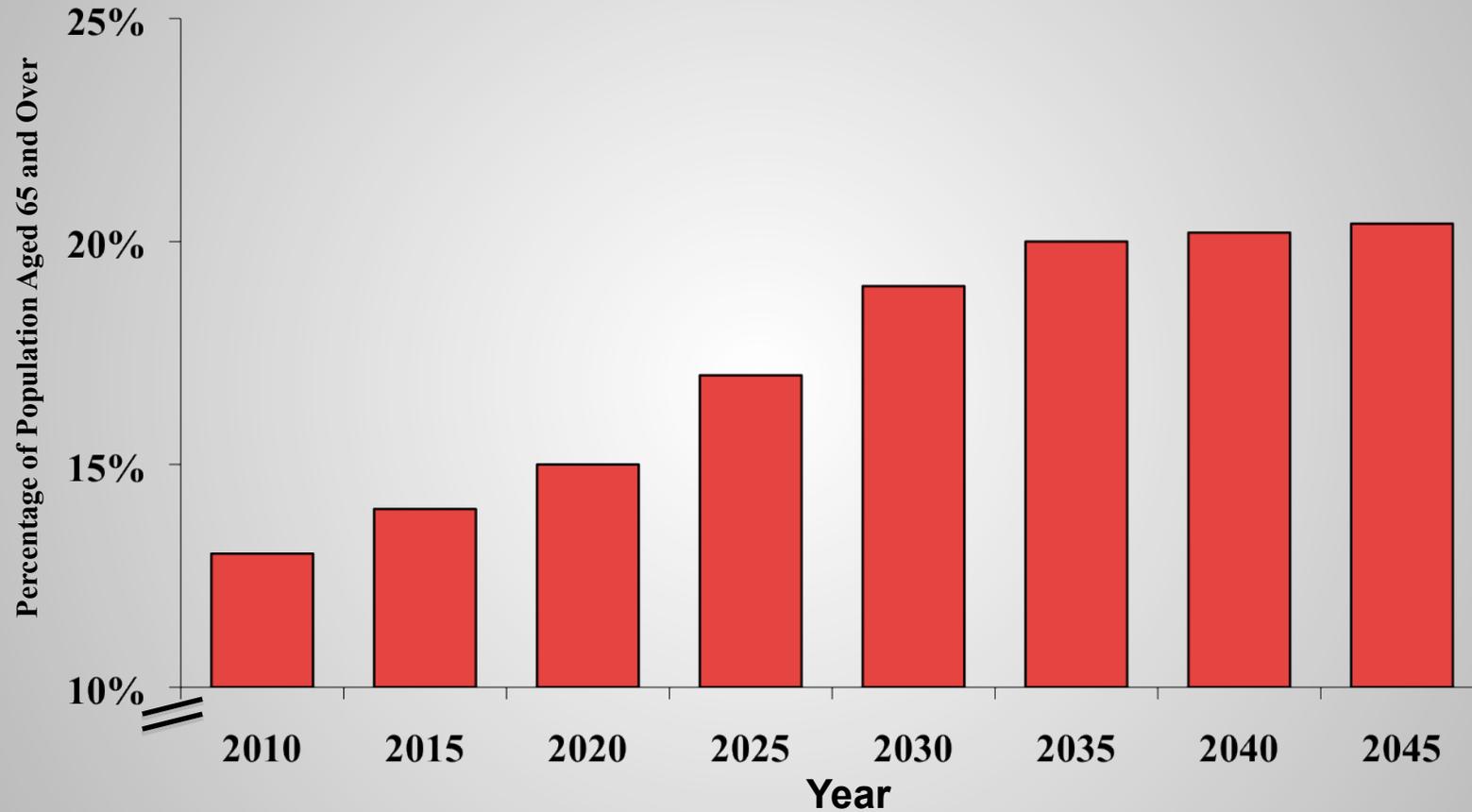


Source: *The Economist/YouGov Poll, April 2010 and Congressional Budget Office, January 2010.*



America's Population is Aging

Population age 65 and Over



Source: Social Security and Medicare Trustees' Report, 2010.

