

National Priorities Project's Data for Democracy Series

OUT OF BALANCE

How misguided federal spending priorities makes us less secure, and what we can do about it.

Massachusetts Edition

[Note: we chose Massachusetts for the statelevel numbers.

You can find localized data for all 50 states in the Out of Balance data table.]

Out of Balance is intended to strengthen people's understanding of – and connection to – the federal budgeting process.

On February 1, 2010, President Obama released his FY2011 budget which will have enormous implications for states and local communities.

As we begin the new – and vitally important – budget cycle, *Out of Balance* provides a critical look at the link between federal funds and state and local budgets, and critiques national spending priorities.

To deepen your understanding of some of the issues raised during this presentation, you may want to download National Priorities Project's Security Spending Primer.

<http://www.nationalpriorities.org/publications/2009/09/24/SecuritySpendingPrimer>

An Historic Opportunity

Our nation is at a crossroads. For the first time in decades, we have the potential to address many of our nation's chronically unmet social and infrastructure needs.

The public is more engaged than ever in a broadbased discussion of national priorities, and is demanding

- Quality health care
- Better schools
- A clean environment
- Safer communities
- Quality jobs.

We have an administration and Congress that are beginning to chip away at healthcare and education reform, green technology and an overhaul of our sagging national infrastructure.

Three things are very clear:

- These critical initiatives all need large infusions of federal dollars;

- There are a great many competing priorities; and
- Work for national priorities needs an engaged public with access to consistent, accurate, timely information and analysis.

We hope that *Out of Balance* – along with NPP's many other tools – bolsters and sharpens good budget-related work across our nation.

This presentation illustrates our nation's key federal spending priorities and how out of balance they often are compared to our nation's needs, whether at home or abroad. As is traditional with our work, we've "translated" some of this information to the state level to make the information more meaningful.

Get Involved!

Educate yourself, your friends, your community, and your elected officials. As former Texas Congresswoman Barbara Jordan once said, "Democracy isn't a spectator sport".

What Are *Your* Federal Priorities?

What issues should our federal government address? How would you spend our federal income tax dollar? We've asked these questions hundreds of times over the years. Time and again, the answers have been the same. People want:

- Quality, affordable health care for all
- More decent-paying jobs
- Quality, equalized education
- An end to poverty and hunger
- Additional affordable housing
- Control of the federal debt
- A greater emphasis on diplomacy
- An effective response to climate change

Our *Nation's* Priorities

Do the federal government's priorities match your priorities?

The chart on slide six illustrates where our federal income tax dollar went in 2008, based on federal budget numbers. Look at what percent went to education, health care, housing, the military, and so on.

- Do your priorities match the federal government's spending?

- Are you shocked at how much or how little the typical household in your state spends on various priorities?
- Where do you think the federal government is out of balance? Where does it spend too much? Too little?

For information on all fifty states and select cities, click here: www.nationalpriorities.org/taxday2.

To find out how much you spent last year per category, click here: <http://www.nationalpriorities.org/taxchart2009>.

The Role of the Federal Government

There are times when we are 50 states, and there are times when we are one country with national needs. There are tasks which demand a very localized focus and those that are simply too great or complex to rely on just one person or town or state.

In addition to channeling funds to states for education, job training, community development, children's insurance and more, the federal government:

- helps ensure food and drug safety
- provides critical housing and tax deductions
- administers Medicare, Medicaid, Social Security and Unemployment Insurance programs
- runs myriad national security programs – from a diplomatic corps to international aid initiatives to a military, national guard and reserves
- oversees environmental research and development efforts

The federal government is also responsible for the Federal Communications Commission and the U.S. Postal Service.

In addition, every day, the National Weather Service observes and reports weather patterns more than 1.9 million times thanks to the surface stations, ships, aircraft, buoys, balloons and satellites it maintains.

The government also helped to fund research that led to web browsers like Internet Explorer and search engines like Google. (Source: <http://www.governmentisgood.com>)

Nearly every minute of every day, we are all in direct contact – whether due to federal funding or the work of federal programs – with our federal government. It's our job to make sure the decisions it makes in our name reflect our own priorities and those of our communities.

The Federal Budget: Discretionary and Mandatory Spending

Discretionary spending accounts for only about a third of the full federal budget (and about half of where our federal income tax dollar goes). We focus on it because it is the only part of the budget that Congress debates and decides on every year, and because it often represents people's key concerns: many federal programs at the community level, money spent on the military, and programs focused on international affairs.

Mandatory spending is money spent to comply with existing laws that govern specific programs or functions such as Medicare, Medicaid, the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), Pell Grants, Transitional Assistance for Needy Families, Social Security and other retirement funds.

A very timely example of a process to alter mandatory spending regulations is the healthcare debate in Congress.

