

Myths and facts about the budget

MYTH ➤ Cutting earmarks alone would substantially lower the deficit.

FACT ➤ In 2010 earmarks accounted for \$32 billion of the \$3.5 trillion annual budget.

Source: CRS Report: Earmarks Disclosed by Congress: FY2008-FY2010 Regular Appropriations Bills, 4/16/2010

MYTH ➤ Cutting foreign aid would significantly lower the deficit.

FACT ➤ Foreign aid is less than 1% of our total budget.

MYTH ➤ Raising the debt ceiling allows new spending.

FACT ➤ By raising the debt ceiling, we're paying for prior obligations, spending and tax cuts.

MYTH ➤ Social Security is in immediate danger.

FACT ➤ The current system can pay full benefits until 2037 and has never added to the deficit.

MYTH ➤ Republicans or Democrats are to blame for our fiscal problems.

FACT ➤ Except during the Clinton administration, both parties have grown the deficit through more spending and tax cuts. Meanwhile, our aging population and growing health care costs challenge Medicare, Medicaid and Social Security.

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An important message from Congressman Jim Himes



Congressman Jim Himes
211 State Street, 2nd Floor
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Dear Friends:

Admiral Mike Mullen, retiring Chairman of the Joint Chiefs of Staff, called our debt "our biggest national security threat." Credit rating agencies are skeptically eyeing Washington to see if we can get our fiscal house in order. The problem is serious, and each and every one of the solutions is painful and difficult.

The fact is that we need to work together to come up with a fair, forward-looking plan to get our government's finances in order for the long run. We must do so without unduly risking our fragile economic recovery and without under-investing in those things that have driven generations of prosperity: education and our highways, railways and airports. **And, I believe that most Americans would agree that neither the middle class nor our least fortunate and most vulnerable citizens should shoulder a disproportionate burden.**

Unfortunately, this important discussion is often hyper-politicized, with lots of finger pointing, or it's simply inaccurate (sorry, foreign aid doesn't move the needle). So, I've assembled some key information here, and would love to hear from you on how you think we should proceed.

