

Government Spending

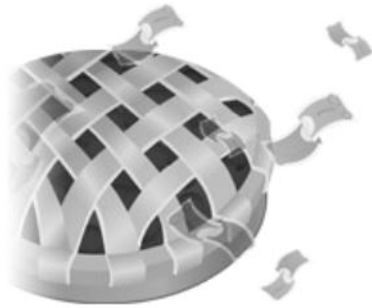
Name: _____

Budget Business

If you could track your family's spending, you would see that money is spent on lots of things: housing, food, transportation, electricity, laundry soap, maybe even a vacation. Many people create a household **budget**, which is a plan for spending. Creating a budget involves looking at the things you need, the things you want, and how much money you are bringing in. You figure out how much you can afford to spend and what things you must do without. Usually, budgeting involves making choices: How much money should be spent on rent? Groceries? Gasoline? The cell phone bill? People find they must make cuts in some areas—buying generic cereal instead of brand name, or going without a smart phone—because other areas can't be cut so easily.



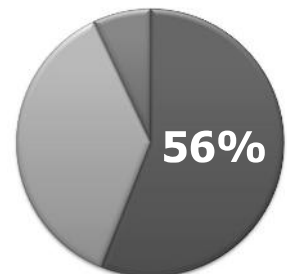
The Government's Budget



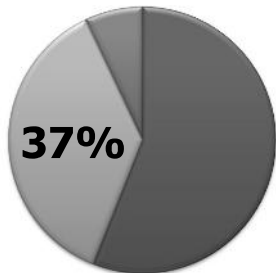
Just as it takes money to run a household, it takes money to run the government. The government must buy everything from fighter jets to ink for printing dollar bills to hand soap for the bathrooms at the Kennedy Space Center. And like people, the government also makes choices about how to spend its money: How much money should go for nuclear waste cleanup? The Department of Defense? Researching new energy sources? Supporting state education programs? Border patrol? Farmers? Each year, the U.S. government maps out how much money it expects to bring in and how much money it plans to spend. This overall plan is called the **federal budget**.

Mandatory Spending

Something *mandatory* is something you have to do. You don't get a choice. When Congress and the president are deciding how to budget the nation's money, there are some things they must spend money on. This is called **mandatory spending** – spending that is required by law. There is no choice about this spending, because lawmakers in the past have said it must happen. It would take a new law to change it. Programs that get mandatory spending include things like Social Security and Medicare for older Americans, and assistance for low-income families, the disabled, and military veterans.



In 2011, 56% of the federal spending was mandatory and 37% was discretionary. Seven percent was interest on loans.



Discretionary Spending

Discretionary is the opposite of mandatory. When something is at your *discretion*, that means it is your choice. **Discretionary spending** is spending that Congress decides on each year. Some of the things that receive discretionary spending might surprise you: The entire national defense budget is funded through discretionary spending. The list also includes things like air traffic control, nuclear energy, the federal justice system, and national parks.

The Budgeting Process

Every year, the president and Congress go through a back-and-forth process of deciding what next year's budget should be. All the government agencies and departments submit a budget request saying how much money they need and want. The president makes a list of his own spending priorities, and so does Congress. They debate, negotiate, and finally compromise to create a budget that says how much money each government program will receive.