



AMERICANS FOR TAX REFORM

P O L I C Y B R I E F

1920 L STREET, N.W. - SUITE 200 - WASHINGTON, D.C. 20036 - 202-785-0266 - [HTTP://WWW.ATR.ORG](http://www.ATR.org)

THE FACTS ABOUT FEDERAL SPENDING

A Series of Federal Spending Summaries from the Americans for Tax Reform

Summary

With the release of President Bush's Fiscal Year 2007 budget this, Americans for Tax Reform (ATR) will be issuing a number of short policy briefs on federal spending. The attached paper is the first in a series and specifically focuses on total federal spending. Subsequent papers will examine individual departmental spending.

Overall, the federal budget has exploded in the past six years, which is reflected by using a wide variety of measures including 1) simple percentages; 2) inflation-adjusted dollars; and 3) as a percentage of national income. Despite this clear fact, some members of Congress will claim the President's budget does not spend enough money. The facts, however, overwhelmingly demonstrate that spending has been too much, even in light of the current economic, fiscal, and homeland defense needs.

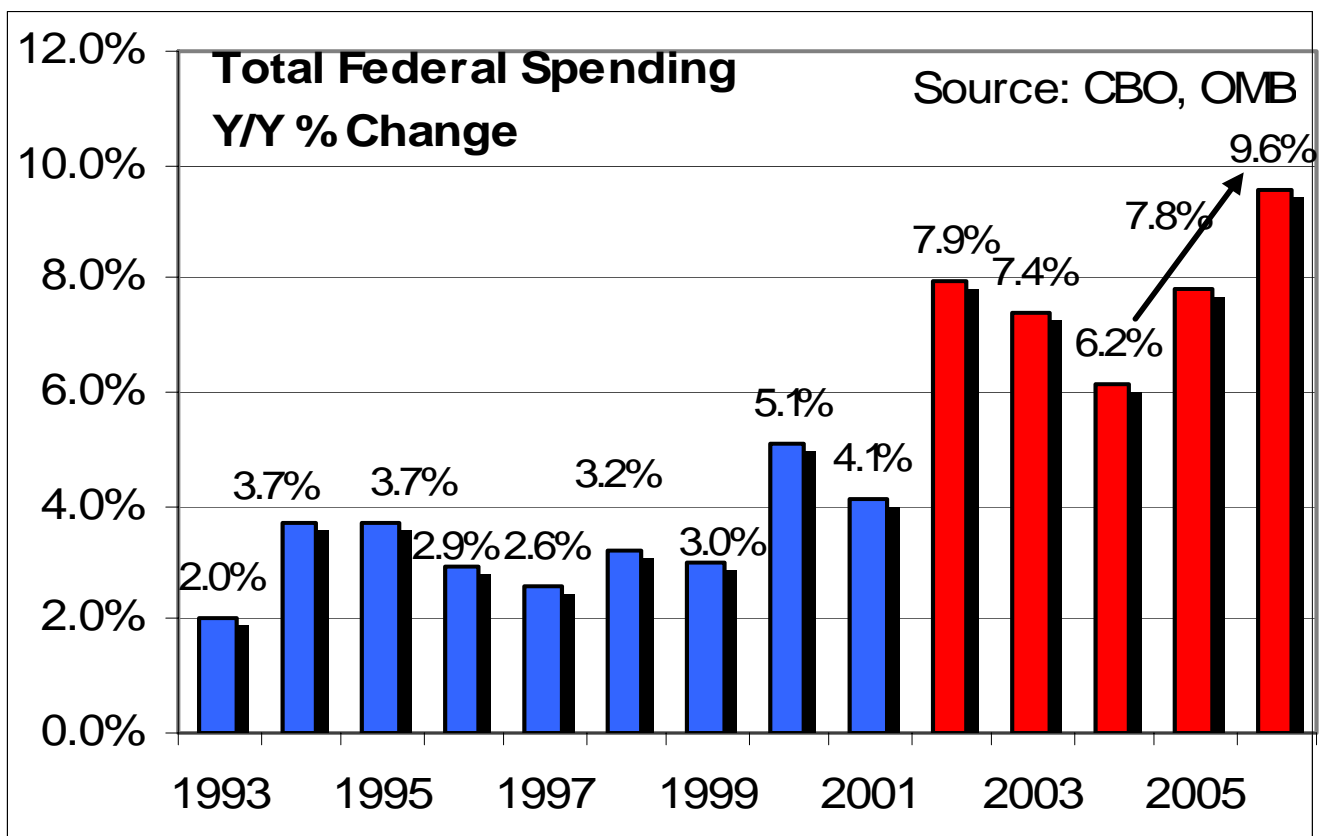
President Bush's budget calls for a 9.6 percent increase in spending in Fiscal Year 2006. This is the largest percentage increase in 21 years. In the past 5 years, annual spending increases have exceeded the previous combined 8 year spending increases by five fold. Spending as a percentage of national income now stands at 23.8 percent – the exact level it stood in 1993. Spending increases over the past five years have thus wiped out the significant gains achieved in the 1990's when spending as a percentage of national income declined from 23.8 percent in 1993 to 20.6 percent in 2000. The average American worker will need to work an additional 11.4 days out of the year to pay for this increased spending compared to 2000. And over the past six years, that worker has worked a cumulative additional 25.8 days just to pay for the costs of federal spending.

