

Creating the Federal Budget

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Federal agencies send their money requests to the Office of Management and Budget (OMB).

The OMB reviews agency requests and melds them into the President's budget. In January or February, the President sends his budget to Congress.

Congress reviews budget, enacts several appropriations measures.

The President signs funding measures.

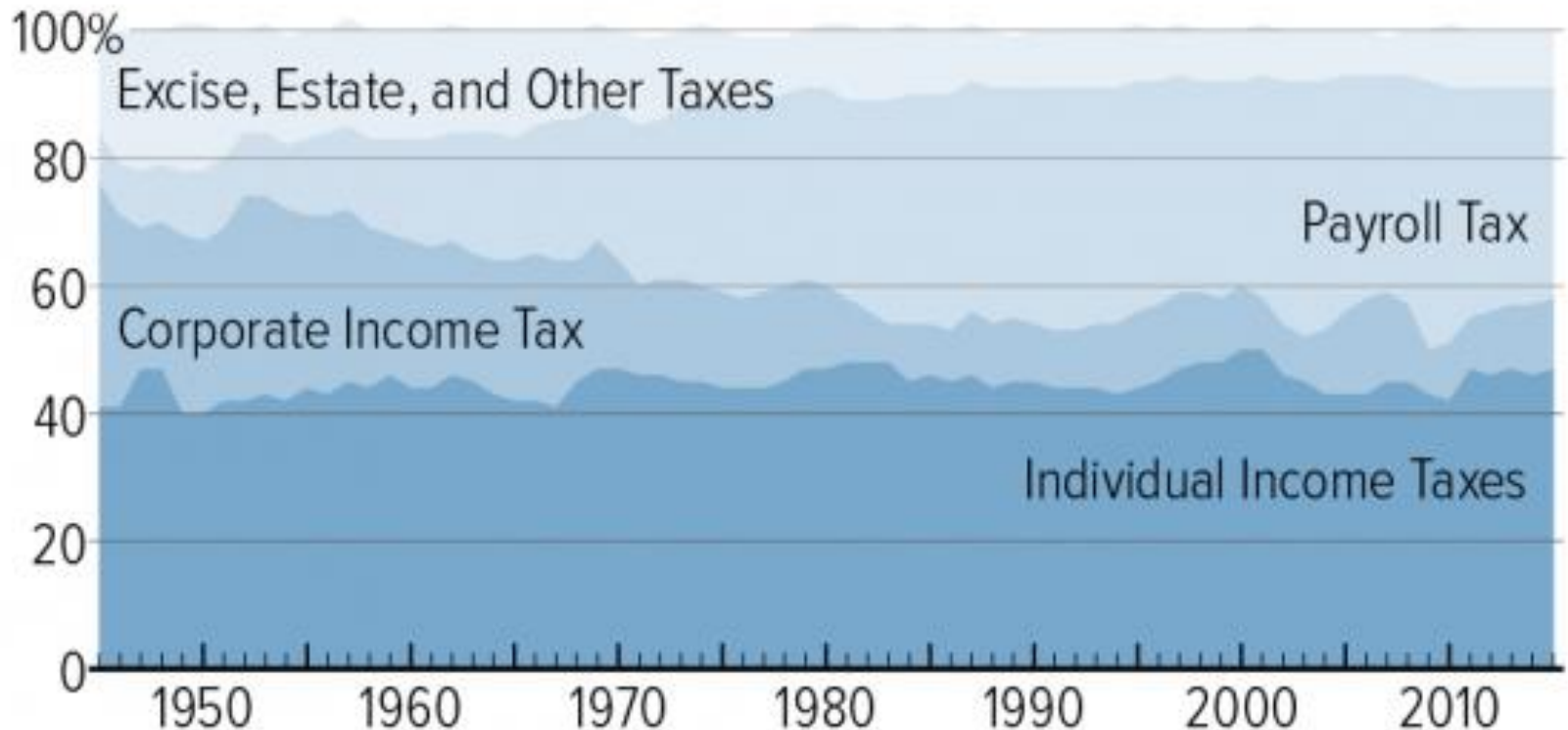
OR

The President vetoes one or more funding measures. If Congress cannot get a $\frac{2}{3}$ majority to override veto, Congress and the President must reach a compromise to resolve the dispute(s).

The Federal Government's Income \$3.25 trillion in 2015

Federal revenue comes from several different sources:

Sources of Federal Tax Revenue, 1945-2015



Note: "Other Taxes" category includes profits on assets held by the Federal Reserve.

