



Comeback America: The Nation's Fiscal Challenge and A Way Forward

4th Annual State of the County
Broward Workshop
Davie, FL
April 13, 2012

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Founder and CEO
The Comeback America Initiative
and
Former Comptroller General of the United States

The Federal Government's Responsibilities

We the People of the United States, in Order to form a more perfect Union, **establish** Justice, **insure** domestic Tranquility, **provide** for the common defense, **promote** the general Welfare, and **secure** the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

The 10th Amendment Reserved Powers

“The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”

~ The U.S. Constitution

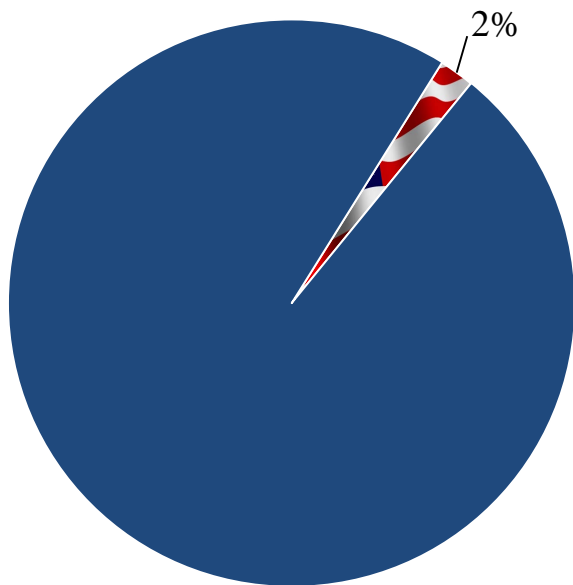
Selected Key Founding Principles

- Limited but effective Government.
- Individual liberty and opportunity
- Personal responsibility and accountability
- Rule of law and equal justice under the law
- Fiscal responsibility and intergenerational equity

Growth of Government

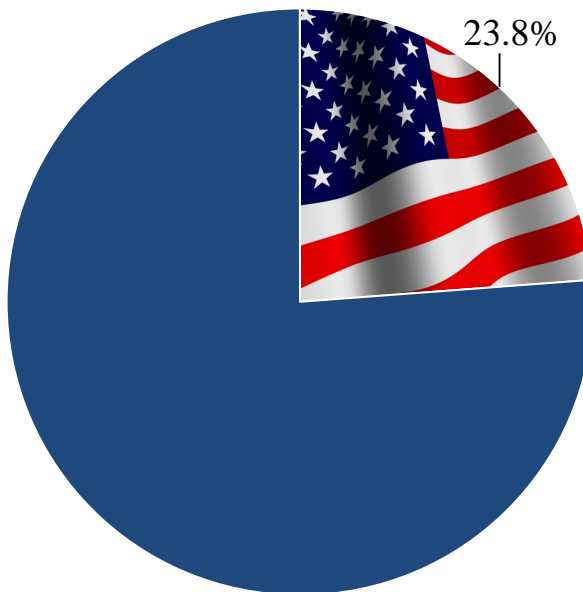
Federal Spending

1800



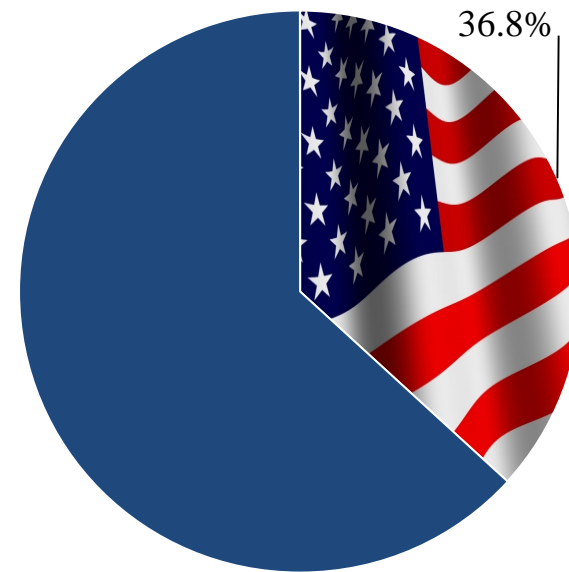
US GDP: \$8.89
Billion
(Constant 2010 Dollars)

2011



Projected US GDP: \$14.65
Trillion
(Constant 2010 Dollars)

2040



Projected US GDP: \$28.54
Trillion
(Constant 2010 Dollars)

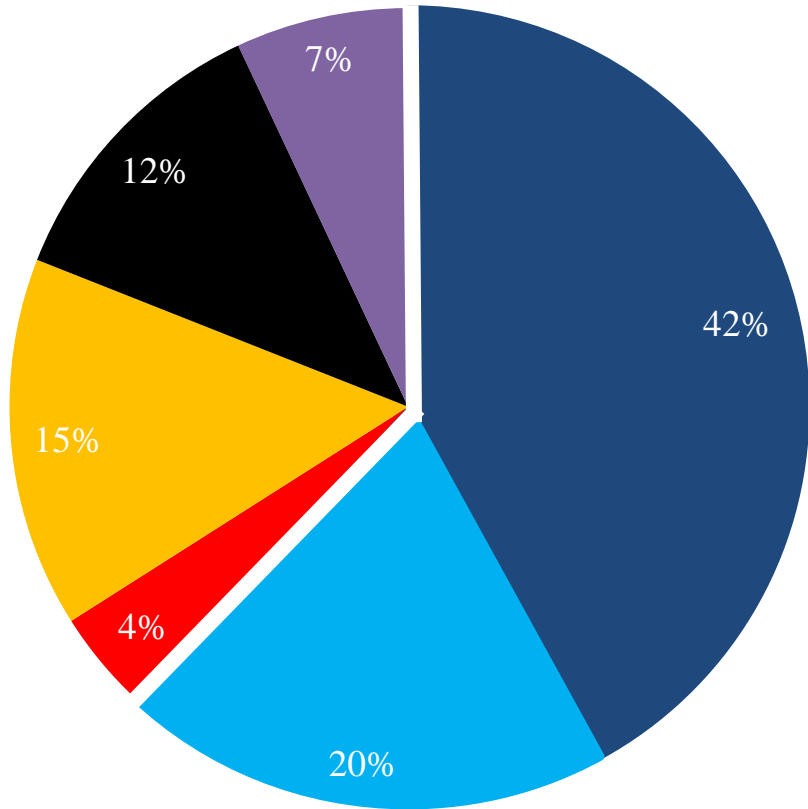
Source: Historical Statistics of the United States, Millennial Edition On Line, Cambridge 2006; CBO, The Budget and Economic Outlook: An Update, August 2011; CBO, CBO's Long-Term Budget Outlook, Supplemental Data, June 2011. Compiled by TCAII.

Note: Federal Spending for 2040 is based on the Alternative Scenario Estimates.

Composition of Federal Spending

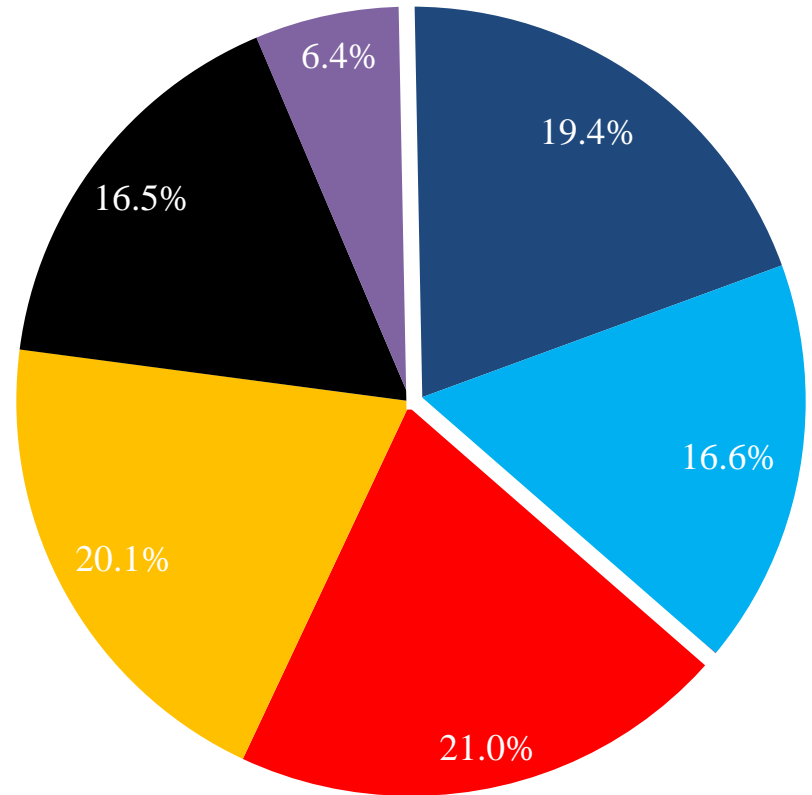
(% of Total Outlays)

- Defense
- Other Discretionary
- Medicare and Medicaid
- Social Security
- Other Mandatory
- Net Interest