Programs such as SNAP, Medicare, Medicaid and Social Security are called "entitlements" because individuals satisfying given eligibility requirements set by past legislation are entitled to Federal government benefits or services.

These programs and policies are debated when time limits for these laws are up, or as new laws are proposed.

Sources for chart:

- Breakout of discretionary v. mandatory: Office of Management and Budget (OMB), *Budget of the United States Government, FY 2011, Analytical Perspectives*, Table 321 Budget Authority and Outlays by Function, Category and Program, http://www.whitehouse.gov/omb/budget/fy2011/assets/32_1.pdf

FY 2011 Mandatory Spending

The two charts on slide ten show the FY 2011 Mandatory Spending request. The smaller chart in the upper right corner is a breakout of the last category on the chart – Government – which is made up of the subcategories Commerce, Justice, General Government, and “Undistributed Offsetting Receipts.”

This last category, “Undistributed Offsetting Receipts,” appears as a negative and actually represents not spending, but income to the U.S. Treasury. Most of this income is money being paid back by troubled banks and financial institutions that received assistance under the “TARP” program (Toxic Assets Relief Program).

The category “Income Security & Labor” includes Social Security and Unemployment Insurance. “Health” includes Medicare and Medicaid.

FY 2011 Discretionary Spending

The chart on slide eleven offers you a look at our current Discretionary budget – remember, it represents a little more than onethird of this year's \$3.6 trillion budget. Does it surprise you?

As you can see, 58% of all discretionary spending is military spending. Money for most other programs – education, job training, social services, environmental programs – makes up the other 42%. (Note: the 5% for health care is for such programs as health clinics and health research. As was shown on the previous chart, Medicaid and Medicare are mandatory programs, not in the discretionary budget.)

For more discussion of this topic, see NPP's *Security Spending Primer Fact Sheet #2, The Discretionary Budget: Military v. NonMilitary*.

Sources for chart:

- Breakout of discretionary v. mandatory: Office of Management and Budget (OMB), *Budget of the United States Government, FY2011, Analytical Perspectives*, Table 321 Budget Authority and Outlays by Function, Category and Program, http://www.whitehouse.gov/omb/budget/fy2011/assets/32_1.pdf

Influencing the Budget Process: Keep your Eyes on the Discretionary Pies

There are many ways that you can influence the entire budget process – especially the discretionary budget. Understanding the budget cycle is critical.

The President introduces a budget to Congress and the country in early February. The House and Senate Budget Committees spend early spring preparing budget resolutions, adding or subtracting from the President's budget.

Decisions are made about how large the discretionary budget “pie” should be, and how much should go into major categories – military spending, and the various categories mentioned above. This is a critical time for citizen participation, to give input on how large different slices of the discretionary pie should be – for instance, how much should go to education or the environment, military spending, etc.

There are many more steps involved in passing the budget, and many opportunities to influence spending priorities.

In midspring the House and Senate appropriations committees begin the process of allocating what their individual slices of the pie should and should not include. One high visibility example of this last year was the successful effort by many people, including the Obama Administration, to eliminate funding for the F22 jet fighter because they felt it not necessary for today's security threats.

The fiscal year federal budget is supposed to be approved by September 30, although in many years it takes several weeks or months more to complete the process.

If the budget that is passed is still not to your liking, you might choose to submit a *priorities letter* to a key person in the Obama Administration, or a specific Congressional committee chairperson in the fall and ask that your priorities be reflected in the budget due out the following February.

For more discussion of this topic, see NPP's Security Spending Primer, Fact Sheet #1, The Federal Budget 101: Process and Timeline, and Fact Sheet #4, The Federal Budget Process: An Interactive Performance in Three Acts. American Crises, Federal Challenges

We know that the United States is in the midst of the worst economic crisis since the Great Depression. What is less well known is the dramatic impact of chronically insufficient funding for antipoverty programs, education, job training, infrastructure and more. Slide 13 gives a brief overview of some national struggles – struggles which President Obama has pledged to address.

- **Child poverty:** 14 million children – 19% of all children – live in poverty. A family of 3 with one child, and making less than \$17,330 a year is considered poor. Analysts calculate that this costs the U.S. economy \$500 billion a year in added services and lost taxes.
- **Healthcare:** 46.3 million people (15.4%) have no health insurance.
- **Education:** Unequal access to education at all levels: Education is considered the single most important key to ensuring equality and progress. Studies show that poor, working class and people of color have far less access to preschools, are more likely to attend deteriorated schools with fewer and less qualified staff, and have difficulty affording college. For example, whites are more than 3 times as likely to graduate from college as Latinos, and almost twice as likely as African Americans.
- **Unemployment:** 7.6 million jobs were lost from August 2008 to August 2009. That's about as many jobs as were created in the previous 10 years.