Source: Office of Management and Budget

Borrowing

Borrowing

- Congress has the power “[t]o borrow Money on the credit of the United States.” (Article I, Section 8, Clause 2)
- By law, Congress IS REQUIRED to borrow all social security receipts
- A **deficit** is the shortfall between income and spending
- A **surplus** is more income than spending



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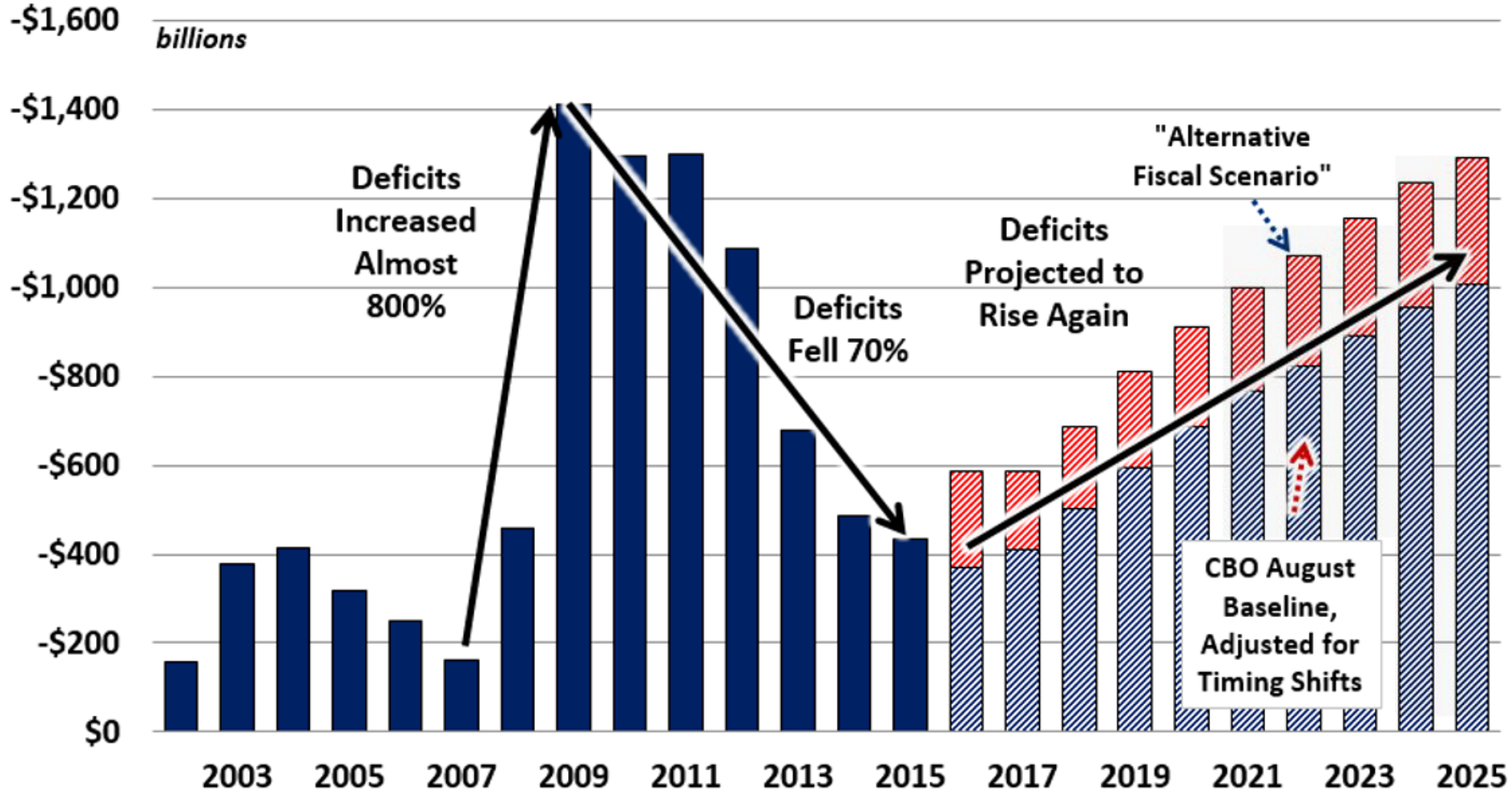
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Chapter 16, Section 2

