



# Federal Spending by the Numbers 2012

*Edited by Alison Acosta Fraser*

**SPECIAL REPORT**

from THE THOMAS A. ROE INSTITUTE for ECONOMIC POLICY STUDIES

No. 121 | OCTOBER 16, 2012

# *Federal Spending by the Numbers 2012*

*Edited by Alison Acosta Fraser*

---

## **Contributors**

**Alison Acosta Fraser** is Director of the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

**Romina Boccia** is Research Coordinator in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

**John Fleming** is Senior Data Graphics Editor at The Heritage Foundation.

**Emily J. Goff** is a Research Associate in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

**Patrick Louis Knudsen** is the Grover M. Hermann Fellow in Federal Budgetary Affairs in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

Cover Photo illustration—  
© Elizabeth Brewer

This paper, in its entirety, can be found at:  
<http://report.heritage.org/sr121>

Produced by the Thomas A. Roe Institute  
for Economic Policy Studies

**The Heritage Foundation**  
214 Massachusetts Avenue, NE  
Washington, DC 20002  
(202) 546-4400 | [heritage.org](http://heritage.org)

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

---

## Table of Contents

Introduction .....	v
Overall Budget Trends .....	1
Overall Spending Trends .....	2
Where the Money Goes .....	3
Spending is Causing Damaging, Structural Budget Deficits .....	4
Spending Increases Driving Debt Growth .....	5
Discretionary Spending .....	6
Base Spending Continues Growing .....	7
The Major Entitlement Programs .....	8
Obamacare's Spending .....	9
Anti-Poverty Spending .....	10
Other Popular Programs Continue to Grow Rapidly .....	11
The Long-Term Budget Outlook .....	12
The Budget Control Act .....	13
Sequestration .....	14
Nowhere to Cut? .....	15



# *Federal Spending by the Numbers 2012*

*Edited by Alison Acosta Fraser*

## Introduction

The federal government has closed out its fourth straight year of trillion-dollar-plus deficits, and the imperative to rein in spending has never been greater. Because all government spending gets paid for through either taxes or borrowing—both of which burden the economy—spending reduction is an essential condition for promoting economic growth.

As this 2012 edition of *Federal Spending by the Numbers* shows, total federal spending for fiscal year 2012<sup>1</sup> reached \$3.6 trillion, or 22.9 percent the size of the entire U.S. economy. In the past 20 years, federal outlays have grown 71 percent faster than inflation. The average American household's share of this spending is \$29,691, roughly two-thirds of median household income. This relentless growth is projected to continue, pushing total government outlays to \$5.5 trillion a decade from now, and to about 36 percent of gross domestic product (GDP) in the next 25 years.

Federal entitlements are driving this spending growth, having increased from less than half of total federal outlays just 20 years

ago to nearly 62 percent in 2012. Three major programs—Medicare, Medicaid, and Social Security—dominate in size and growth, soaking up about 44 percent of the budget. All three programs are growing faster than inflation, and—when joined with \$1.7 trillion in new Obamacare spending—will drain about 18.5 percent of the nation's total economic output by mid-century. Because that is about the historical annual average of total federal tax revenue, it means all other government programs—national defense, veterans health care, transportation, federal law enforcement, and others—would effectively have to be financed on borrowed money.

Other entitlements continue growing as well. Anti-poverty programs have surged by 49 percent in just the past decade, even after adjusting for inflation. Spending for food stamps alone has more than tripled since 2002. Health programs, including Medicaid, have increased by 38 percent, and housing assistance by 48 percent.

Although these entitlement programs have dominated the

government's spending growth, discretionary spending—spending authorized by annual appropriations bills—also has grown by 40 percent more than inflation, to \$1.289 trillion. Spending on non-defense programs has grown 29 percent. These outlays peaked in 2010 due to the stimulus bill, but remain 7 percent higher than their pre-stimulus level of 2008.

The result of this increasing deficit spending—which is financed by borrowing—is growing debt. If current policies continue, debt held by the public will approach 90 percent of total economic output by 2022, and will be twice the size of the entire economy 25 years from now.

There is still time to change course—but that time is growing short. The Heritage Foundation's budget plan, *Saving the American Dream*,<sup>2</sup> reforms entitlements to make them affordable and sustainable, reins in other spending while adequately funding defense, and balances the budget in 10 years. The budget can be put on a stable, sustainable course if policymakers act soon.

1. Figures for fiscal year 2012 and later are estimates based on the Congressional Budget Office or the Office of Management and Budget, as labeled.  
2. Read the plan at <http://savingthedream.org/>.



## Overall Budget Trends

- Over the past 20 years, federal spending grew 71 percent faster than inflation.
- Entitlement spending more than doubled over the past 20 years, growing by 110 percent (after adjusting for inflation). Discretionary spending grew by 60 percent.
- Deficits have pushed up the debt each year since 2002 as federal spending exceeded revenue. Fiscal year 2012 marked the fourth consecutive year of \$1 trillion deficits.
- Although debt held by the public surged from 33.6 percent of gross domestic product in 2002 to 73 percent in 2012, net interest costs have held below 2 percent of GDP because interest rates have fallen to all-time lows.
- In 1962, defense spending was nearly half the total federal budget (49 percent); Social Security and other mandatory programs were less than one-third of the budget (31 percent). Two major entitlement programs, Medicaid and Medicare, were signed into law by President Johnson in 1965.
- In 2012 entitlements were nearly 62 percent of total spending, while defense dropped to less than one-fifth (18.7 percent) of the budget.

## The Federal Budget, 1992-2012

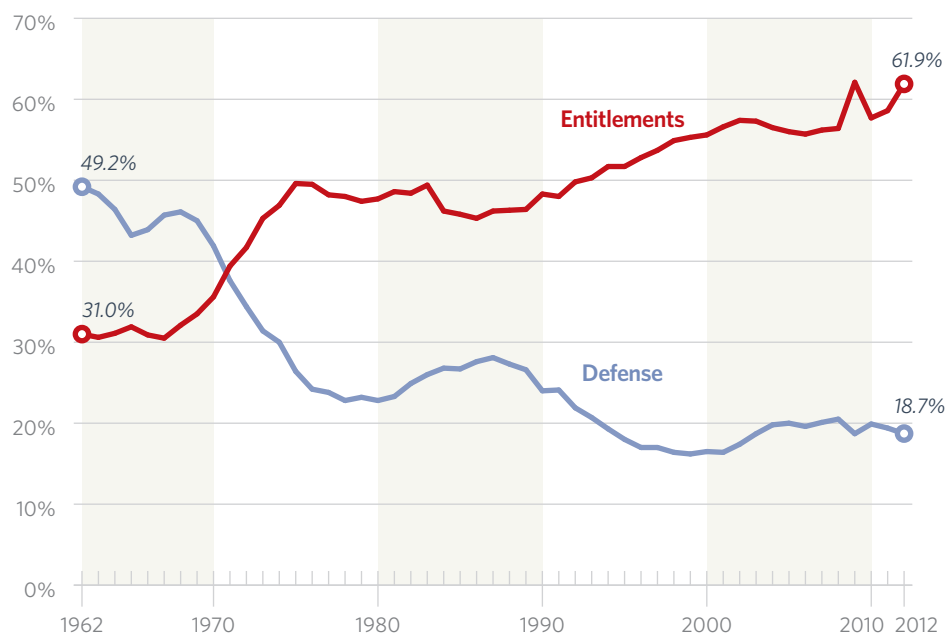
IN BILLIONS OF INFLATION-ADJUSTED DOLLARS (2012)

	Discretionary Spending	Entitlement Spending	Net Interest	Total Spending	Total Revenue	Surplus/Deficit
1992	\$803	\$976	\$300	\$2,079	\$1,642	-\$437
1993	795	988	293	2,076	1,700	-376
1994	781	1,035	293	2,109	1,815	-293
1995	770	1,044	328	2,142	1,910	-232
1996	739	1,091	334	2,164	2,015	-149
1997	745	1,104	332	2,181	2,152	-30
1998	744	1,158	325	2,226	2,320	93
1999	760	1,195	305	2,260	2,426	167
2000	799	1,236	290	2,325	2,632	307
2001	825	1,280	262	2,367	2,530	163
2002	918	1,383	214	2,515	2,318	-197
2003	1,010	1,448	188	2,646	2,183	-463
2004	1,066	1,474	191	2,731	2,240	-491
2005	1,117	1,521	212	2,850	2,483	-367
2006	1,135	1,577	253	2,965	2,688	-277
2007	1,131	1,574	257	2,962	2,787	-174
2008	1,205	1,694	269	3,168	2,681	-487
2009	1,300	2,199	197	3,696	2,212	-1,484
2010	1,399	1,987	204	3,590	2,247	-1,344
2011	1,371	2,062	234	3,666	2,344	-1,322
2012	1,289	2,053	220	3,563	2,435	-1,128

Source: Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Tables 8.1 and 1.1, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012), and Congressional Budget Office, *An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022*, August 2012, Table 1-1, <http://cbo.gov/publication/43543> (accessed August 23, 2012).

