

Warm Up: 3/21-22



WARM UP ACTIVITY

- Do you believe that taxation is a necessary government action?
 - Consider local, state and national
- What is the most appropriate use of tax dollars?
- What is the process of a bill becoming a law?

*Turn in Analysis of 115th Congress

**Progress Quiz 3/23

***Unit 5 Albert Assignment due 4/8 by 11:59 pm

LESSON ESSENTIAL QUESTIONS

1. What is the budget?
2. What are the sources of revenue for the Federal government?
3. What is national debt and deficit spending?
4. What factors have led to the current federal deficit?

Committee System

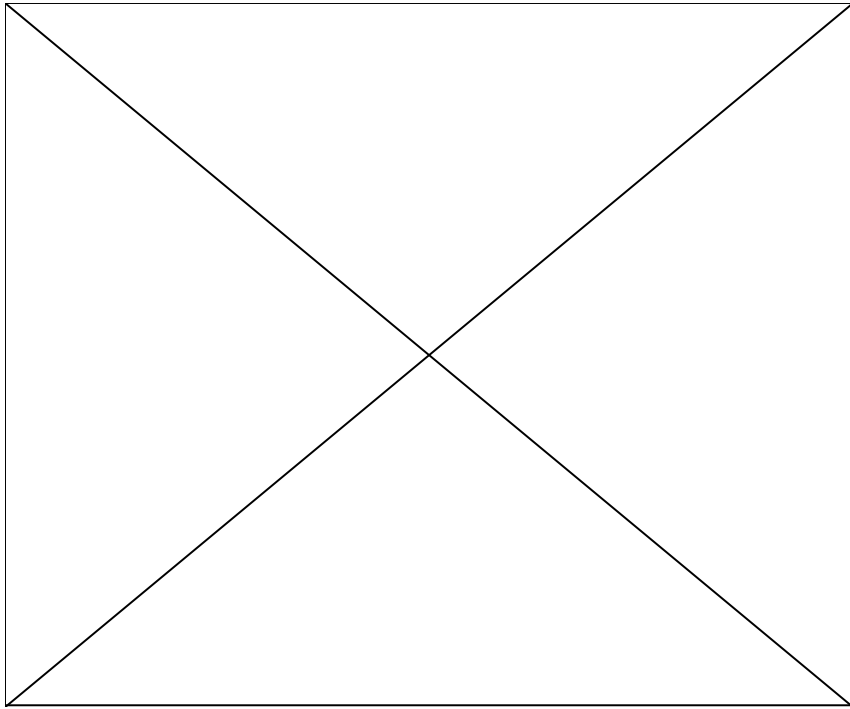
- Committees/Subcommittees
 - Control the congressional agenda and guide legislation
- Types of committees:
 - House Rules Committee
 - Standing committees
 - Joint committees
 - Conference committees
 - Select committees



House Rules Committee

- The committee in the House of Representatives that reviews most bills coming from a House Committee before they go to the full House
 - Committee members appointed by Speaker of the House
- Serves as a traffic cop for bills:
 - Schedules it on the calendar
 - Allots time for debate
 - Sometimes specifies kinds of amendments that may be offered
 - Sometimes prohibits amendments and influence of the minority

House Ways & Means Committee



<https://www.youtube.com/watch?v=jNBq9CZ8nb4>

- The House of Representatives committee that, along with the Senate Finance Committee, writes the tax codes, subject to the approval of Congress as a whole
- Considered one of the most important committees in Congress:
 - Has heavy influence over budgetary process
 - Majority party in the House of Representatives has the most influence over this process

Standing Committees

Standing Committees

- Separate subject-matter committees in each house of Congress that handle bills in different policy areas

Standing Committees House of Representatives		Standing Committees Senate	
1.	Agriculture	1.	Agriculture, Nutrition, and Forestry
2.	Appropriations *	2.	Appropriations
3.	Armed Services	3.	Armed Services
4.	Budget	4.	Banking, Housing and Urban Affairs
5.	Education and the Workforce	5.	Budget
6.	Energy and Commerce	6.	Commerce, Science and Transportation
7.	Ethics	7.	Energy and Natural Resources
8.	Financial Service	8.	Environment and Public Works
9.	Foreign Affairs	9.	Finance
10.	Homeland Security	10.	Foreign Relations
11.	House Administration	11.	Homeland Security and Governmental Affairs
12.	Judiciary	12.	Health, Education, Labor and Pensions
13.	Natural Resources	13.	Judiciary
14.	Oversight and Government Reform	14.	Rules and Administration
15.	Rules *	15.	Small Business and Entrepreneurship
16.	Science, Space and Technology	16.	Veterans Affairs
17.	Small Business		
18.	Transportation and Infrastructure		
19.	Veterans Affairs		
20.	Ways and Means *		

Joint Committees

Joint Committees

- Congressional committees on a few subject-matter areas with membership drawn from both houses

Examples from 114th:

- Joint Economic Committee
 - Employment Act of 1946; responsible for reporting on current economic conditions of US & make suggestions for improvement
- Joint Committee on the Library
 - Devoted to the affairs and administration of the Library of Congress
- Joint Committee on Printing
 - Oversees the printing and binding of documents produced for and by the federal government

Joint Committees

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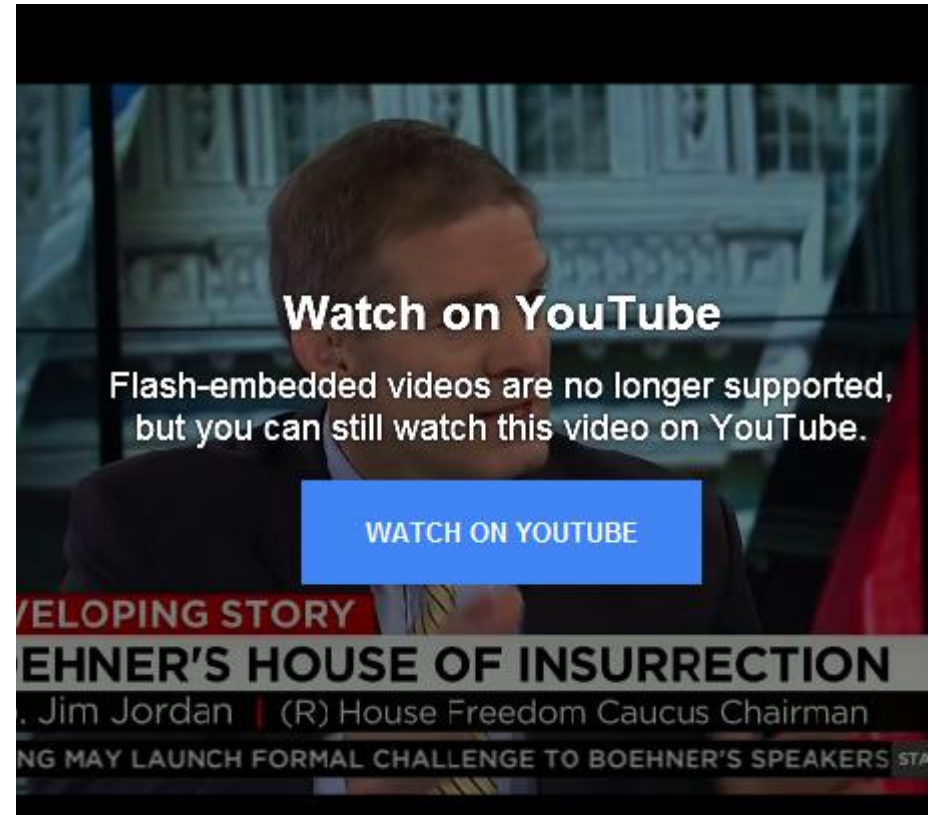
Examples from 114th:

- Joint Committee on Taxation
 - Investigate the operation, effects, and administration of internal revenue taxes
 - Investigate measures and methods for simplification of taxes
 - Make reports on the results of those investigations and studies and make recommendations
 - Review any proposed refund or credit of taxes in excess of \$2 million

Conference Committees

Conference Committees

- Congressional committees formed when the Senate and the House pass a particular bill in different forms
- Party leadership appoints members from each house to iron out the differences and bring back a single bill



https://www.youtube.com/v/w5zoL_4QrBo

Select Committees

Select Committees

- Temporary or permanent with a focused responsibility
- Permanent Select Committee on Intelligence
- Temporary House Select Comm. on Benghazi



