Federal Budget Simulation Lesson Plan

Introduction

In this lesson plan, high school students debate our nation’s priorities by establishing their own “simulated” federal budgets. After analyzing the FY 2014 discretionary budget, students will be asked to design a FY 2015 budget with a group of their peers. Through the simulation, students will learn the importance of the budgeting process and that decisions concerning how our government spends its money form the basis of most national government policy.

This lesson plan is designed for 4 to 5 class periods of 50 minutes. It can be adapted, however, to accommodate other schedules. This program can also be adapted for a school-wide event, with teachers facilitating groups of 10-15 students in their budgeting sessions.

Objectives

Students will:
- evaluate how money has been allocated in the FY 2014 discretionary budget
- consider the additional needs of our nation in FY 2015
- discuss the programs and issues that they think are important and consider how much money should be allocated to those programs
- discuss the pros and cons of deficit spending
- design their FY 2015 discretionary budgets
- present their rationales for their budgets to the larger group

National Curriculum Standards

Council for Economic Education: Standards 16, 17
Center for Civic Education: Standards I.A, II.C, III.B MA Frameworks Connections American Government – USG.1.3, USG.3.6, USG.5.10

Materials

Handouts:
- Understanding the Federal Budget
- What Role Should the Government Play in the Economy?
- Rules of the Game
- Functional Areas with Budget Details
- National Defense Spending
- Tally Sheet
- Game Board (to be enlarged to 11” X 17”)

124 white poker chips

Procedure
1. For homework, have students read *Understanding the Federal Budget* and answer the reading comprehension questions.

**Day One**

2. Discuss the reading in class and the process of federal budgeting.

3. For homework, have students read *What Role Should the Government Play in the Economy?* and ask them to provide a written response to the question “What is your view of the government’s role in the economy?”

**Day Two**

4. Discuss the reading and their responses to the question. (20 minutes)

5. Provide students with the *Rules of the Game* handout. Discuss the rules and explain that students will only be dealing with government spending, not taxes—and only with discretionary spending, not mandatory spending. Remind students that at the end of the group budgeting, they will need to be able to explain their budgets, i.e., What programs were they eliminating by cutting a particular functional category? What programs were they enriching by adding to a particular functional category? (30 minutes)

Have students review the materials for homework and ask them to be prepared to discuss and create their budgets the next day.

**Day Three**

6. Divide students into groups of 5-6. Supply each group with:
   (a) a game board and poker chips
   (b) Functional Areas with Budget Details handout
   (c) National Defense Spending handout
   (d) Tally Sheet

7. Ask students to consider first how the funds were allocated for President Obama’s FY 2014 budget. Do they agree with his priorities? What would they like to see changed? What categories/programs are important to them?

8. Have students reconfigure the budget to represent their own priorities. As you monitor each group’s progress, make sure they know that they will need to justify their budgeting decisions to the rest of the class. When they are finished, have them fill in the tally sheet and submit it to you.

If students need more time to budget, you can have them continue their discussions the following day.

**Day Four**

9. Share the budgets of all the groups with the class, and have students discuss their decisions.
10. For a follow-up to the students’ budgeting, have them consider the following questions:
   A. What programs did they choose to cut? Why did they choose to cut those programs over others?
      (1) How will the program cuts they have made affect specific groups (the elderly, students, environmentalists, the poor, foreign aid recipients)?
      (2) Have them write a letter to the head of an organization whose funding will be cut and explain why they have cut the funding.

   B. What programs did they choose to enrich? Why did they choose to enrich those programs over others?
      (1) How will the programs they have enriched affect specific groups (the elderly, students, environmentalists, the poor, foreign aid recipients)?
      (2) Have them write a press release to be read by the President’s press secretary, describing the reasons they have enriched these programs.

   C. What are the tradeoffs they foresee in diminishing some programs while protecting or enriching others? What might be some of the political “fallout” of their decisions? How might they address this “fallout”? Have students write a brief paper on these tradeoffs and respond to the potential political “fallout.”

   D. Were there any arguments made by their classmates during the budgeting workshop that surprised them? Why?

Sources

Most of the figures used for this budget simulation program were taken from the Outlays section of “Supplemental Materials” Table 31-1 – Budget Authority and Outlays by Function, Category and Program: http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf

The descriptions of the functional areas were mostly drafted from Appendix III of the Catalog of Federal Domestic Assistance: https://www.cfda.gov/downloads/CFDA_2009.pdf

Some of the figures used in the “Understanding the Federal Budget” handout were taken from Table S-5: Proposed Budget by Category: http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/tables.pdf

For President Obama’s FY 2015 budget, see the Spreadsheets of Selected Tables (Table 28-1) at http://www.whitehouse.gov/omb/budget/Analytical_Perspectives/

Other Valuable URLs

Budget Hero
http://www.marketplace.org/topics/economy/budget-hero
From America Public Media, this interactive online game allows the user to develop their own federal budget.
National Priorities Project  
http://nationalpriorities.org/  
This organization provides analyses of federal data “so people can prioritize and influence how their tax dollars are spent.”

The Concord Coalition  
http://www.concordcoalition.org  
This organization describes itself as “dedicated to educating the public about the causes and consequences of federal budget deficits, the long-term challenges facing America's unsustainable entitlement programs, and how to build a sound foundation for economic growth.”

America's Historical Struggle with Debt and Taxes  
http://www.youtube.com/watch?feature=player_embedded&v=k7ktBe3TUIk  
This is a 10-minute video segment from the PBS NewsHour, including an interview with Simon Johnson.