## 62 Percent of the Federal Budget Goes to Entitlements

SHARE OF TOTAL OUTLAYS

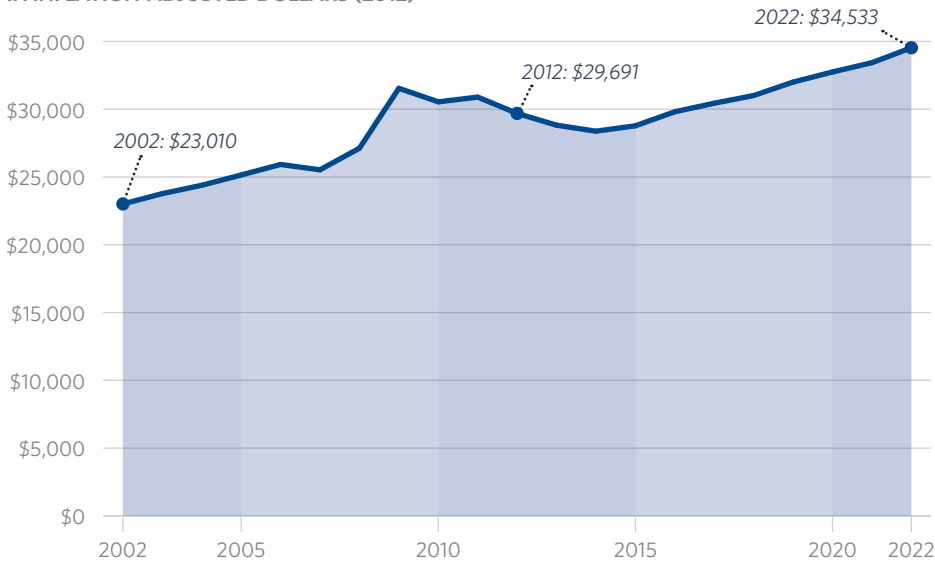


Source: Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 8.3, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012).



## Federal Spending per Household Grew 29 Percent Since 2002

IN INFLATION-ADJUSTED DOLLARS (2012)



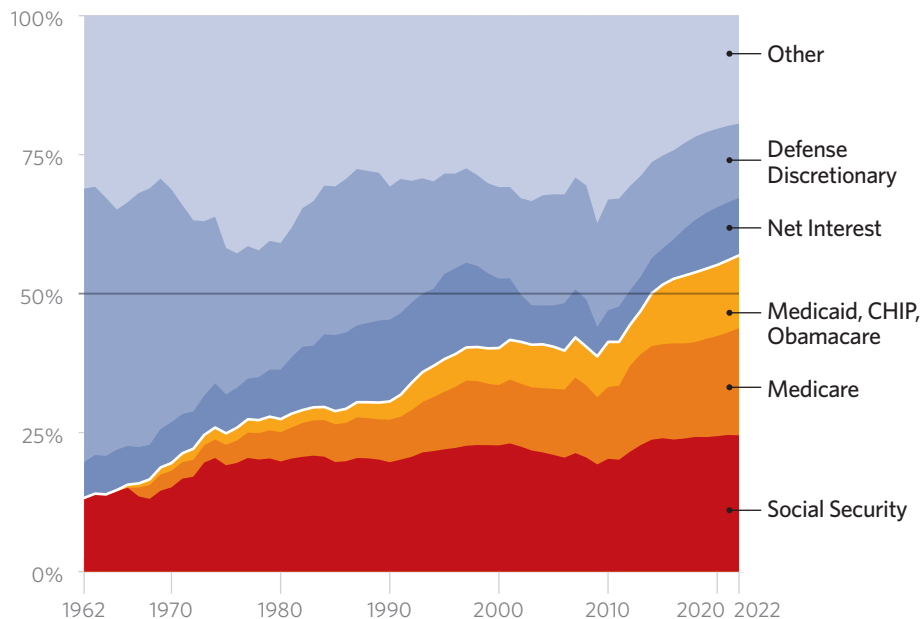
**Sources:** Congressional Budget Office, *An Update to the Economic and Budget Outlook: Fiscal Years 2012 to 2022*, Table 1-1, August 22, 2012, <http://cbo.gov/publication/43543> (accessed August 23, 2012), and Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 1.1, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012).

## Overall Spending Trends

- Federal spending per household reached \$29,691 in 2012, a 29 percent increase (adjusted for inflation) from \$23,010 in 2002. The government collected \$20,293 per household in taxes in 2012.
- The excess of spending over taxes produced a budget deficit of \$9,398 per household in 2012.
- For every \$6.80 the federal government collected in taxes in 2012, it spent \$10. Consequently, \$3.20 out of every \$10 spent was borrowed.
- Major entitlements (Social Security, Medicare, Medicaid, Children’s Health Insurance Program, Obamacare) will increase from 44 percent of federal spending in 2012 to 57 percent in 2022.
- Entitlement programs and net interest costs will reach 67 percent of federal spending in 2022, crowding out spending on national defense and all other programs.

## Entitlements and Interest Are Crowding Out Other Spending

SHARE OF TOTAL OUTLAYS



**Sources:** Congressional Budget Office, *An Update to the Economic and Budget Outlook: Fiscal Years 2012 to 2022*, Table 1-1, <http://cbo.gov/publication/43543> (accessed August 23, 2012), and Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 8.5, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012).

## Where the Money Goes

- Total federal spending has grown 43 percent faster than inflation in just the past 10 years.
- Some of the largest growth in federal spending has been in K-12 education, a state and local priority.
- Food stamps and other nutrition programs also have more than doubled in the past 10 years. Food stamp participation rates also
- more than doubled, growing from 19.096 million recipients in 2002 to 44.709 million by 2011.
- In 1993, Social Security surpassed national defense as the largest federal spending category, and remains first today.
- Federal energy spending has increased steadily over the past decade with the government increasingly subsidizing activities like energy efficiency, energy supply, and technology commercialization. An unprecedented \$42 billion was spent in 2009 as part of the stimulus, a nine-fold increase over the 2008 spending level.
- Interest on the debt is the fifth largest federal spending category, even at today's low interest rates.

## Where the Money Goes

IN MILLIONS OF INFLATION-ADJUSTED DOLLARS (2012)	TOTAL BUDGET AUTHORITY		INCREASE/DECREASE, 2002-2012		
	2002	2012	Dollars	Percentage	Average Annual Percentage
Social Security (650)	577,713	781,172	203,459	35.2%	3.1%
National Defense (050)	452,744	676,687	223,943	49.5%	4.1%
Medicare (570)	293,188	499,284	206,096	70.3%	5.5%
Medicaid, CHIP, and other (551)	223,600	327,495	103,895	46.5%	3.9%
Net Interest (900)	213,795	224,286	10,491	4.9%	0.5%
Income Security Programs (609)	123,023	161,552	38,529	31.3%	2.8%
Transportation (400)	86,106	138,633	52,527	61.0%	4.9%
Federal Retirement and Disability (602)	106,530	134,237	27,707	26.0%	2.3%
Veterans Benefits and Services (700)	65,084	124,567	59,483	91.4%	6.7%
Food Stamps and Other Nutrition (605)	48,625	114,975	66,350	136.5%	9.0%
Unemployment Benefits (603)	66,974	107,080	40,106	59.9%	4.8%
K-12 and Vocational Education (501)	41,180	100,854	59,674	144.9%	9.4%
International Affairs (150)	31,401	61,278	29,877	95.1%	6.9%
Administration of Justice (750)	46,344	59,156	12,812	27.6%	2.5%
Other Ed., Training, and Employment (503-506)	34,283	50,055	15,772	46.0%	3.9%
Community and Regional Development (450)	28,791	44,832	16,041	55.7%	4.5%
Housing Assistance (604)	34,008	40,330	6,322	18.6%	1.7%
Health Research, Training (552, 554)	34,071	37,260	3,189	9.4%	0.9%
Natural Resources and Environment (300)	38,893	37,054	-1,839	-4.7%	-0.5%
Science and Technology (250)	27,487	29,139	1,652	6.0%	0.6%
General Government (800)	22,418	28,700	6,282	28.0%	2.5%
Higher Education (502)	24,441	19,155	-5,286	-21.6%	-2.4%
Farm Subsidies (351)	24,384	12,520	-11,864	-48.7%	-6.4%
Other Commerce (371, 373, 376)	9,362	11,206	1,844	19.7%	1.8%
Energy (270)	499	9,237	8,738	1,751.1%	33.9%
General Retirement and Disability (601)	8,427	8,473	46	0.5%	0.1%
Agriculture Research and Services (352)	5,079	4,563	-516	-10.2%	-1.1%
Postal Service (372)	4,695	1,061	-3,634	-77.4%	-13.8%
Undistributed Offsetting Receipts (950)	-59,271	-98,897	-39,626	66.9%	5.3%
<b>Total Net Spending</b>	<b>2,613,874</b>	<b>3,745,944</b>	<b>1,132,070</b>	<b>43.3%</b>	<b>3.7%</b>