Fact #1: Federal Spending Is Rising At Unprecedented Levels

In fiscal year 2006, the Administration expects federal spending to increase 9.6 percent above fiscal year 2005 levels. On a percentage basis this will be the largest increase in total federal spending since 1985 (21 years). In fact, the 9.6 percent increase is nearly three times the annual average of federal spending between fiscal years 1992 and 2000. Since 2000, however, federal spending has increased at annual average rate of 7.2 per year and has clearly exceeded historical levels.

It is important to note, that this large unexpected increase in fiscal year 206 comes on top of a 7.8 percent increase in fiscal year 2005. Total federal spending is accelerating and this is troublesome for taxpayers. There is absolutely no justification for more spending given the enormous increases in spending since fiscal year 2000.

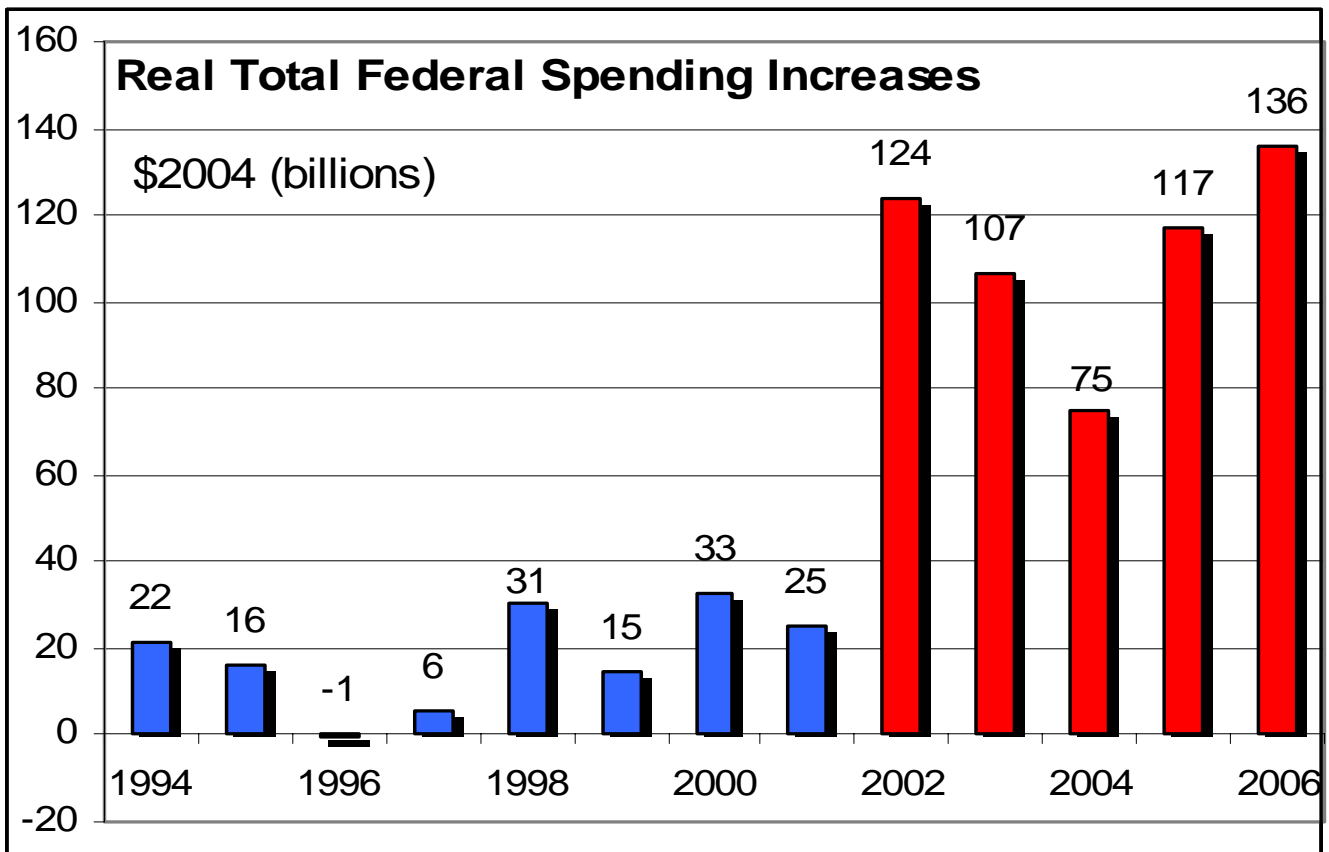
Chart 1: Total Federal Spending Percentage Increase FY 93-06



Fact #2: Fiscal Years 02-06 Spending Increase Nearly Five Times Greater Than the Cumulative Total of the Past 8 Years

With the President's request, the combined inflation adjusted spending increase amounts in his Administration is five times the amount the previous eight year period. Annual increases over the past five years is the roughly the equivalent of the total combined spending increases for the entire previous eight year period.