1970

\$944 Billion



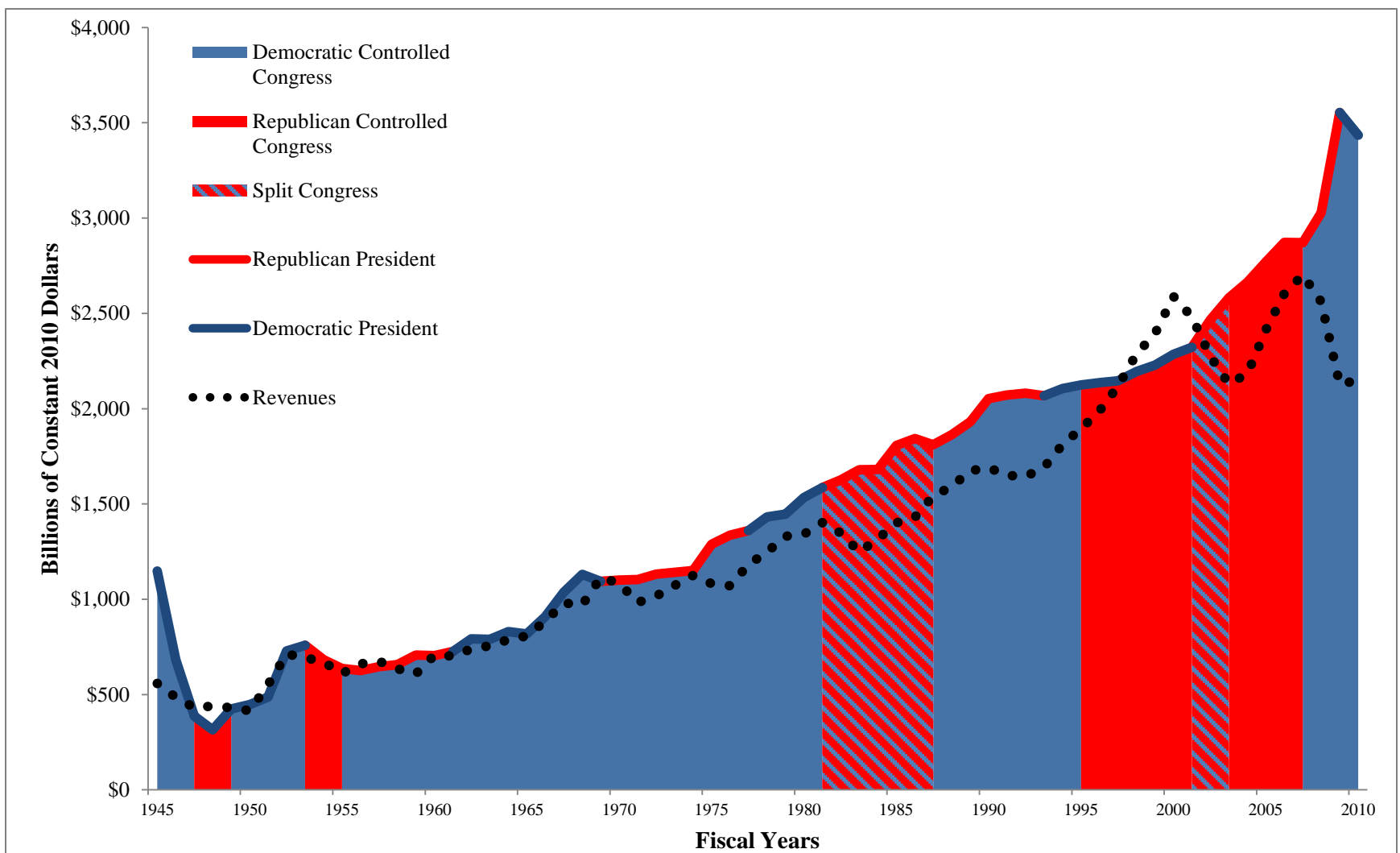
2011

\$3.49 Trillion

Source: CBO, Historical Tables. OMB, The Budget Fiscal Year 2013. Compiled by TCAII. Note: All dollar amounts are in constant 2010 dollars.

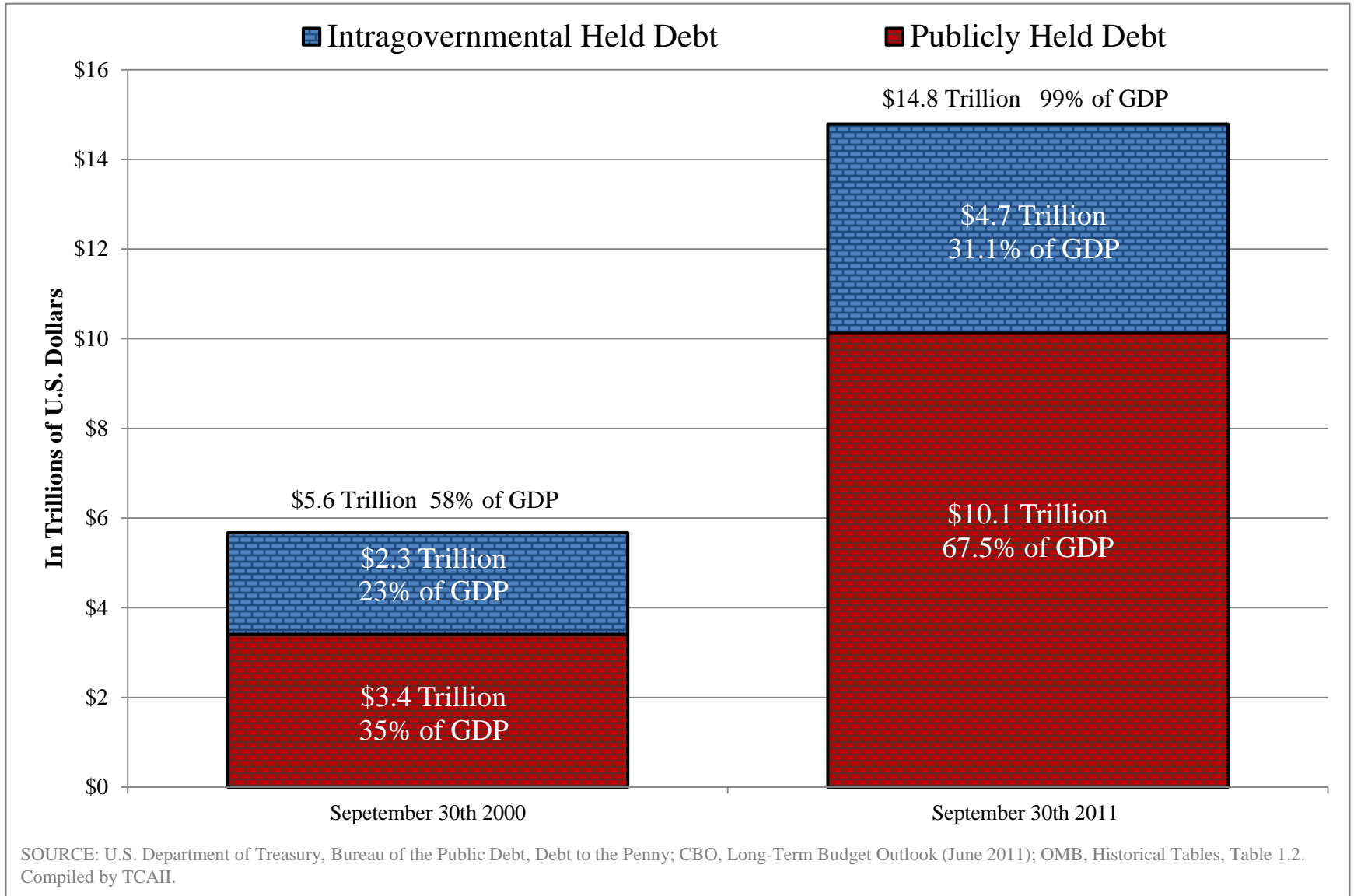
Federal Revenues and Outlays

(Control of Congress and the White House)