Annual Deficits In Dollars

Annual Deficits, 2002 to 2025



Source: CBO, CRFB Calculations

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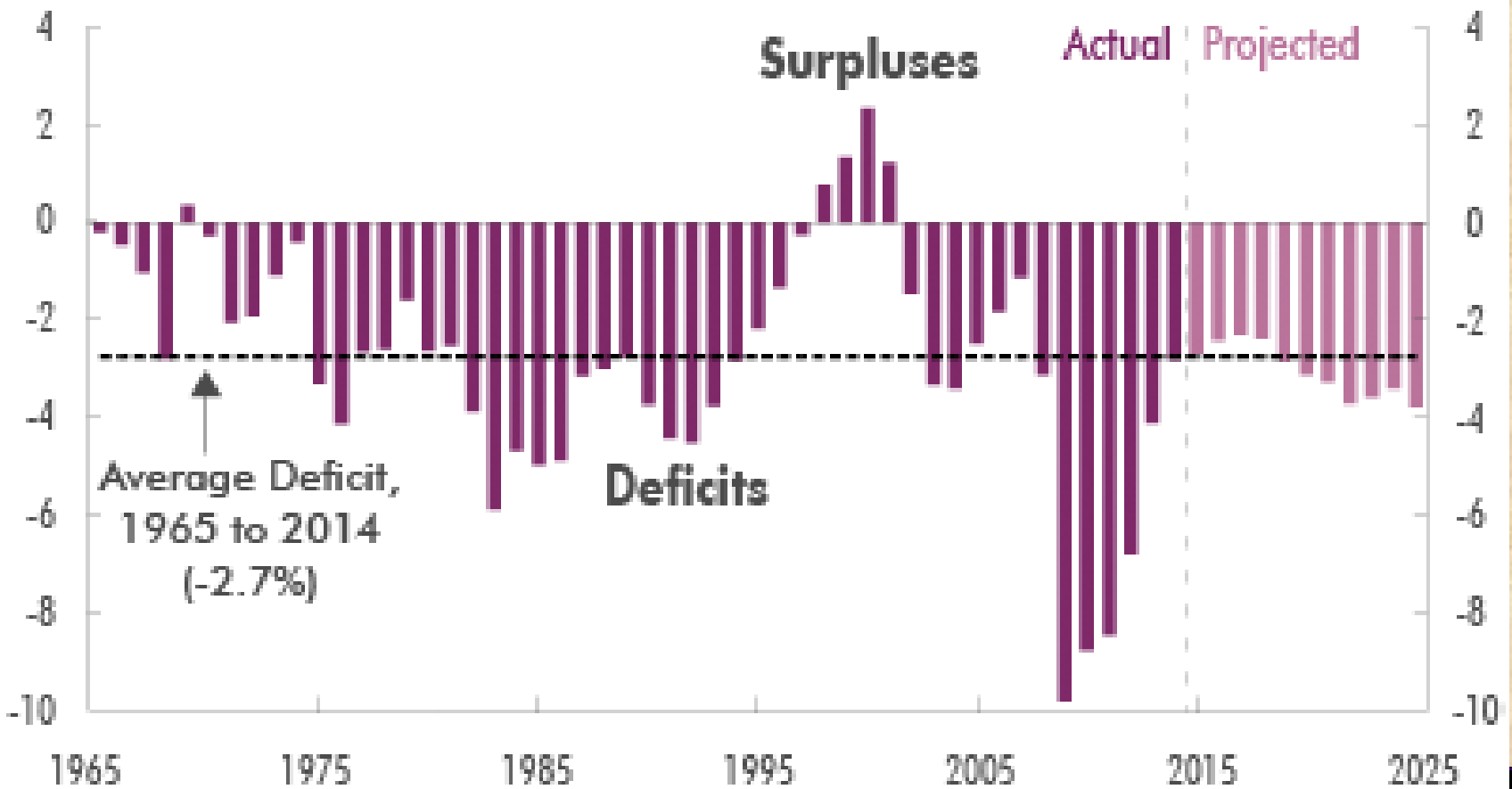
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Annual Deficits as a % of GDP

Total Deficits or Surpluses

Percentage of GDP



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The Public Debt

The **public debt** is the government's total outstanding indebtedness. It includes all of the money borrowed and not yet repaid, plus the accrued, or accumulated, interest.

Causes:

- Deficit financing
- Failure to repay the debt over time
- Interest accruing on the existing debt

Effects:

- Increased revenue needed to pay off the debt
- Reduce spending
- Fears of financial obligations for taxpayers