Status of Appropriations Legislation for FY 2014  
http://thomas.loc.gov/home/approp/app14.html  
This web page can help you keep track of what parts of the current budget have been passed, and what is pending.

Our Mountain of Debt  
This is an excellent graphic and explanation that the Washington Post published in July 2011, during the debt ceiling discussions.

Bureau of the Public Debt  
http://www.publicdebt.treas.gov/  
This U.S. Department of the Treasury website includes a link to the most current calculation of the U.S. debt.
Understanding the Federal Budget

"For in the end, a budget is more than simply numbers on a page. It is a measure of how well we are living up to our obligations to ourselves and one another."
--From Remarks by the President on the Fiscal Year 2010 Budget, President Barack Obama, February 26, 2009

1. Introduction

One of the most important documents produced each year by the President and Congress is the federal budget. Through a lengthy process, government leaders determine how much money they expect the government to receive during each of the next several years, where it will come from, and how much to spend to reach their goals in areas such as national defense, foreign affairs, social insurance for the elderly, health insurance for the elderly and poor, law enforcement, education, transportation, science and technology.

You will be participating in a simulation in which you will be making decisions similar to those made every year by the government to determine next year’s federal discretionary budget. The President and Congress decide how much spending they will finance through taxes, and debate how to use the budget to help the economy grow or to redistribute income. More recently, they have been debating how long we can sustain large budget deficits that many government leaders feel have been necessary to stimulate our distressed economy. In this overview, we will discuss some of these decisions--that is, how the government raises revenues and where it spends money.

1 Adapted from the Office of Management and Budget online publications, A Citizen’s Guide to the Federal Budget, FY 2001 and FY 2002. Note that most numbers and dates have been adapted to reflect the 2014 fiscal year.
2. What Is the Budget?

The federal budget is:

- a plan for how the government spends taxpayers’ money.

  *What activities are funded? How much should we spend for defense, national parks, the FBI, Medicare, and meat and fish inspection?*

- a plan for how the government pays for its activities.

  *How much revenue does it raise through different kinds of taxes--income taxes, excise taxes (taxes applied to various products, including alcohol, tobacco, transportation fuels and telephone services), and social insurance payroll taxes?*

- a plan for government borrowing or the repayment of borrowed funds.

  *If revenues are greater than spending, the government runs a surplus. If expenses are greater than revenues (as is currently the case), the government runs a deficit.*

- something that affects the nation's economy.

  *Some types of spending--such as improvements in education and support for science and technology— increase productivity and raise incomes in the future. Taxes, on the other hand, reduce incomes, leaving people with less money to spend.*

- something that is affected by the nation's economy.

  *When the economy is doing poorly, people are earning less and unemployment is high. In this atmosphere, revenues decrease and the deficit grows.*

- an historical record.

  *The budget reports on how the government has spent money in the past, and how that spending was financed.*

The 2015 budget document embodies the President's budget proposal to Congress for fiscal year 2015, which begins on October 1, 2014. It reflects the President's priorities and proposes his initiative to meet our national and international needs.

The federal budget, of course, is not the only budget that affects the economy or the American people. The budgets of state and local governments have an impact as well. State and local governments are independent of the federal government, and they have their own sources of revenue (taxes and borrowing).

**Where the Money Comes From**

The money that the federal government uses to pay its bills--its revenues or receipts--comes
mostly from taxes. For FY (fiscal year) 2014, the federal government forecasted that it would receive $3 trillion in revenues.

Revenues come from these sources:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (Billions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Income Taxes</td>
<td>1,383</td>
<td>46%</td>
</tr>
<tr>
<td>Payroll Taxes (Social Security, Medicare, Unemployment insurance, and other retirement)</td>
<td>1,031</td>
<td>34%</td>
</tr>
<tr>
<td>Corporate Taxes</td>
<td>333</td>
<td>11%</td>
</tr>
<tr>
<td>Miscellaneous*</td>
<td>274</td>
<td>9%</td>
</tr>
<tr>
<td>Estate and Gift Taxes</td>
<td>13</td>
<td>&gt;1%</td>
</tr>
<tr>
<td><strong>Total Collected</strong></td>
<td><strong>3,034</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/tables.pdf Table S-5. Proposed Budget by Category

* The government collects customs duties, excise taxes (taxes applied to various products, including alcohol, tobacco, transportation fuels and telephone services), and other miscellaneous revenues—e.g., Federal Reserve earnings, fines, penalties, and forfeitures.
Spending

To better understand federal spending, let’s look briefly at President Obama’s proposed FY 2014 federal budget in which the government projected it would spend approximately $3.8 trillion. Federal spending is divided into mandatory spending which is required by law, and discretionary spending which is decided upon yearly by the President and Congress.

Discretionary spending is what the President and Congress must decide to spend for the next year through annual appropriations bills. It includes money for such activities as the FBI, housing, education, space exploration, highway construction, defense, and foreign aid. Discretionary spending for FY 2014 was estimated to account for 33% of all federal spending. Mandatory spending, which accounts for approximately 67% of all FY 2014 spending, is authorized by permanent laws, not by the annual appropriations bills. It includes entitlements—such as Social Security, Medicare, Medicaid, and Food Stamps—through which individuals receive benefits because of their age, income, or other criteria. It also includes interest on the national debt. The only way the President and Congress can change how much is spent in these accounts is to change the laws which dictate the amount of spending on these mandatory programs.