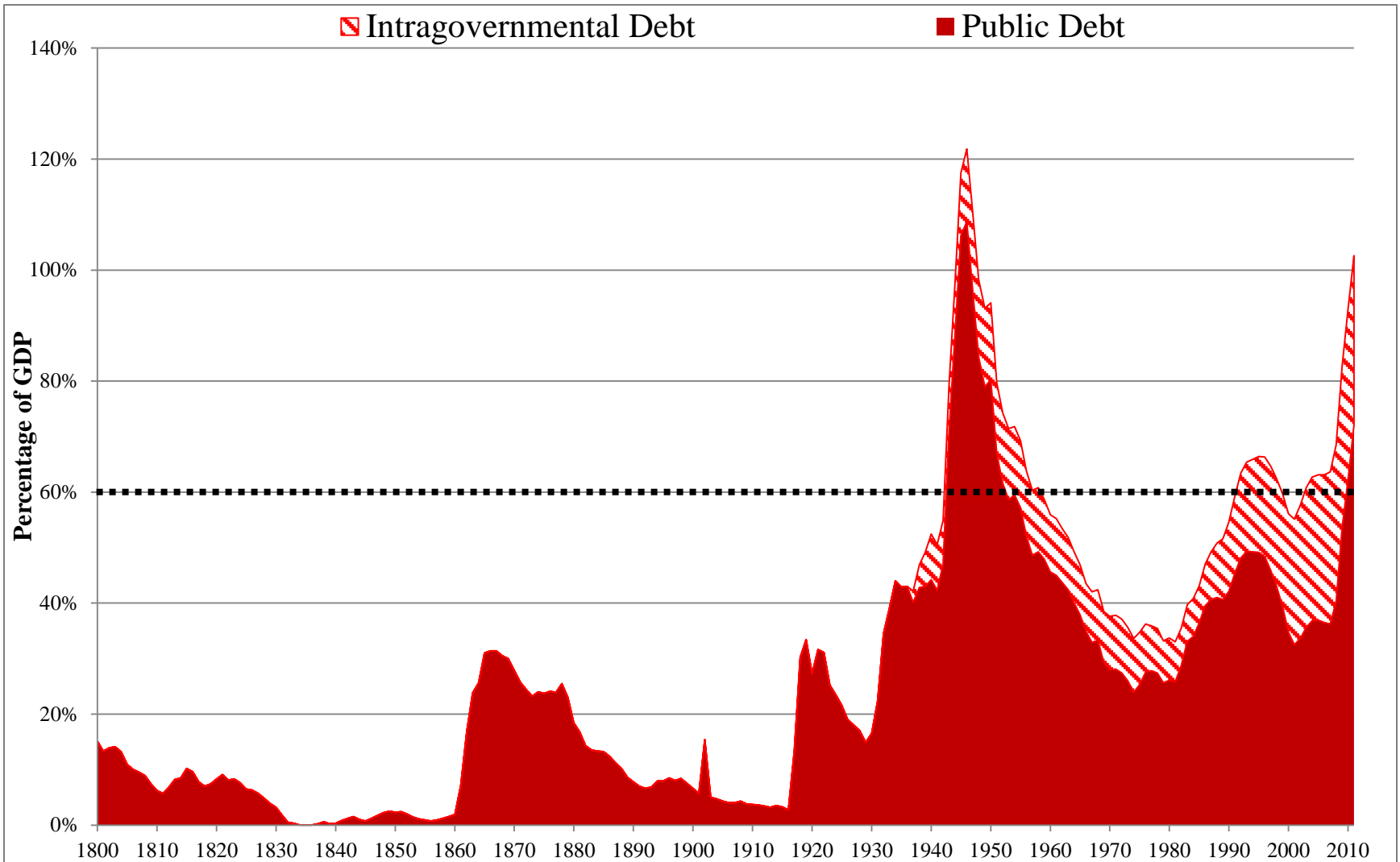
Source: OMB, Budget, Historical Tables, Table 1.3—Summary of Receipts, Outlays, and Surpluses or Deficits (–) in Current Dollars, Constant (FY 2005) Dollars, and as Percentages of GDP: 1940–2016; Bureau of Labor Statistics, Inflation Calculator.

Federal Debt Burdens



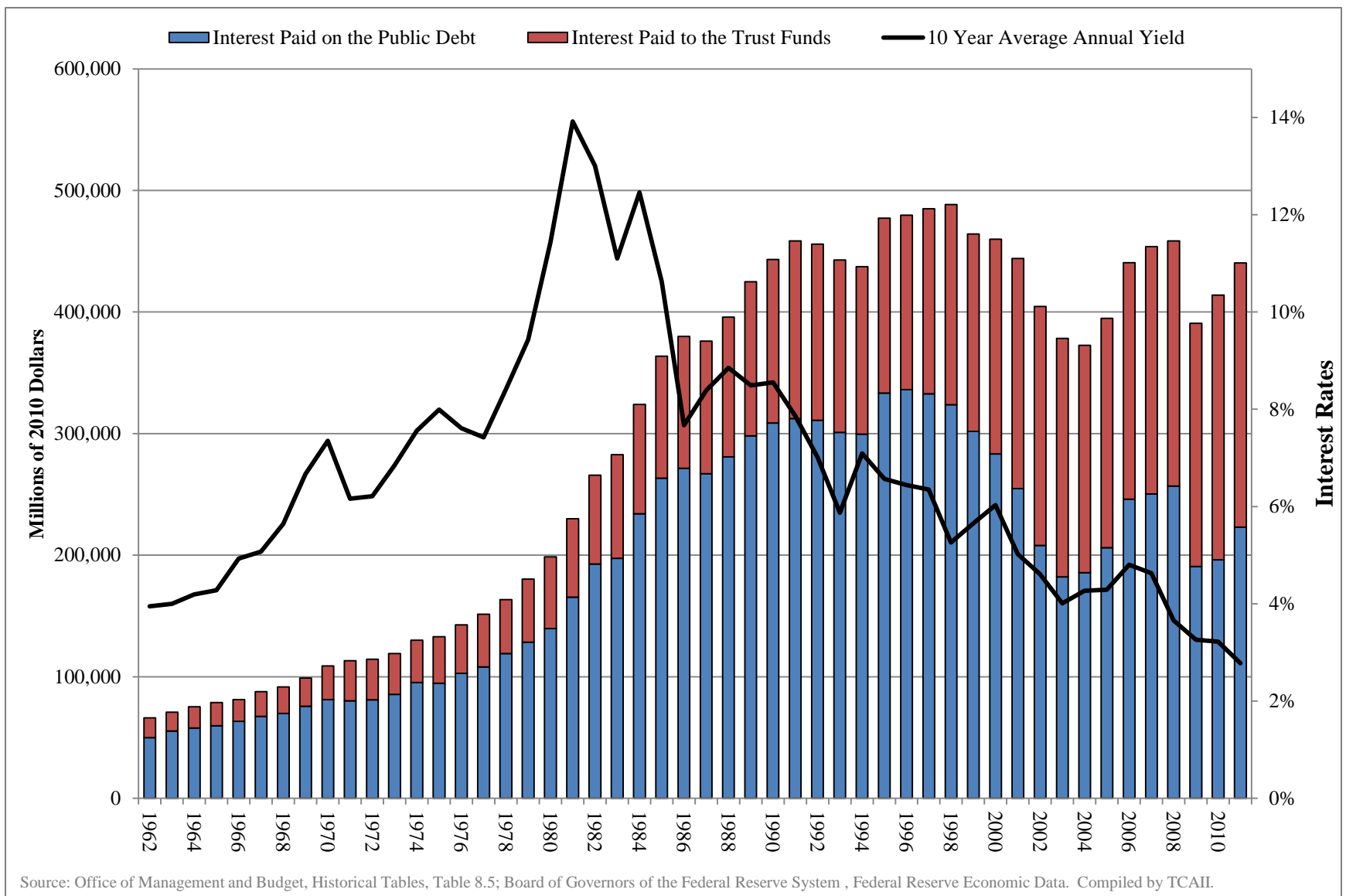
Historical Debt Burden

(1800 through 2011)



Source: Congressional Budget Office, Long Term Budgetary Outlook 2009, Supplemental Data; Office of Management and Budget, Historical Tables, Table 7.1- Federal Debt at the End of the Year 1940 through 2016. Compiled by TCAII.

Interest on the Debt



Federal Financial Hole

(For Fiscal 2000 and 2011)

In Trillions of Dollars	2000	2011	
Explicit Liabilities	\$ 6.9	\$17.4	
• Publicly Held Debt	3.4	10.1	
• Military & Civilian Pensions & Retiree Health	2.8	5.8	
• Other Major Fiscal Exposures	0.7	1.5	
Commitments & Contingencies	0.5	1.9	
E.g. Pension Benefit Guaranty Corporation, Undelivered Orders			
		Trustees' Estimates	Actuary's Alternative Scenario
Social Insurance Promises	13.0	33.7	46.1
• Future Social Security Benefits	3.8	9.2	9.2
• Future Medicare Benefits	9.2	24.7	37.0
▪ Future Medicare Part A Benefits	2.7	3.3	8.5
▪ Future Medicare Part B Benefits	6.5	13.9	21.0
▪ Future Medicare Part D Benefits	-	7.5	7.5
Total	\$20.4	\$53.2	\$65.5

SOURCE: Data from the Department of Treasury, 2011 Financial Report of the United States Government. Compiled by TCAII.