Sources for text:

- Child poverty: Child poverty numbers: US Census Bureau, Income, Poverty and Health Insurance Coverage in the United States: 2008, September 2009, p. 14, <https://www.census.gov/prod/2009pubs/p60236.pdf>; Poverty threshold, family of 3: U.S. Census, Housing and Household Economic Statistics Division, <http://www.census.gov/hhes/www/poverty/threshold/thresh08.html>; Economic cost of child poverty: Holzer, Harry J, Schwarzenback, Diane, Duncan, Greg, and Ludwig, Jens, The Economic Costs of

Poverty in the US: Subsequent Effects of Children Growing Up Poor, Center for American Progress, Washington, DC, April 2007.

- Healthcare: Uninsured: Census Bureau, Income, Poverty and Health Insurance Coverage in the United States: 2008, p. 21, <https://www.census.gov/prod/2009pubs/p60236.pdf>
- Unequal access to education: Preschool: Teachers College, Columbia University The Inequities of Pre-school Education, <http://www.tc.columbia.edu/news/article.htm?id=6952>, April 8, 2009. Elementary/secondary: Rosa, Marguerite, "What if We Closed the Title I Comparability Loophole?" in Ensuring Equal Opportunity in Public Education, Center for American Progress June, 2008, pp. 6367, 7475; U.S. Government Accountability Office, "School Finance: PerPupil
- Spending Differences Between Selected Inner City and Suburban Schools Varied by Metropolitan Area" GAO03234, December 2002, p. 56; Arroyo, C., The Funding Gap, The Education Trust, 2008. Higher education: Tamara Draut, Economic State of Young America, Demos: A Network for Ideas and Action, pp. 2226, New York, Spring 2008.
- Unemployment: Bureau of Labor Statistics, Labor Forces statistics, release of October 2, 2009.

Infrastructure Crises

Our infrastructure is crumbling. Nationwide:

- 26% of our bridges are structurally deficient or functionally obsolete
- 33% of our major roads are in poor or mediocre condition
- Water systems that serve 10% of the population are in serious need of repair
- Our deteriorated public schools need \$254 billion in repairs

The stimulus package has begun to address infrastructure needs, but, according to the American Society of Civil Engineers, it will only cover 8% the \$2.2 trillion it will cost to meet our infrastructure needs.

Sources for chart:

- Engineers report: American Society of Civil Engineers (ASCE), <http://www.asce.org/reportcard/2009>
- Bridges: American Society of Civil Engineers, Ibid;
- Drinking water: Duhigg, Charles, Clean Water Laws are neglected, at a cost in suffering, New York Times, September 13, 2009, <http://www.nytimes.com/2009/09/13/us/13water.html>.
- Stimulus: Economic Policy Institute, Recovery Package Falls Short of infrastructure Needs, Economic Snapshot for February 4, 2009, www.epi.org/economic_snapshots/entry/snapshots_20090204/
- Schools: American Federation of Teachers, Building Minds, Minding Buildings: Turning Crumbling Schools into Environments for Learning, Washington DC, <http://www.aft.org/topics/buildingconditions/downloads/mindingbldgs.pdf>

Sources for text:

- U.S. Department of Education, Public School Principals Report on Their School Facilities: Fall 2005, National Center for Education Statistics, January 2007. <http://nces.ed.gov/pubs2007/2007007.pdf>

- Bridges, roads: ASCE, Ibid.
- Water: <http://www.nytimes.com/2009/09/13/us/13water.html>.

Out of Balance: Your State's Realities

People everywhere feel these problems – sometimes more acutely than the national average. Look at how many children live in poverty, at the money needed to address school infrastructure, at the number of unemployed. Do these numbers concern you?

Click here: www.nppdatabase_tool for more information on needs and federal

expenditures for your state, county, congressional district, city or school district. The interactive database provides information at the state level in the following categories:

- Basic demographics
- Education
- Energy
- General budget
- Health
- Housing
- Hunger
- Income and poverty
- Labor
- Military

Data in some of these categories is also available at the county, school district and zip code level.

Click here: www.nationalpriorities.org/tradeoffs for information on the cost of the Pentagon and selected weapons systems and comparative costs of other communitybased expenditures at the state, congressional district and city and county level for over 1,000 cities and counties.

To see NPP's cost of war counter, with its cost of war and comparative trade offs by state, congressional district, and selected cities and counties, click here: www.nationalpriorities.org/costofwar_home.

Sources for chart:

- Child poverty: U.S. Bureau of the Census, American Community Survey", calculations by the Center on Budget and Policy Priorities and the Coalition on Human Needs
- Uninsured: U.S. Bureau of the Census, Ibid
- Schools: American Federation of Teachers, Building Minds, Minding Buildings: Turning Crumbling Schools into Environments for Learning, Washington DC, <http://www.aft.org/topics/buildingconditions/downloads/mindingbldgs.pdf>

· Change in unemployment, 8/2008 8/2009: Bureau of Labor Statistics, News release, September 18, 2009, Table 5.