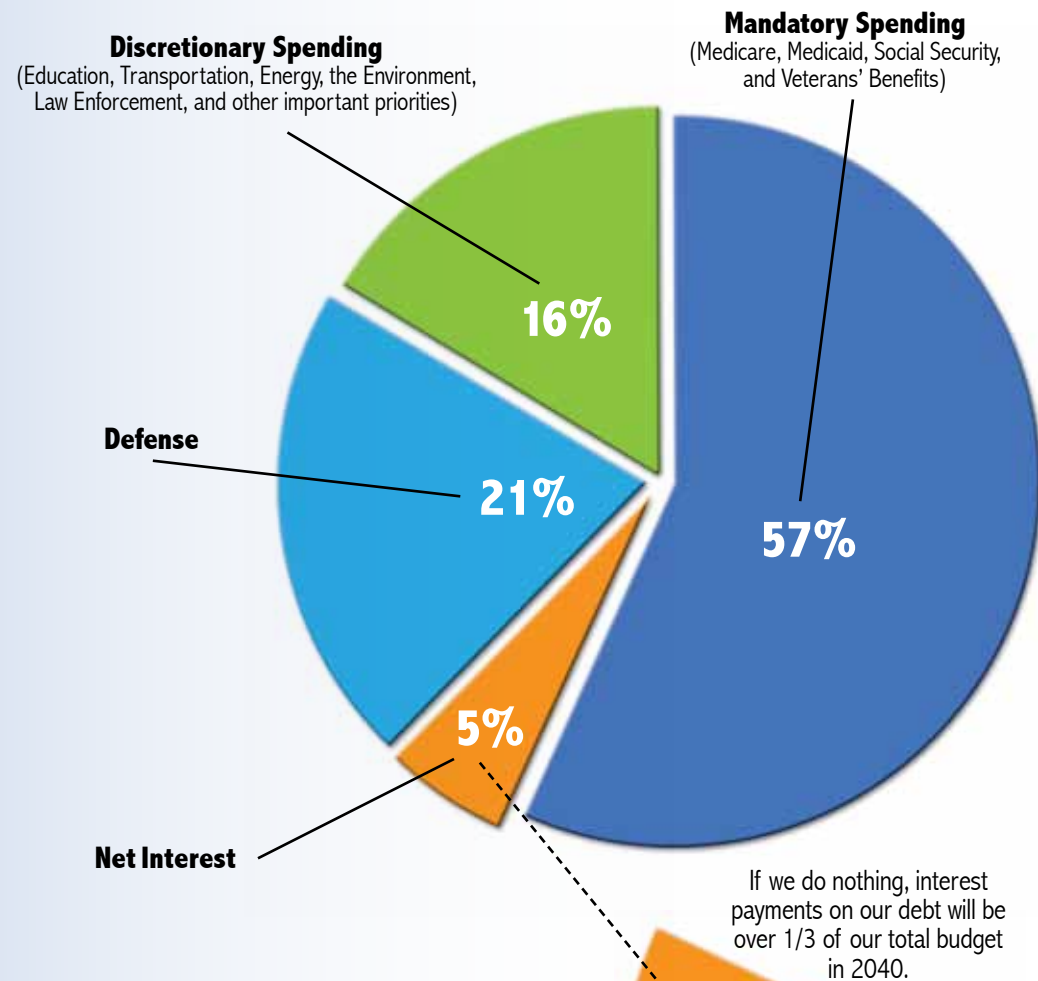
Sincerely,

Jim Himes, Member of Congress

M.C.
PRE-SORTED STANDARD

Where the money goes today

2011 U.S. Federal Spending



Source: Office of Management and Budget Historical Tables. Figures do not equal 100% due to rounding.



Rep. Himes discusses the federal budget with constituents.

The Challenge

Discretionary Spending (\$600 billion)

- ▶ Although a small percentage of federal spending, this includes critical funding such as law enforcement, courts, FAA as well as all our investment in future prosperity: education, transportation, infrastructure and basic research (GPS, the internet and curing cancer)
- ▶ If we do nothing to reduce our deficits and debt by 2040, interest payments and mandatory spending will squeeze out all money from this category.

Interest (\$207 billion)

- ▶ Interest rates are at record lows, but we are still paying more than \$200 billion a year in interest on our debt. That's over twice what the federal government spends on education.
- ▶ Every one-percent rise in interest rates will add \$140 billion to our annual interest costs.

Defense/Security (\$800 billion)

- ▶ We currently spend \$800 billion per year on defense and security. That is more than every other country on earth combined.
- ▶ Our military operations in Iraq, Afghanistan and Libya cost us \$12 billion every month.

Mandatory Spending (over \$2.1 trillion)

- ▶ Historically, Social Security took in more money than it paid out, lending the surplus to the government. That changed last year.
- ▶ The average American family will pay about \$120,000 into Medicare, but receive over \$350,000 in benefits.
Source: <http://www.urban.org/UploadedPDF/social-security-medicare-benefits-over-lifetime.pdf>
- ▶ The primary drivers of cost for these programs are an aging population (which we can't change) and spiralling health care costs (which are very hard to change).

Taxes

- ▶ Though many Americans feel overtaxed, the overall federal tax burden is lower than at any time since 1958.
- ▶ President Ronald Reagan, faced with larger deficits, raised taxes 11 times.

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What we can do

1) Cut spending without damaging a fragile recovery or sacrificing vital priorities.

Cutting spending—and doing so in a meaningful way, not just promising changes in the future—will be necessary. But at the same time we need to phase in changes so as not to harm the economic recovery and ensure that we don't shortchange important investments in our future, like education and infrastructure.

2) Simplify and reform the tax code.

The bipartisan Simpson-Bowles Commission recommended simplifying the tax code. It suggested that we could "sharply reduce rates, broaden the base, simplify the tax code and reduce the deficit by reducing the many tax expenditures"—another name for spending through the tax code.

3) Reduce exploding health care expenses.

For decades health care spending has exceeded inflation. Nothing will do more to secure the long-term fiscal stability of our nation, our state, our towns and our businesses than getting health care costs under control.

4) Eliminate waste.

Far too many government programs duplicate efforts and, as a result, waste taxpayer money. By being more efficient, we can be more effective and fiscally responsible.

How would you solve our budget problem?

Below is a chart with our current spending levels on the left and space for you to fill in percentages on the right.

Medicare, Medicaid and Other Health	22%	_____
Defense	21%	_____
Social Security	20%	_____
Income Security	12%	_____
Net Interest	5%	_____
Veterans' Benefits	4%	_____
Education, Training and Employment	3%	_____
Transportation	3%	_____
Community Development and Housing	3%	_____
General Government	2%	_____
Law Enforcement	2%	_____
Science and Technology	1%	_____
Agriculture	1%	_____
Foreign Aid	1%	_____

Please indicate in the space provided the percent of our federal budget you think should be allocated to each program.

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