The Committees at Work: Legislation and Oversight

- Legislation
 - Creation and passing of laws
- Legislative oversight
 - Monitoring of the bureaucracy and its administration of policy
 - Performed namely through hearings
- Serving on a committee
 - Members want committee assignments that will help them get reelected, gain influence, and make policy.
- Committee chairs
 - Most influential in how policies get to and through the policy agenda
 - Seniority System

Congressional Staff

■ Personal staff

- Work for the member, mainly providing constituent service, but help with legislation too

■ Committee staff

- Organize hearings, research and write legislation, target of lobbyists

■ Staff Agencies

- CRS – Congressional Research Service
 - Provides congressmen with needed information; prepares bill summaries; etc.
- GAO – Government Accountability Office
 - Helps with legislative oversight
- CBO – Congressional Budget Office
 - Analyze president's budget



Understanding Congress

Congress and Democracy

- Representation versus Effectiveness
 - Supporters claim that Congress:
 - is a forum in which many interests compete for policy
 - is decentralized, so there is no oligarchy to prevent comprehensive action
 - Critics argue that Congress:
 - is responsive to so many interests that policy is uncoordinated, fragmented, and decentralized
 - is so representative that it is incapable of taking decisive action to deal with difficult problems

Warm Up: 4/3-4



WARM UP ACTIVITY

- Define entitlement programs.
 - Explain each of the following:
 - Social Security
 - Medicare/Medicaid
 - Welfare programs
- What is the difference between the national debt and deficit spending?

*Unit 5 Albert Assignment due 4/8 by 11:59 pm

**Chapters 12 (Presidency) AND 14 (Bureaucracy) due 4/18-19

LESSON ESSENTIAL QUESTIONS

1. What is the budget?
2. What are the sources of revenue for the Federal government?
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Congressional Taxing & Spending

The Federal Budget

Understanding Congress

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Federal Government's Budgetary Powers

■ Article I, Section 8, Clause 1:

- Power to “lay and collect taxes, to pay the debts, and provide for the common defense and general welfare of the United States.”

■ Article I also:

- Gives the House power to initiate the process of passing all appropriations
 - Appropriations- a sum of money devoted to a purpose
- Gives Congress the right to excise taxes in form of tariffs
- Directs Congress to impose equally apportioned taxes
- Gives Congress the ability to borrow money on the credit of the US
- Only gives Congress the power to apportion money that has been budgeted

Understanding the Federal Budgetary Process



Watch on YouTube

Flash-embedded videos are no longer supported,
but you can still watch this video on YouTube.

WATCH ON YOUTUBE

(in under 9 minutes)

PART I

Take notes on the process of proposing and passing the federal budget.

- <https://www.youtube.com/watch?v=cviXliRD6r8>

The Budget & Sources of Revenue

Budget

- A policy document allocating burdens (taxes) and benefits (expenditures)

Deficit

- An excess of federal expenditures over federal revenues

Expenditures

- What the government spends money on

Revenues

- Sources of money for the government



Sources of Revenue:

- Income tax
- Social Insurance tax
- Borrowing

Income & Social Insurance Taxes

Income Taxes

- Shares of individual wages and corporate revenues
 - **16th Amendment (1913)** permitted Congress to levy an income tax
- Largest single revenue source
- Income tax is progressive:
 - Those with more income pay higher *rates* of tax on their income

Social Insurance Taxes

- Taxes for specific funds: Social Security and Medicare

Federal Revenues by Source

Most federal revenues come from individuals. Personal income taxes provide the largest portion of total tax revenues, though some of this is small-business income. Social Security and Medicare payroll taxes are the second-largest source.

PERCENTAGE OF TOTAL FEDERAL REVENUE (2010)



Source: Congressional Budget Office.

Federal Revenue Chart 4 • 2011 Budget Chart Book heritage.org

Taxes and Public Policy

Tax Loopholes

- Tax breaks or benefits for a few people
- Unpredicted ability for one to qualify for lower taxes

Tax Expenditures

- Revenue losses that result from special exemptions, exclusions, or deductions on federal tax law