- The largest federal mandatory spending program is Social Security, which provides monthly benefits to approximately 55 million retired and disabled workers, their dependents, and survivors. The government projected it will spend approximately $860 billion on this program, which they calculated would account for approximately 23% of all federal spending.

- Medicare provides health care coverage for over 45 million elderly Americans and people with disabilities. The government projected it will spend $524 billion on this program, approximately 14% of all federal spending.

- Medicaid provides health care services to millions of Americans, including the poor, people with disabilities, and senior citizens in nursing homes. This program accounts for $304 billion of the budget, approximately 8% of all federal spending.

- Other entitlements provide benefits to people and families with low incomes such as Food Stamps and veterans’ pensions. The remaining mandatory spending mainly consists of federal retirement and insurance programs, unemployment insurance, and payments to farmers. All these remaining mandatory spending items account for $621 billion, approximately 16% of all federal spending.

- Discretionary security spending for FY 2014 (funding for the Pentagon, homeland and border security, etc.) was budgeted at approximately $618 billion, comprising approximately 16% of all spending.

- Discretionary spending on programs not related to defense includes a wide array of initiatives such as education, training, science, technology, housing, transportation, and foreign aid, and represents approximately 17% of the budget.

- Interest payments are payments made to pay back the interest on the federal debt. This
accounts for $223 billion or approximately 6% of the federal budget. As the government increases the size of its debt, the amount of interest that must be paid increases.

### Table 2. Estimated Federal Spending in FY 2014

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Amount (Billions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discretionary:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>618</td>
<td>16%</td>
</tr>
<tr>
<td>Non-security</td>
<td>624</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Mandatory:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td>860</td>
<td>23%</td>
</tr>
<tr>
<td>Medicare &amp; Medicaid</td>
<td>828</td>
<td>22%</td>
</tr>
<tr>
<td>Other Mandatory</td>
<td>621</td>
<td>16%</td>
</tr>
<tr>
<td>Net Interest on Debt</td>
<td>223</td>
<td>6%</td>
</tr>
<tr>
<td>Disaster Costs*</td>
<td>5</td>
<td>&gt;1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,778</td>
<td>100%</td>
</tr>
</tbody>
</table>

*These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief.


Table S-5. Proposed Budget by Category
3. How Does the Government Create a Budget?

The President and Congress both play major roles in developing the federal budget.

The President's Budget
The law requires that by the first Monday in February, the President submit to Congress his proposed federal budget for the next fiscal year, which begins October 1. For the fiscal year 2014 budget, President Obama is supposed to submit his budget to Congress on February 3, 2014, however, there have been several instances over the years in which the budget proposal has been delayed.

The White House's Office of Management and Budget (OMB) prepares the budget proposal after receiving direction from the President and consulting with his senior advisors and officials from Cabinet departments and other agencies. The President's budget is thousands of pages long and provides an abundance of details.

The Budget Process
Through the budget process, the President and Congress decide how much to spend and tax in any one fiscal year. The President's budget is his plan for the next year. But it's just a proposal. After receiving it, Congress has its own budget process to follow. Only after the Congress passes and the President signs the spending bills has the Government created its actual budget.

For fiscal year 2015—that is, October 1, 2014 to September 30, 2015—the major steps in the budget process are outlined in Table 3 below.

Table 3. Major Steps in the Budget Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulation of the President’s budget for 2015</td>
<td>Executive Branch agencies develop requests for funds and submit them to the Office of Management and Budget. The President reviews the requests and decides what to include in his budget.</td>
<td>February 2013 – January 2014</td>
</tr>
<tr>
<td>State of the Union Address</td>
<td>The President speaks to the country about his priorities for the year ahead.</td>
<td>Late January/Early February 2014</td>
</tr>
<tr>
<td>Budget preparation and submission</td>
<td>The budget documents are completed by the OMB and sent to Congress.</td>
<td>January 2014 – February 2014</td>
</tr>
</tbody>
</table>
Congressional action | Congress reviews the President’s budget, develops its own, and eventually approves spending and revenue bills. | March 2014– September 2014
---|---|---
President’s final approval | President signs spending and revenue bills to make them law.\(^2\) | Late September 2014
Fiscal year begins |  | October 1, 2014
Budget implemented | Agency program managers begin to spend (and raise) the money approved by the Congress and the President. | October 1, 2014 through September 30, 2015

**Action in Congress**

Congress first passes a "budget resolution"--a framework within which the Members will make their decisions about spending and taxes. It includes targets for total spending, total revenues, the surplus or deficit, and allocations within the spending target for the two types of spending--discretionary and mandatory.

In the simulation in which you will be participating, you will only be examining the discretionary programs that are part of the federal budget. It is these programs that the President and Congress must act upon each year.

Once Congress passes the budget resolution, it turns its attention to passing the annual appropriations bills – ideally by the end of September. For the past several years, the annual appropriations bills have not been passed by the beginning of the fiscal year and most government activities were funded through “continuing resolutions” which keep funding no higher than the levels of the previous fiscal year until the current budget is passed. Congress begins by examining the President’s budget in detail. Scores of committees and subcommittees hold hearings on proposals under their jurisdiction. The President’s Budget Director, Cabinet officers, and other Administration officials work with Congress as it accepts

\(^2\) In 1996, President Clinton refused to sign the bills that Congress passed and the whole government was shut down until the President and Congress could agree on the budget bills.
some of the President's proposals, rejects others, and changes still others. Congressional rules require that these committees and subcommittees take actions that reflect the budget resolution.