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Americans are living longer and having fewer children

Consequently, fewer workers are available
to support each Social Security recipient



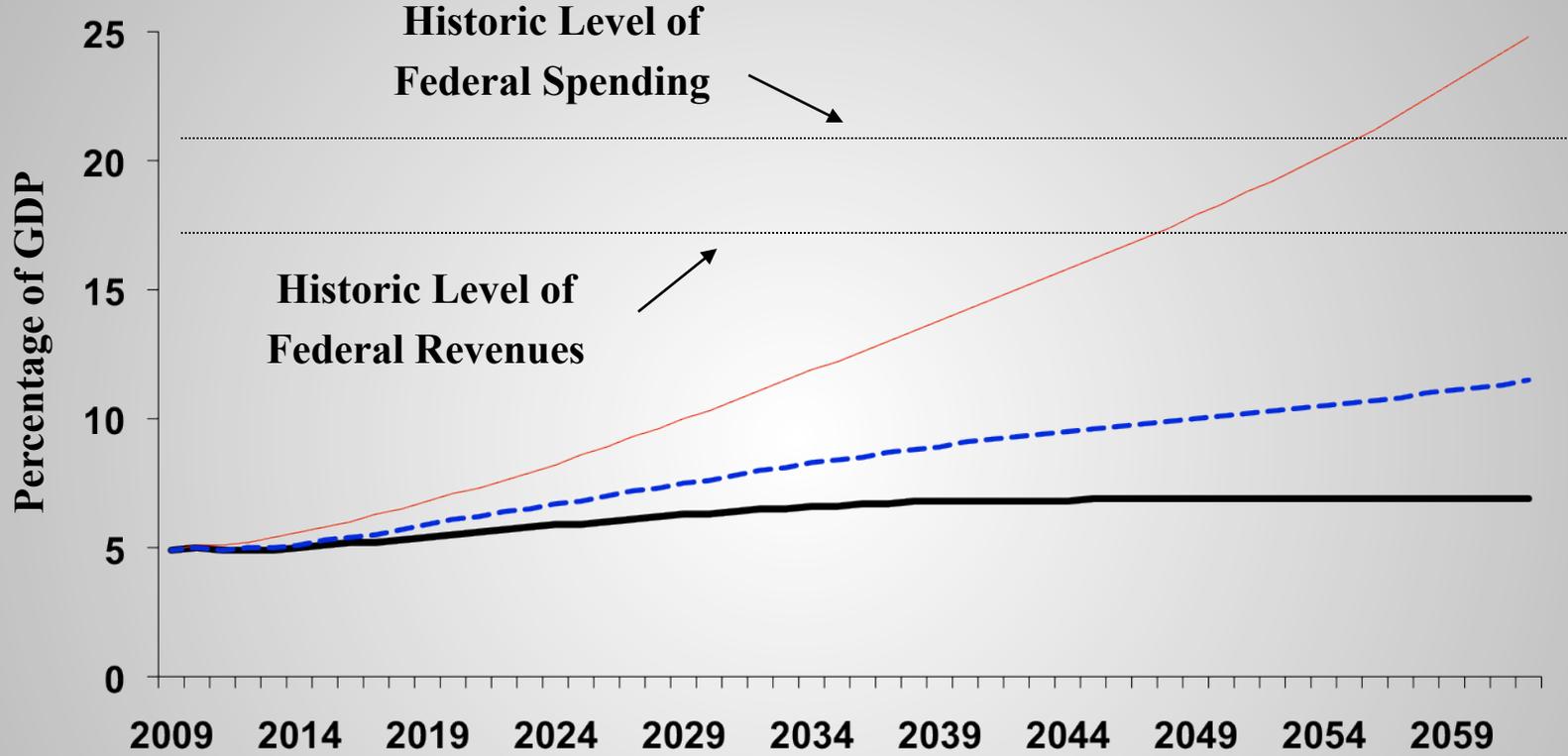
Source: Social Security Administration, June 2010.