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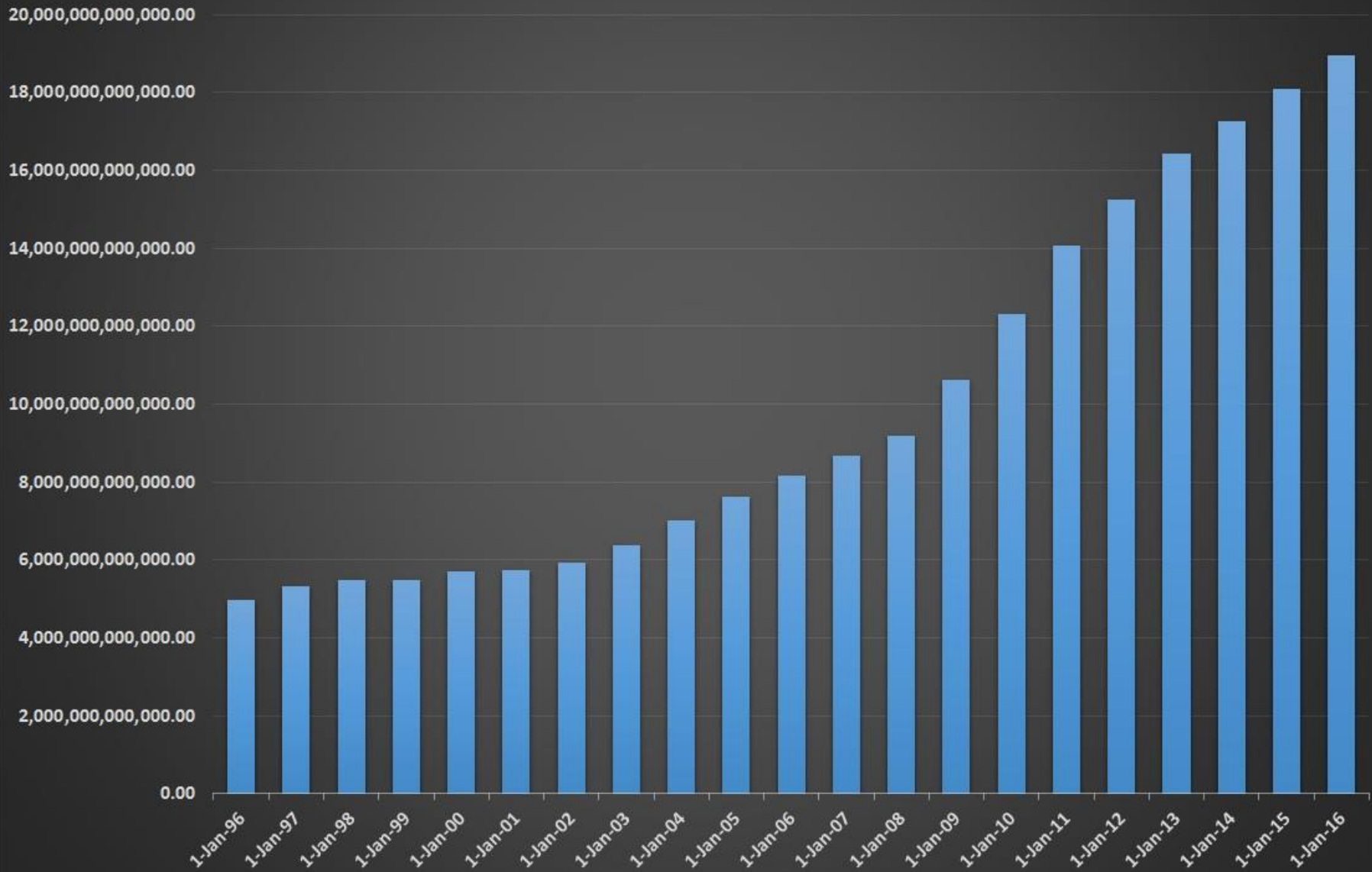
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Chapter 16, Section 2