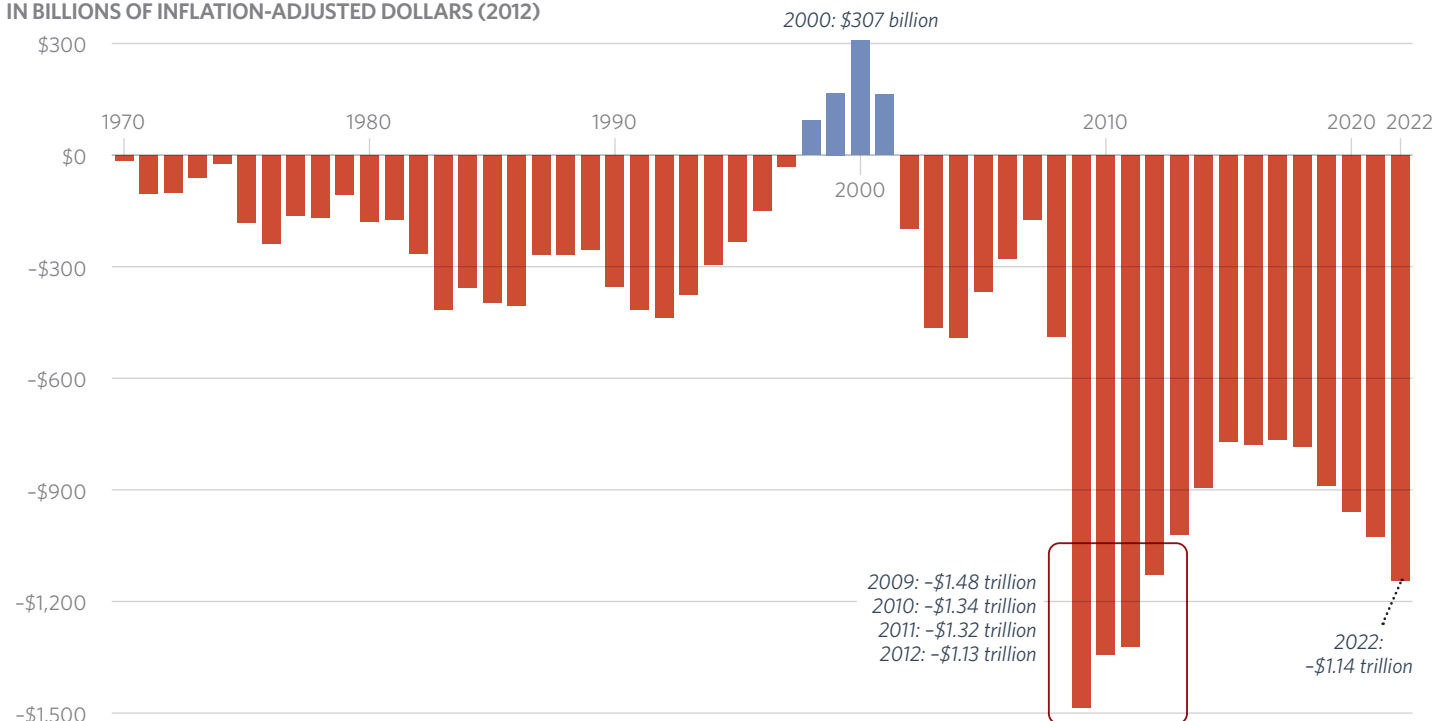
**Source:** Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 5.1, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012).

## Spending Is Causing Damaging, Structural Budget Deficits

- The budget deficit results from the government spending more than it collects in taxes during a given year. The government must borrow to cover the excess spending.
- The \$1.1 trillion deficit in 2012 marked the fourth consecutive year the deficit exceeded \$1 trillion.
- The 2012 \$1.1 trillion deficit was \$953 billion (in inflation-adjusted dollars), or 547 percent, greater than the pre-recession and financial contagion deficit in 2007 of \$174 billion.
- The 2012 deficit was an estimated 7.3 percent of GDP; the historical average is 2.1 percent of GDP.
- Deficits will not fall below \$760 billion (in inflation-adjusted dollars) over the next 10 years and have only been higher in the period immediately after World War II.

## The Federal Budget Is Recording Chronic Deficits

IN BILLIONS OF INFLATION-ADJUSTED DOLLARS (2012)



**Sources:** Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 1.1, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012), and Congressional Budget Office, *An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022, Alternative Fiscal Scenario*, August 22, 2012, <http://cbo.gov/publication/43543> (accessed August 23, 2012).

## Spending Increases Driving Debt Growth

- Structural budget deficits—driven largely by increased spending—are causing increasingly high levels of debt, which will threaten the economy.
- Debt held by the public reached 73 percent of GDP in fiscal year 2012. The historical average is 37 percent of GDP.
- Debt will reach nearly 90 percent of GDP by 2022. Levels this high damage the economy.
- Debt will surge to 200 percent of GDP in 25 years.
- Debt at the end of fiscal year 2012 was twice its 2007 pre-recession and pre-stimulus level of 36 percent of GDP.
- Debt in 2022 will be 90 percent of GDP. The highest level recorded previously—96.2 percent of GDP—was in 1947.
- Debt climbed from just over half of GDP in 2009 to nearly three-fourths in 2012.

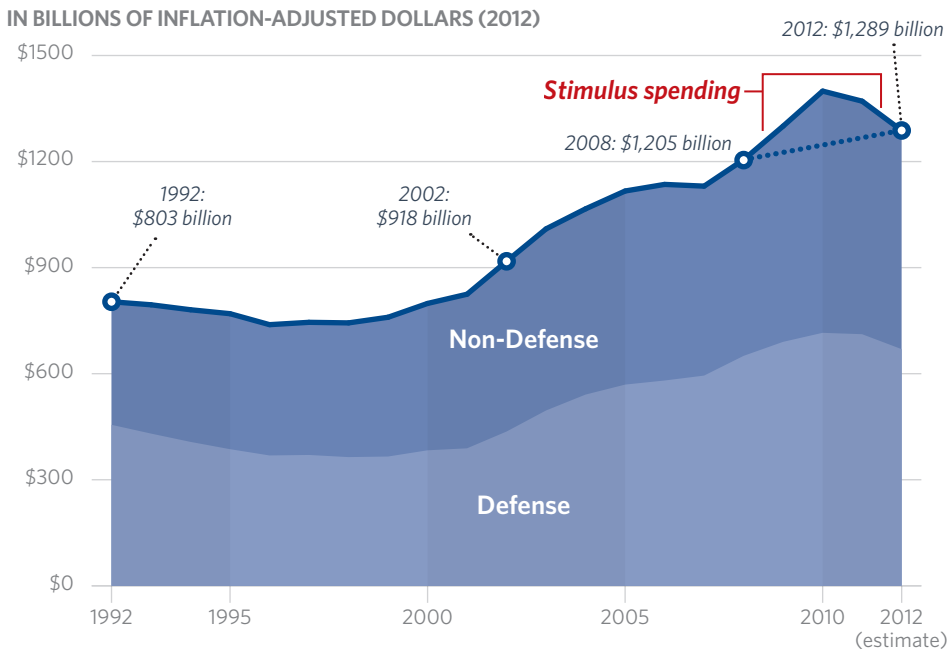
## Debt Will Reach Unsustainable Levels Over the Next Decade

PUBLICLY HELD DEBT AS A PERCENTAGE OF GDP



Sources: Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 7.1, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012), and Congressional Budget Office, *An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022, Alternative Fiscal Scenario*, August 22, 2012, <http://cbo.gov/publication/43543> (accessed August 23, 2012).

## Real Discretionary Outlays Have Grown 40 Percent Since 2002

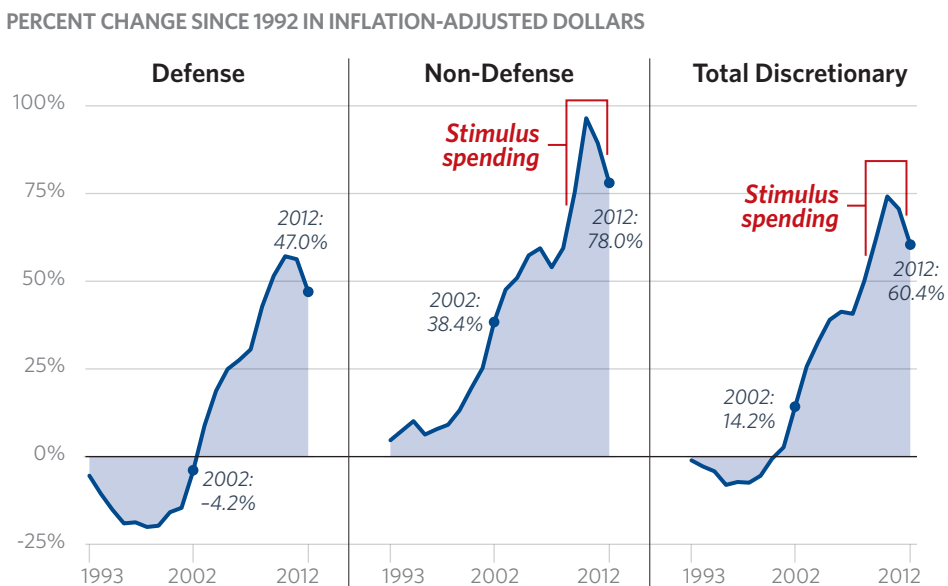


**Source:** Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 8.7, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012), and Congressional Budget Office, *An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022*, August 2012, Table 1-1, <http://cbo.gov/publication/43543> (accessed August 23, 2012).