Federal Cuts Add to State Budget Deficits in FY2010

Will *your* state be able to address these problems?

State budgets across the country are in crisis. Nationwide, 48 of 50 states have had to cut their budgets by, collectively, about \$194 billion this year, which amounts to 28% of what the states cumulatively planned to spend this year.

It will get worse in the next year. The National Conference of State Legislatures calculates that state budgets will face a cumulative \$180 billion shortfall.

Officials are calling this the worst state budget crisis since the great depression. As the chief economist for Standard and Poor's said in an Associated Press article January 4, 2010, "Budget woes range from the bad to the ridiculously bad."

The chart on slide 16 takes a look at Massachusetts. The bar represents the state's budget, and how much of the budget is in deficit.

As the economy worsened in 2008, and states had a difficult time raising money to address needs, stimulus money was added to help address budget concerns for fiscal year 2009. But now, in Fiscal Year 2010, stimulus and (in some cases) other federal monies have been cut back – and with them, services. For example, Massachusetts is getting \$2.5 billion (17%) less from the federal government – as a result, it cut back in public health services, services to the elderly and disabled, early childhood education, K12 education and higher education, and the state workforce.

Sources for chart and text:

- Operating budgets of states: National Conference of State Legislators, Fiscal Survey of the States, June 2009, Table A3.
- Associated press article: Shannon McCaffrey, Associated Press, Finances stretched for states, in Daily Hampshire Gazette, January 4, 2010, p. 1, www.gazettenet.com.
- Percent cut and programmatic impact of cuts on state: Center on Budget and Policy Priorities, "Recession Continues to Batter State Budgets; State Responses Could Slow Recovery," Updated January 28, 2010, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>

Federal Spending Priorities Affect My Community

Ultimately every one of our communities is hurt by state budget deficits and federal budget cuts.

When federal school funds are cut, it is our local schools that must find new taxes or fees or cut programs.

When housing funds are cut, people in our communities may go homeless.

When job training and economic development funds are cut, local economies suffer.

Cities receive very little money directly from the federal government. In the 1960s and 1970s, much federal aid went directly to the cities. Then, in the 1980s, under President Reagan's New Federalism, aid in general was cut back, and most federal money was put into block grants to the states to allocate to the cities, as the flow chart shows.

A study by the Brookings Institution in 2005 found that cities fared poorly both in terms of federal and state aid under this approach. The study of 162 cities with populations over 100,000 found that in the late 1970s, 40% of a city's aid came from federal and state government. By 2000, only 30.3% of a city's aid came from the federal and state government. The response by cities has been to pass budget overrides, rely on local fundraising, significantly increase user fees and/or other forms of select taxation or to cut back in essential services, such as schools, libraries, fire and police.

Source for chart and text:

- Federal and state aid to cities: Wallin, Bruce, Budgeting for Basics: The Changing Landscape of City Finances, Brookings Institution Metropolitan Policy Program, August 2005.

Where Federal Funds Go In My Community (selected programs)

Slides 18-24 show the many critical contributions that federal programs make in our communities – supporting education, creating jobs, providing necessary social services, improving our transportation and utility networks.

Recovery for Cities: A Long Road

Our cities have been devastated by the nation's economic crisis. According to a recent report by the U.S. Conference of Mayors, most cities will take years before they re-gain pre-crash employment levels. Some will take decades. Others may never fully recover.

Source for Chart and Text:

- "U.S. Metro Economics: Pace of Economic Recovery: GMP and Jobs," Table 11: "Return to Peak Employment" Released by the U.S. Conference of Mayors, January 2010, <http://usmayors.org/metroeconomies/0110/report.pdf>

Trend of Competing Priorities

One of the issues that state and local officials and human needs advocates faced in this decade was the argument that social spending was growing too rapidly, was a budgetbuster and needed to be curbed.

While aid to states and cities did increase, it did not do so at anywhere near the level of overall government spending, and it really lagged behind military spending.

In fact, over the past decade, while overall federal spending increased 28%, aid to states and cities increased 14%, while military spending increased by 41% – approximately three times the rate of aid to states and cities.

Aid to states and cities provide much needed support for programs administered by state and local governments. The programs represented on slide 24 account for 85% of all federal money received by state and local government. Aid to states and cities includes both discretionary spending and mandatory spending within the Federal Funds budget, such as Medicaid, along with the Supplemental Nutrition Assistance Program (formerly Food Stamps), and Supplemental Security Income. The spike in 2009 and 2010 reflects regular aid plus the Stimulus package.

Note: The numbers/data presented refer to discretionary spending only. We have included international affairs as our intention is to represent the entire discretionary budget.

For more discussion of this topic, see NPP's Security Spending Primer, Fact Sheet #9, The Impact of High Military Budgets at the State and Local Level.