Tax Reduction

- the general call to lower taxes

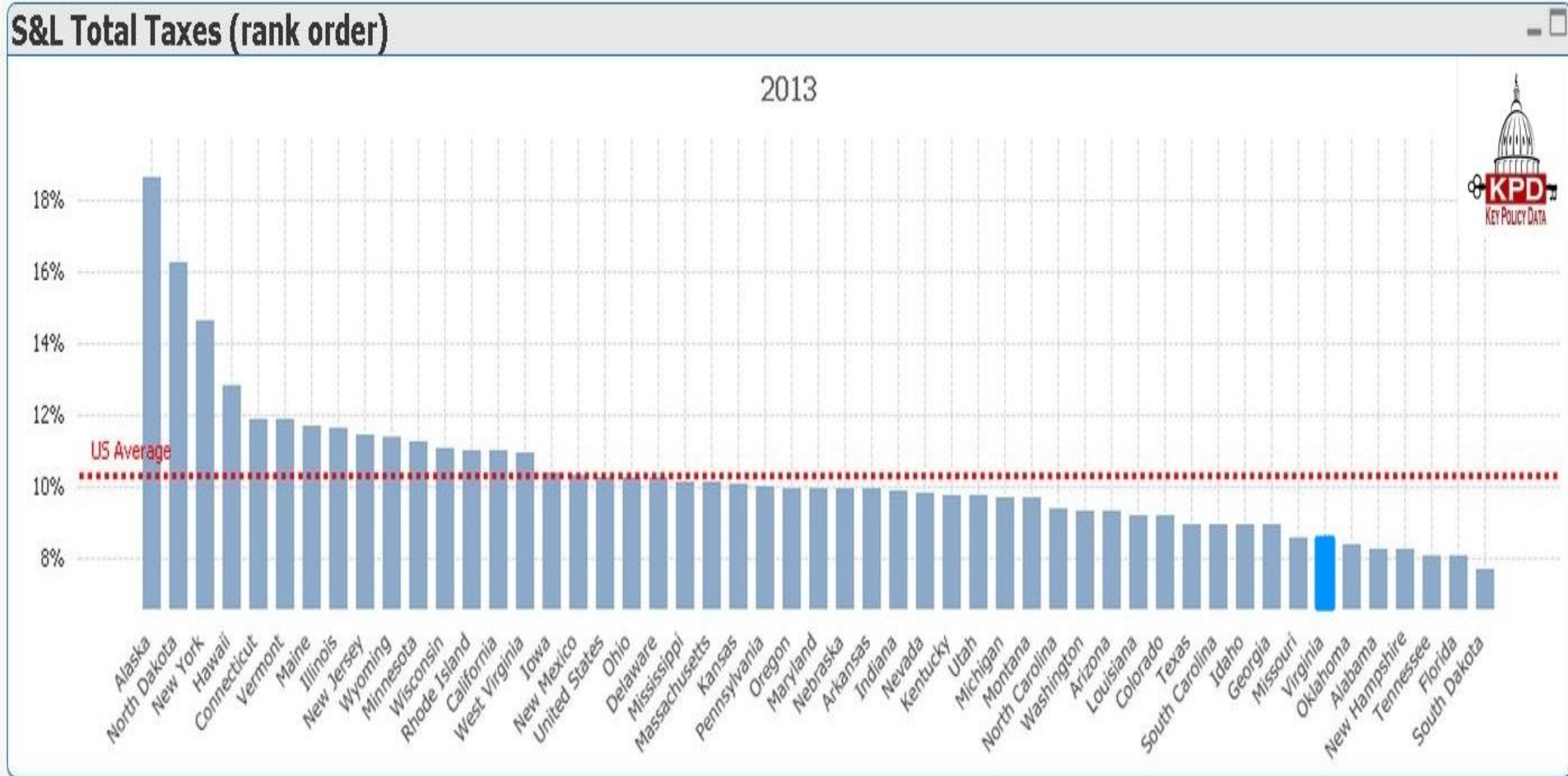


Tax Reform

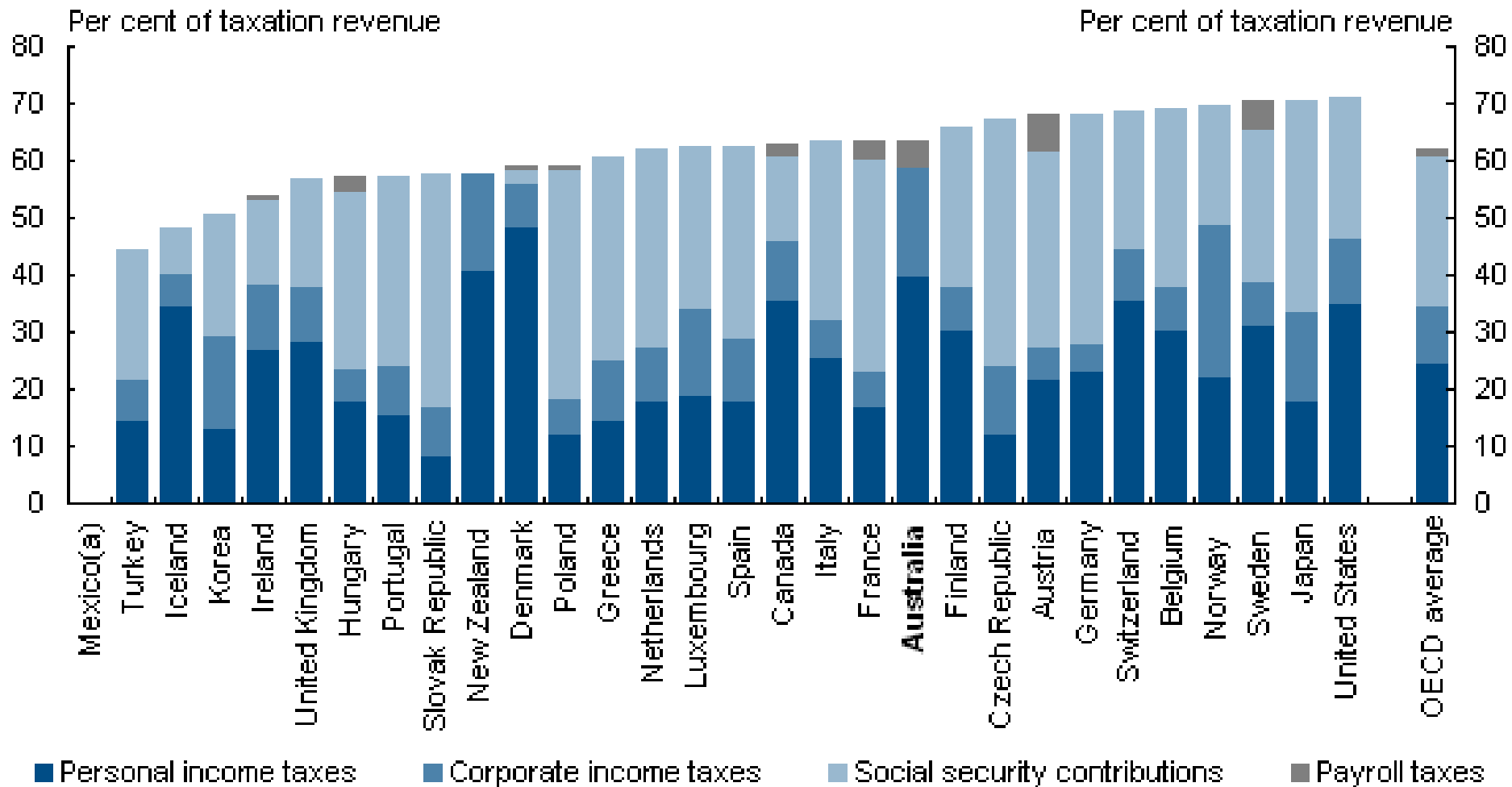
- Rewriting the taxes to change the rates and who pays them

Relative Tax Burdens

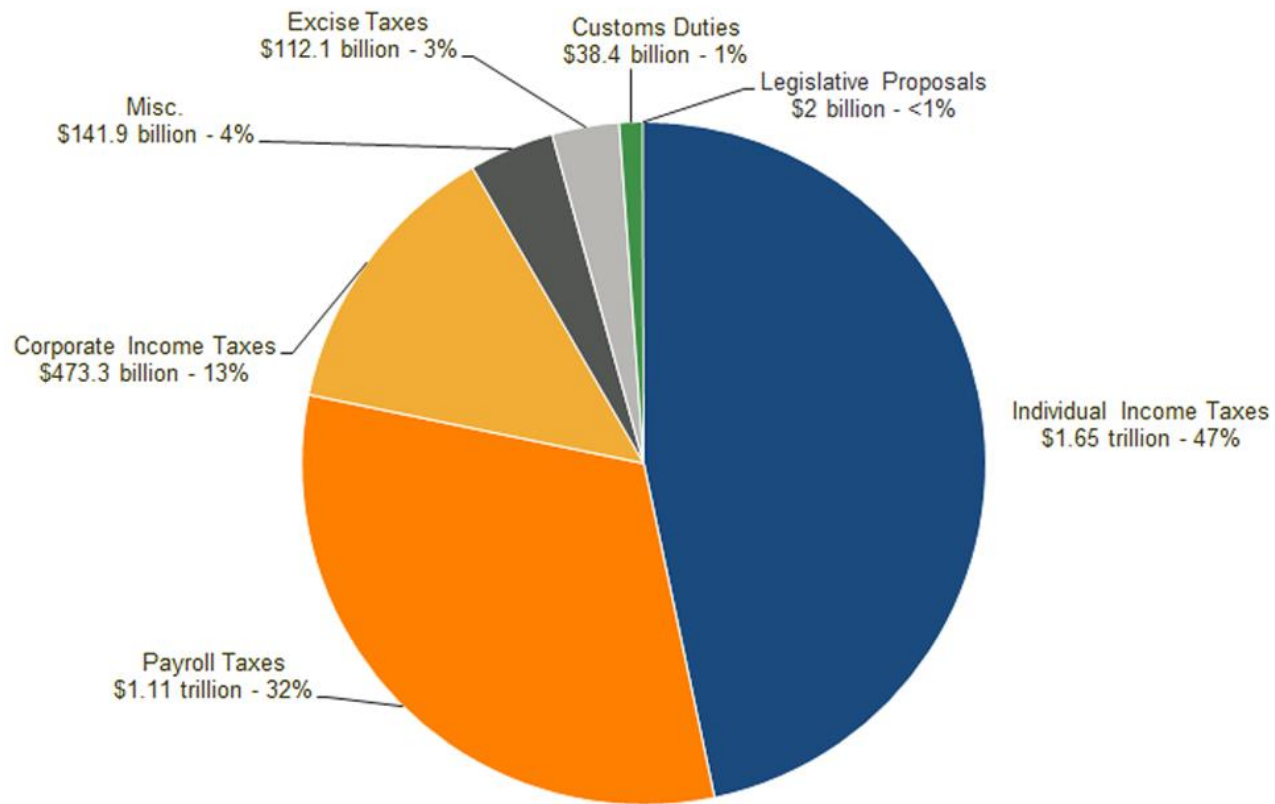
Chart 1: State and Local Tax Burdens, Fiscal Year 2013