Chart 2: Annual Spending Increases FY 94-06 (billions of \$2004)

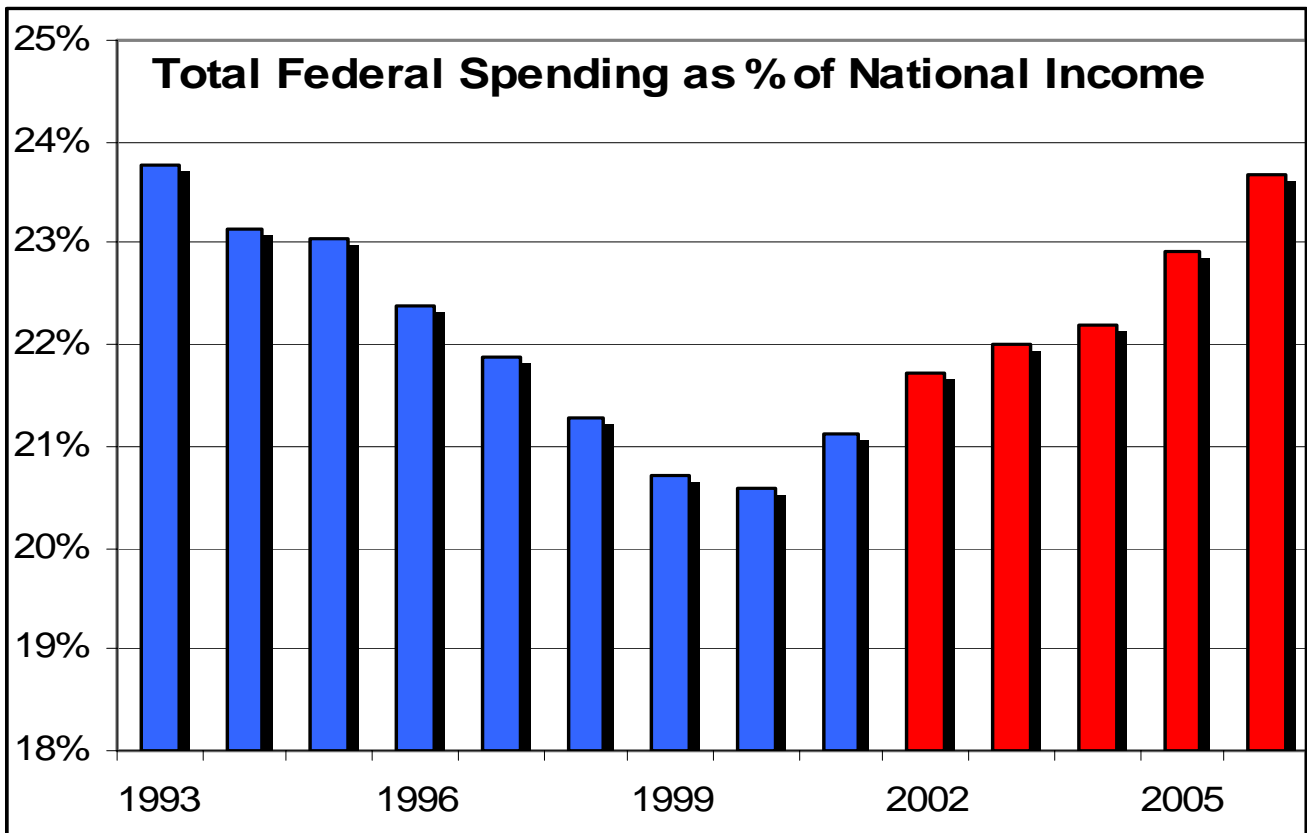


Fact #3: All of the Gains From the 1990's Have Now Been Eliminated

In each of the past six years, federal spending has increased faster than national income. This stands in stark contrast to the previous eight years when spending as a percentage of national income declined each year. In this time, federal spending declined from 23.8 percent to 20.6 percent by 2000. However, with all the large increases in spending, fiscal year 2006 spending will stand at 23.8 percent of national income. This is the exact spot where spending stood in fiscal year 1993. All of the substantial gains from the 1990's have now been completely wiped out.

This abrupt and substantial rise of federal spending will restrain economic growth in the future and hence, future government revenues, thus exacerbating the current deficit. Clearly, government spending has been growing faster than the growth of the private economy, yet the return on this government spending diminishes for every new dollar spent. Moreover, the future increases needed for this new spending will require higher taxes and government borrowing, which drains money from the private sector.

Chart 3: Federal Spending as a Percentage of NNP FY93-FY06



Fact #4: Constituents Must Work 11.4 More Days to Pay For Spending

With the new Fiscal Year 2006 numbers released, federal spending will exceed national income growth for six consecutive years. As a result, the average American worker will work an additional 11.4 days in Fiscal Year 2006 to pay for federal spending compared to 2000. This is more than additional two weeks of work for the average American.

Putting this in context, during FY 2001 – FY 2006, the average American has worked a combined additional 25.7 days, nearly one month, to pay for the federal spending increases that exceeded the growth of working families' incomes.

Chart 4: More Days Of Worked Needed To Pay For Federal Spending