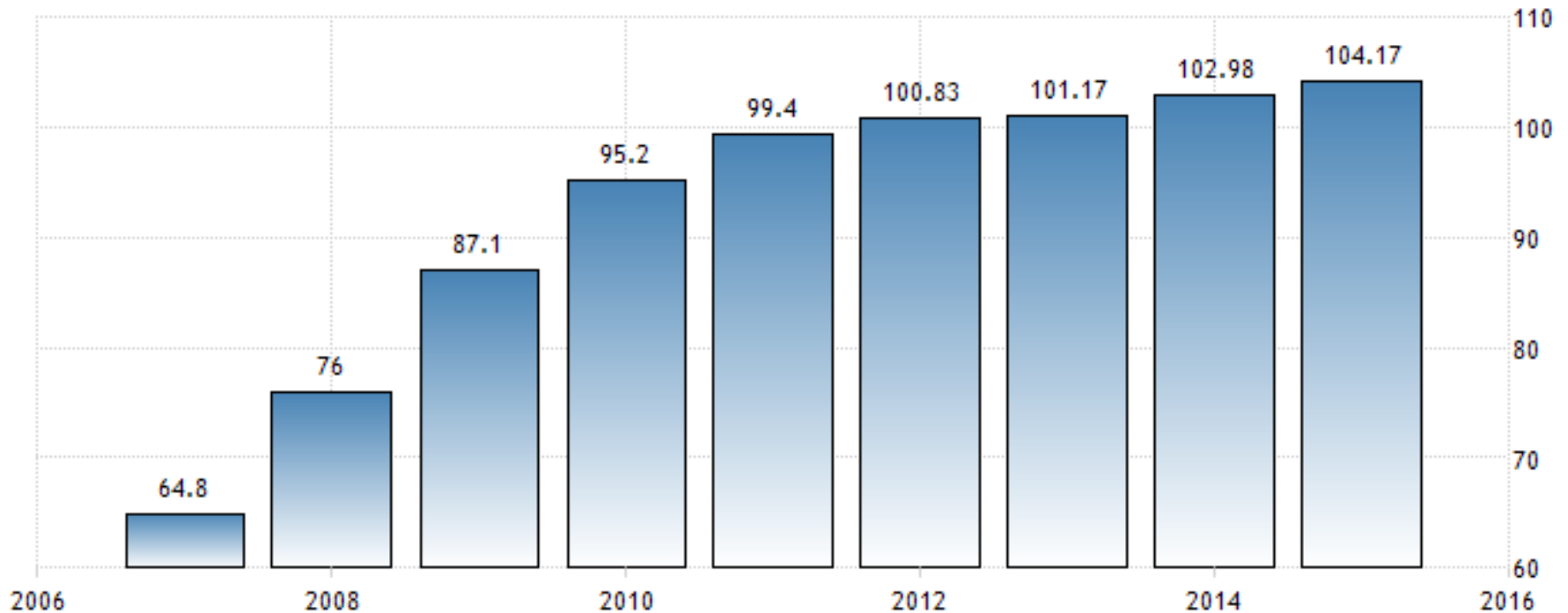
DEBT INCREASED \$8,314,529,850,339.07 IN OBAMA'S FIRST 7 YEARS

Federal Debt on January 20, 1996-2016



Public Debt as % of GDP

US GOVERNMENT DEBT TO GDP



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF PUBLIC DEBT

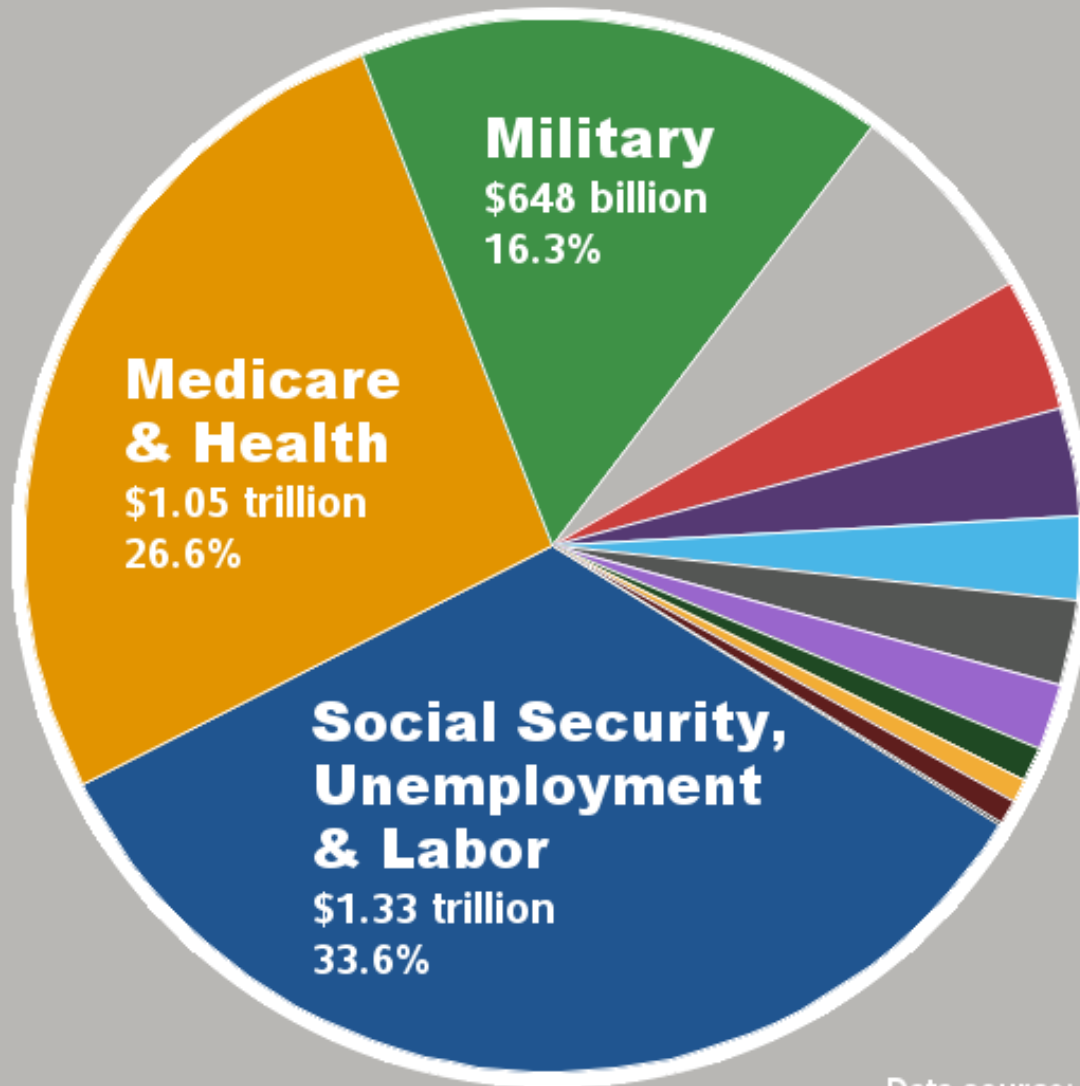
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Total Federal Spending 2015: \$3.9 trillion