**Monitoring the Budget**

Once the President and Congress approve spending, a number of government agencies oversee the budget in order to ensure that programs are well managed, are achieving the intended results and are operating consistently within legal requirements.

**4. Deficits and Debt**

When President Clinton was first elected in 1992, the federal budget was in a deficit. During the 1990s, as a result of a strong economy, the government brought in much higher revenues than expected and began, by the end of the decade, to run a budget surplus. In 2002, as a result of September 11, increased military spending and anti-terrorism spending, tax cuts, and the downturn in the economy, the federal budget went back into deficit.

For the past several years, the U.S. economy has been in distress. Due to the economic downturn, the government has been collecting less tax revenues and has passed bills to stimulate economic and job growth which have reduced taxes further and added to spending. Additionally, costs for entitlement programs such as Social Security, Medicare and Medicaid have risen. As a result, the non-partisan Congressional Budget has recorded many years of significant budget deficits (see Chart 4: The Federal Deficit on the following page).

There are different economic arguments about whether running a large deficit is a good idea or not. In the past years our increase in borrowing was widely seen as a necessary response to a very weak economy. Many economists have argued the necessity of increased government spending as an investment to help our economy grow. You might think of it as the way a family takes out a mortgage to buy a house. Most people think taking out a mortgage is a good idea and an investment in a family’s future. Credit card debt, on the other hand, is something that most families try to avoid as they end up spending needlessly on the high interest on these accounts.

**The Politics of Deficit/Debt Reduction**

Deficits may be necessary during difficult economic times, but the concern currently confronting government leaders is how long high deficits can be sustained, and what can be done to lower them in the future. During FY 2011, members of Congress and the President were unable to agree upon solutions to the problem of our long term debt. In December 2010, a bipartisan commission (Simpson-Bowles Debt Commission) set up by President Obama to investigate this issue recommended an increase in taxes and future cuts in Social Security and Medicare benefits, among other proposals. These recommendations are politically charged, since both raising taxes and lowering benefits to these entitlement programs can be politically unpopular. The Simpson-Bowles proposal did not gain the 14 votes required to send the plan to Congress.
In August 2011, a crisis in government funding almost occurred when Congress appeared ready to prevent the raising of the debt ceiling—the maximum amount of money the United States can borrow. The deal they reached at the last moment (the Budget Control Act of 2011) places annual caps on discretionary spending and created the Joint Select Committee on Deficit Reduction (the “Super Committee”)—6 Senators and 6 Representatives from both parties who were given the task of finding a minimum of $1.2 trillion in spending cuts spread out over 10 years.

Since the “Super Committee” failed to come to an agreement by their November 2011 deadline, significant automatic spending cuts were triggered for FY 2013 in both national security and non-security discretionary spending—cutting $85 billion from FY 2013 the budget. These across-the-board cuts (known as “sequestration”) meant drastic cuts not only for the military, but for programs in areas such as medical research, clean air, and transportation.

Even with these cuts, however, the government reached another crisis over the federal budget this past fall over the FY 2014 federal budget and another raising of the debt ceiling. The government was partially shut down for the first 16 days of the fiscal year (October 1-16, 2013) and was only reopened when both parties agreed to pass a continuing resolution which gave them another three months to come up with a budget agreement. In December 2013, the government agreed to scale back some—not all—of the significant sequestration budget cuts for FY 2014 and 2015 which would have been required under the Budget Control Act of 2011.

**Chart 4: The Federal Deficit**

Source: Congressional Budget Office
Glossary

Appropriation
An appropriation is an act of Congress that enables federal agencies to spend money for specific purposes.

Balanced Budget
A balanced budget occurs when total revenues equal total outlays for a fiscal year.

Budget Resolution
The budget resolution is the annual framework within which Congress makes its decisions about spending and taxes. This framework includes targets for total spending, total revenues, and the deficit, as well as allocations, within the spending target, for discretionary and mandatory spending.

Continuing Resolution
Legislation used by Congress to fund the government if appropriations have not been signed into law by the beginning of the fiscal year.

Debt
See “National Debt.”

Debt Ceiling
Enacted in 1917, this law limits the amount of money the United States can borrow.

Deficit
The deficit is the difference produced when spending exceeds revenues in a fiscal year.

Deficit Spending
Deficit spending occurs when the government’s revenues do not cover the cost of all its spending and it borrows money to finance its programs, using that borrowed money to pay for items in the budget.

Discretionary Spending
Discretionary spending is what the President and Congress must decide to spend for the next fiscal year through annual appropriations bills. Examples include money for such programs as the FBI, the Coast Guard, housing, education, space exploration, highway construction, defense, and foreign aid.

Entitlement
An entitlement is a program that legally obligates the federal government to make payments to any person who meets the legal criteria for eligibility. Examples include Social Security, Medicare, and Medicaid.

Excise Taxes
Excise taxes apply to various products, including alcohol, tobacco, transportation fuels, and telephone service.

**Fiscal Year**
The fiscal year is the government’s accounting period. It begins October 1 and ends on September 30. For example, fiscal year 2014 ends September 30, 2014.

**Gross Domestic Product (GDP)**
GDP is the standard measurement of the size of the economy. It is the total production of goods and services within the United States.

**Mandatory Spending (Non-discretionary Spending)**
Mandatory spending (also called non-discretionary spending) is authorized by permanent law. An example is Social Security. The President and Congress can change the law to change the level of spending on mandatory programs—but they don’t have to do so.

**National Debt**
When revenues do not cover the costs of government spending, the government borrows money to finance this deficit. The total it has borrowed over the years, but not repaid, is the national debt.