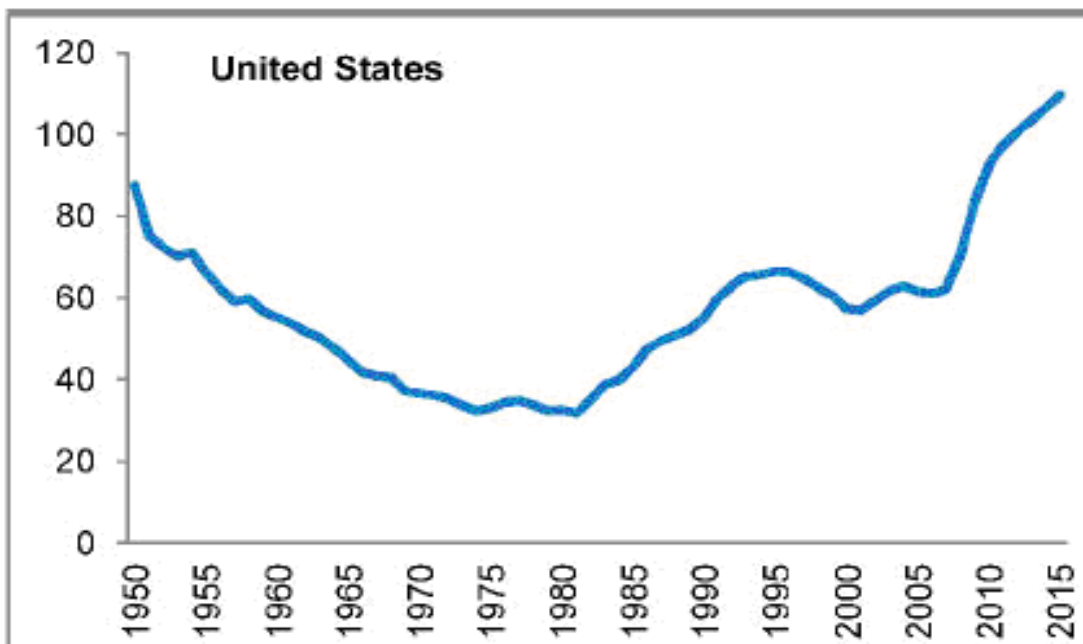
Relative Tax Burdens



President's Proposed \$3.5 Trillion in Revenue (FY 2016)



US gross debt as a percentage of GDP

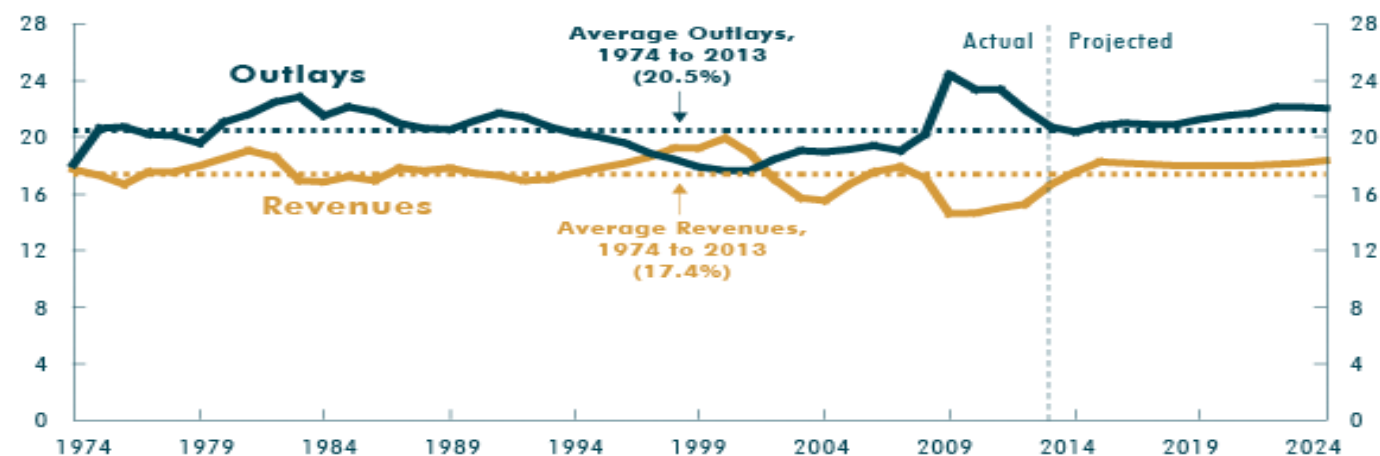


Source: IMF

Outlays- aka expenditures; the amount of money spent on government agencies and programs

Total Revenues and Outlays

Percentage of gross domestic product



Warm Up: 4/5-6



WARM UP ACTIVITY

- Explain how entitlements relate to the concept of uncontrollable expenditures.
- Why is the social security system potentially at risk?
 - What are 3 possible policy changes that could address this problem?

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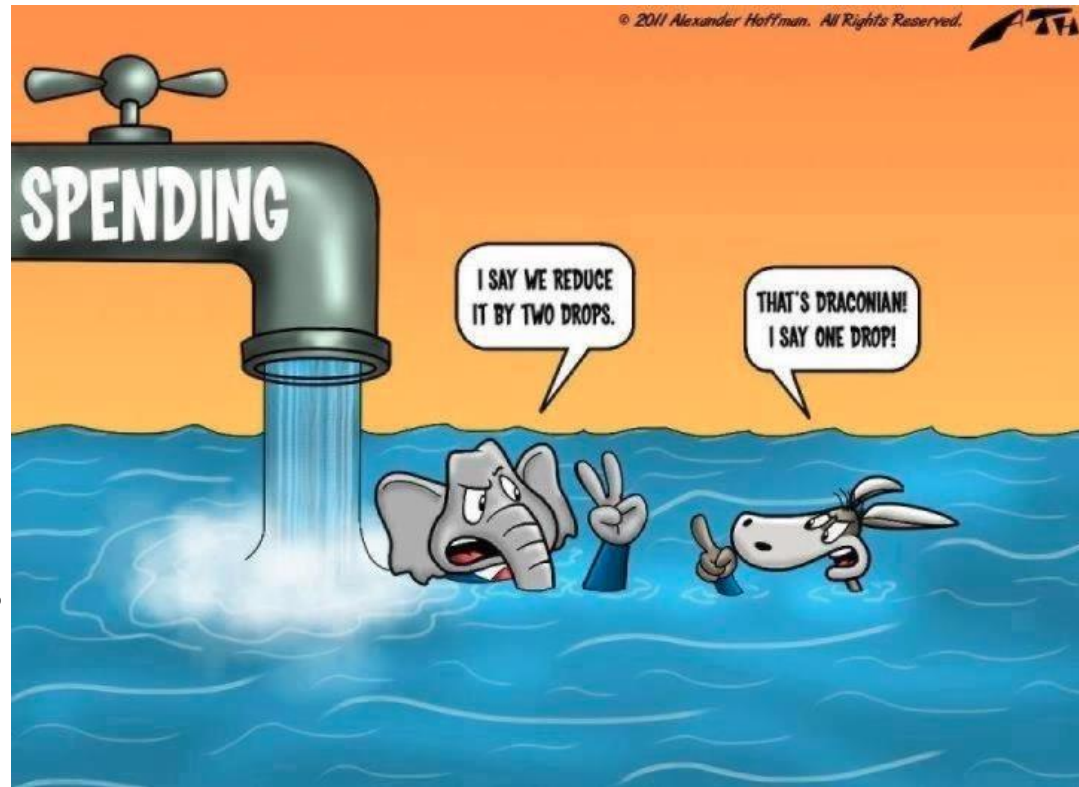
Federal Expenditures

Big governments, Big Budgets

- Requires lots of money to invest into economic activity & responsibilities of governance
- Linear Relationship between size of government and size of budget

Entitlements

- Policies in which Congress has obligated itself to pay X level of benefits to Y number of recipients
 - Social Security
 - Welfare
 - Medicaid/Medicare



Federal Expenditures

“Uncontrollable” Expenditures

- Spending determined by the number of recipients, not a fixed dollar figure
 - Does not fit the “allowance model” of the budget
- Mainly due to **entitlement programs**
- May also come from paying interest on the national debt, if Congress so chooses

Obama's Proposed Revenue and Expenditures for 2017

The president's budget proposal

President Barack Obama submitted a budget proposal to Congress. The budget proposes almost \$4 trillion in spending, and includes spending and revenue estimates for possible immigration reform.