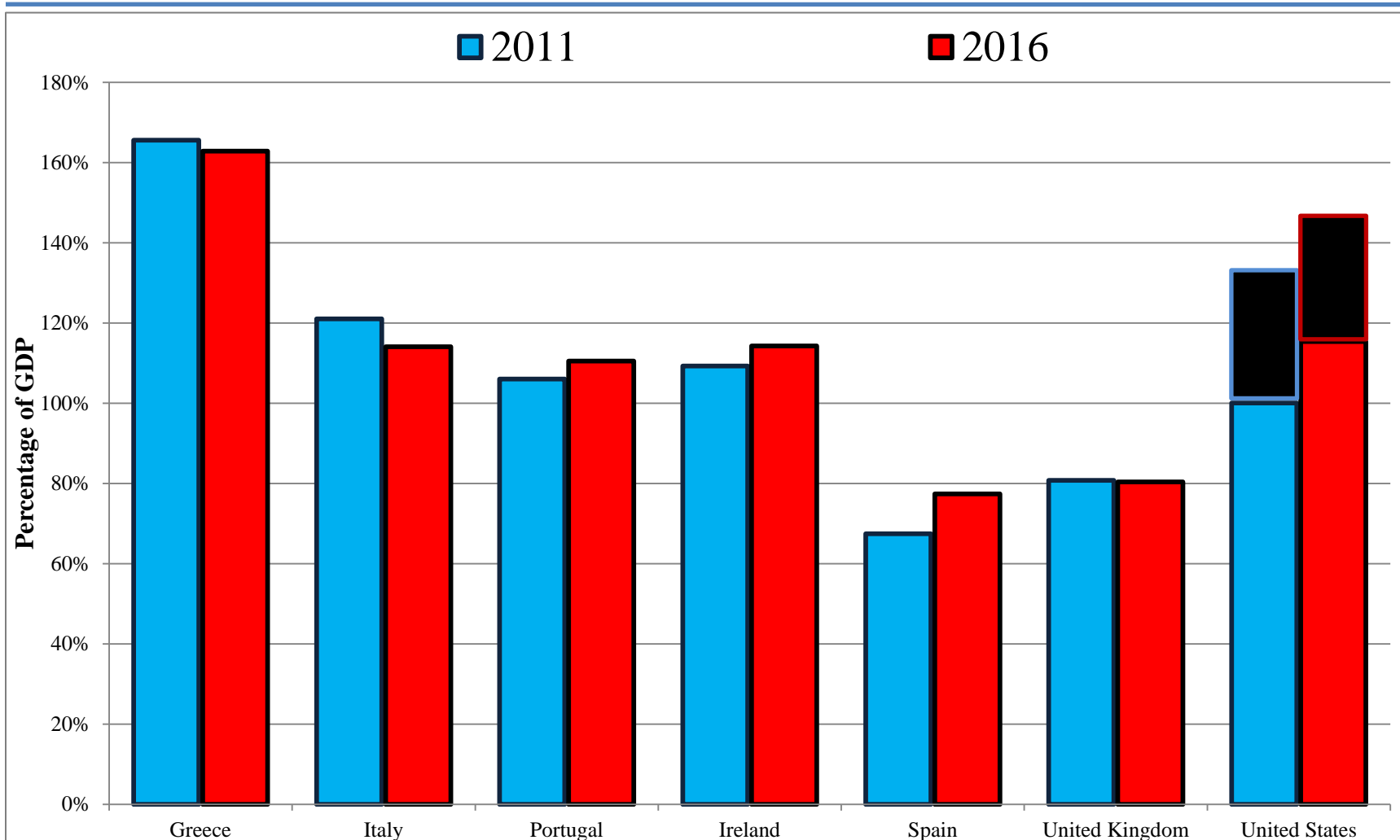
NOTE: Estimates for the Actuary's Alternative Scenario are found in note 26 of the 2010 Financial Report of the United States. Future liabilities are discounted to present value based on a real interest rate of 2.9% and CPI growth of 2.8%. The totals do not include liabilities on the balance sheets of Fannie Mae, Freddie Mac, and the Federal Reserve. Assets of the U.S. government not included.

If The U.S. was a Household

Household Income Statement	
Per Week	
Household Income	\$ 966
Household Expenses	\$ 1,496
Household Deficit	\$ (536)
Overall Household Debt, Liabilities, & Unfunded Promises	
Total Household Debt (as of Sept. 30, 2011)	\$ 314,234
Total Household Liabilities and Unfunded Promises (as of Sept. 30, 2011)	\$ 1,391,605
Sources: U.S. Department of Treasury, 2011 Financial Report of the United States Government; U.S. Census Bureau, Quick Facts. Note: Household figures are calculated based proportionally on the Federal Government's finances using median income. Numbers may not add due to rounding.	



Comparative Debt Burdens



SOURCE: International Monetary Fund, World Economic Outlook Database, Sept. 2011. Medicare and Social Security Trustees Reports, 2011. Compiled by TCAIL.

Note: Data for 2011 and 2016 are estimates. Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future. This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. Thus, all liabilities in the GFSM 2001 system are debt, except for equity and investment fund shares and financial derivatives and employee stock options.

Debt can be valued at current market, nominal, or face values (GFSM 2001, paragraph 7.110). United States gross debt includes intragovernmental holdings of debt (black bars) and are illustrative.

Growing Foreign Dependency

1970

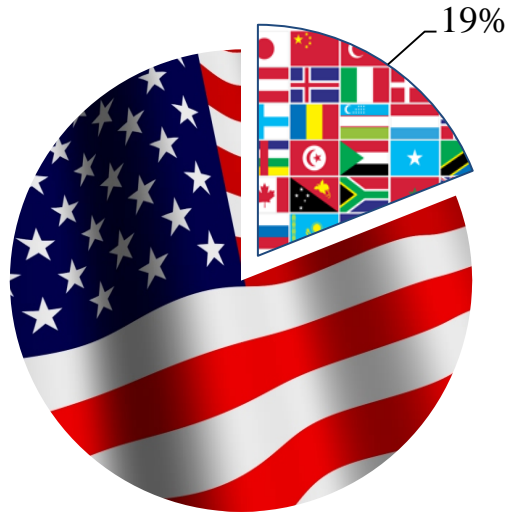
Total Public Debt
\$283 Billion



 Foreign Held Debt

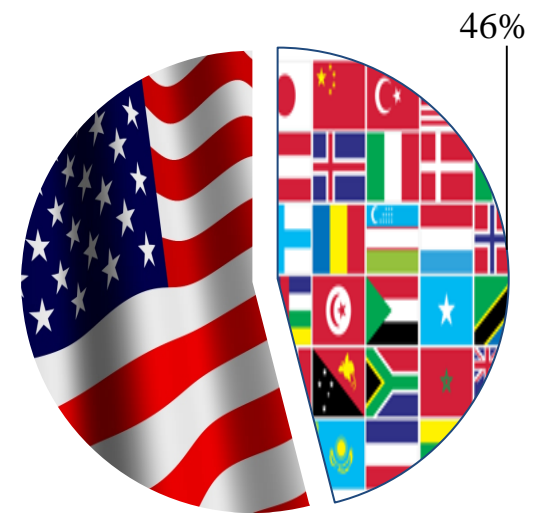
1990

Total Public Debt
\$2,412 Billion



2011

Total Public Debt
\$10,127 Billion



Source: Office of Management and Budget, Historical Tables; Department of Treasury, Major Holders of Treasury Securities, October 18, 2011, Debt to the Penny.
Compiled by TCAII.

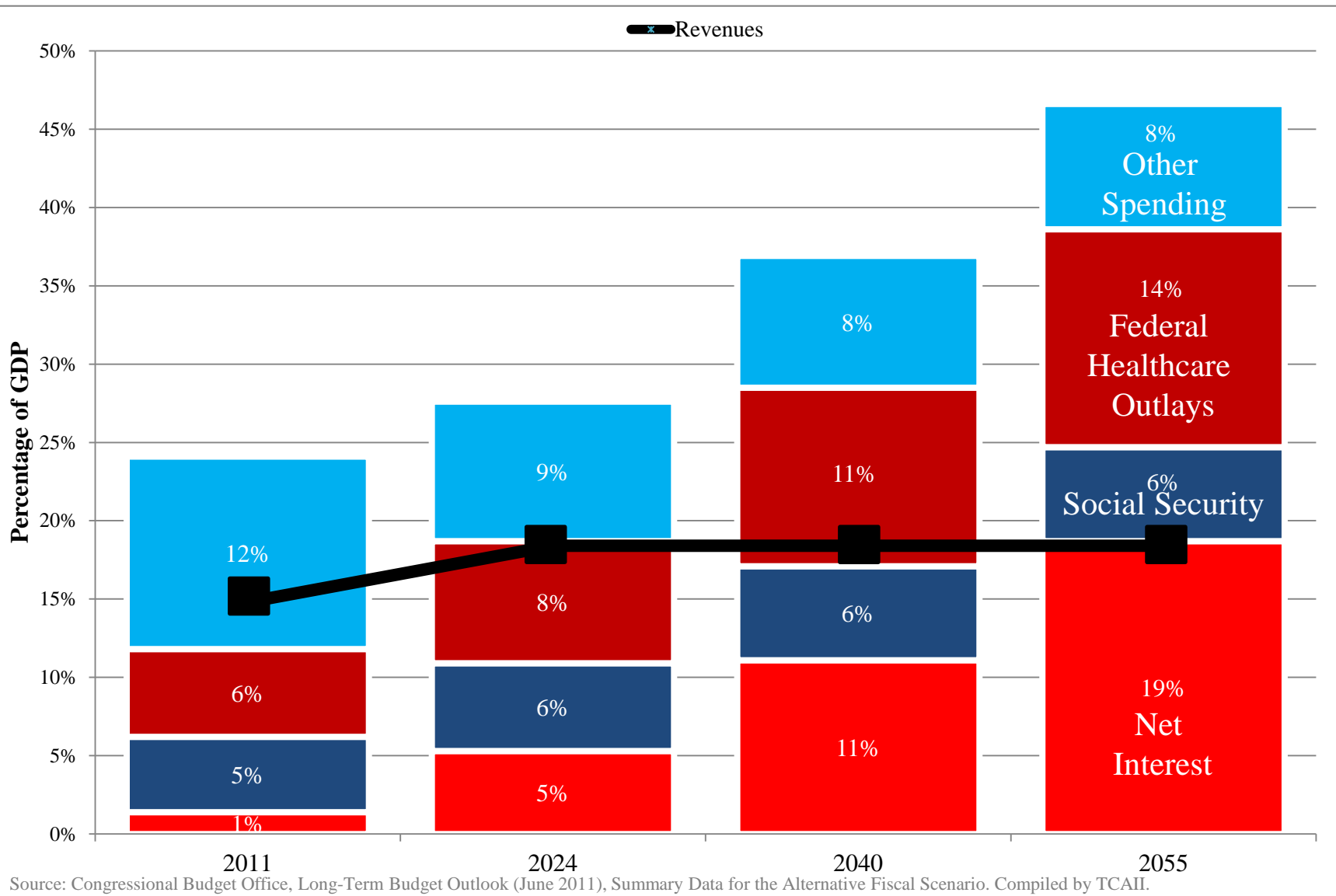
Note: 2011 public debt and foreign held public debt reflect data from September 2011.