Source for chart and text:

- Office of Management and Budget (OMB), *Budget of the United States Government, FY 2011, Historical Tables*, Table 5-1, Budget Authority by Function and Subfunction: 1976–2015, and *Analytical Perspectives*, Table 17-2, Federal Grants to State and Local Governments-Budget Authority and Outlays, FY02-FY11

U.S. Military Spending: Global Context Today

No discussion of U.S. Discretionary spending would be complete without an analysis of military spending.

At 58% of all FY2011 Discretionary spending – and exceeding \$700 billion – U.S. military spending demands scrutiny, whether in the name of good budget stewardship, or in the service of balancing spending priorities.

The United States spends 9 times what the next country spends on the military, and as much as the next 14 countries combined spend.

In fact, U.S. military spending accounts for 42% of the world's military spending. Note that most of the other countries are our allies – except for a sliver of spending by Iran, North Korea, Syria, Somalia, Cuba and Libya.

For more discussion of this topic, see NPP's *Security Spending Primer, Fact Sheet #7, US and World Military Spending*.

Source for charts and text:

- Military expenditures: Stockholm International Peace Research Institute (SIPRI), *Data on Military Expenditures*, <http://www.sipri.org/research/armaments/milex/resultoutput>, using constant (\$2005) prices and market exchange rate.

Future Federal Spending: Continued Crisis for our Communities?

Let's put the pieces of the puzzle together.

The chart on slide 28 allows us to see actual Domestic (remember, this is our nation's total spending on social services, education, the environment and more) and Military spending from 1977 to the present, and projected to 2015. We can see the disparities of Cold War spending, the additional funds needed for the Iraq and Afghanistan wars, and the dramatic stimulus spike of 2009 and 2010.

Sources for chart and text:

- Office of Management and Budget (OMB), *Budget of the United States Government, FY 2011, Supplemental Materials*, Public Budget Database

Obama's 2009, 2010 Stimulus

The stimulus package made some critical contributions at the state level in Fiscal Years 2009 and 2010, addressing a variety of needs.

A dramatic increase in weatherization for low income persons meant both fuel savings for poor folks and less dependency on foreign oil.

Title 1 education assistance provided valuable funding for schools in low income communities.

The FY 2011 budget request, however, reflects a transitional period, as stimulus money for many programs begins to dry up, and we see spending returning to levels similar to those in FY 2008.

Sources for table:

- Selected spending programs: National Priorities Project, *The President's Budget: National Impact*, http://www.nationalpriorities.org/Presidents_Budget_FY2011, page 2 of individual state reports.
- NPP data for table is compiled from: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2011, Analytical Perspectives*, Chapter 17.

Future Federal Spending: Continued Crisis for our Communities?

Back at our budget line graph again, we can see that these gains in social spending are not projected to last. In fact, the Obama budget is a bumpy road map for addressing critical issues in the future.

Note that after the stimulus package, to be completed by September 2010, domestic discretionary spending recedes to levels approximating the first Bush Administration. (As of February 2010, the Administration has not provided numbers for discretionary spending beyond FY 2014.) *Where will the money come from to address poverty, rebuild our schools and infrastructure, create jobs, address environmental issues and the needs you identified for your community?*

Even more questionable is the amount of money the Administration wants to spend on the Pentagon. It has created program estimates for the next 10 years, and assumes that we will be spending \$50 billion a year for war. With that assumption, the Office of Management and Budget (OMB) calculates that we will spend over *\$500 billion more than we now spend over the next 10 years, an increase of 25% over those 10 years*. However, we are currently spending \$704 billion (excluding \$33 billion more in war spending proposed by the Administration for this year), and are averaging between \$150 and \$160 billion a year in war spending.

Unless we end both the wars in Iraq and the war in Afghanistan soon, these projections are woefully underestimated. A more likely scenario would have us spending an average of about \$700 to \$800 billion a year on the Pentagon. This increase in military spending, war or no war, can only lead to more cuts in social spending and higher deficits.

Good sense demands that we put this military spending in perspective. We are already at record levels of military spending, far more than we spent during the Reagan military buildup, Viet Nam, the Korean War, throughout the Cold War – more than at any time since World War II. As the need to address community problems increases, we must ask ourselves, *are there ways we can rebalance our spending priorities, safely freezing and reversing this trend in military spending to free up money for other critical concerns?*

Sources for chart and text:

- Domestic discretionary spending: Office of Management and Budget, *Budget of the U.S. Government, FY 2011, Historical Tables*, Table 5-1, Budget Authority by Function and Subfunction: 1976–2015, *Budget of the U.S. Government, FY 2011, Analytical Perspectives*, Table 32-1, Budget Authority and Outlays by Function, Category and Program.