Spending: \$3.9 trillion

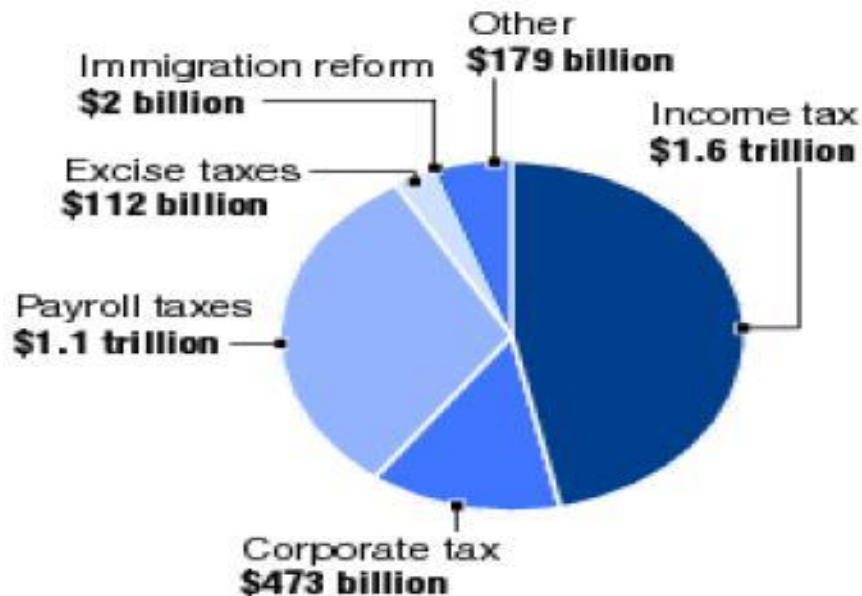


Revenue: \$3.5 trillion



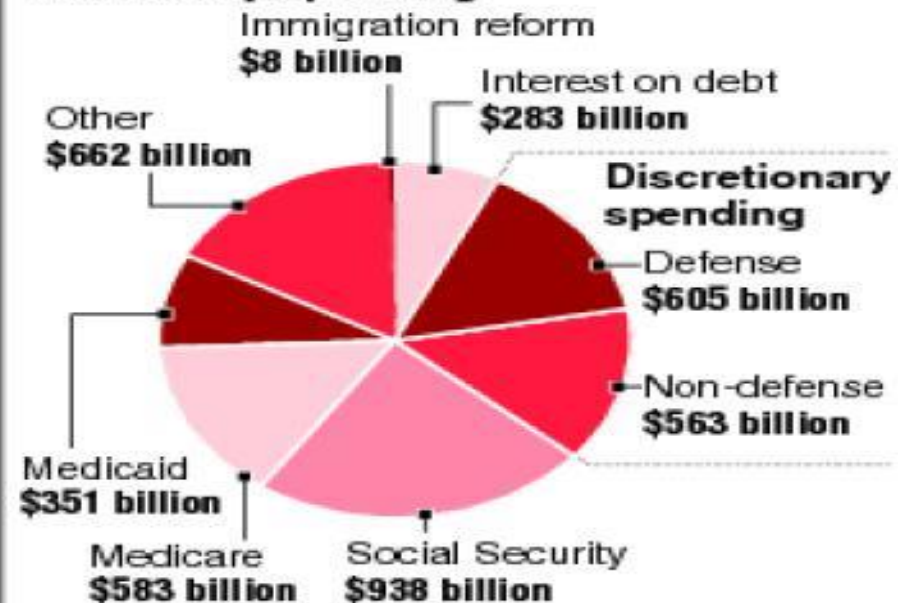
Deficit: \$474 billion

Revenue



Spending

Mandatory spending



Rise and Decline of the National Security State

- Dept. of Defense: 1950s & 60s
 - Received more than half of the federal budget
 - Cold War initiatives
- Defense spending now constitutes approx. 1/6 of all expenditures
 - Contributed to growth of government



Federal Expenditures

The Rise of the Social Service State

- The biggest part of federal spending is now for *income security* programs.
- Social Security is largest program
 - Social Security has been expanded since 1935 to include disability benefits and Medicare.
 - These benefit programs face financial problems with more recipients living longer.
- Another reason for government growth

Federal Expenditures

■ Incrementalism

- The idea that last year's budget is the best predictor of this year's budget, plus some.
- Agencies can safely assume they will get at least what they got last year.
- Focus and debate on the increase over last year
- Budgets tend to go up a little each year.

■ Continuing Resolutions

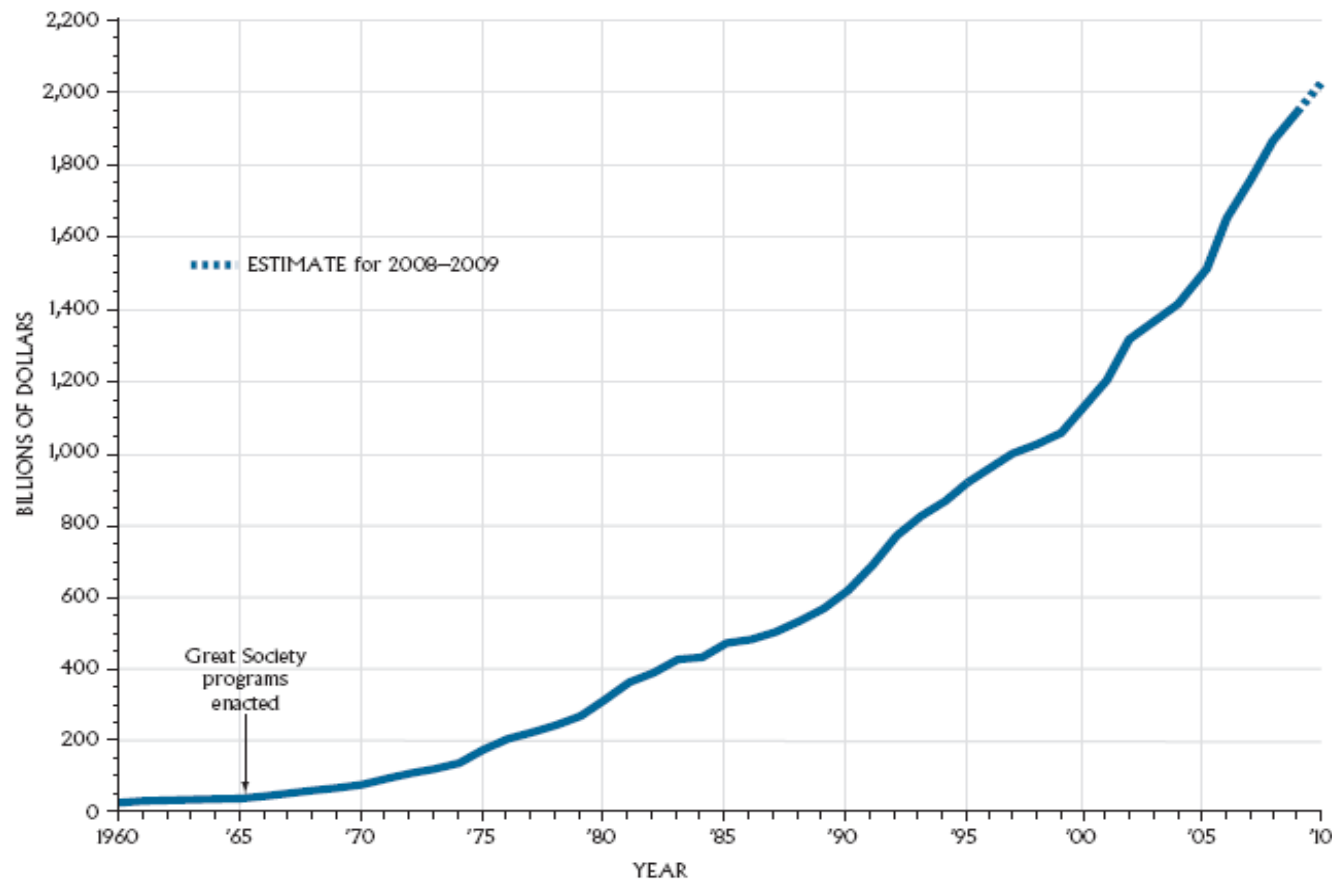
- Congress cannot reach an agreement and pass appropriations bills
 - Allow agencies to spend at the level of the previous year