Interest on Debt

\$251 billion / 6.3%

Veterans Benefits

\$161 billion / 4.1%

Food & Agriculture

\$130 billion / 3.3%

Transportation

\$103 billion / 2.6%

Housing & Community

\$102 billion / 2.6%

Education

\$80.9 billion / 2.0%

Energy & Environment

\$44.5 billion / 1.1%

Science

\$29.3 billion / 0.7%

International Affairs

\$27.2 billion / 0.7%

Government

\$2.7 billion / 0.1%

Data source: OMB, National Priorities Project

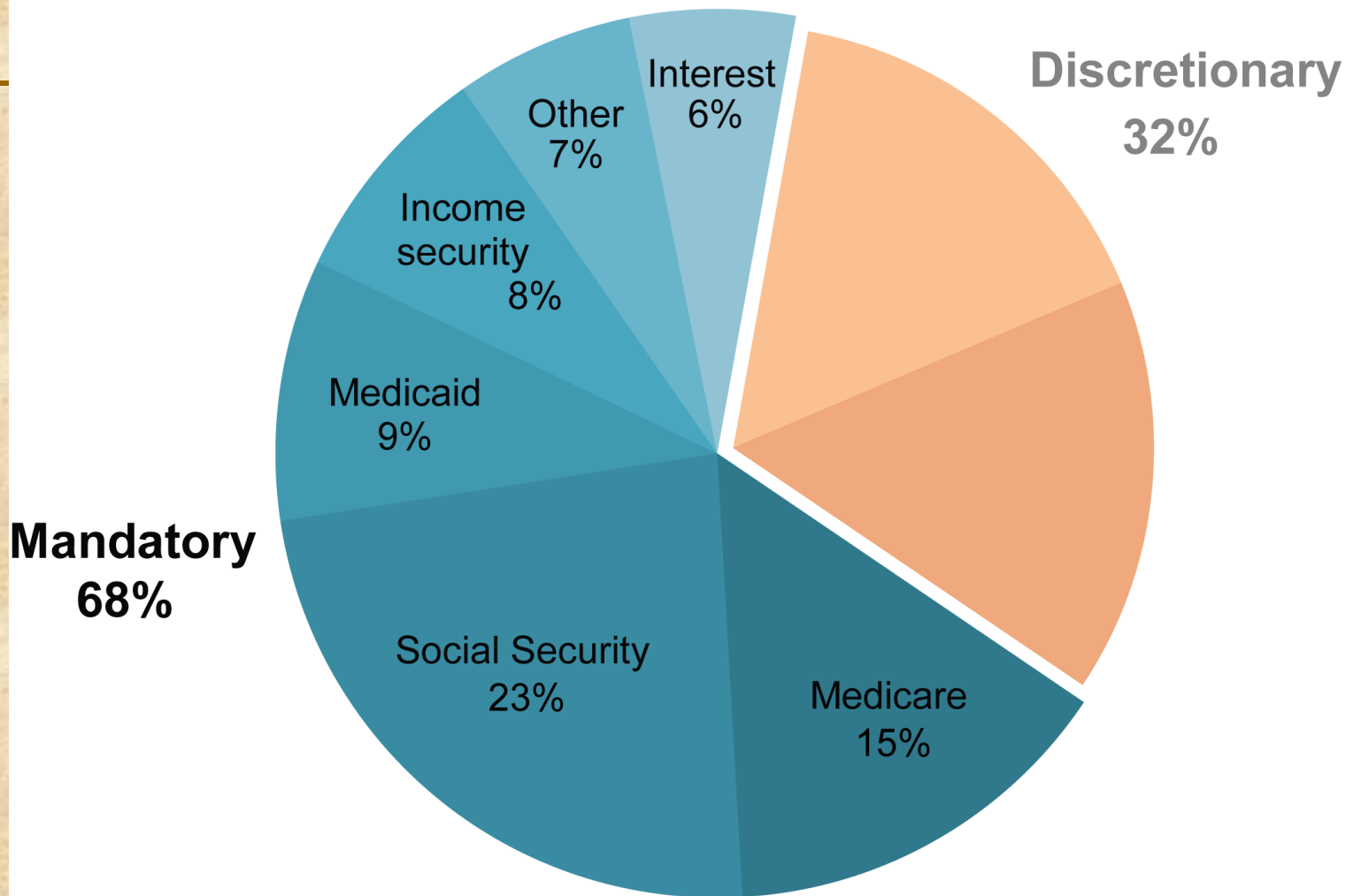
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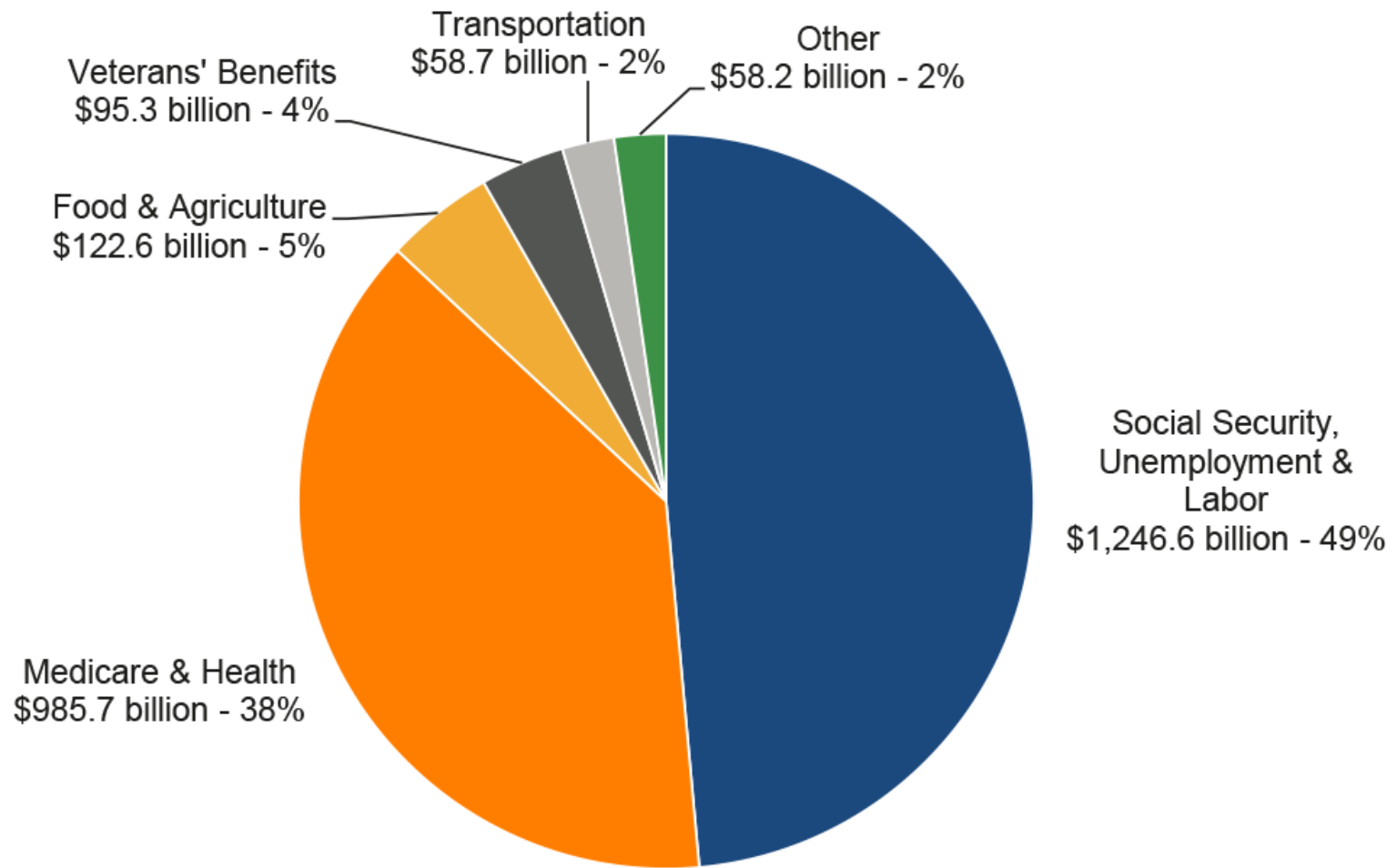
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Composition of Mandatory Spending (2015)