· Pentagon spending: Office of Management and Budget, Budget of the U.S. Government, FY 2011, Analytical Perspectives, Table 32-1, Budget Authority and Outlays by Function, Category and Program, http://www.whitehouse.gov/omb/budget/fy2011/assets/32_1.pdf

Future Military Spending: Millions of Jobs at Stake

Finally, any kind of federal spending can be seen in economic terms as a jobs creator, and evaluated as to how many jobs it creates.

The Political Economy Research Institute (PERI) at the University of Massachusetts has looked at how many jobs are created per billion dollars spent on the military, or on education, clean energy, health care or if we gave the money back in tax cuts.

You can see here that the chart on slide 31 military spending does not create as many jobs as spending in these other sectors.

Why? According to PERI:

- Spending in these other sectors is more labor intensive than spending on weaponry. More of the money goes to hiring people, as opposed to spending on machinery, buildings, energy, etc.
- When a dollar is spent on these other sectors, more of the money would stay in the U.S. than if the money were spent on the military. For example, PERI estimates that military personnel spend only 43% of their income on domestic goods and services, while the U.S. civilian population spends, on average, 78% on domestic products.
- Total jobs created in military spending pay more in benefits (not salaries) than jobs in the other three sectors. By total jobs, the study means direct jobs (e.g. building jets or schools) plus indirect jobs (in industries that supply the building of jets or schools) and the induced jobs, jobs created in other sectors of the economy where those making the jets or schools or teaching spend their money.

Now keep in mind that, as discussed earlier, OMB projects that we will increase military spending by more than \$500 billion in the next 10 years. If we spent that money on clean energy instead, we would get 2.8 million more jobs over a 10year period. If we spent the money on education, we'd get 9.1 million more jobs. Even if we spent the money on tax breaks, we'd ultimately create over 2 million more jobs than if the money was allocated to military spending.

For more discussion of this topic, see NPP's Security Spending Primer, Fact Sheet #10: The Employment Impact of U.S. Military and domestic Spending Choices.

Sources for chart and text:

- Robert Pollin and Heidi GarretPeltier, The U.S. Employment Effects of Military and Domestic Spending Priorities: An Updated Analysis, Department of Economics and Political Economy Research

Balancing Security Needs with Expenditures: 5 Smart Steps

It's clear that our states and local communities need a greater and more sustained infusion of funds. It's also clear that there are several balancing strategies available to the Obama Administration, including the elimination of tax cuts for the wealthiest Americans. But, since we're focused on Discretionary spending, and since we've begun looking at the military's piece of that pie, consider a few smart ways forward – if you're interested in capping, reducing or redirecting that spending.

1: Safely cut unneeded Cold War Weapons and reform business practices

The President, the Secretary of Defense, and many security experts believe we can cut Pentagon spending because many weapons don't address security threats of today or tomorrow. Even more could be cut if the Pentagon reformed its business practices as the President and Secretary of Defense have recommended.

The Unified Security Budget Task Force, comprised of national security and economic experts, have worked to cut unnecessary military spending for 5 years. They've identified dozens of Cold War weapons that don't work, are irrelevant to future threats, or both. They estimate that the U.S. could save \$48 billion a year if we eliminated such weapons as the Osprey tilt-rotor aircraft, missile defense, and nuclear weapons, as we did with the F22. In fact, reducing our nuclear stockpile from 5,000 active weapons to 1,000 warheads could save \$13.1 billion this year, and help President Obama meet his pledge to work for a world free of nuclear weapons.

We could save tens of billions a year in Pentagon spending by reforming the way the Pentagon does business. Former Secretary of Defense Rumsfeld estimated several years ago that more than \$20 billion a year could be saved by fixing procurement and business practices. Since 2000, the Defense Business Board estimated that cumulative cost overruns of the top 96 major weapons systems amount to an astonishing \$400 billion.

The Unified Security Budget Task Forces notes that President Obama has asked each agency to save 3.5% of baseline contractor spending in FY 2010 and FY2011. For the Pentagon, that would amount to \$22 billion a year.

For more discussion of this topic, see NPP's *Security Spending Primer, Fact Sheet #2, Where to trim: Nuclear Weapons and Fact Sheet #13, Where to trim: Wasteful Weapons*.

Sources for chart:

- Task Force on a Unified Security Budget, A Unified Security Budget for the United States, FY2010, Chapter IV; Foreign Policy in Focus/Institute for Policy Studies, November, 2009, www.ipsdc.org/reports/usb2010.

Sources for text:

- Weapons to cut: Unified Security Budget, Ibid.
- Gates recommendations: Secretary of Defense Robert Gates, Defense Budget Recommendations Statement, Arlington, VA, April 6, 2009, <http://www.defenselink.mil/speech.aspx?speechid=1341>.
- Rumsfeld estimate: Task Force on a Unified Security Budget, *A Unified Security Budget for the United States, FY10*, p.32, Foreign Policy in Focus/Institute for Policy Studies, November, 2009, www.ipsdc.org/reports/usbfy2010.
- DBB estimated cost overruns: Unified Security Budget for the United States, FY 2010, p. 32.
- Obama request for 3.5% savings in contractor spending: *Unified Security Budget FY2010*, p. 13.