## Discretionary Spending

- Discretionary spending is set annually by Congress through appropriations. Today, it constitutes about one-third of total federal spending.
- Since 2002, discretionary outlays surged 40 percent faster than inflation.
- In 2012, the federal government spent \$1.289 trillion on discretionary programs. Of that amount, \$669 billion went to national defense (including operations in Iraq and Afghanistan) and the remaining \$620 billion funded nearly all other federal programs including education and transportation.
- Stimulus spending caused discretionary spending to peak in 2010. It is still 7 percent higher than its pre-stimulus level of \$1,205 billion in 2008.
- Budget surpluses in the late 1990s were fed largely by deep defense cuts that gutted the military, while non-defense discretionary spending continued growing.
- After 9/11, the Bush Administration began replenishing base defense spending, as well as funding the war against terrorism.
- Recent declines in defense spending are due to reductions in war spending and cuts to the core defense budget.

## Non-Defense Discretionary Spending Surged 78 Percent



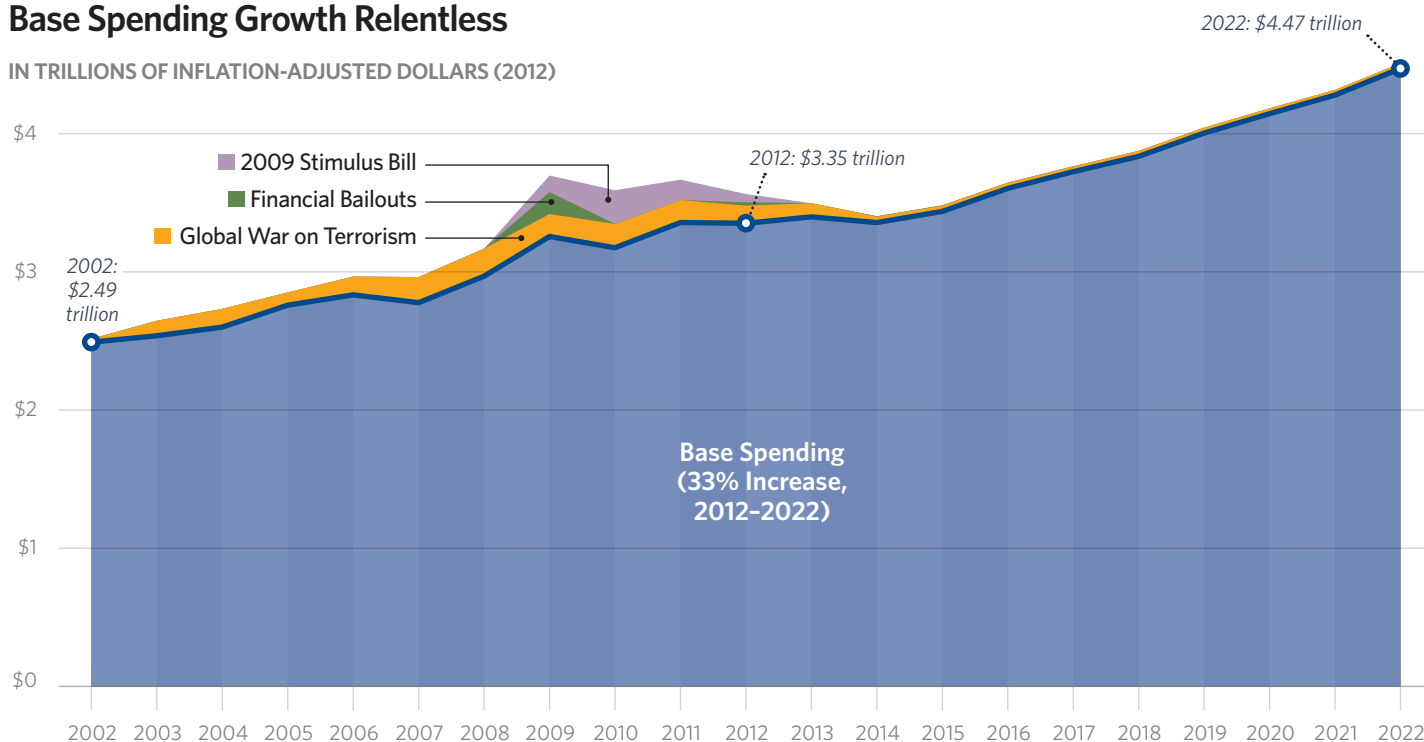
**Source:** Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 8.7, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012), and Congressional Budget Office, *An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022*, August 2012, Table 1-1, <http://cbo.gov/publication/43543> (accessed August 23, 2012).

## Base Spending Continues Growing

- In 2009, Washington spent \$440 billion on temporary measures, such as the financial bailouts, the economic stimulus, and the global war on terrorism.
- In 2012, this temporary spending fell to \$211 billion as the stimulus and financial bailouts waned.
- Base spending was 13 percent higher, adjusted for inflation, in 2012 than in 2008, before the financial bailouts and the stimulus.
- Even after the temporary spending ends, base spending (excluding the war on terrorism) will grow by 33 percent, adjusted for inflation, over the next decade.

### Base Spending Growth Relentless

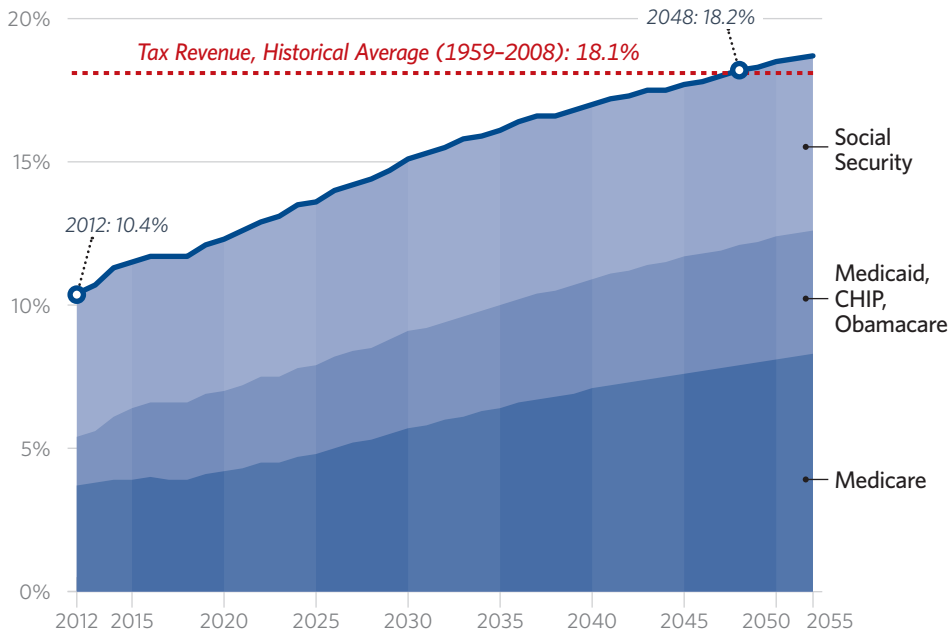
IN TRILLIONS OF INFLATION-ADJUSTED DOLLARS (2012)



**Sources:** Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*, January 2012, [http://www.cbo.gov/sites/default/files/cbofiles/attachments/01-31-2012\\_Outlook.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/01-31-2012_Outlook.pdf) (accessed September 28, 2012), and Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2013*, February 2012, Table S-12. <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/tables.pdf> (accessed October 1, 2012).

## Entitlement Spending Will Devour All Tax Revenues by 2048

PERCENTAGE OF GDP



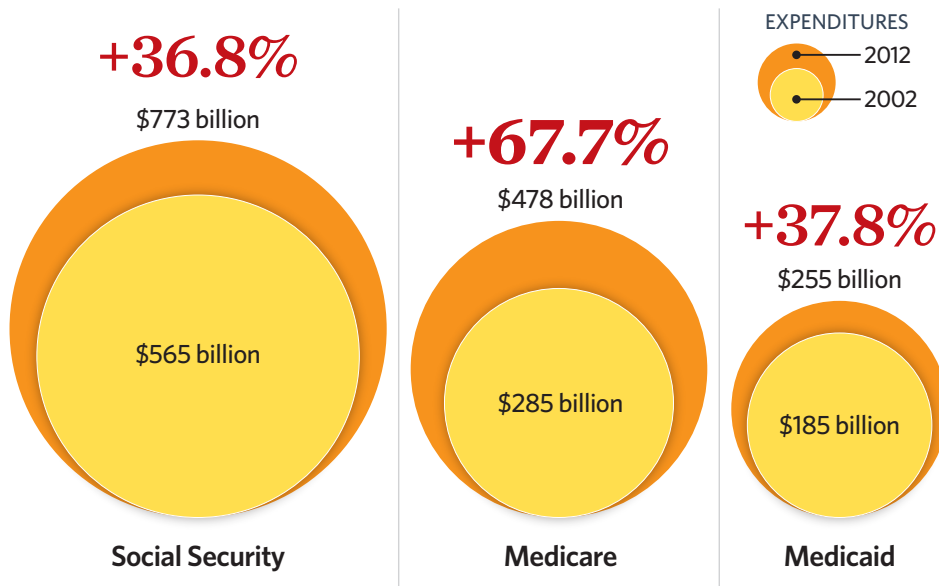
Source: Congressional Budget Office, *2012 Long-Term Budget Outlook*, Alternative Fiscal Scenario, June 5, 2012, <http://www.cbo.gov/publication/43288> (accessed June 5, 2012).