**OMB**
Part of the Executive Office, the Office of Management and Budget assists the President in the development and implementation of the federal budget.

**Revenue**
Revenues include the collections that result from government activity, such as taxes. They do not include collections that result from the government’s business-like activities, such as the entrance fees at national parks. Business-like collections are subtracted from total spending to calculate outlays for the year.

**Sequestration**
Automatic, across-the-board, spending cuts that apply to all programs and activities of government agencies.

**Social Insurance Payroll Taxes**
This tax category includes Social Security taxes, Medicare taxes, unemployment insurance taxes, and federal employee retirement payments.

**Surplus**
A surplus is the amount by which revenues exceed outlays.
Understanding the Federal Budget Review Questions

Please answer the following questions (use back of this page if necessary).

1. When the President and Congress begin to create a budget for the coming year, they must make some key determinations. What are the three things they must determine?
   1. 
   2. 
   3. 

2. What is it called when the government spends more money than it brings in?

3. Where do most federal government dollars come from? (What is the federal government’s primary source of funds?)

4. Explain the difference between mandatory and discretionary spending? Provide an example of each kind of spending.

5. What program accounts for more federal spending than any other? Describe this program.

6. On what day is the President’s budget usually submitted to Congress for its approval?

7. What has to happen, and who has to agree, for the 2015 budget to finally become law?

8. Describe some of the crises in federal funding that have occurred since December 2010?

9. Explain how deficit spending can be helpful and/or harmful.
WHAT ROLE SHOULD THE GOVERNMENT PLAY IN THE ECONOMY?

From the National Council on Economic Education, New York, NY
Civics and Government: Focus on Economics, Unit II, Lesson 4
(http://ecedweb.unomaha.edu/lessons/feegF.htm)

Although it is generally agreed that there is a role for the government in our national economy, there is considerable disagreement over what areas the government should be responsible for and how far the government should go in these areas. Some people feel that "big government" is a problem--that government is doing too much. Others believe that the government sector of the economy is being starved and that government should be allowed to do more. What the appropriate role is for government is a basic question, and one that involves a great deal more than economics.

Conservative View

Conservatives believe that the government's role should be severely limited. They feel that economic and political freedom is likely to be undermined by excessive reliance on government. Moreover, they tend to question the government's ability to solve social and economic problems. They believe that faith in the government's power to solve these problems is unreasonable. They point to the slowness of the government bureaucracy, the difficulty in controlling huge government organizations, the problems political considerations can breed, and the difficulties in telling whether government programs are successful or not. On the basis of these considerations, they argue that the government's role should be carefully limited.

Liberal View

While conservatives question the government's ability to solve important social and economic problems, liberals, on the other hand, question the market's ability to solve these problems. They point to the important limitations of the market system, and they claim that the government can do a great deal to overcome these limitations. Government can regulate private economic activity. It can also provide goods and services that the private businesses produce too little of. Liberals tend to be less concerned than conservatives about the effects on personal freedom of greater governmental intervention in the economy.


Question to consider:

1. What is your view of the government’s role in the economy? Do you think the government does more harm or more good in our society? Ask a parent or teacher what their views are on this important question.
Rules of the Game

Introduction

One of the main areas of debate in Washington involves the federal budget. When the President and Congress make decisions concerning the budget, in essence they are setting priorities for our country. Where should we be investing tax dollars? Which programs should be cut? Which programs should be expanded? Should there be a tax cut and/or a tax increase? Is it okay to continue to run a large deficit?

As you know, the U.S. economy has been in distress. Due to the economic downturn, the government has been collecting less tax revenues and has passed bills to stimulate economic and job growth which have reduced taxes further and added to spending. Additionally, costs for entitlement programs such as Social Security, Medicare and Medicaid have risen. As a result, federal deficits for each of the last five years have exceeded $675 billion.

There are different economic arguments about whether running a large deficit is a good idea or not. In the past years, our increase in borrowing was widely seen as a necessary response to a very weak economy. Many economists have argued the necessity of increased government spending as an investment to help our economy grow. You might think of it as the way a family takes out a mortgage to buy a house. Most people think taking out a mortgage is a good idea and an investment in a family’s future. Credit card debt, on the other hand, is something that most families try to avoid as they end up spending needlessly on the high interest on these accounts.

Here is the challenge. After analyzing the FY 2014 budget that President Obama proposed last year, you must design a FY 2015 budget with a group of your peers.

You must set the priorities for your administration by looking at the current list of programs and spending and deciding how much to invest in each category.

Total government spending for President Obama’s proposed 2014 fiscal year was projected at 3.8 trillion dollars (3,800 billion). Please note that government spending on some programs is fixed by laws and, therefore, cannot be manipulated in the budgeting process. These programs are part of the mandatory budget. The two main programs which are mandatory in the federal budget are Social Security (860 billion dollars—23% of the total spending) and Medicare (healthcare for the elderly—524 billion dollars—14% of the total spending). The net interest on the national debt is estimated at 223 billion dollars—6% of total spending.

You will be budgeting for the main programs in the discretionary budget for the FY 2015 budget. Because of the current law that requires cuts in discretionary spending, for this exercise, you will need to reduce discretionary spending by 20 billion dollars. After you have prepared your budgets in your small group sessions, you will return to the main hall to explain the reasoning behind your budgets to the President.
Let’s Begin!