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Health Care Costs are Rising Faster Than the Economy



-  Assumes that health care cost growth will not exceed GDP growth.
-  Assumes that health care cost growth continues at the average rate for the past 40 years (2.5 percentage points greater than GDP growth.)
-  Assumes that health care cost growth rate declines to 1.0 percentage point greater than GDP growth—consistent with the assumption used by the Medicare Trustees.

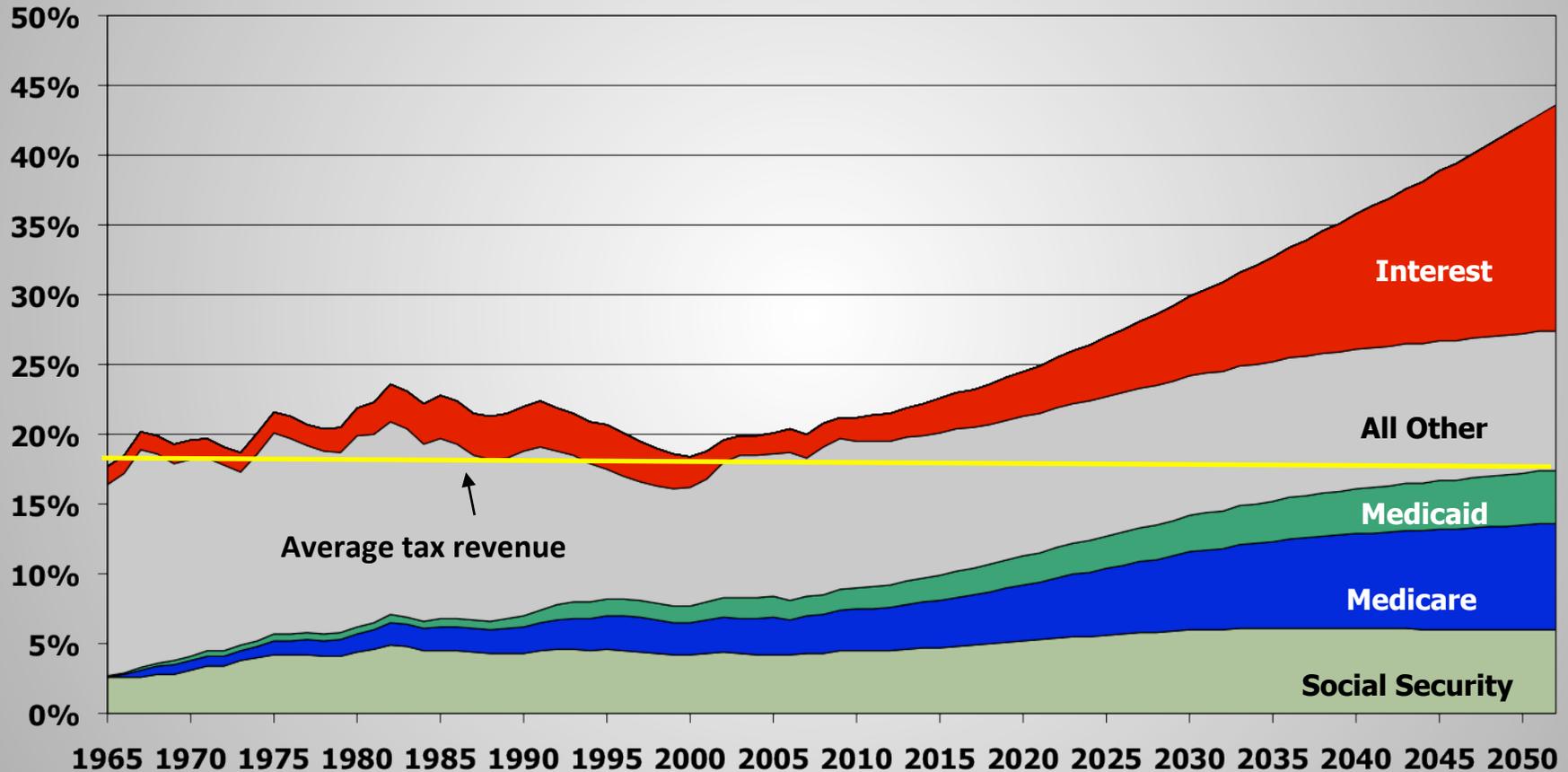
Source: Congressional Budget Office, June 2009.
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Current fiscal policy is on an unsustainable path