Federal Expenditures

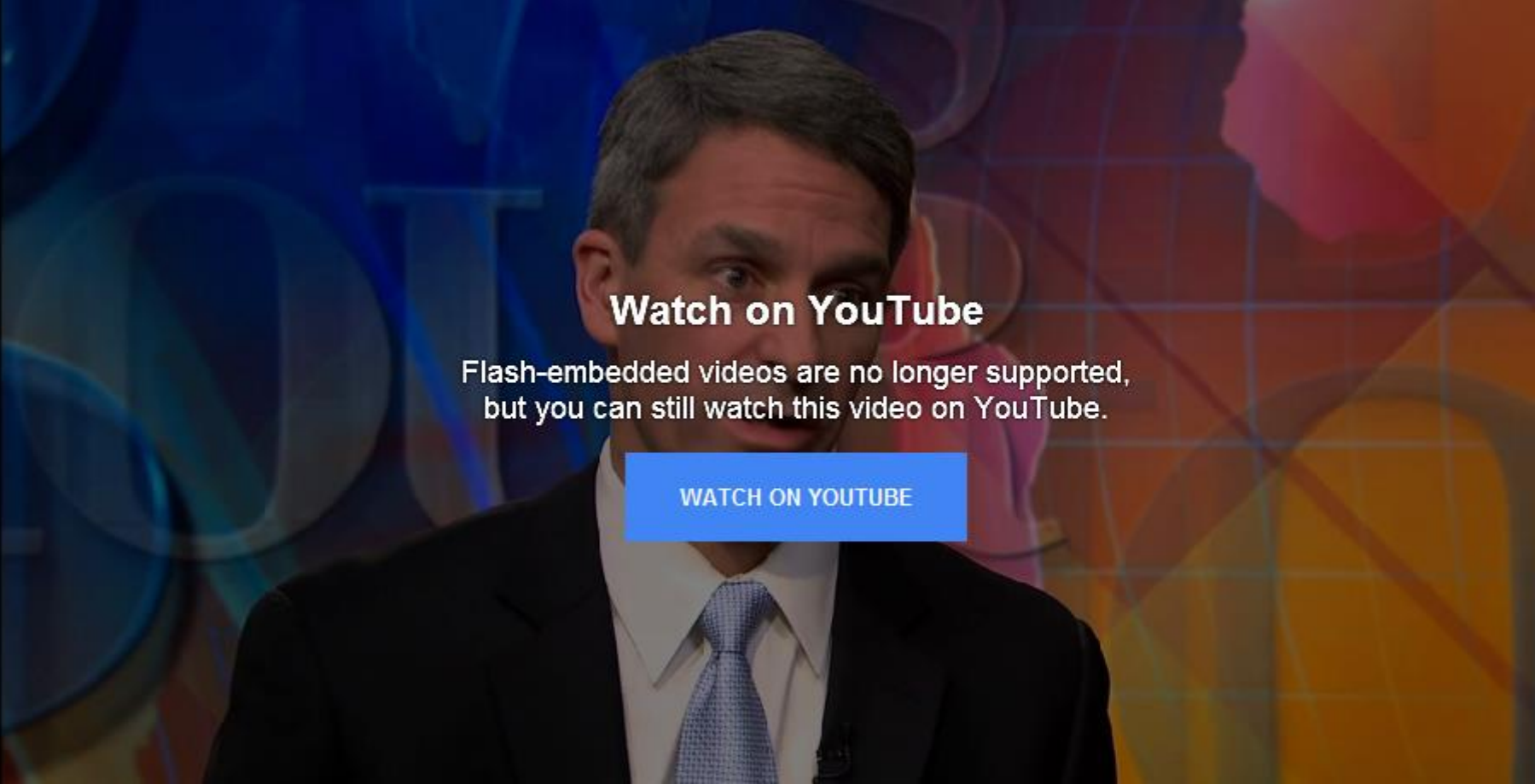
FIGURE 14.5

Trends in Social Service Spending

Social Service spending has increased rapidly since the 1960s and now makes up about two-thirds of the budget.



The Debate over Entitlements



Watch on YouTube

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but you can still watch this video on YouTube.

WATCH ON YOUTUBE

- <https://www.youtube.com/watch?v=Ccvljlop6UY>

Borrowing

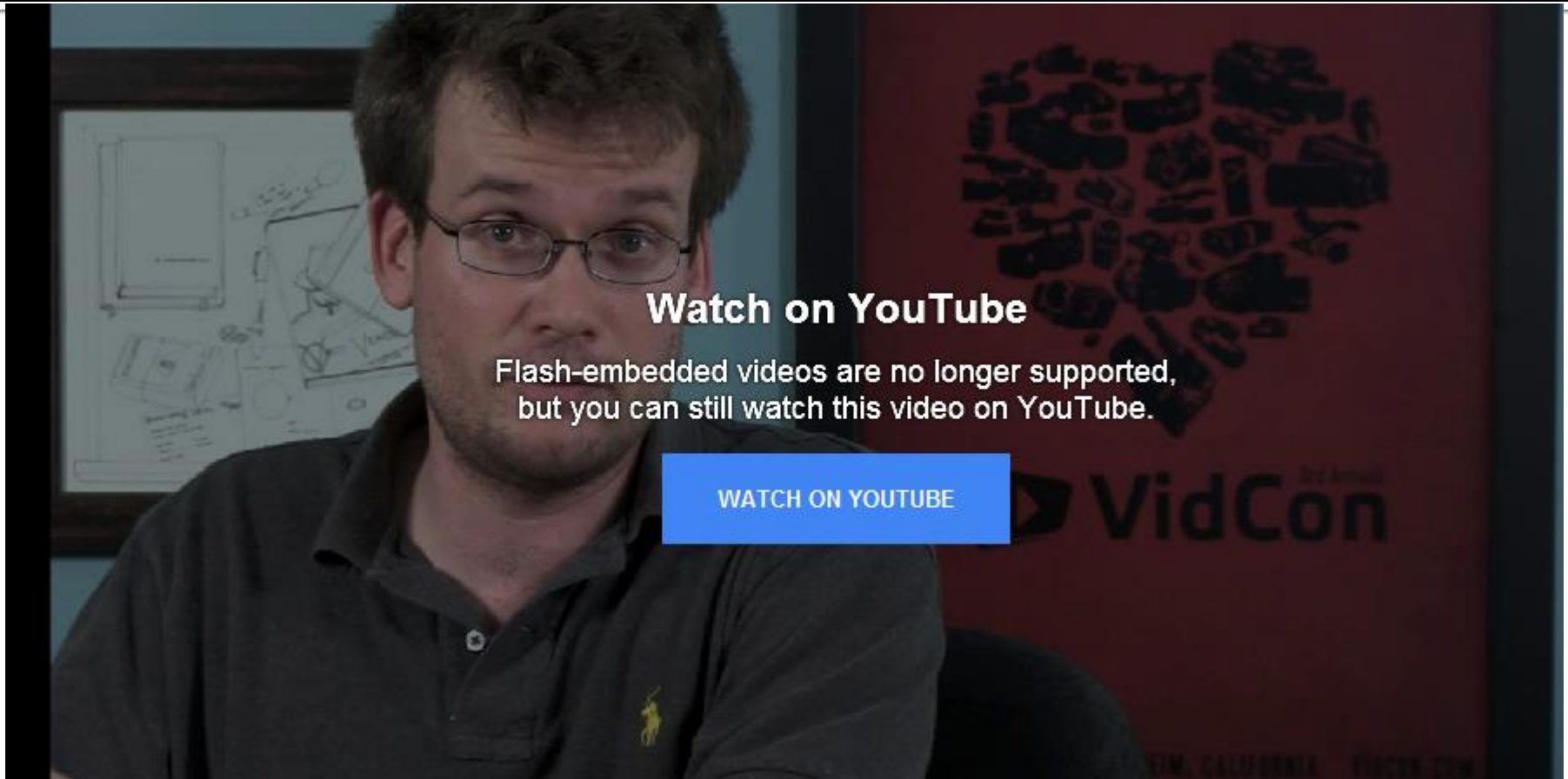
Borrowing

- Treasury Department sells bonds—this is how the government borrows money
 - Bonds- contractual agreement to borrow money
 - Promise to pay periodic interest payments and to repay the face value on the maturity date

■ Federal/National debt

- the sum of all the borrowed money that is still outstanding.
 - Government competes with other lenders.
- The government does not have a capital budget
 - Does not look into long term investments, making it more worth while for the buyer of the bond

Deficit Spending and the National Debt



- <https://www.youtube.com/watch?v=3ugDU2qNcyg>

Understanding the Debt Ceiling

- Please type in the following website to the URL on your computers:

