



Creating the Federal Budget:

Congress & The President



What is a Budget?

- It is a plan on how the federal gov't is going to spend its revenues to meet goals & objectives laid out by the policymakers
- "Roadmap" for the future
- Revenues = dollars that the gov't gets
- Expenditures = dollars that are spent by the government

Sources of Revenue

- *Individual Income Taxes* (progressive tax) allowed by the adoption of the 16th Amendment
- *Payroll Taxes* (Social Security, Medicare, Workmen's Compensation, Unemployment insurance)
- *Corporate Income Taxes*
- *Excise Taxes* = tax on a specific good or service
- *Gov't fees* = processing fees

Current Income Tax Brackets

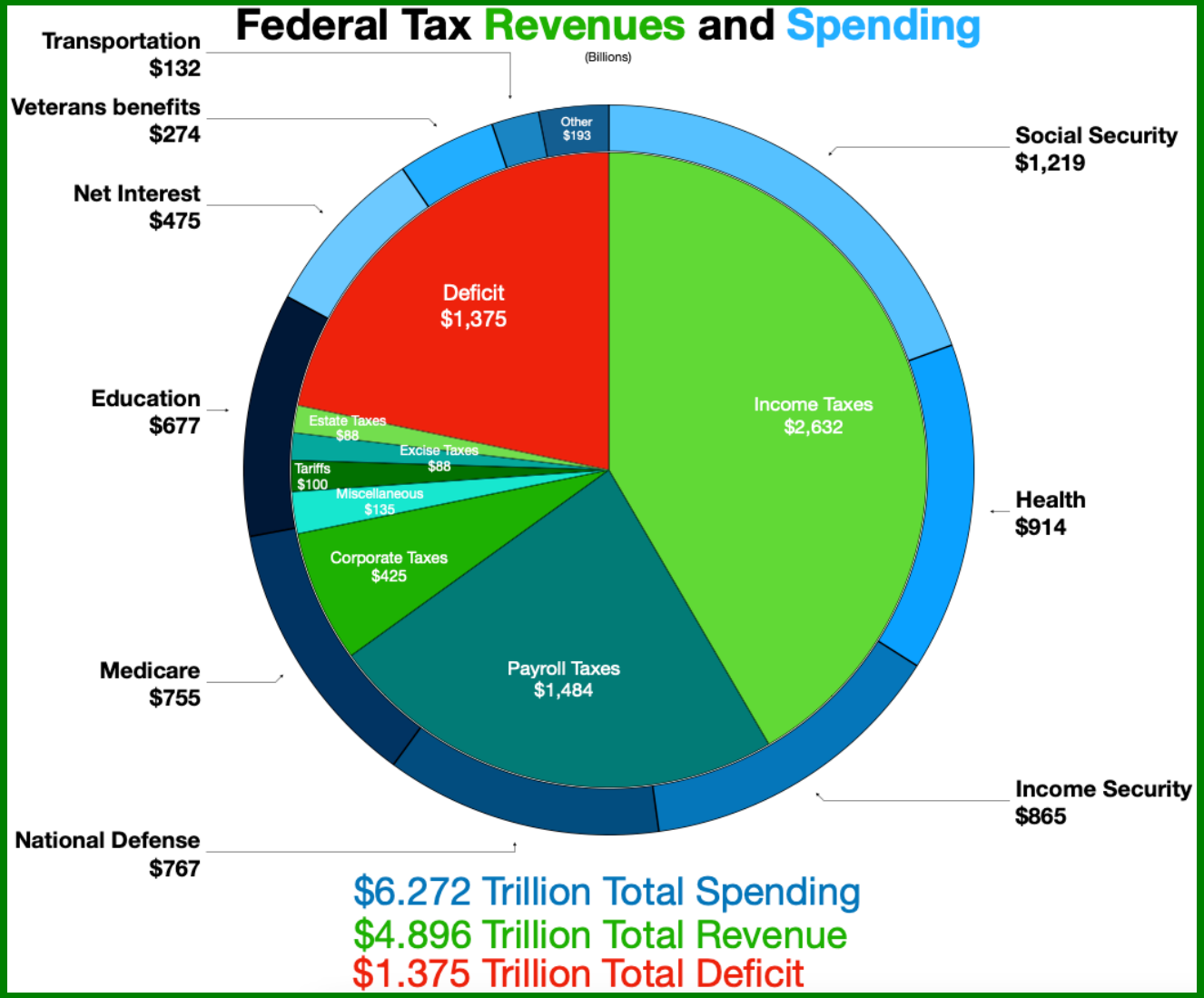
2023 INCOME TAX RATES AND BRACKETS The top marginal individual income tax rate remains 37% for 2023. And the tax brackets are:		
%	INCOME (SINGLE)	INCOME (MARRIED COUPLES FILING JOINTLY)
37%	Over $578,125	Over $693,750
35%	Over $231,250	Over $462,500
32%	Over $182,100	Over $364,200
24%	Over $95,375	Over $190,750
22%	Over $44,725	Over $89,450
12%	Over $11,000	Over $22,000
10%	Under $11,000	Under $22,000

*Standard Deduction—Single = $12,950 or Married = $25,900

**Itemized Deductions—charitable giving, home mortgage interest, certain state taxes, small business expenses, etc.

***All of these can reduce the tax burden for an individual or couple

Revenues vs. Expenditures



Deficits and Surpluses

Deficit = when expenditures (spending) exceeds revenues (income), the government must borrow money to cover operating costs (each year of the budget)

Surplus = when revenues (income) exceeds expenditures (spending), the government has excess money

National debt = grand total of all of the $$$ borrowed the US gov't ~ over $34.5 Trillion & growing

*People's wants often outweigh their income ~ this is also true of the government!

National Debt Exceeds $34.5 Trillion

- National Debt Clock:
- https://www.usdebtclock.org/
- To whom do we owe it?
- https://www.youtube.com/watch?v=qjPaYQdqO9A&ab_channel=ConcerningReality

The Budget Process

- Office of Management & Budget (OMB) ~ helps POTUS to draft a budget that reflects his priorities
- Input given by all Cabinet Departments
- Delivered to Congress
- Congress prepares its own budget with help from the Congressional Budget Office (CBO)
- It is sent to the Budget Committees in the House & Senate
- Key committees: House Ways & Means, Senate Finance
- Remember ~ Congress's priorities are not always the same as POTUS's

Fixed Costs (Mandatory)

Uncontrollable Expenditures:

- Controlled by how many people are entitled to benefits

Entitlement Programs:

- Social Security
- Medicare/Medicaid

Other things like:

- Military Retirement
- Federal Employee Pensions
- Health care for retired military & federal employees

Interest on the national debt ~ this must be paid!

**These programs are difficult to control or alter.
"The 3rd rail in politics."



Discretionary Spending

- Levels of spending are determined by Congress each year
- Military spending is a high priority
- Public Health
- Social Services

Why not a balanced budget?

Difficult choices:

- Raise Taxes???
- Cut spending programs???
- Reform Social Security???
- Reform Medicare/Medicaid???
- Cut the Military???

Result = current national debt = $34.5 Trillion

What happens if POTUS & Congress can't agree on a budget?

- Continuing resolutions = allows federal departments to continue spending at the previous years' levels (temporary solution)
- Government shutdowns = all non-essential departments can be shutdown
- President Clinton vs. The Republican controlled Congress (mid-1990s)
- President Obama vs. The Republicans in Congress
- President Trump's shutdown of the gov't

Final Thoughts

- Is there a way to reign in our debt?
- What decisions have to be made to do this?
- Are these ideas politically popular?
- Does the national debt really matter? Now? In the future?