Fiscal Fitness Index: Overall Results

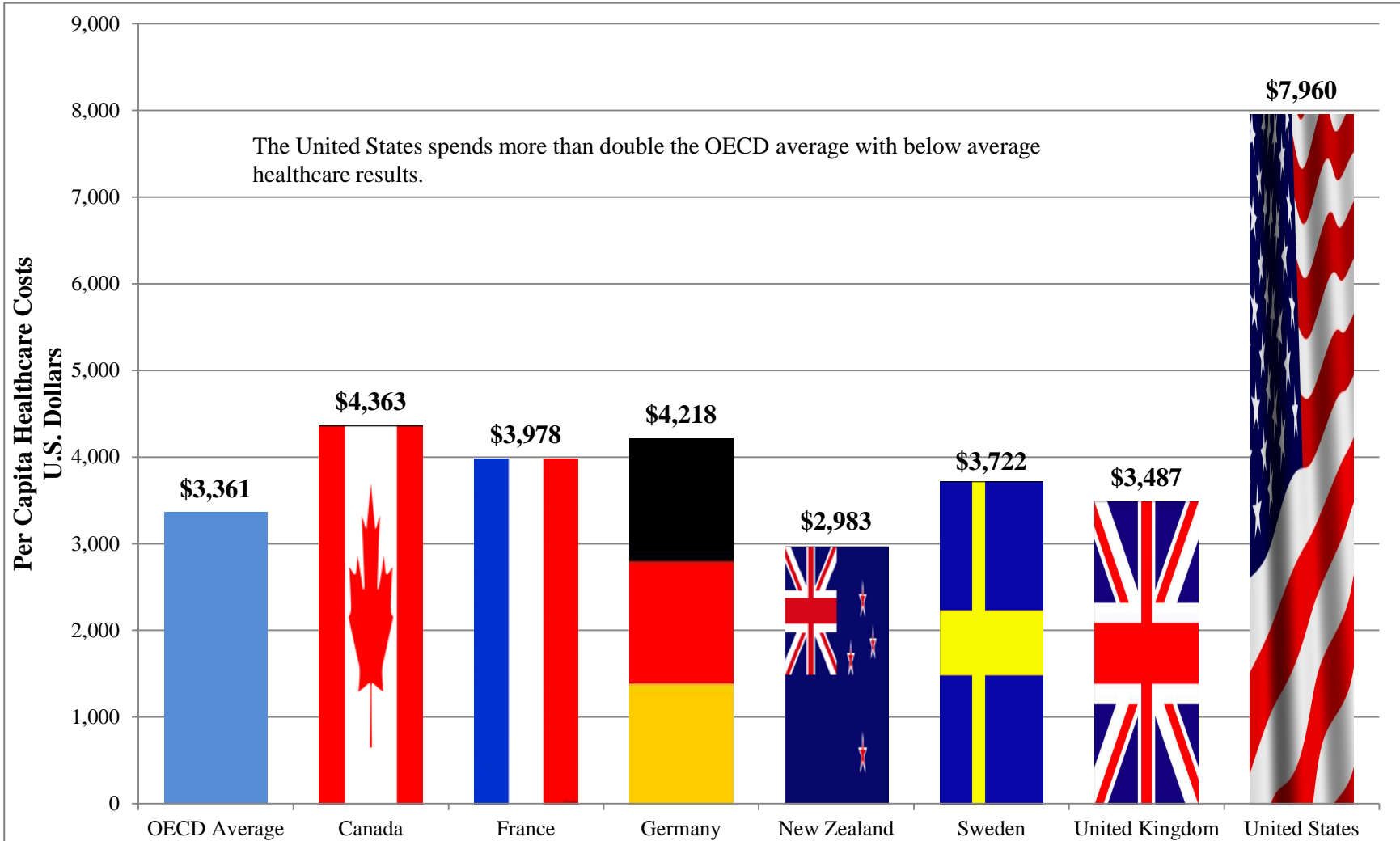
(Best to Worst)

1. Australia
2. New Zealand
3. Estonia
4. Sweden
5. China
6. Luxembourg
7. Chile
8. Denmark
9. United Kingdom
10. Brazil
11. Canada
12. India
13. Poland
14. Netherlands
15. Norway
16. Slovakia
17. Korea
18. Mexico
19. Israel
20. Slovenia
21. Austria
22. Finland
23. France
24. Spain
25. Germany
26. Belgium
27. Italy
- 28. United States**
29. Hungary
30. Ireland
31. Japan
32. Iceland
33. Portugal
34. Greece

Our Fiscal Future



Comparative Health Costs



Source: Organization for Economic Cooperation and Development, OECD Health Data 2011. Compiled by TCAII.

Note: Per capita health expenditures for 2009 uses purchasing power parity for all dollar amounts.

Social Security and Medicare

Key Dates and Data regarding the financial condition of the Social Security and Medicare Trust Funds

	Social Security	Medicare
Current Beneficiaries	55.0 Million	47.7 Million
Year the Trust Fund begins permanently operating with a negative cash flow	2010	2008 (HI Trust Fund)
Trust fund exhaustion year	2036	2024
Discounted Present Value (PV) of unfunded promises ¹	\$9.2 Trillion	\$37 Trillion ²
Actuarial Balance as a % of GDP	0.71%	1.9%

Insurance and Federal Disability Insurance Trust Funds; and Centers for Medicare & Medicaid Services, 2011 Medicare Trustees Report; 2011 Financial Report of the United States Government, Notes to the Financial Statements, Note 26 .

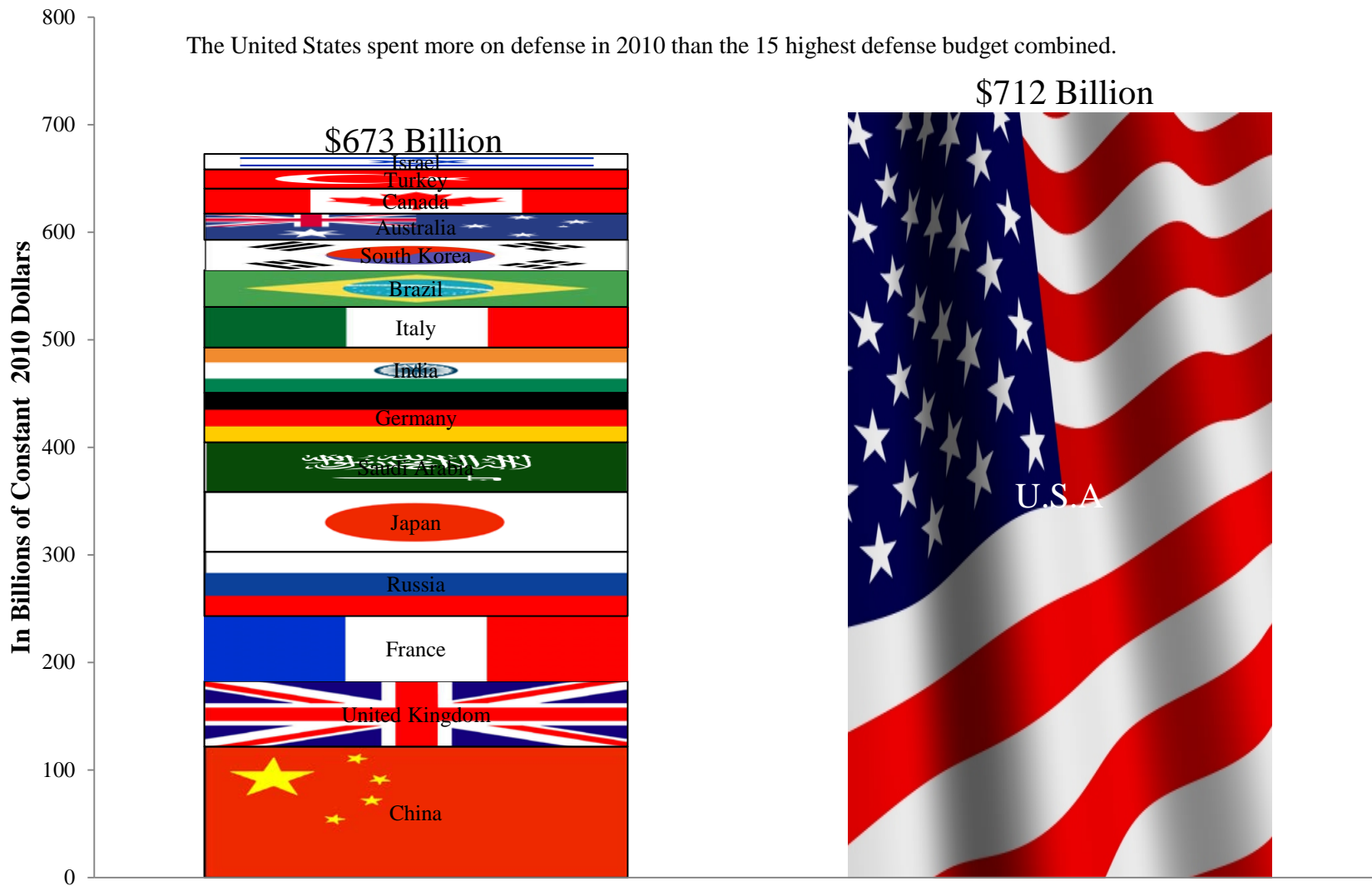
Compiled by TCAII.

