**Learning about The Federal Budget Process**

**Directions:** The creation and politics of the federal budget is an important part of this course. Use the resources hyperlinked to help you answer questions about the federal budget process. You are welcome to utilize other resources than the ones hyperlinked

**I. Budget Vocabulary You Need to Know:**

[Click Here for Glossary](http://nationalpriorities.org/en/budget-basics/federal-budget-101/glossary/)

1. **Budget Resolution**:

2. **Appropriations Bill**:

3. **Mandatory Spending**:

4. **Discretionary Spending**:

5. **Entitlement Spending**:

6. **Receipts**

7. **Outlays**:

**II. THE BASICS OF THE BUDGET PROCESS**

**A.** [**Federal Tax Revenues:**](http://www.taxpolicycenter.org/briefing-book/background/numbers/revenue.cfm) **Use the data to answer the following questions**

8. List the breakdown of where the federal government receives funding:

|  |  |
| --- | --- |
| **Source of Revenue** | **Amount of Money Collected** |
| Largest Source of Revenue: |  |
| Second Largest Source of Revenue: |  |
| Third Largest Source of Revenue: |  |

9. Define a **regressive tax**. According to the evaluation/analysis of the data above, which of these taxes is a regressive tax?

10. Define a **progressive tax**. According to the evaluation/analysis of the data above, which of these taxes is a progressive tax?

**B.** [**The Office of Management and Budget:**](http://www.whitehouse.gov/omb)

11. What is the job of the Office of Management and Budget (OMB)?

12. How does the Congressional Budget Office affect the federal budget process? (use this [link](http://www.whitehouse.gov/omb/organization_mission/))

**C.** [**Surpluses, Deficits, and the National Debt:**](http://newsbusters.org/blogs/tom-blumer/2011/07/17/ap-claims-bush-tax-cuts-caused-national-debt-grow-16-trillion)

13. Define budget surplus. What caused the surpluses to end in 2001?

14 Define budget deficit. How does the government respond to a deficit? What are the possible effects of these government responses?

15 Define national debt. What can cause the national debt to rise? How does the national debt impact the budget process?

16 List and describe the items receive the largest amount of funding in the budget. What is the difference between paying for Non-defense discretionary spending and entitlement/national debt payments? (this [link](http://nationalpriorities.org/en/) is very useful for this question)

**D. Budget Timetable:**

17. **Succinctly summarize** each of the following budget-making steps using this [website.](http://nationalpriorities.org/en/budget-basics/federal-budget-101/federal-budget-process/)

|  |  |
| --- | --- |
| **Name of Step** | **Succinct & Detailed Summary of Step** |
| Step 1: President Submits a Budget Proposal |  |
| Step 2: Congress Passes a Budget Resolution |  |
| Step 3: Congressional Subcommittees 'Markup' Appropriation Bills |  |
| Step 4: The House and Senate Vote on Appropriation Bills and Reconcile Differences |  |
| Step 5: The President Signs each Appropriation Bill and the budget is enacted. |  |

18. What can Congress do if the budget timetable takes longer than expected?

**III. The Politics of Making the Federal Budget:** use this [link](http://www.voteiq.com/hot-topics/economy-deficit-money)

19. Describe the impact to lobbyists and interest groups have on making the federal budget?

20. Describe why earmarks are so controversial. What effect do earmarks have on the federal budget?

**IV: YOU GET TO MAKE THE BUDGET**

**Directions**: Go to this [link.](http://www.google.com/url?q=http%3A%2F%2Fcongress.indiana.edu%2Fe-learning-module-federal-budget-allocation&sa=D&sntz=1&usg=AFQjCNEfIwKRdDoKmOsBDBB6aMbKPBHWUg) In the introduction screen, click on **Congressional Budget** to learn about the basics of the federal budget.

21. Follow the directions and estimate how much the federal government spent on the following 14 items—put your estimates in the chart below before going to the next step:

|| **Category**

|  |  |  |
| --- | --- | --- |
| **Your Estimate (%)** | **Actual Budget (%)** | **What you Think it Should be? (%)** |
| Agriculture |  |  |  |
| Community Development |  |  |  |
| Defense |  |  |  |
| Education |  |  |  |
| Environment |  |  |  |
| Homeland Security |  |  |  |
| Interest on the National Debt |  |  |  |
| International Activities |  |  |  |
| Law Enforcement |  |  |  |
| Misc. Smaller Programs |  |  |  |
| Science Programs |  |  |  |
| Senior Programs |  |  |  |
| Transportation |  |  |  |
| Welfare |  |  |  |

22. Click on **Actual Budget** and put these percentages in the column above labeled **Actual Budget (%)**. How accurate were your predictions? Did you come across any surprises?

23. Click on **What You Think it Should Be?** And allocate the money based on your preferences. After doing this, how does your budget compare/differ with the actual budget?

**V. Fiscal Policy:** Use this [link](http://www.cliffsnotes.com/study_guide/Fiscal-Policy.topicArticleId-9789,articleId-9749.html) or [video](http://www.youtube.com/watch?v=1qhJPqyJRo8) to answer the following questions.

24. Describe the concept of Keynesian Economics. According to a Keynesian economist, what role should the government play when it comes to the economy?

25. Define **fiscal policy**.

26. What parts of government control fiscal policy?

27. Compare and contrast ***expansionary*** and ***contractionary*** fiscal policy.

28. According to the video, what type of fiscal policy do voters often prefer the most?

29. What are the potential problems if politicians always made fiscal policy based on the wishes of voters?

**More Helpful Budget Resources:**

1. http://www.nytimes.com/interactive/2010/02/01/us/budget.html (2010/11 federal budget info)

2. http://www.heritage.org/budgetchartbook/ (lots of data on the budget)

3. [http://www.investopedia.com/articles/04/051904.asp#12924398005142&close](http://www.investopedia.com/articles/04/051904.asp#_blank) (fiscal policy explainer)

4. <http://www.voteiq.com/hot-topics/economy-deficit-intro> (focus on the deficit, but all of the budget is included)

5. http://nationalpriorities.org/ (great explainer on the whole process)