## The Major Entitlement Programs

- Entitlements run on autopilot, with annual spending determined by benefit formulas, caseloads, and economic factors. They are not budgeted annually, which makes entitlement spending difficult to control.
- All entitlements (excluding net interest) total nearly 62 percent of all federal spending today.
- Spending on the largest entitlement programs, Social Security, Medicare, and Medicaid, will leap from 10.4 percent of GDP in 2012 to 18.2 percent by 2048.
- The big three entitlements alone will absorb all tax revenues by 2048. Other spending, such as national defense or interest on the debt would have to be financed completely on borrowed money.
- Medicare is the fastest-growing major entitlement, growing 68 percent since 2002. Medicaid grew 38 percent and Social Security 37 percent.

## Medicare Is the Fastest-Growing Major Entitlement

CHANGE SINCE 2002 IN INFLATION-ADJUSTED DOLLARS (2012)

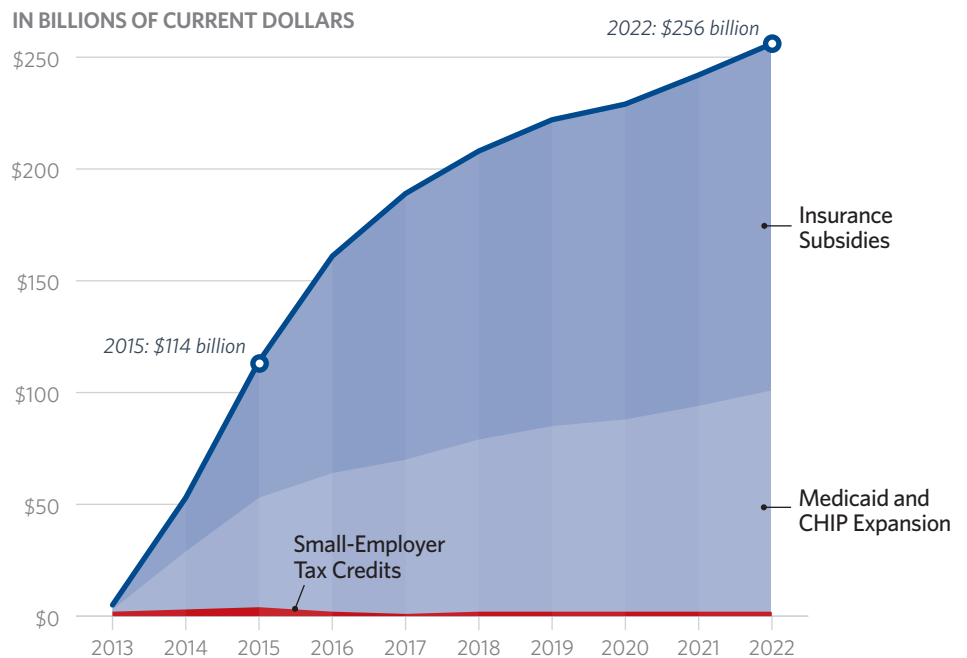


Source: Office of Management and Budget, *Budget of the U.S. Government: FY 2013, Historical Tables*, Table 8.7, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012).

## Obamacare's Spending

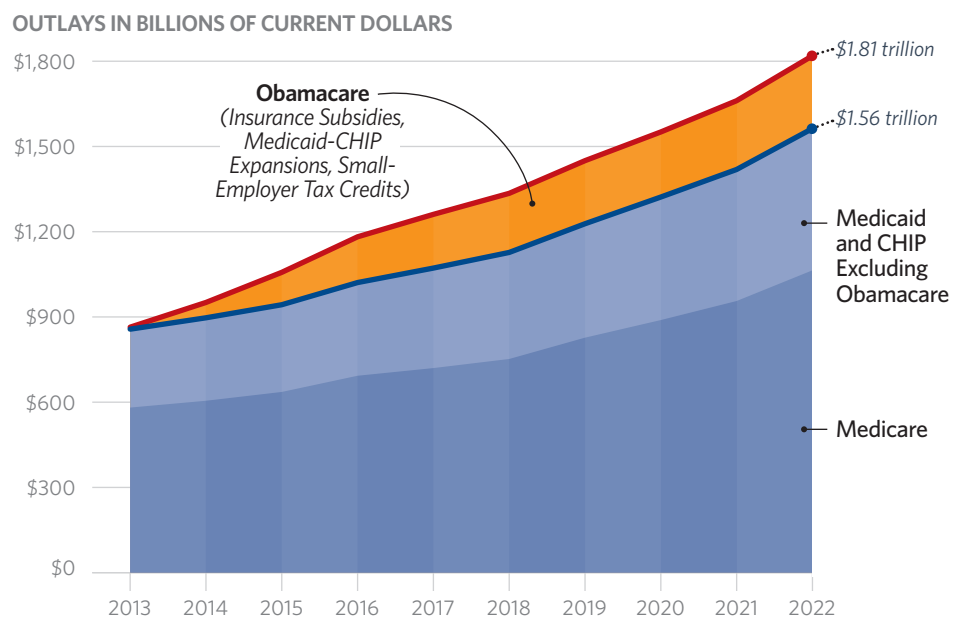
- Obamacare will spend \$1.7 trillion (over 10 years) on its coverage expansion provisions alone, including a massive expansion of Medicaid and federal subsidies for the new health insurance exchanges.
- Obamacare will increase federal health spending by 15 percent, bringing it to 44 percent of all mandatory spending.
- Obamacare's 18 new or increased taxes and penalties raise \$836 billion in new taxes between 2013 and 2022.
- Obamacare also includes \$716 billion in spending cuts to Medicare, which are used to help offset new spending on non-Medicare provisions.
- The Medicare chief actuary warns that these cuts are unrealistic and unsustainable. Therefore, Obamacare will likely add billions to the budget deficit.
- Under Obamacare, all government health spending (including state and local) is projected to be nearly 50 percent of all health spending by 2021. Federal spending will account for two-thirds of total government health care spending.

## Obamacare's Annual Costs Exceed \$100 Billion by 2015



Source: Congressional Budget Office, "Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision," July 24, 2012, <http://www.cbo.gov/publication/43472> (accessed August 23, 2012).

## Obamacare Increases Federal Health Spending by 15 Percent

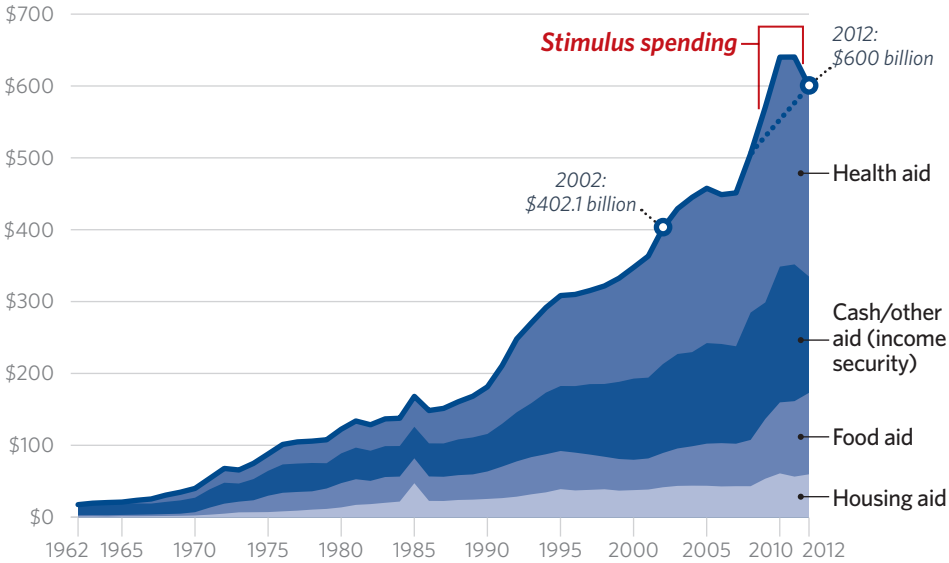


Source: Congressional Budget Office, *An Update to the Budget and Economic Outlook, Fiscal Years 2012 to 2022*, August 2012, Table 1-2, <http://cbo.gov/publication/43543> (accessed August 23, 2012), and Congressional Budget Office, "Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision," Table 4, July 24, 2012, <http://www.cbo.gov/publication/43472> (accessed August 23, 2012).



## Anti-Poverty Spending Has Grown Rapidly

IN BILLIONS OF INFLATION-ADJUSTED DOLLARS (2012)



Source: Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Tables 3.2 and 8.5, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed September 4, 2012).