Note: The Social Security Disability Trust fund will be exhausted by 2018.

1. Excludes current “assets” in the Social Security & Medicare trust funds.
2. Based on Medicare Actuarial projections that differ from current law.

Relative Defense Spending

The United States spent more on defense in 2010 than the 15 highest defense budget combined.



SOURCE: Stockholm International Peace Research Institute, SIPRI Military Expenditure Database 2011; Bureau of Labor Statistics, Inflation Calculator. Compiled by TCAII.

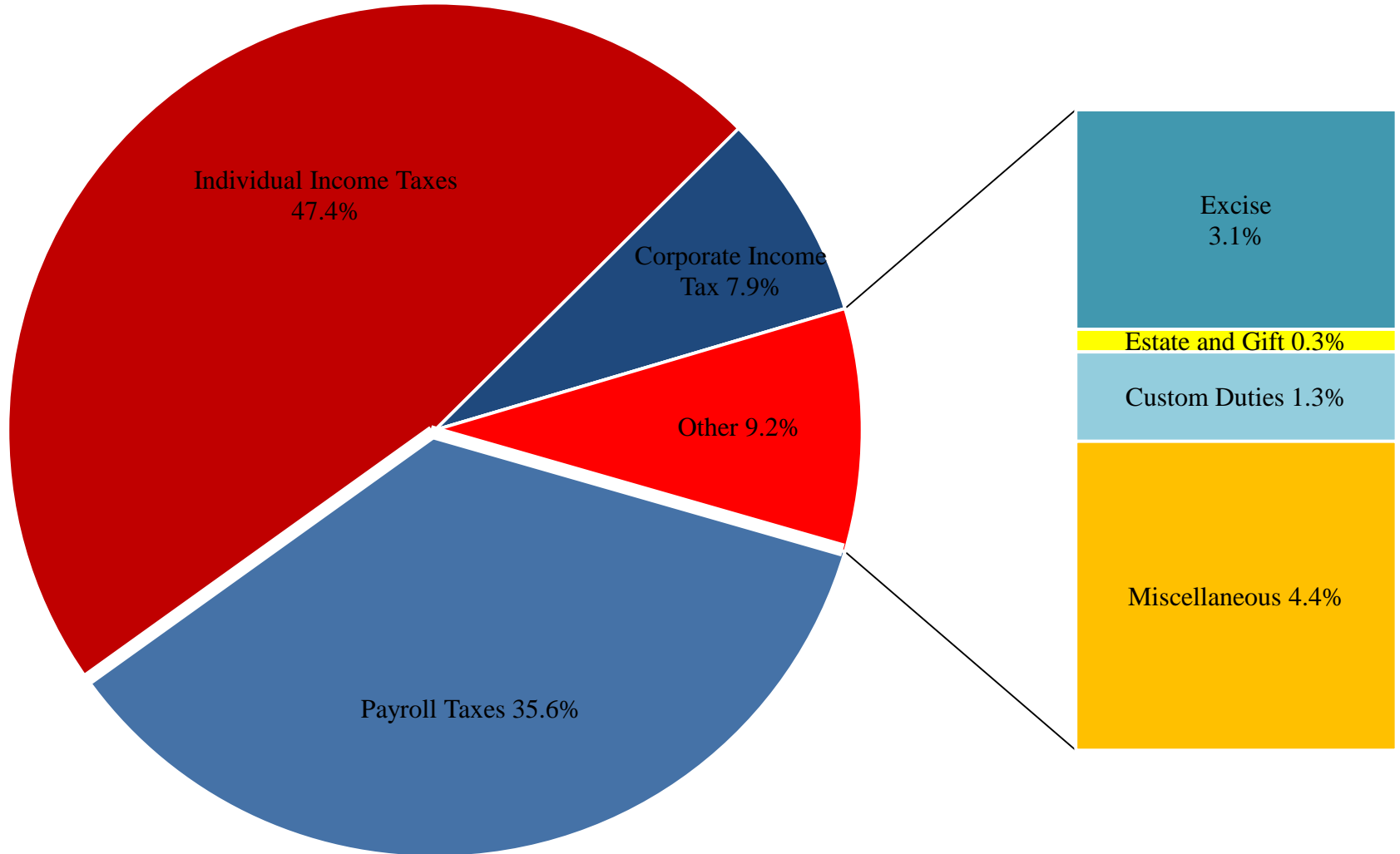
Overall Infrastructure Ranking

OECD Rank	Country (World Rank)	OECD Rank	Country (World Rank)
1	Switzerland (1)	18	United Kingdom (28)
2	France (3)	19	Czech Republic (29)
3	Denmark (5)	20	Estonia (31)
4	Finland (6)	21	Chile (32)
5	Iceland (7)	22	Slovenia (33)
6	Austria (8)	23	Turkey (34)
7	Germany (10)	24	Australia (37)
8	Sweden (11)	25	Israel (38)
9	Portugal (12)	26	Norway (42)
10	Japan (13)	27	Hungary (46)
11	Netherlands (14)	28	New Zealand (50)
12	Canada (15)	29	Ireland (53)
13	Luxembourg (16)	30	Greece (62)
14	Belgium (17)	31	Mexico (73)
15	Korea (18)	32	Slovak Republic (74)
16	Spain (22)	33	Italy (79)
17	United States (24)	34	Poland (87)

Source: World Economic Forum, World Competitiveness Report, 2011. Compiled by TCAII.