The rules of this simulation are fairly simple. You have 124 white chips that had been allocated in President Obama’s proposed FY 2014 budget to 14 discretionary spending categories—noted on your worksheet. You should work with your group to allocate funds for FY 2015 based on your group’s discussion of its priorities and values. After discussing your priorities and values, you will need to consider how you might reconfigure the chips in your budgets, keeping in mind that you must eliminate at least 1 chip from the National Defense category and 1 chip from Non-Defense discretionary spending categories. (You cannot move any chips saved in National Defense into Non-Defense categories and vice versa.)

The following are 14 major spending categories with some of the associated functions noted below:

1. **National Defense**
   $618.2 billion in discretionary spending. (62 chips will maintain current level.)
   - The raising, equipping, and maintaining of armed forces
   - Development and utilization of weapons systems (including nuclear weapons), and related programs
   - Operations and maintenance of military facilities
   - Direct compensation and benefits paid to active military and civilian personnel
   - Health insurance and life insurance for military personnel
   - Military construction, family housing
   - Research, development, testing, and evaluation of new technology and weaponry

2. **Education, Training, Employment, Social Services**
   $96.9 billion in discretionary spending. (10 chips will maintain current level.)
   - Elementary, Secondary & Vocational education
   - Loans, scholarships and stipends for students to participate in education
   - Retraining adults for new vocations and employment counseling
   - Children and families services programs (including school lunch programs and childcare services)

3. **Transportation**
   $94.4 billion in discretionary spending (9 chips will maintain current level.)
   - Highways & Highway safety
   - Mass transit and railroads
   - Air and water transportation (including air traffic control)

4. **Income Security**
   $66.8 billion in discretionary spending. (7 chips will maintain current level.)
   - Housing assistance for people with low and moderate income
   - Food and nutrition assistance to needy individuals
   - Low income home energy assistance
5. Veterans Benefits and Services
   $62.4 billion in discretionary spending. (6 chips will maintain current level.)
   - Medical facilities, medical research, and medical care of veterans
   - Housing loans to veterans

6. Health
   $57.7 billion in discretionary spending. (6 chips will maintain current level.)
   - Research into the causes and cure of disease
   - Substance abuse and mental health services
   - Financing specialized programs for training health workers and researchers
   - Promotion of consumer and occupational health safety (which includes food safety
     and inspection against harmful bacteria and bioterrorism)
   - Health care to low income, uninsured, vulnerable people who need government
     support when they become ill
   - Funding for the Food and Drug Administration which assures the safety,
     effectiveness, and security of medications and medical devices.

7. International Affairs
   $56.5 billion in discretionary spending. (6 chips will maintain current level.)
   - Foreign diplomacy (embassies and ambassadors)
   - Contributions to International Organizations & Peacekeeping (including support for
     the UN)
   - International financial programs (International Monetary Fund (IMF), etc.)
   - Economic and military aid to countries that are friendly to us
   - Humanitarian aid to countries that need assistance
   - Promotion of democracy and protection of human rights throughout the world

8. Administration of Justice
   $43.2 billion in discretionary spending. (4 chips will maintain current level.)
   - Federal law enforcement and judicial activities
   - Federal correctional activities (incarceration of people convicted of federal crimes)
   - Grants to state and local governments to assist them in operating and improving their
     law enforcement and justice systems

9. Natural Resources and the Environment
   $37.2 billion in discretionary spending. (4 chips will maintain current level.)
   - Promotion of conservation
   - Controlling and reducing air, water, and land pollution
   - Development and maintenance of recreational resources such as national parks
   - Work to clean up previously polluted sites, restore them to uses appropriate for
     surrounding communities, and respond to and prevent waste-related or industrial
     accidents
10. Community and Regional Development
   $32.2 billion in discretionary spending. (3 chips will maintain current level.)
   • Urban community and economic development programs, such as those providing
     money for the revitalization of public housing, or money to build affordable housing
   • Disaster relief and insurance
   • Grants and loans for water supply and sewer systems
   • Regional economic development programs
   • Aids to businesses such as loans and loan guarantees

11. General Science, Space, and Technology
   $30.0 billion in discretionary spending. (3 chips will maintain current level.)
   • America’s space program
   • Grants for cutting-edge discovery in science and engineering
   • Grants for improving the quality of math and science education

12. General Government
   $19.4 billion in discretionary spending. (2 chips will maintain current level.)
   • Costs for administering the Internal Revenue Service (IRS)
   • Costs for Congress and the Executive Office of the President
   • Property and records management

13. Energy
   $9.3 billion in discretionary spending. (1 chip will maintain current level.)
   • Funding for alternative fuel research and development.
   • Nuclear waste disposal of commercial (non-Defense) spent nuclear fuels.
   • Strategic Petroleum Reserve, which provides emergency oil supply in the event of a
     severe disruption of supply.
   • Funding for energy efficiency and renewable energy.
   • Fossil energy programs. (ex., R&D for coal uses)

14. Agriculture
   $6.7 billion in discretionary spending. (1 chip will maintain current level.)
   • Agricultural research
   • Meat and poultry inspection
   • Agricultural education
President Obama’s 2014 Budget

Each chip equals approximately 10 billion dollars.

<table>
<thead>
<tr>
<th>Function</th>
<th>2014 estimated total spending (in billions of dollars)</th>
<th>2014 estimated discretionary spending (in billions of dollars)</th>
<th>Number of chips in 2014 budget</th>
<th>Number of chips in 2015 budget</th>
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<td>5. Veterans Benefits and Services</td>
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<td>6. Health</td>
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<td>8. Administration of Justice</td>
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<td><strong>Total Non-Defense Chips</strong></td>
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<td>62</td>
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</table>

*The total spending is less than the discretionary spending because this number includes revenues.
Setting National Priorities: A Federal Budget Simulation

Functional Areas with Budget Details


The text in italics is the information that students have been given in their programs.