## Anti-Poverty Spending Surged 49 Percent in Just One Decade

IN BILLIONS OF INFLATION-ADJUSTED DOLLARS (2012)

BY CATEGORY	2002	2012	CHANGE
Health care assistance	\$189.09	\$265.04	40%
Food assistance	47.71	113.47	138%
Housing assistance	41.59	59.64	43%
Cash and other assistance	123.75	161.55	31%
<b>Total Anti-Poverty Spending</b>	<b>402.14</b>	<b>599.70</b>	<b>49%</b>

BY ANTI-POVERTY PROGRAM	2002	2012	CHANGE
Medicaid grants to states	\$184.49	\$255.26	38%
Food stamp program and administration	27.60	85.19	209%
Supplemental Security Income (SSI)	36.74	44.75	22%
Earned Income Tax Credit (EITC) Payments	34.80	52.25	50%
Housing assistance	34.54	51.11	48%
Support Payments to States and TANF*	28.45	20.41	-28%
Child nutrition programs	12.82	19.61	53%
State Children's Health Insurance Program (CHIP)	4.60	9.90	115%
Feeding programs (WIC and CSFP)	5.42	7.07	31%
Other programs	32.68	54.15	66%
<b>Total Anti-Poverty Spending</b>	<b>402.14</b>	<b>599.70</b>	<b>49%</b>

\* Temporary Assistance for Needy Families

Source: Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 11.3, at <http://www.whitehouse.gov/omb/budget/Historicals> (accessed September 4, 2012).

## Anti-Poverty Spending

- Anti-poverty spending provides benefits to poor and low-income individuals and families in the form of income, health aid, food stamps, and housing assistance.
- Anti-poverty spending surged by 49 percent, inflation-adjusted, since 2002.
- Support Payments to States and Temporary Assistance for Needy Families (TANF) dropped by 28 percent. TANF is a block grant and is not adjusted for inflation or caseload changes.
- Spending for food stamps—the Supplemental Nutrition Assistance Program—has more than tripled since 2002, when the program was expanded.
- Spending on food stamps doubled in inflation-adjusted terms, from \$42 billion in 2008 to \$85 billion in 2012.
- The Children's Health Insurance Program (CHIP) grew 115 percent since 2002, adjusted for inflation.

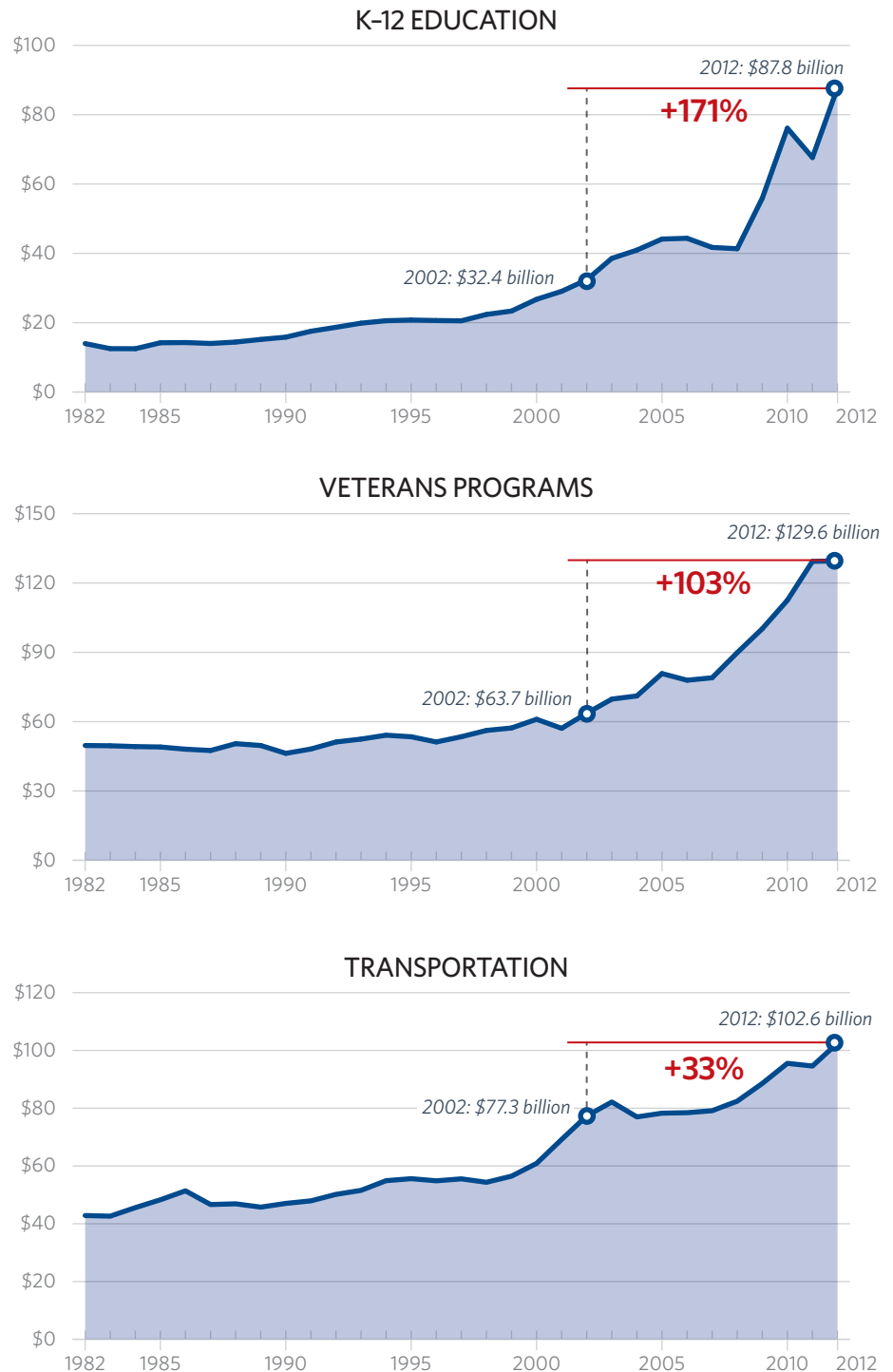
## Other Popular Programs Continue to Grow Rapidly

Congress has overseen unsustainable spending increases on programs such as education, veterans benefits, and transportation, demonstrating its failure to set budget priorities and rein in federal spending.

- In fiscal year 2012, Washington spent \$88 billion on K–12 and vocational education, nearly triple the amount of just 10 years ago, after adjusting for inflation. Yet these huge infusions of federal funds to these state and local priorities have failed to improve educational performance.
- Veterans spending, which totaled about \$130 billion in fiscal year 2012, has more than doubled over the past 10 years. It includes programs such as income security, housing aid, education and training services, and veterans health care. Under President Obama’s fiscal year 2013 budget, this spending would rise 18.5 percent from 2012 to 2015 and surpass the \$150 billion mark.
- Transportation outlays have risen by \$25 billion, or 33 percent, over the past 10 years. Budget authority, which takes several years to spend out, increased by \$53 billion, or 61 percent over 10 years. Costly transit projects and low-value transportation enhancement programs for bicycle and horse trails and roadside transportation museums are fueling the increased spending, even though they do not improve mobility or relieve traffic congestion.

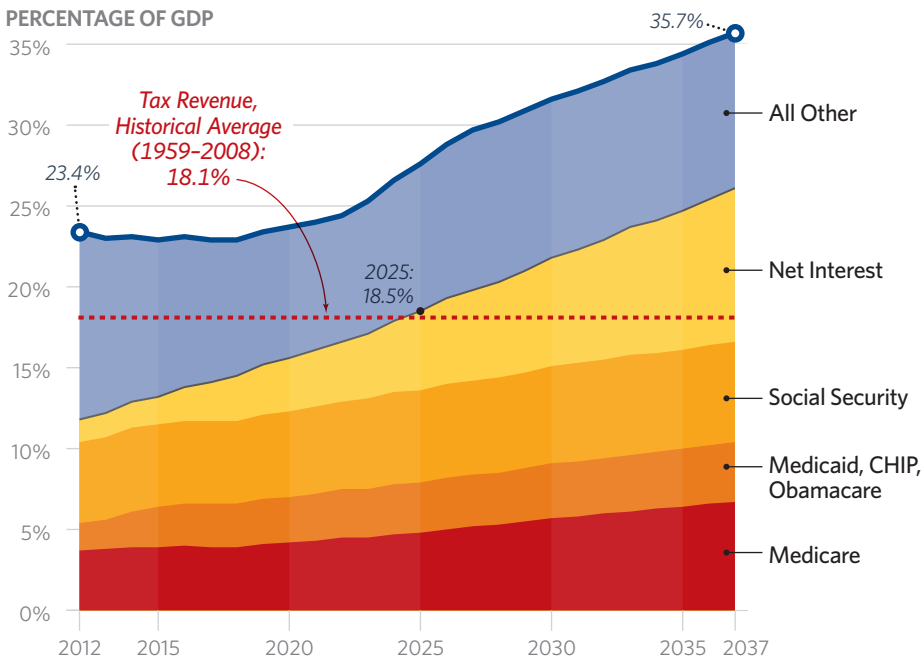
## Popular Programs Show Jump in Spending Since 2002

IN BILLIONS OF INFLATION-ADJUSTED DOLLARS (2012)



Source: Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Tables 3.2 and 5.1, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 28, 2012).