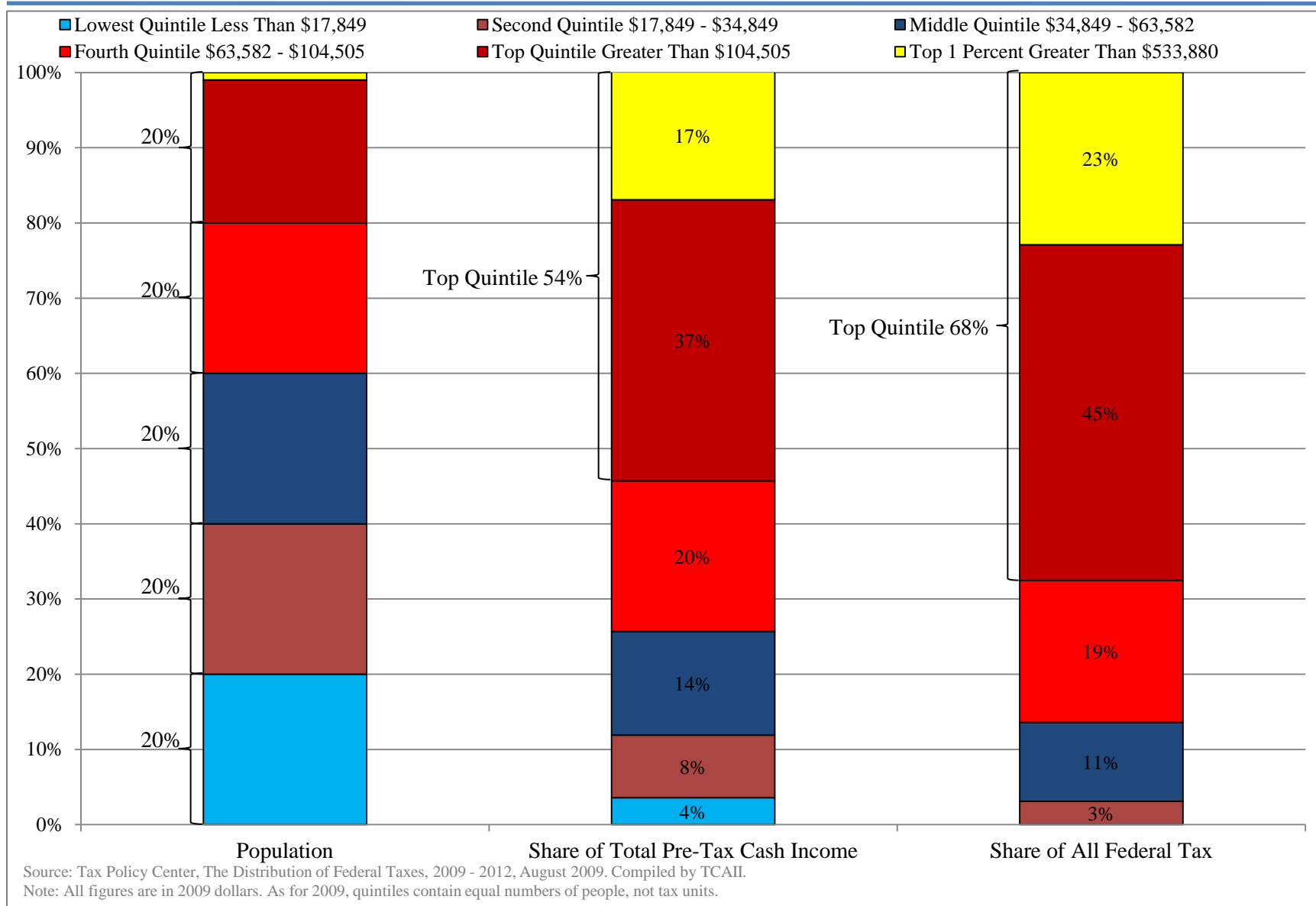
2011 Federal Revenue Composition

Total Revenue in 2011 \$2.3 Trillion

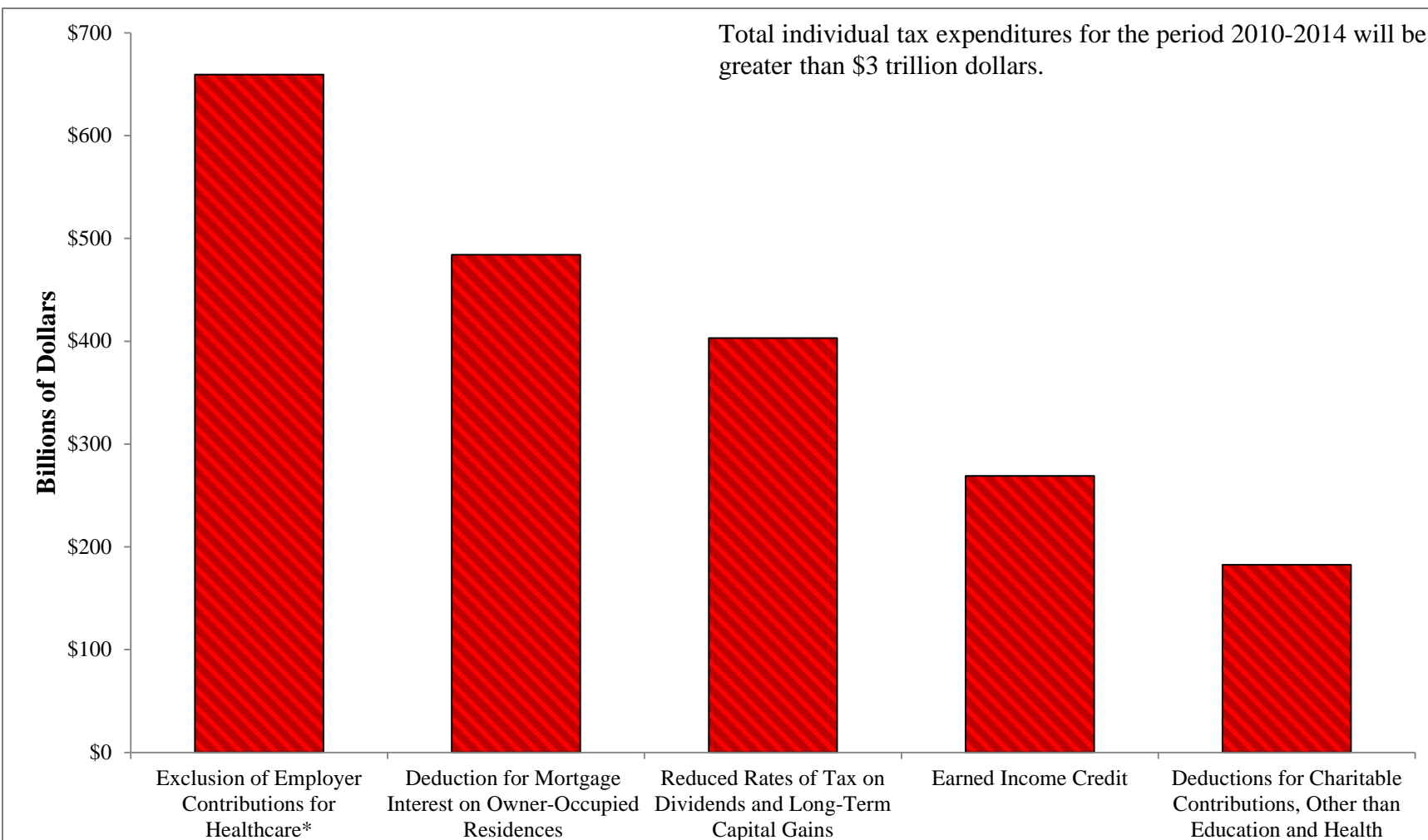


Source: Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2012 to 2022. Compiled by TCAII.

Progressive Tax System 2010



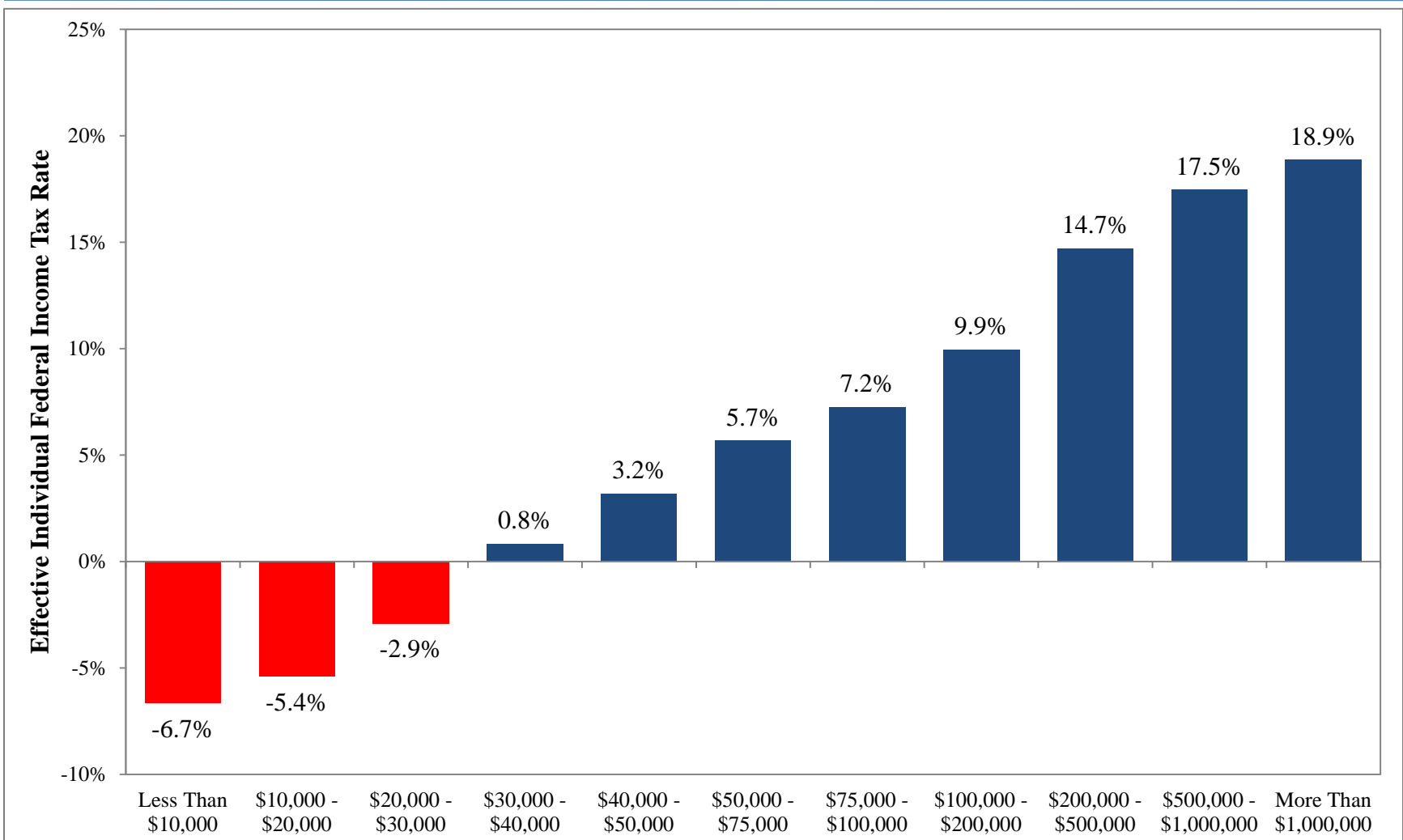
Select Individual Tax Expenditures (2010-2014)



Source: The Joint Committee on Taxation, Background Information on Tax Expenditure Analysis and Historical Survey of Tax Expenditure Estimates, JCX-15-11, February 28, 2011.

Note: *This only includes income taxes, There are estimates that suggest that if an analysis included payroll taxes the total cost would be over \$1 trillion for the same time period.