2: Create clean energy alternatives: Eliminate dependency on foreign oil

NPP research has discovered a number of disturbing trends in our nation's fossil fuel consumption:

- With less than 5% of the world's population, we use 25% of the world's petroleum.
- In 2007 the U.S. imported 58.2% of the petroleum it consumed.
- 87.2% of our energy comes from fossils; only 7.5% comes from energy alternatives.

In a hopeful first step towards energy independence, the Obama Administration proposed to spend \$18 billion in 2010, and \$150 billion more over 10 years on renewable energy research and development.

But will that be enough? The Apollo Alliance, a major collaboration between labor unions and the environmental movement, has called for spending an average of \$50 billion a year for one decade in research and development, weatherization, increases in mass transit and creation of a smart energy grid. They project doing so would create 5 million high quality green jobs.

The security benefits of creating alternative energy are obvious. As we use less oil through efficiencies and alternatives, we will both need less fuel and will be less beholden to imported fossil fuels.

Sources for chart:

- US population, % of world's petroleum: National Priorities Project, The Hidden Costs of Petroleum, October, 2008, http://www.nationalpriorities.org//Energy_Security/Energy_Priorities.
- Obama energy proposal: FY 09: Office of Management and Budget, *Budget of the United States Government, FY 2010*, p. 419; over 10 years, <http://whitehouse.gov/issues/energyandenvironment.html>.

Sources for text:

- Percentage from fossil fuels v. alternatives: National Priorities Project, Priorities for Energy Fact Sheet, October 2008, http://www.nationalpriorities.org/auxiliary/energy_security/energy_fact_sheets/energy_US.pdf.
- Obama: Ibid. Apollo Alliance, The New Apollo Program: Clean Energy, Good Jobs, An economic strategy for American Prosperity, www.apolloalliance.org, p. 1.

3: Recognize the cost of war, consider alternatives

By sometime later this year, we'll have spent \$1 trillion on the U.S. wars in Iraq and Afghanistan, or more than the highly controversial \$900 billion figure for a decade of reformed healthcare.

U.S. efforts in Iraq and Afghanistan have been overwhelmingly military: 95% of all national security funds have gone to the Pentagon, only 5% to development and other kinds of assistance, including antiterrorism and military education and training.

This fiscal year, for example, we are already scheduled to spend \$72 billion in military efforts in Afghanistan, and only \$4 billion in development and other kinds of assistance.

Another \$33 billion has been requested for a surge of troops.

For more discussion of this topic, see NPP's Security Spending Primer, Fact Sheet #14: Funding for Military Operations in Iraq and Afghanistan.

Source for chart:

- Congressional Research Service, Order Code RL33110, Updated September 28, 2009, <http://www.fas.org/sgp/crs/natsec/RL33110.pdf>.
- \$1 trillion war cost in 2010: NPP's *Cost of War: Notes and Sources*, http://www.nationalpriorities.org/cost_of_war_counter_notes

4: Balance our conflict resolution tools

Weapons and war are not always the answers to conflicts around the world, especially today, with the changing nature of global threats.

During the election of 2008, both candidates Obama and McCain noted that the threats of today and the future are rooted in poverty and joblessness, environmental degradation, and terrorist access to nuclear weapons. They noted the need to put a greater emphasis on softer approaches to foreign policy. Mirroring their comments, Secretary of Defense Robert Gates said, "funding for nonmilitary foreign affairs programs. . . remains disproportionately small relative to what we spend on the military."

The Unified Security Budget Task Force added up all the money we spend on national security – weapons and bases and war and homeland security. Here's what it looks like, per dollar:

- 87 cents for a military approach;
- 7 cents for homeland security, such as a strong public health infrastructure, FEMA, port security, rail transit and air security;
- 6 cents for preventive measures.

Prevention includes dismantling nuclear weapons from the former Soviet Union, alternative energy, diplomacy and efforts towards peacekeeping, and development assistance.

The Unified Security Budget Task Force proposes adopting a unified approach to security that integrates nonmilitary tools with overall strategy and rebalances military forces and expenditures for today's security challenges.

For more discussion of this topic, see NPP's Security Spending Primer, Fact Sheet #15, The Unified Security Budget: An alternative View of Security.

Source for chart:

- Task Force on a Unified Security Budget, *A Unified Security Budget for the United States, FY 2010*, Chapter IV; Foreign Policy in Focus/Institute for Policy Studies, November 2009, www.ipsdc.org/reports/usb2010, p.1.

