



# THE WASTE REPORT

March 21, 2017

## INTERESTING TIMES

### THE FEDERAL GOVERNMENT (AND THE TAXPAYERS') COST OF BORROWING

Last week, the federal government hit what is known as the “debt ceiling.” Not sure what the debt ceiling is? Well, just like a credit card limits people on the amount they can charge, the law limits how much the federal government can borrow (the so-called “debt limit”).

Be it the credit card in your wallet or federal borrowing, the reasoning for the limit is the same: no person or even government can borrow unlimited amounts of money forever. Without a limit, the minimum payments will just keep growing until they are unmanageable.

When we hit the limit, Uncle Sam will try to delay but will eventually call on Congress for a credit limit increase (like anyone with a spending problem).

#### The Federal Credit Card

So what exactly does Uncle Sam's credit card statement look like? Well, the Congressional Budget Office (CBO) estimated in January that our federal gross debt will be \$20.36 trillion<sup>1</sup> by the end of this year, with net interest of \$295 billion.<sup>2</sup> Both of these numbers are up from our report last year, *Interested in Waste*, by approximately \$1 trillion and \$40 billion respectively - the direct result of failing to balance the federal budget.

These are all big numbers. So to put it in perspective, let's imagine Uncle Sam is an average American and makes an annual wage of \$48,320.<sup>3</sup> Sam would already have \$288,954 in debt. His minimum payment on that debt would be nearly \$4,000 this year, but that is just because he did a balance transfer a while ago and is still on a low teaser rate of about 2%. Someday soon, that rate is going to expire, and his payment will at least double. Even still, right now Sam seems to be able to manage his debt, except that Sam plans to spend \$56,255 this year - increasing his debt load by almost \$8,000 to

nearly \$297,000. Worse still, Sam isn't bashful about his plan to keep spending more than he makes each year for the rest of his life.

It doesn't take a financial whiz to see that Sam cannot keep this up too much longer.

#### Why Should You Care?

As we know, Uncle Sam is not a real person with a job. Instead, he is an enormous government that gets almost all his money from your taxes. Even if he is only paying interest (the minimum payment), he has to pay that in cash. **That means the first \$1,966 YOU PAY in taxes will go just to interest payments.<sup>4</sup> Not defense, not education, not roads - interest. Worse, it is all wasted. The government and you, the taxpayer, do not actually get anything for this - not one hour of work and not even one sticky note.**

#### Interest Roll Call

If you are like most people, at some point you have sat down to pay your credit card bill(s) and thought, “Interest is killing me. I could pay for a lot of other stuff (or pay this card down faster) if it weren't for this interest.” We've thought the same thing about the federal interest payment. **So, what could we pay for? The \$295 billion in interest payments we will pay this year COULD have covered the budgets of the Departments of: Commerce, Energy, Homeland Security, Housing and Urban Development, Interior, Justice, and State, as well as the EPA, NASA, the National Science Foundation, the Small Business Administration, the U.S. Congress, the Federal Courts, all international assistance programs, the Executive Office of the President, and the Army Corps of Engineers – COMBINED.<sup>5</sup>**

<sup>1</sup> <https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52370-outlook.pdf>, Page 29

<sup>2</sup> Ibid., Page 10

<sup>3</sup> [https://www.bls.gov/oes/current/oes\\_nat.htm](https://www.bls.gov/oes/current/oes_nat.htm)

<sup>4</sup> \$295 billion divided by 150 million individual tax returns filed in 2016 (IRS statistics). <https://www.irs.gov/uac/filing-season-statistics>

<sup>5</sup> Taken from OMB Historical Table