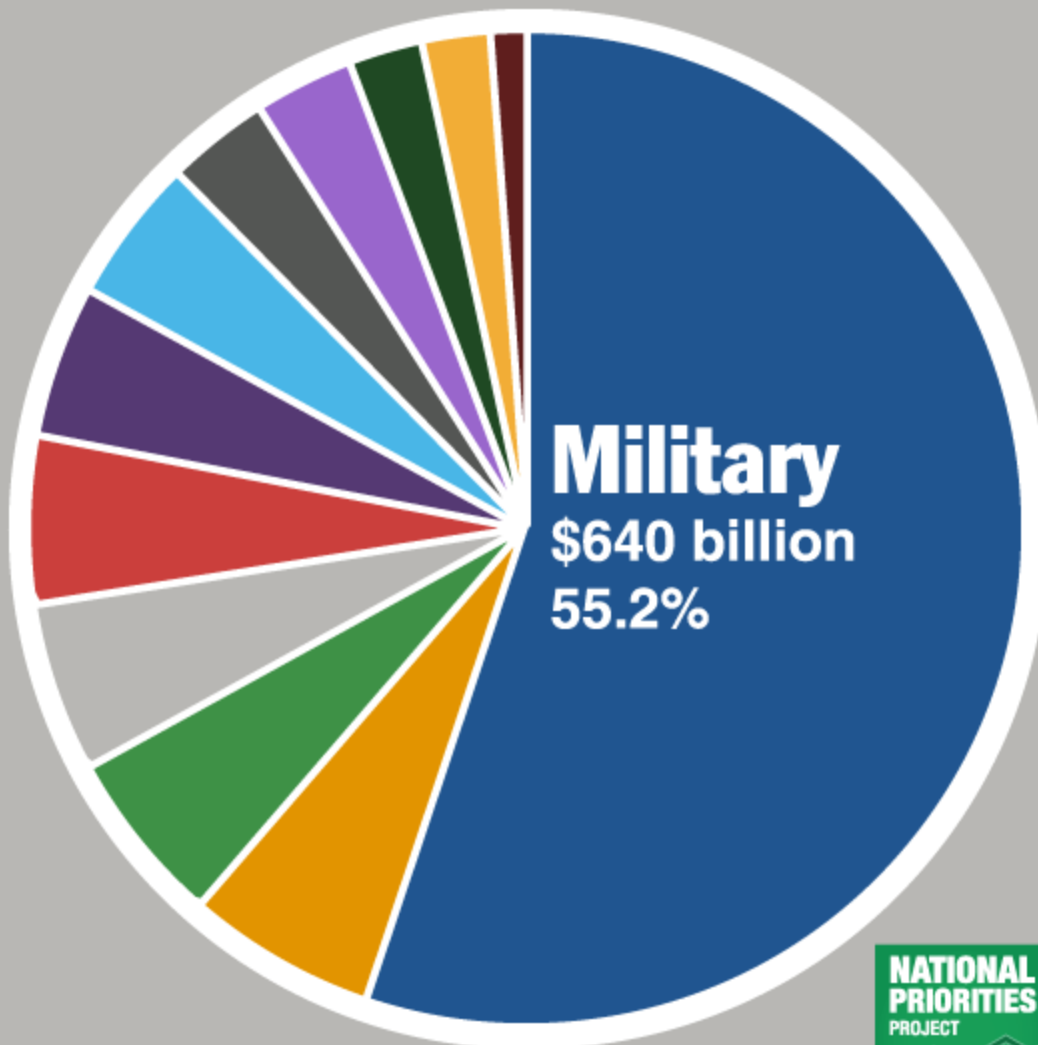
Source: The Budget and Economic Outlook: 2016-2026, tables 3.1-3.7. Congressional Budget Office.

Total Mandatory Spending 2015: \$2.45 Trillion



Discretionary Spending 2015: \$1.16 trillion

Education \$71.5 billion / 6.2%
Veterans Benefits \$65.5 billion / 5.6%
Government \$63.9 billion / 5.5%
Housing & Community \$60.9 billion / 5.3%
Medicare & Health \$56.7 billion / 4.9%
Social Security, Unemployment, & Labor \$56.1 billion / 4.8%
Energy & Environment \$38.4 billion / 3.3%
International Affairs \$38.2 billion / 3.3%
Science \$29.2 billion / 2.5%
Transportation \$26.1 billion / 2.3%
Food & Agriculture \$12.8 billion / 1.1%



nationalpriorities.org



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