Effective Federal Income Tax Rates



Source: Urban Institute and Brookings Institution, Tax Policy Center, Distribution tables by Dollar Income Class, T11-0315 - Effective Federal Tax Rates by Filing Status and Demographics, Under Current Law, by Cash Income Level, 2011. Compiled by TCAII.

Note: About half of individuals who file federal tax returns pay no income tax.

Taxpayer's Burden by State

(Thousands of Dollars)

1. Wyoming	\$15.1	18. Nevada	\$ 4.2	35. New York	\$ 13.7
2. North Dakota	\$ 6.4	19. Missouri	\$ 4.6	36. Maine	\$ 14.3
3. Nebraska	\$ 2.5	20. Ohio	\$ 4.7	37. Mississippi	\$ 14.3
4. Utah	\$ 2.2	21. Virginia	\$ 4.8	38. Rhode Island	\$ 14.3
5. South Dakota	\$ 0.3	22. Wisconsin	\$ 5.1	39. Michigan	\$ 14.7
6. Iowa	\$ 0.4	23. Texas	\$ 5.7	40. California	\$ 15.1
7. Montana	\$ 0.7	24. Kansas	\$ 5.8	41. Delaware	\$ 15.9
8. Arkansas	\$ 0.7	25. Washington	\$ 6.5	42. Maryland	\$ 16.5
9. Tennessee	\$ 1.2	26. Pennsylvania	\$ 8.2	43. Louisiana	\$ 16.8
10. Alaska	\$ 1.4	27. Georgia	\$ 8.9	44. West Virginia	\$ 18.9
11. Minnesota	\$ 1.9	28. New Mexico	\$ 9.0	45. Massachusetts	\$ 20.1
12. Indiana	\$ 2.3	29. South Carolina	\$ 9.7	46. Kentucky	\$ 23.8
13. Florida	\$ 2.5	30. Oklahoma	\$ 10.0	47. Hawaii	\$ 25.0
14. Oregon	\$ 2.6	31. North Carolina	\$ 11.2	48. Illinois	\$ 26.8
15. Arizona	\$ 2.6	32. New Hampshire	\$ 11.6	49. New Jersey	\$ 34.6
16. Colorado	\$ 2.8	33. Vermont	\$ 12.5	50. Connecticut	\$ 41.2
17. Idaho	\$ 2.9	34. Alabama	\$ 12.9		

Source: 2009, Institute for Truth in Accounting

Numbers in red denote burden per taxpayer, Numbers in black denote a surplus per taxpayer

4 Myths

There are a number of myths about how to solve the Nation's fiscal problems. The 4 most common are:

We can Grow our way out

We can Inflate our way out

We can Tax our way out

We can Cut our way out

The simple truth is that none of these by themselves will work and all of them will play a role in order to restore our fiscal sanity.

Key Systemic Challenges

- Expansion of government at all levels
- Health Care Costs
- Retirement Income Costs
- Disability and Welfare Related Costs
- Critical Infrastructure Needs
- Education Costs
- Corrections Costs
- Outdated and Inadequate Revenue Systems
- Myopia, Tunnel Vision, Special Interests and Self-Interest

Words of the Political Trade

There are a number of words that politicians use that differ from the general public's understanding and usage:

- “Trust Funds”
- “Spending Cuts”
- “Public Investment”
- “Military Requirements”
- “Middle Class”

CAI's Fiscal Framework

Scope of CAI's Illustrative Fiscal Frameworks:

- Budget Controls and Process Reforms
- Social Security
- Medicare, Medicaid, and Healthcare
- Defense and Other Spending
- Comprehensive Tax Reforms
- Constitutional Amendments

Best Solution or (B.S.) Test

Fiscal Reforms Must Pass the Best Solutions Test:

- 1) Do they make economic sense?
- 2) Are they socially equitable?
- 3) Are they culturally acceptable?
- 4) Do they pass a math test?
- 5) Are they politically feasible?
- 6) Can they achieve significant bipartisan support?

Management 101 for Government

- What should government do?
- What level of government should do it?
- What are the key goals and objectives?
- What type of government approaches should be used?
- Who should do the work?
- How do you measure success?
- How should it be paid for?
- Are you applying best practices and lessons learned?
- Is it future focused results oriented, affordable and sustainable?

Learning from the Past

The country is currently experiencing similar conditions as in 1992 when Ross Perot first ran for President.

Fiscal Irresponsibility

Political Dysfunction

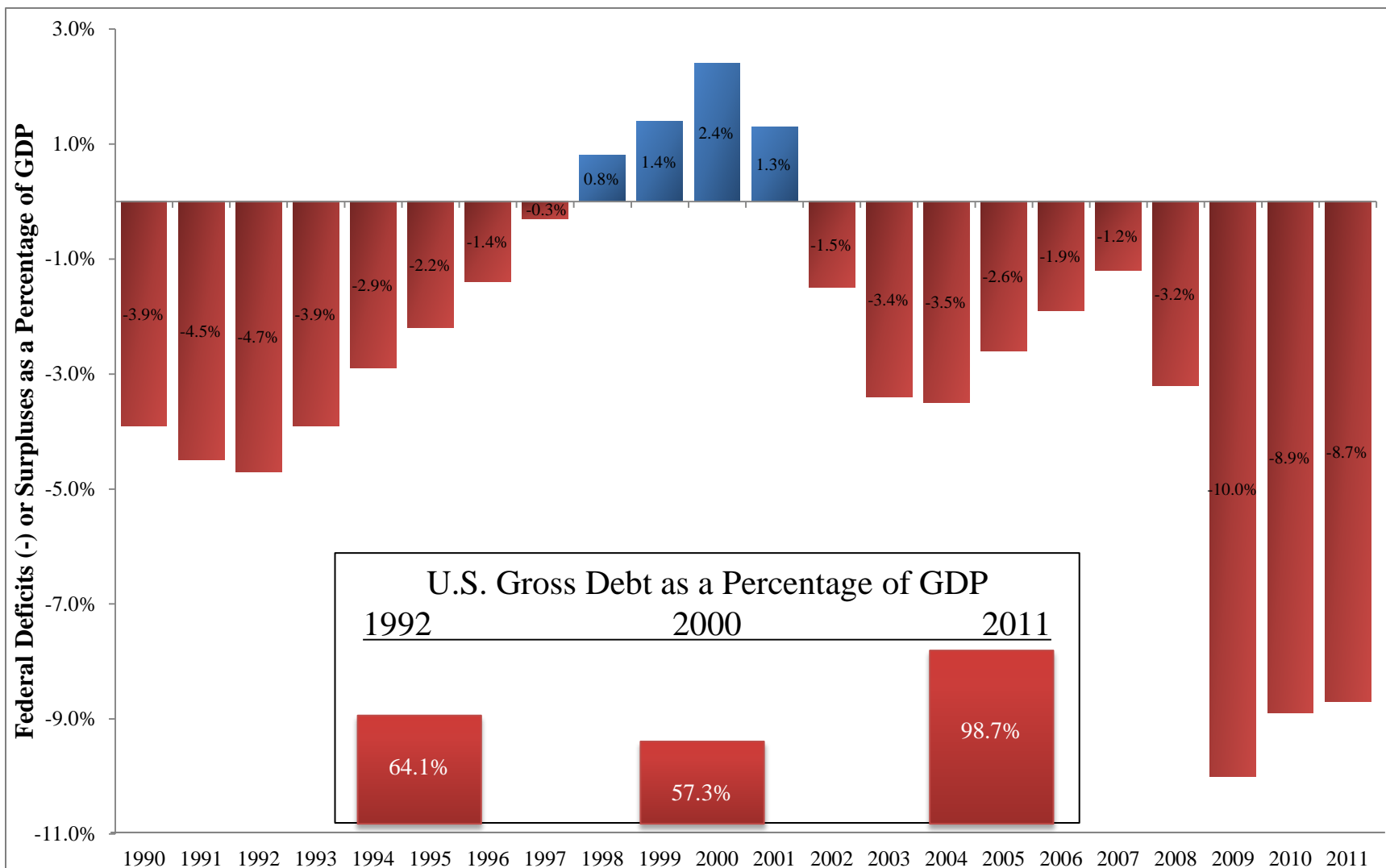
Lack of Trust in Government

Absence of Public Confidence in the Future

The country is approaching an even bigger iceberg than in 1992. We corrected our course then and can do so again if we “wake-up” and get some committed and courageous leadership.

Deficits and Debt

(as a percentage of GDP)



Source: Office of Management and Budget, Historical Tables, Table 1.3; Congressional Budget Office, The U.S. Federal Budget, December 2011: Infographic; U.S. Department of Treasury, Bureau of the Public Debt, Debt to the Penny; CBO, Long-Term Budget Outlook (June 2011); Compiled by TCAII. Note: 2011 Gross debt as of Sept 31.

What Can You Do?

- Test your fiscal knowledge by going to www.fiscalIQ.net
- For further information about:
 - Non-partisan facts and possible solutions on fiscal sustainability and responsibility
Sign up at
The Comeback America Initiative's website
www.TCAII.org
Follow us on Twitter [@DaveWalkerCAI](https://twitter.com/DaveWalkerCAI) and Like us on Facebook
 - Promoting progress over partisanship sign up at
No Labels website
www.NoLabels.org
 - Pick a President instead of a party sign up at
Americans Elect Website
www.AmericansElect.org