## Entitlements and Interest Driving Future Spending Surge

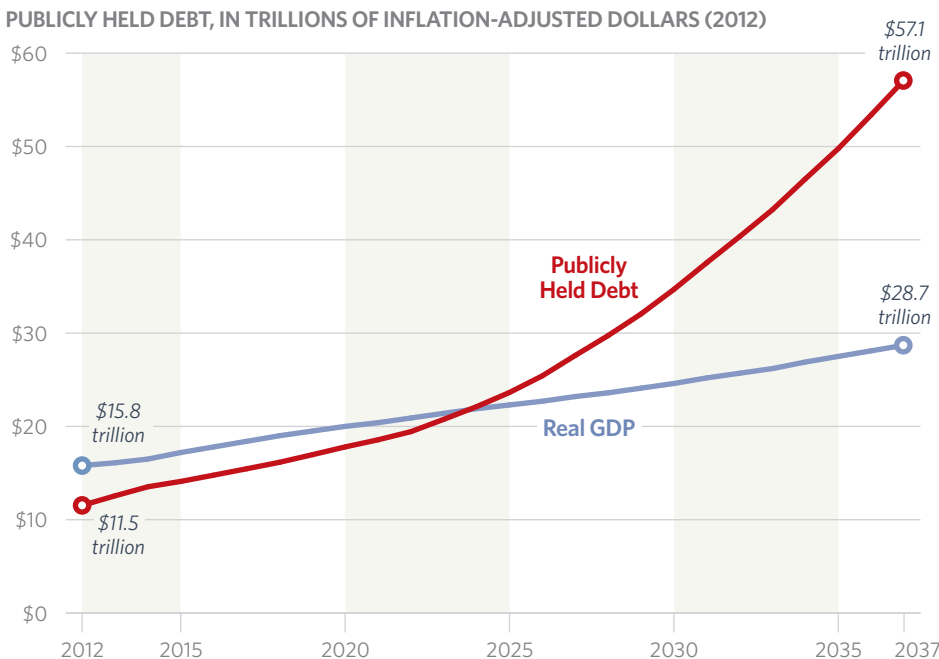


Source: Congressional Budget Office, 2012 Long-Term Budget Outlook, Alternative Fiscal Scenario, June 5, 2012, <http://www.cbo.gov/publication/43288> (accessed June 5, 2012).

## The Long-Term Budget Outlook

- The principal drivers of spending growth are Social Security, Medicare, Medicaid, the Children’s Health Insurance Program (CHIP), and Obamacare. By 2037, these entitlements will consume nearly 70 percent of all non-interest spending, and nearly 17 percent of GDP.
- Entitlements (Social Security, Medicare, Medicaid, CHIP, and Obamacare) and net interest will reach 18.5 percent of GDP in 2025, devouring all tax revenues at the historical average level. Total federal spending, including interest on the debt, will exceed 35 percent of GDP.
- Excluding interest payments, spending will reach a post-World War II record 26 percent of GDP in 2037 and continue growing thereafter.
- Debt held by the public will grow rapidly to twice the size of the entire U.S. economy by 2037.

## Federal Debt Will Soon Surpass Size of Economy



Source: Congressional Budget Office, 2012 Long-Term Budget Outlook, Alternative Fiscal Scenario, June 5, 2012, <http://www.cbo.gov/publication/43288> (accessed June 5, 2012).

## The Budget Control Act

- The Budget Control Act of 2011 (BCA) increased the debt limit by \$2.1 trillion, with an equal amount in spending reductions to take place over 10 years.
- The BCA first established caps on discretionary spending, saving \$917 billion over 10 years, and then tasked a Joint Select Committee on Deficit Reduction—the Supercommittee—with finding at least \$1.2 trillion more in savings.
- The Supercommittee failed to reach agreement, which triggered sequestration—automatic budget cuts—totaling \$1.2 trillion including interest savings over nine years. Sequestration begins on January 2, 2013.
- In 2012, the first year of the BCA, Congress spent \$11 billion on “disasters” and program increases, and \$127 billion on overseas contingency operations, which are exempt from the caps. Congress further evaded the BCA cap by \$18 billion using an accounting gimmick.

## Sizing Up the Budget Control Act and Sequestration

FIGURES ARE IN BILLIONS OF CURRENT DOLLARS

### INCREASE IN DEBT LIMIT IN EXCHANGE FOR EQUAL SPENDING REDUCTIONS

Date	Increase in Debt Limit	Spending Reduction	Amount
August 2, 2011	\$400	Spending caps and reductions	\$917
September 21, 2011	\$500	Supercommittee reductions	\$1,200
January 30, 2012	\$1,200		
<b>Total</b>	<b>\$2,100</b>	<b>Total</b>	<b>\$2,117</b>

### PHASE 1: BUDGET CONTROL ACT REDUCTIONS

Outlays for 2012-2021		
Caps on discretionary spending		\$756
Cap adjustments for program integrity initiatives		\$15
<b>Subtotal</b>		<b>\$741</b>
Mandatory reductions and policy changes in student loans and Pell grants		\$20
Net interest savings		\$156
<b>Total Reductions from Phase 1</b>		<b>\$917</b>

### PHASE 2: AUTOMATIC ENFORCEMENT PROCEDURES (SEQUESTRATION)

Budget Authority, 2013-2021	Dollars	Share of Sequestration
Defense Discretionary	\$492	50.00%
Non-Defense Discretionary	\$323	32.83%
Mandatory	\$169	17.17%
<b>Total</b>	<b>\$984</b>	<b>100%</b>
Net interest savings	\$169	
<b>Total Reductions from Phase 2</b>	<b>\$1,153</b>	

**Total Estimated Reductions from Budget Control Act <sup>1</sup> \$2,070**

### COMPARING THE BUDGET CONTROL ACT (BCA) TO 2012 APPROPRIATIONS

Budget Authority, 2012	BCA	Appropriations
Spending cap	\$1,043	\$1,043
Overseas contingency operations (exempt from cap)	\$127	\$127
Disaster and program-integrity initiatives (exempt from cap)	\$11	\$11
Changes in mandatory programs (CHiMPs, accounting gimmicks)	—	\$18
<b>Total, Discretionary Spending<sup>2</sup></b>	<b>\$1,180</b>	<b>\$1,198</b>
Spending intentionally exempted from cap <sup>2</sup>	—	\$137
Spending in addition to cap	—	\$18
<b>Discretionary spending in excess of BCA cap</b>	<b>—</b>	<b>\$155</b>

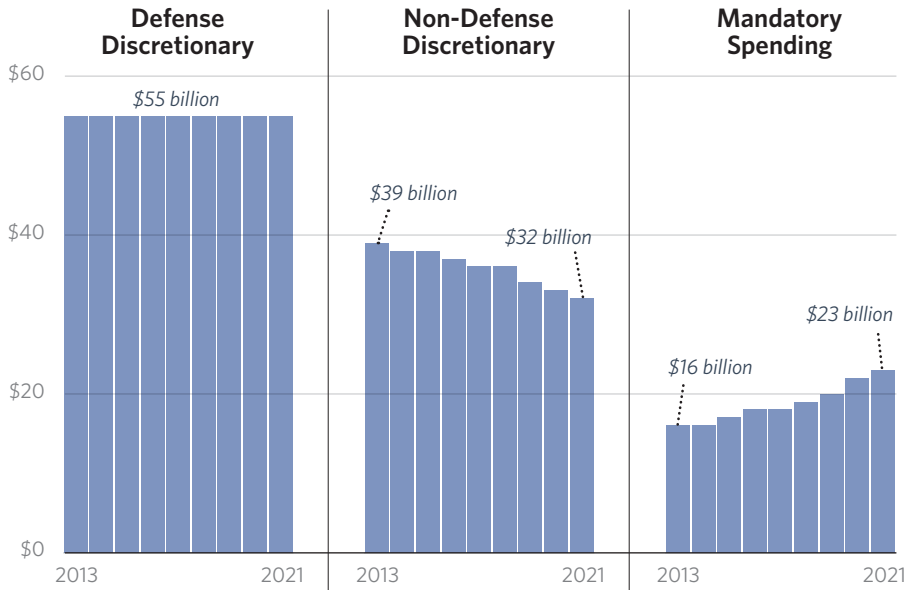
1 - Figure is lower than stipulated in the BCA due to CBO assumptions.

2 - Figures do not sum to total due to rounding.

**Source:** Congressional Budget Office and Congressional Research Service. Extended source on file at the Heritage Foundation.