Sources for text:

- Obama, McCain and Gates quotes: Task Force on a Unified Security Budget, *A Unified Security Budget for the United States, FY09*, p.14; Foreign Policy in Focus/Institute for Policy Studies, September, 2008, www.fpiif.org.
- Percentage going to traditional, preventive and homeland security: Task Force on a Unified Security Budget, *A Unified Security Budget for the United States, FY10*, Chapter IV; Foreign Policy in Focus/Institute for Policy Studies, November, 2009, www.ipsdc.org/reports/usb2010, p.1.
- Amount going to nuclear weapons, alternative energy, diplomacy, development: Ibid., chapter V: Rebalanced security: Neglected Security Tools.

5: Help defense workers break the dependency on weaponsmakers

As we know, there are many weapons systems that neither the Pentagon nor the President want. That said, the powerful defense industry wants lucrative contracts even though the military industry creates fewer jobs than other key sectors of the economy. Defense lobbyists often use the jobs argument to hold workers and members of Congress at bay.

One way of doing that is to produce weapons in as many states and congressional districts as possible. The F22, for example, has been under fire for years for its high cost and lack of relevance to current and future threats. Finally defeated in 2009, this weapon system maintained Congressional support because parts of it were built in 44 different states.

The truth is, even with the projected \$500 billion-plus in additional military spending over the next decade, some weapons systems will have to be cut to make budget.

The Administration and Congress could address this problem by providing resources to plan, retrain workers into other economic endeavors, and help to retool industries.

One possibility would be to focus on the field of clean energy. Doing so would mean far more jobs, result in a cleaner environment, and make us less dependent on foreign oil.

For more discussion of this topic, see *NPP's Security Spending Primer, Fact Sheet #10, The Employment Impact of U.S. Military And Domestic Spending Choices*.

Sources for text:

- F22 in 44 states, Task Force on a Unified Security Budget, A Unified Security Budget for the United States, FY09, p.14; Foreign Policy in Focus/Institute for Policy Studies, September, 2008, www.fpif.org.
- Jobs: military v. clean energy: Robert Pollin and Heidi GarretPeltier, The U.S. Employment Effects of Military and Domestic Spending Priorities: An Updated Analysis, Department of Economics and Political Economy Research Institute (PERI), University of Massachusetts Amherst, October, 2009, <http://www.peri.umass.edu/236/hash/9b5e62a1aa/publication/382/>

Moving Forward: Break the Grip of Politics as Usual.

Our goal for creating *Out of Balance* was to strengthen people's understanding of – and connection to – the federal budgeting process. We began by acknowledging that the new FY2011 budget will have enormous implications for states and local communities.

We brought some of this information to the state level to make these issues more understandable. Now it's your turn. Here are 5 steps groups can take to rebalance our national priorities.

Research the local impacts of these policies.

Continue what we've started for you in this presentation. Localizing to the state, city or congressional district level brings these issues home to people, and members of Congress. Use this website (www.nationalpriorities.org) for reports, more local data and analysis.

Write this information up for the media.

Consider writing letters to the editor, or op eds. Many people we work with contribute to blogs, or have their own blogs. Some have put information on Tshirts. Others have been inspired to use billboards to spread their message.

Organize around these issues.

Educate organizations and leaders on these issues, especially those most impacted (grassroots groups, communities of color, state and local elected officials). Consider putting together a forum using this Power Point as a first step.

Meet with your congressperson and senators.

Meetings are much more effective than other forms of communication. Bring community leaders with you, and let the press know of the results. Bring slides from the Power Point along. This will be an educational experience for the congressperson.

Participate in national efforts.

One such effort is the Our Nation's Checkbook campaign (www.fcnl.org/budget/checkbook/), whose purpose is to get Congress to focus on the issue of budget priorities with a combination of grassroots and Washington DCbased action strategies.

We are at an historic point in our nation's history, and in our world's history, when people really believe that change can happen. Join us in being a part of that change.

Balancing our Priorities

NPP recognizes its role as a resource in the larger community of people and organizations dedicated to increasing civic engagement. Our hope is that through our research and analysis our information strengthens their good work

We invite you, in that spirit, to close by looking at concrete applications of our resources which participants might take away from this webinar. We do so in the knowledge that these three scenarios are just a small sample compared to the numerous experiences that those on the front lines build upon every day.

Our state and communities are in crisis

- State unemployed, child poverty, uninsured, school needs (fact sheet)
- Local needs (Data base, personal experience)
- State and city budget in crisis for years (fact sheet)

Stimulus headed in the right direction

- Jobs created in state (fact sheet)
- Increases in # insured, weatherization, etc. (website)

Social spending to decline as record military spending increases

- 58% of discretionary spending to military (chart 11)
- 42% of world expenditures (chart 27)
- Will increase by \$500 in 10 years (chart 30)
- Will result in fewer jobs (chart 31)

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