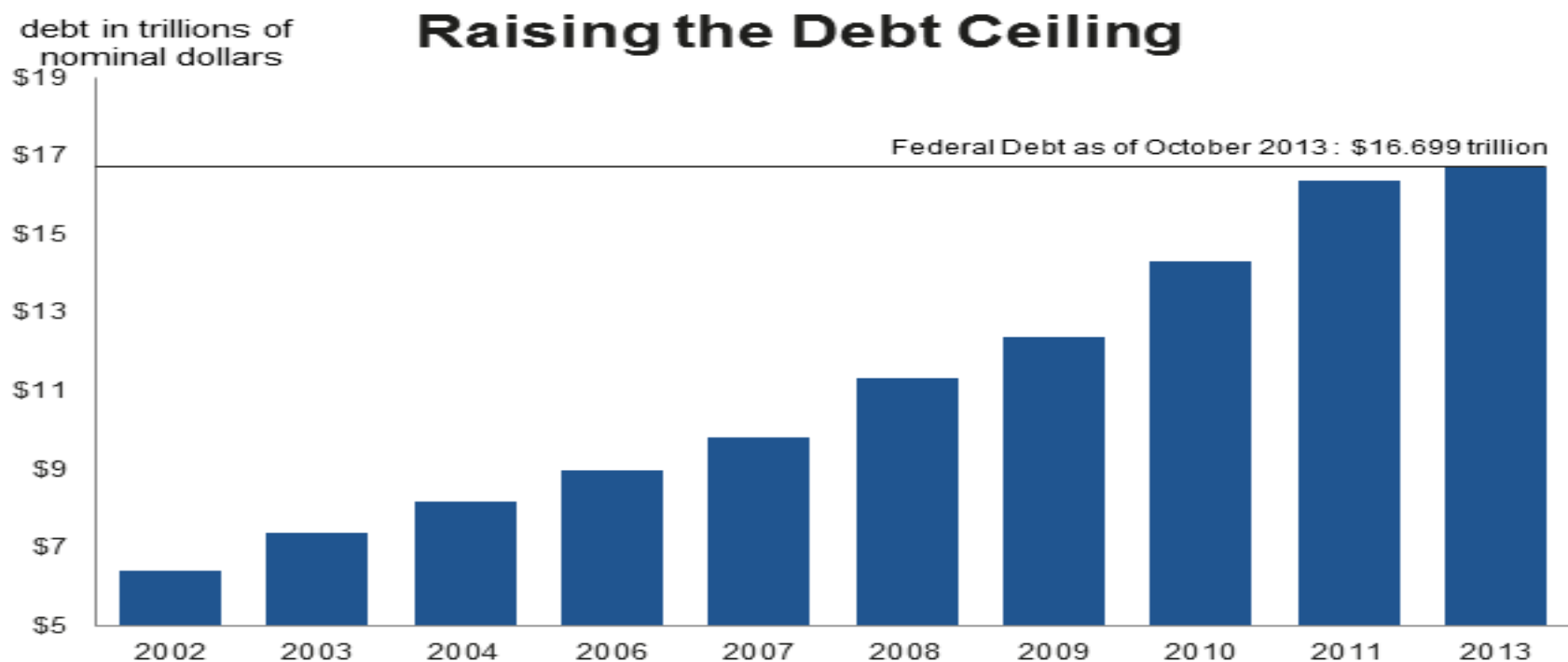
<https://www.thebalance.com/u-s-debt-ceiling-why-it-matters-past-crises-3305868>

Take notes on the current state of the Debt Ceiling and be ready to discuss.

Current Debt Ceiling: Congress must raise the debt ceiling so the United States doesn't default on its debt.

During the last 10 years, Congress increased the debt ceiling 10 times. It raised it four times in 2008 and 2009 alone. If you look at the debt ceiling history, you'll see that Congress usually thinks nothing of raising it.

The debt ceiling only matters when the president and Congress can't agree on fiscal policy. That occurred in 1985, 1995-1996, 2002, 2003, 2011, and 2013. It's a last resort to get attention by the non-majority in Congress. They might have felt slighted by the budget process.



The vertical bars show some of the increases in the debt ceiling since 2000. In October 2013, the federal debt reached the current debt ceiling of \$16.699 trillion. Without congressional action the Treasury will run out of authority to borrow and may default on its debt payments.

Source: Congressional Research Service

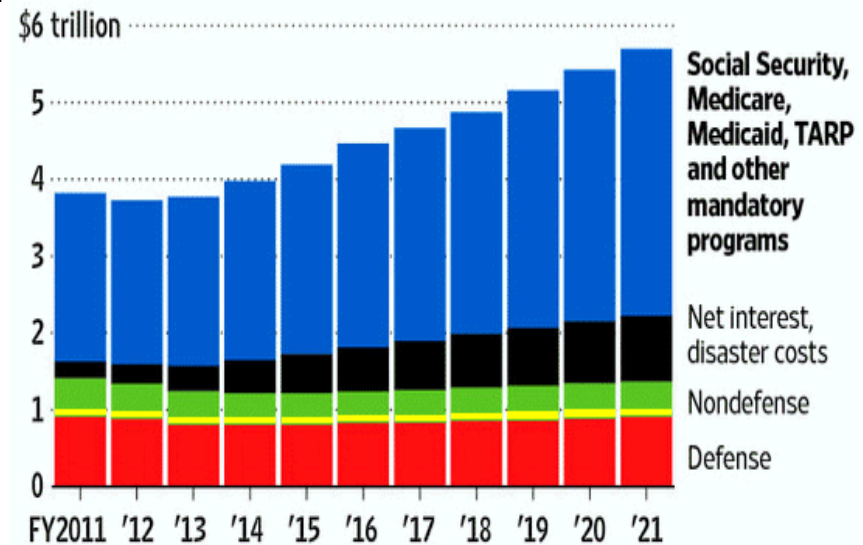
The Budgetary Process

Budgetary Politics

- **Stakes and Strategies**
 - All political actors have a stake in the budget
 - Try and tie their budget needs to national or political needs
- **The Players**
 - Interest Groups
 - Bureaucratic Agencies
 - Office of Management & Budget
 - The president
 - Congressional Tax Committees
 - Senate Finance & House Ways & Means
 - Congressional Budget Office (CBO)
 - Authorization Committees
 - Appropriation Committees & Subcom.
 - Congress
 - Government Accountability Office (GAO)
 - Audits, monitors and evaluates what agencies do with budgets

Where the Money Will Go

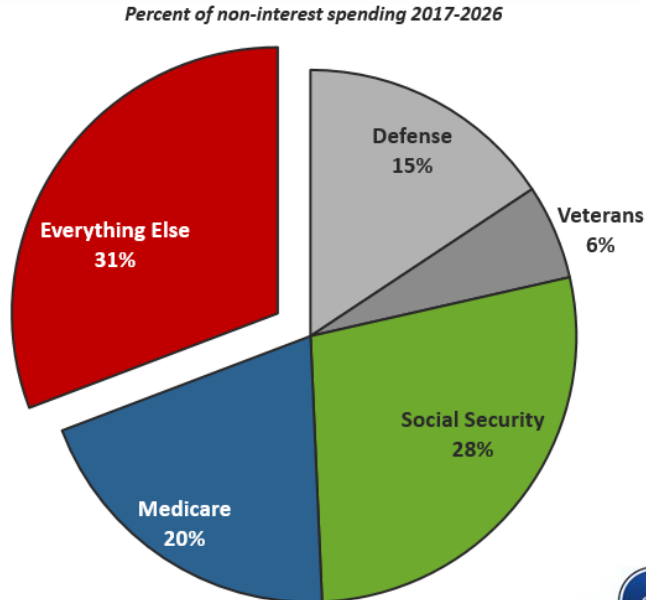
Projected government spending by category



Source: White House Office of Management and Budget

The Budgetary Process

Budget Categories after Trump Proposals



Sources: CBO, CRFB calculations, Trump campaign proposals



The President's Budget

- Budget requests are directed through the **Office of Management & Budget (OMB)** and President before going to Congress.
 - **Office of Management & Budget (OMB)**- White House organization responsible for preparing the federal budget and for central clearance of legislative proposals from federal agencies
- The budget process is time consuming—starting nearly a year in advance.
 - The OMB, the president, and the agencies negotiate budget requests.