Federal Outlays as a Percentage of GDP



Source: Government Accountability Office, February 2010.

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Your Personal Priorities

- **Health**
 - Medicare, Medicaid, safety-health inspections, veterans health
- **International Affairs**
 - Internat' l dev' t/humanitarian assistance, internat' l security assistance, conducting foreign affairs and internat' l financial programs, etc.
- **Income Security**
 - Unemployment comp., housing assistance, food stamps, nutrition programs, gen' l retirement/disability insurance (excluding SS), etc.
- **Education**
 - All Dept. of Education spending
- **Interest**
 - Interest on our debt (i.e., borrowed funds)
- **Other**
 - Domestic homeland security, science and space technology, NIH, postal service subsidies, job training, general gov' t, etc.
- **Tax/Spending**
 - Tax increases, spending cuts, combination of both?



Principles & Priorities

1) General Gov' t Spending

– Options: 1, 2, 3, 6, 9

2) National Defense / Homeland Security

– Options: 12, 13, 15, 16, 18

3) Revenues / Taxes

– Options: 20 OR 21, 22, 23, 25, 26

4) Entitlements (SS, Medicare, Medicaid)

– Options: 28, 29, 32, 33, 34

- Calculate your expenditures or savings (p. 11)... (IGNORE #6)
- One person per committee to report out about fiscal policy decisions and group deliberations...



Group Discussion

- **What is your final tally? (#5 on page 11)**
- **Any “easy” (or unanimous) decisions?**
- **Which policy options caused the most discussion and debate for your committee?**



Bipartisan Policy Debt Reduction Task Force

- **Revive the economy and create 2.5 to 7 million new jobs over two years with a payroll tax holiday.**
- **Balance the primary budget in 2014, reduce deficits including interest to small and manageable levels, and stabilize the debt below 60 percent of GDP by 2020.**
- **Create a simple, pro-growth tax system that broadens the base, reduces rates, makes America more competitive, and raises revenue to reduce the debt.**
- **Reduce the unsustainable rate of growth in healthcare costs.**
- **Strengthen Social Security to ensure that it will pay benefits for 75 years and beyond, while not increasing the retirement age and protecting the most vulnerable elderly.**
- **Freeze domestic and defense discretionary spending.**
- **Cut other spending, including farm and government retirement programs.**



President's Fiscal Responsibility & Reform Commission

- **Achieve \$4 T in deficit reduction by 2020.**
- **Reduce deficit to 2.3% of GDP by 2015 (roughly 9% now).**
- **Reduce tax rates, abolish AMT and cut tax loopholes.**
- **Cap revenue at 21% of GDP and spending between 21-22% of GDP.**
- **Ensure Social Security solvency and distribute burden fairly.**
- **Stabilize debt by 2014 and reduce to 60% of GDP by 2023 and 40% by 2035 (currently at 64+%).**
- **How?**
 - **Discretionary spending cuts**
 - **Comprehensive tax reform**
 - **Health care cost containment**
 - **Mandatory savings**
 - **Social Security reform**
 - **Process changes**



How Can I Make a Difference?

- Visit www.concordcoalition.org to learn more about these fiscal issues and sign up for our weekly e-mail.
- Become a volunteer for the Concord Coalition and help us give the country a fiscal wake-up call.
- Discuss the issue of fiscal responsibility with friends, family, and other members of your community.
- Take personal responsibility for your own retirement and start saving now.
- Become a Member of The Concord Coalition. We need your support!