1. National Defense

$618.2 billion in discretionary spending. (62 chips will maintain current level.)

- The raising, equipping, and maintaining of armed forces
- Development and utilization of weapons systems (including nuclear weapons), and related programs
- Operations and maintenance of military facilities
- Direct compensation and benefits paid to active military and civilian personnel
- Health insurance and life insurance for military personnel
- Military construction, family housing
- Research, development, testing, and evaluation of new technology and weaponry

This functional area includes all programs related to the common defense and security of the United States. Some points to consider:

- Many people believe that national security is a government’s first priority.
- Military spending creates jobs. The Department of Defense is the nation’s largest employer with over 1.4 million men and women on active duty, and 718,000 civilian personnel. Another 1.1 million serve in the National Guard and Reserve forces.³ (Wal-Mart employs about 1.4 million U.S. workers.)⁴
- The U.S. spends 41% of the total spent by all nations on military. (Of the next largest spenders, China is estimated to spend 8.2% and Russia is estimated to spend 4.1%—2011 data).⁵
- The U.S. spends more on its military than the next 13 nations combined (2011 data).⁶
- The FY 2014 budget request for intelligence agencies consisting of the CIA and other agencies reporting to the Director of National Intelligence was 52.2 billion, including the budget request for FY 2014 Overseas Contingency Operations (operations in Afghanistan, Iraq and Pakistan). An additional $18.6 billion was requested for military intelligence.⁷

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³ [http://www.defense.gov/about/#history](http://www.defense.gov/about/#history)
The DoD’s worldwide infrastructure includes nearly 550,000 facilities (buildings and structures) located at more than 5,000 sites around the world, on more than 28 million acres. The DoD uses approximately 16,000 aircraft and 600 ships. The DoD also funds maintenance of housing, both government-owned and privatized. In addition, the Department built schools for DoD dependents and medical facilities. In FY 2012, the Department funded the operation of 254 commissaries and education for over 87,000 students in 194 schools.  

2. Education, Training, Employment, Social Services  
$96.9 billion in discretionary spending. (10 chips will maintain current level.)  
- Elementary, Secondary & Vocational education  
- Loans, scholarships and stipends for students to participate in education  
- Retraining adults for new vocations and employment counseling  
- Children and families services programs (including school lunch programs and childcare services)  

This functional area includes funding for the entire Department of Education, social services programs within the Department of Health and Human Services, and employment and training programs within the Department of Labor. Some points to consider:  
- Primary, secondary and higher education. Approximately 73% of the FY 2014 money budgeted for discretionary spending in this category was allocated to K-12 and higher education programs (approximately $71 billion).  
- Education is mostly funded by state and local governments (Massachusetts spends approximately 23% of its state budget on education --$7.7 billion of its $34 billion total budget), however, the federal government spends money on education for the disadvantaged (approx. $16.5 billion) and special education (approx. $13.2 billion).  
- President Obama requested $6.6 billion in discretionary funding for training and employment services.  
- President Obama requested $13.9 billion in social services including rehabilitation services, children and family service programs and aging services programs.  
- Some conservatives believe that funding and control of education should be left to the states and would like to eliminate the U.S. Department of Education.

11 Ibid.  
12 Ibid.
3. **Transportation**

$94.4 billion in discretionary spending (9 chips will maintain current level.)

- Highways & Highway safety
- Mass transit and railroads
- Air and water transportation (including air traffic control)

This functional area includes all programs that provide for the transportation of the general public. Some points to consider:

- Transportation, including the ownership and operation of vehicles and expenses for public transit, is one of the largest expense categories for most American households.
- These were President Obama’s 2014 discretionary allocations:
  
  Highways: $42.0 billion  
  Mass Transit: $16.1 billion  
  Railroads: $2.6 billion

President Obama allocated $22.0 billion in discretionary spending for air transportation (FAA, security, air traffic controllers) and $8.9 billion for water transportation.¹³

- We need to continue funding highway, bridge, transit and safety programs in order to maintain our economy. When a bridge starts crumbling and cars and trucks have to be diverted, that costs our economy in time, gas and money.
- Efficient transportation of goods (such as the transportation that gets food into our grocery stores) represents an important aspect of a strong economy.

4. **Income Security**

$66.8 billion in discretionary spending. (7 chips will maintain current level.)

- Housing assistance for people with low and moderate income
- Food and nutrition assistance to needy individuals
- Low income home energy assistance

This functional area consists of a range of income security programs that provide cash or near-cash assistance (e.g., housing, food, and energy assistance) to low-income persons, and benefits to certain retirees, persons with disabilities, and the unemployed. **Housing assistance programs account for the largest share of discretionary spending ($45.2 billion) in this function.**¹⁴

Some points to consider:

- For FY 2014, President Obama requested $45.2 billion for low and moderate-income housing aids.
- He requested $7.4 billion for special supplemental food programs for women, infants, and children (WIC).¹⁵


¹⁴ Ibid.

¹⁵ Ibid.
• He requested $2.9 billion for low income home energy assistance.\(^{16}\)
• He requested $2.4 billion for child care and development block grants.\(^{17}\)
• Subsidized housing for low income Americans is particularly important in urban areas such as Boston where rents are too high for lower income people to afford.