## Defense Takes Brunt of Sequestration

CUTS IN BUDGET AUTHORITY, IN BILLIONS OF CURRENT DOLLARS



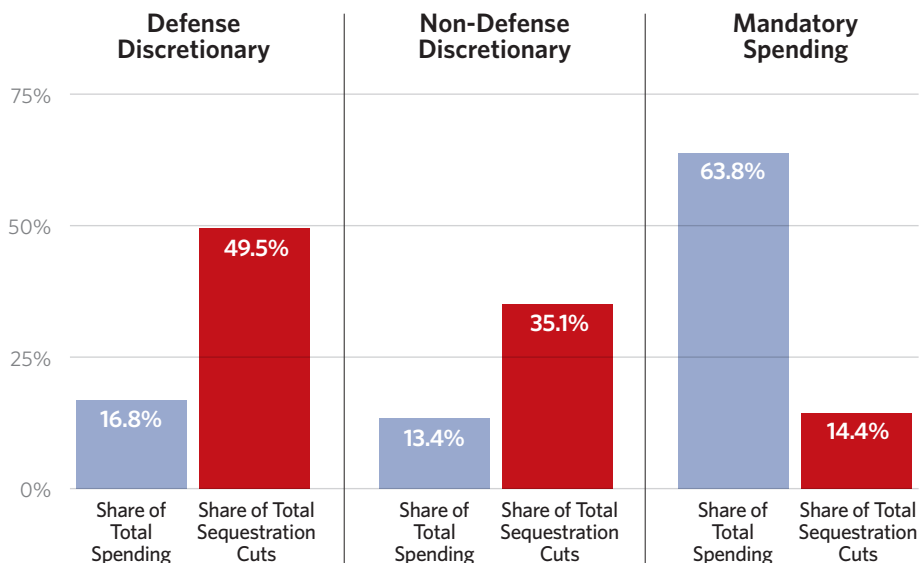
Source: Congressional Budget Office, *An Update to the Economic and Budget Outlook: Fiscal Years 2012 to 2022*, Tables 1-3 and 1-4, <http://cbo.gov/publication/43543> (accessed August 23, 2012).

## Sequestration

- When the Supercommittee failed to reach agreement on \$1.2 trillion in additional cuts required in the Budget Control Act of 2011, this triggered sequestration.
- Sequestration is a series of automatic budget cuts totaling \$1.2 trillion, including interest savings, over nine years, beginning on January 2, 2013.
- Sequestration imposes 50 percent of its reductions on defense, which represents only 17 percent of federal spending in 2013.
- Mandatory spending accounts for 64 percent of the budget in 2013, but receives only 15 percent of the sequestration cuts.
- Two of the largest spending programs, Social Security and Medicaid, are exempt from sequester savings, as is all but 2 percent of Medicare.

## Sequester Cuts Are Unbalanced

PERCENTAGE OF FY 2013 BUDGET AUTHORITY



Source: Congressional Budget Office, *An Update to the Economic and Budget Outlook: Fiscal Years 2012 to 2022*, Tables 1-3 and 1-4, <http://cbo.gov/publication/43543> (accessed August 23, 2012).

## Nowhere to Cut?

- In 2011, the federal government wasted **\$115.3 billion** of taxpayers' money in improper payments: money paid in the wrong amount, to the wrong person, or for the wrong reason. Most of these excess payments—\$107 billion, or 93 percent—were in just 10 programs, including Medicare fee-for-service (\$28.8 billion), Medicaid (\$21.9 billion), the Earned Income Tax Credit (\$15.2 billion), and Unemployment Insurance (\$13.7 billion). Implementation of updated computer systems and fraud detection methods and stricter documentation requirements would reduce payment errors.
- Federally subsidized Amtrak lost **\$84.5 million** on its food and beverage services in 2011, and \$833.8 million over the past 10 years. It has never broken even on these services.
- The Government Accountability Office (GAO) identified **34 areas** in which federal agencies or initiatives have overlapping goals or duplicative services, which cost taxpayers billions of dollars each year. There are:
  - More than **80** economic development programs operating out of four different agencies: the Departments of Agriculture, Commerce, and Housing and Urban Development, and the Small Business Administration;
  - More than **100** economic development programs spread across five agencies within the Department of Transportation;
  - **Seven** federal agencies, including the Departments of Education, Health and Human Services, and Housing and Urban Development, which have more than **20** programs addressing homelessness;
  - **44** employment and training programs in the Departments of Education, Health and Human Services, and Labor; and
  - **82** programs on teacher quality run through the Departments of Defense, Education, and Energy, as well as NASA and the National Science Foundation.
- In 2008 and 2009 alone, the Department of Justice (DOJ) spent **\$121 million** to host or participate in **1,832** conferences.
  - At one conference, petite Beef Wellington made the hors d'oeuvres menu, at a cost of \$7.32 per serving.
  - An internal audit found DOJ did not keep costs to a minimum, despite federal guidelines. The most expensive conference reviewed in the audit was held in Istanbul, Turkey, and cost **\$1.18 million**.
- The General Services Administration (GSA), which is responsible for managing federal buildings and helping to cut costs, held a conference costing **\$822,751** in Las Vegas. At more than \$2,500 per employee, it included \$44-per-person breakfasts and commemorative coins for conference participants that cost \$6,325.
- In fiscal year 2010, the federal government spent nearly **\$1.7 billion** to maintain 77,700 underused or unused buildings.
- Eliminating both the New Starts and Small Starts transit grants programs would save taxpayers **\$5.6 billion** over the next five years and **\$16.3 billion** over 10 years. It would get the federal government out of the business of subsidizing high-cost, low-value local transit projects, such as **\$900 million** for a 10-mile extension of the Bay Area rail system in San Jose and a **\$1.6 billion** grant to construct a Honolulu rail line.
- The Department of Agriculture's Office of the Chief Information Officer funded a **\$2 million** intern program. Only one intern was hired full time as a result.
- **Fifteen** federal agencies are involved in administering 30 food safety laws, resulting in fragmented food safety oversight.
- The U.S. Navy bought 450,000 gallons of biofuels for **\$12 million**, or almost \$27 per gallon, to conduct exercises to showcase the fuel and bring it closer toward commercialization. It is the largest biofuel purchase ever made by the government.
- The Internal Revenue Service stored 22,486 items of unused furniture in a warehouse at an annual cost of **\$862,000**.



- An Inspector General audit found that the Department of Energy cannot locate **\$500,000** worth of “green energy” manufacturing equipment that was bought with stimulus money.
- The Bureau of Indian Affairs funded a fish hatchery that never saw a fish hatch for **fourteen years**, continuing funding even after the land had been converted to office space. Taxpayers spent **\$46.1 million** in fiscal year 2012 to operate the national fish hatchery system.
- The Department of Agriculture endorsed the “Meatless Monday” initiative and then a few weeks later announced plans to purchase **\$170 million** worth of meat from drought-stricken livestock producers.
- The Labor Department spent **\$495,000** in stimulus money on 100 television commercials to advertise the Obama Administration’s Jobs Corps Initiative for green jobs.
- The Department of Veterans Affairs spent **\$6.1 million**, or \$3,389 for each of the 1,800 employees that attended two training conferences last year in Orlando, Florida. The agency Inspector General’s office is investigating the conference organizers for possible ethics rules violations. The department also spent nearly \$50,000 to make a video parodying General Patton that was shown at the conferences and \$98,000 on promotional items. The items included pens, highlighters, hand sanitizers, and USB flash drives with VA’s logo.
- The State Department began a Diplomatic Culinary Partnership program in 2012. Over **80** American chefs have been inducted into the American Chefs Corps and will support the State Department by preparing food for visiting officials and traveling around the world to engage in “culinary diplomacy.”
- The Department of Veteran Affairs spent **\$221,540** on an 11-day conference at a resort—enough to pay annual disability compensation for six totally disabled combat veterans.
- Department of Agriculture and Department of Energy officials approved a **\$76 million** grant for a wood-to-ethanol plant in Soperton, Georgia, despite concerns among the project’s researchers and other officials. The plant closed within a year of receiving the loan guarantee, without producing any ethanol.
- The Rural Business Enterprise Grant Program gave **\$55,660** to a New York State dairy farm to package its butter in smaller, eight-ounce containers.
- A grant totaling **\$25,000** was used to transcribe a Maldivian love ballad.
- Taxpayers funded a National Institutes of Health study costing **\$55,382** in 2011, and **\$170,000** over three years, to study the hookah-smoking habits of Jordanian university students.
- The Department of Agriculture’s Market Access Program spends **\$200 million** a year to help U.S. agricultural trade associations and cooperatives advertise their products in foreign markets. In 2011, it funded a reality TV show in India that advertised U.S. cotton.
- The Environmental Protection Agency awarded a **\$141,450** grant under the Clean Air Act to fund a Chinese study on swine manure and a **\$1.2 million** grant to the United Nations for clean fuel promotion.
- The GAO found that some people are double-dipping from unemployment and disability benefits programs. This lack of coordination among government agencies is costing taxpayers **\$850 million** annually. GAO found one individual who drew **\$62,000** from unemployment insurance and disability insurance at the same time she was working and earning an additional **\$7,000** in income.
- In 2011, the top 20 percent of farm subsidy recipients received almost 80 percent of all premium subsidies. Twenty-six agri-farm businesses each collected over **\$1 million** worth of subsidies.
- Taxpayer losses from the failed solar cell manufacturing company Solyndra, which received a federal loan guarantee, totaled **\$528 million**. Beacon Power and Abound Solar, two other failed alternative energy companies, cost taxpayers **\$46.5 million** and **\$73.1 million**, respectively.
- A Congressional Research Service report revealed that among individuals earning **\$1 million** or more, 2,840 received unemployment benefits in 2008 and 2,362 received the benefits in 2009.

- The Conservation Reserve Program pays farmers **\$2.1 billion** annually not to farm their land for a period of at least ten years. 📌

Sources include Congressional Budget Office and Government Accountability Office reports, *Wastebook 2011* from the Office of Senator Tom Coburn (R-OK), and news articles from various media outlets, all of which are on file at The Heritage Foundation.







214 Massachusetts Avenue, NE  
Washington, DC 20002

(202) 546-4400  
[heritage.org](http://heritage.org)