The Budgetary Process

TABLE 14.2

The President's Budget: An Approximate Schedule

SPRING	
Budget policy developed	The OMB presents the president with an analysis of the economic situation, and they discuss the budgetary outlook and policies. The OMB then gives guidelines to the agencies, which in turn review current programs and submit to the OMB their projections of budgetary needs for the coming year. The OMB reviews these projections and prepares recommendations to the president on final policy, programs, and budget levels. The president establishes guidelines and targets.
SUMMER	
Agency estimates submitted	The OMB conveys the president's decisions to the agencies and advises and assists them in preparing their budgets.
FALL	
Estimates reviewed	The agencies submit to the OMB formal budget estimates for the coming fiscal year, along with projections for future years. The OMB holds hearings, reviews its assessment of the economy, and prepares budget recommendations for the president. The president reviews these recommendations and decides on the agencies' budgets and overall budgetary policy. The OMB advises the agencies of these decisions.
WINTER	
President's budget determined and submitted	The agencies revise their estimates to conform with the president's submitted decisions. The OMB once again reviews the economy and then drafts the president's budget message and prepares the budget document. The president revises and approves the budget message and transmits the budget document to Congress.

The Budgetary Process

- Congress and the Budget
 - Reforming the Process
 - The **Congressional Budget and Impoundment Control Act of 1974**: an act designed to reform the congressional budgetary process
 - It established the following:
 - Fixed budget calendar
 - A budget committee in each House
 - The CBO, which advises Congress on the probable consequences of its decisions, forecasts revenues, and is counterweight to OMB

The Budgetary Process

■ Congress and the Budget

■ Reforming the Process

- Budget is to be considered on the floors of Congress as a whole
- A budget resolution binds Congress to a bottom line for the budget before Congress considers appropriations.
- The current budget is then **reconciled**—program authorizations are revised to achieve required savings
- The new budget is authorized and appropriated.
 - **Authorization bill**: establishes a discretionary government program; set goals and maximum expenditures
 - **Appropriations bill**: funds programs within limits established by authorization bills

The Budgetary Process

TABLE 14.3

The Congressional Budget Process: Targets and Timetables

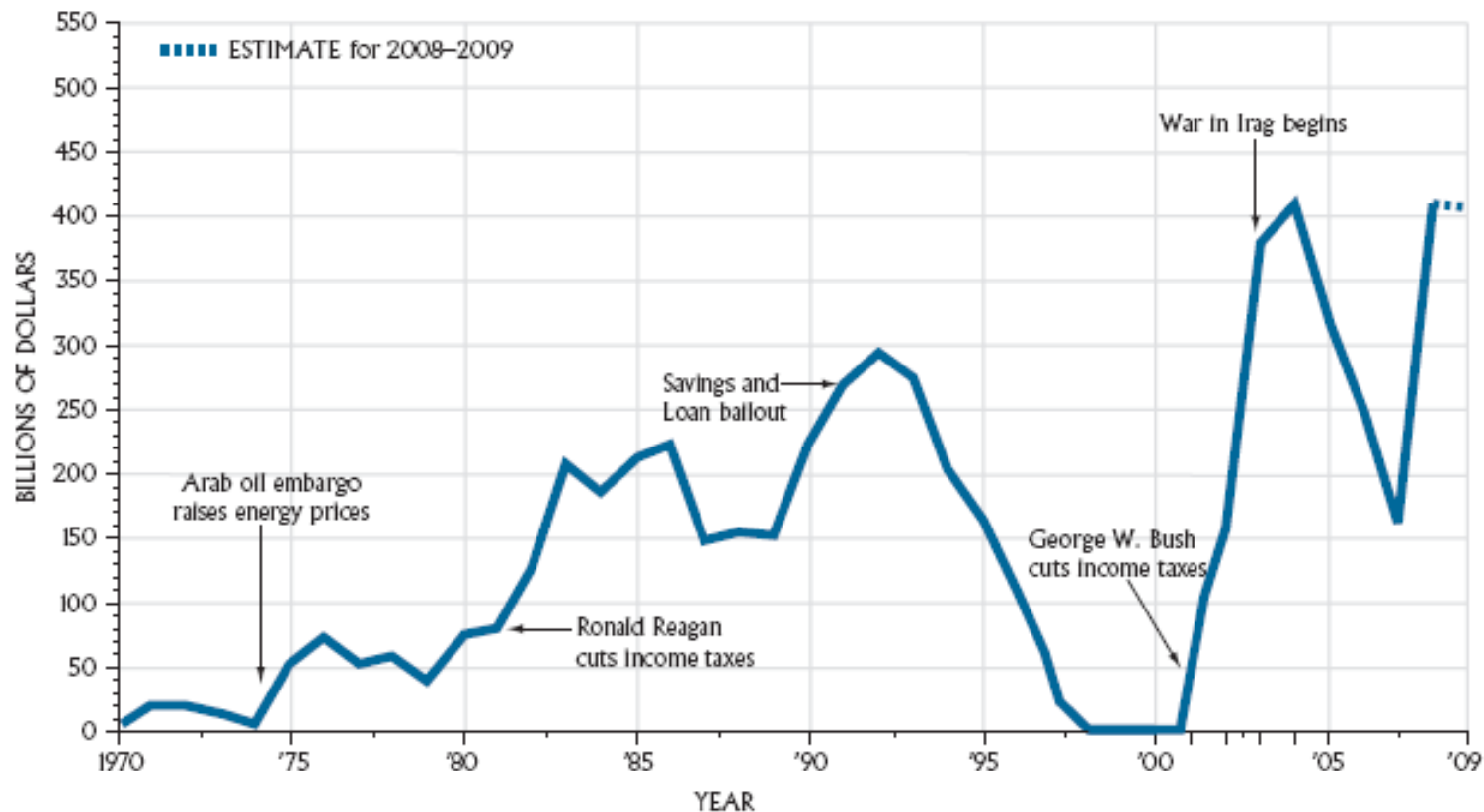
DATE	ACTION TO BE COMPLETED
First Monday in February	Congress receives the president's budget.
February 15	The CBO submits a budget report to the House and Senate Budget Committees, including an analysis of the president's budget.
February 25	Other committees submit reports on outlays and revenues to Budget Committees in each house.
April 1	Budget Committees report concurrent resolution on the budget, which sets a total for budget outlays, an estimate of expenditures for major budget categories, and the recommended level of revenues. This resolution acts as an agenda for the remainder of the budgetary process.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriations bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriations bill.
June 15	Congress completes action on reconciliation legislation, bringing budget totals into conformity with established ceilings.
June 30	House completes action on annual appropriation bills.
October 1	The new fiscal year begins.

The Budgetary Process

- Congress and the Budget
 - The Success of the 1974 Reforms
 - Between 1974 and 1998, every budget was a deficit budget.
 - Congress misses most of its own deadlines.
 - Congress passes continuing resolutions to keep the government going until it passes a budget.
 - Omnibus budget bills (with a number of budgetary items included within) often contain policies that cannot pass on their own, so they are agglomerated
 - Ear-marking & Pork-Barreling help with getting these policies passed

The Budgetary Process

Fluctuating Deficits



Source: *Budget of the United States Government, Fiscal Year 2009: Historical Tables* (Washington, DC: U.S. Government Printing Office, 2008), table 1.1.

The Budgetary Process

- Congress and the Budget
 - More Reforms
 - Congress passed bills to try and control the deficits.
 - By 1990, Congress focused on increases in spending.
 - Both parties claimed victory for the budget surpluses that began in 1997.
 - Economic downturn, income tax cuts, and increased military expenditures brought a return to deficits by 2001.

Understanding Budgeting

- Democracy and Budgeting
 - Many politicians “spend” money to buy votes.
 - With many groups and people asking for government assistance, the budgets get bigger.
 - Some politicians compete by trying *not* to spend money.
 - People like government programs, but they really do not want to pay for them, thus there are deficits and federal debt.

Understanding Budgeting

- The Budget and the Scope of Government
 - In sum, the budget represents the scope of government.
 - The bigger the government, the bigger the budget
 - Limits on funding (taxes) can limit what the government can do.

Summary

- Federal budget consumes one-fifth of GDP
- Government growth has meant higher taxes to pay for additional services, often through deficit spending.
- The budgetary process is complex.
- The budget is used, some argue, to buy votes, leading to an ever larger government.