5. **Veterans Benefits and Services**

$62.4 billion in discretionary spending. (6 chips will maintain current level.)

- Medical facilities, medical research, and medical care of veterans
- Housing loans to veterans

This functional area consists of programs providing benefits and services, the eligibility for which is related to prior military service but the financing of which is not an integral part of the costs of national defense. Some points to consider:

- There are approximately 22 million military veterans living in the U.S.—approximately 44% are over age 65.\(^{18}\) Most discretionary funds in this category (for FY 2014: $55.4 billion (89% of discretionary spending) go towards medical care of veterans. As more choose to use VA as their primary care provider, the strain on the system continues to grow.
- How much should we pay in benefits for spouses and children of veterans?

6. **Health**

$57.7 billion in discretionary spending. (6 chips will maintain current level.)

- Research into the causes and cure of disease
- Substance abuse and mental health services
- Financing specialized programs for training health workers and researchers
- Promotion of consumer and occupational health safety (which includes food safety and inspection against harmful bacteria and bioterrorism)
- Health care to low income, uninsured, vulnerable people who need government support when they become ill
- Funding for the Food and Drug Administration which assures the safety, effectiveness, and security of medications and medical devices

Health covers the physical and mental health of the nation’s population, including the prevention of illness and accidents. Funding for the National Institutes of Health (NIH) represents slightly more than half (54 percent - $31.2 billion) of discretionary funding for health.\(^{19}\) Medicare and Medicaid are both mandatory programs, and, therefore, not part of today’s budgeting. Discretionary programs in this category include most direct health care services programs. Some points to consider:

\(^{16}\) Ibid.
\(^{17}\) Ibid.
\(^{18}\) http://www.va.gov/vetdata/docs/Quickfacts/Fall_13_sharepoint.pdf
\(^{19}\) http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf
The goal of the National Institute of Health (NIH) is to acquire new knowledge to help prevent, detect, diagnose, and treat disease and disability, from the rarest genetic disorder to the common cold.

President Obama’s FY 2014 request for NIH general cancer research was approximately $5.1 billion.\(^{20}\)

President Obama’s FY 2014 request for NIH research into HIV/AIDS was approximately $3.1 billion.\(^{21}\)

Funding for Substance Abuse and Mental Health services was estimated at approximately $3.4 billion.\(^{22}\)

The Health Resources and Services Administration is charged with increasing access to health care for those who are medically underserved. HRSA’s programmatic portfolio includes a range of programs or initiatives designed to increase access to care, improve quality, and safeguard the health and well-being of the nation’s most vulnerable populations. The President estimated $5.5 billion for their FY 2014 budget.\(^{23}\)

President Obama requested approximately $2.5 billion in funding for the Food and Drug Administration (FDA) for FY 2014.\(^{24}\) The Centers for Disease Control and Prevention notes that each year 1 in 6 Americans get sick from tainted foods or beverages.\(^{25}\)

President Obama requested $5.3 billion in funding for disease control, research and training.\(^{26}\)

President Obama’s FY 2014 request for the Consumer Product Safety Commission’s was approximately $115 million (not billion).\(^{27}\)

### 7. International Affairs

$56.5 billion in discretionary spending. (6 chips will maintain current level.)

- Foreign diplomacy (embassies and ambassadors)
- Contributions to International Organizations & Peacekeeping (including support for the UN)
- International financial programs (International Monetary Fund (IMF), etc.)
- Economic and military aid to countries that are friendly to us
- Humanitarian aid to countries that need assistance
- Promotion of democracy and protection of human rights throughout the world

This functional area contains funding for all U.S. international activities, including: operating U.S. embassies and consulates throughout the world; providing military assistance to allies; aiding developing nations; dispensing economic assistance to fledgling democracies; promoting

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\(^{24}\) [Ibid.](http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf)


\(^{27}\) [http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf](http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf)
U.S. exports abroad; making U.S. payments to international organizations; and contributing to international peacekeeping efforts. Some points to consider:

- President Obama’s FY 2014 budget allocated $8.8 billion for the State Department’s operations.\(^{28}\)
- President Obama’s FY 2014 budget allocated $25.5 billion for international development and humanitarian assistance (including global health, refugee programs, international disaster assistance, etc.) and $14.4 billion for international security assistance (including foreign military grants, economic support and antiterrorism programs).\(^{29}\)
- The U.S. provides more aid to the Middle East than any other region of the world. For FY 2014, President Obama requested approximately $3.1 billion for Israel and $1.6 billion to Egypt. Our current level of financial support grew out of the 1979 Camp David Peace Treaty between Israel and Egypt.\(^{30}\)
- President Obama requested $2.2 billion in aid for Afghanistan and $1.2 billion aid to Pakistan.\(^{31}\)
- Most American significantly (and consistently) overestimate how much of the U.S. budget is spent on foreign aid.\(^ {32}\) Though the U.S. is the largest international economic aid donor in dollar terms, when calculated as a percent of gross national income, it provides one of the smallest contributions among the major donor governments (2009 data).\(^ {33}\)

8. **Administration of Justice**

$43.2 billion in discretionary spending. (4 chips will maintain current level.)

- Federal law enforcement and judicial activities
- Federal correctional activities (incarceration of people convicted of federal crimes)
- Grants to state and local governments to assist them in operating and improving their law enforcement and justice systems

This functional area includes those programs designed to provide judicial services, police protection, law enforcement (including civil rights), rehabilitation, and incarceration of criminals, and promotion of the general maintenance of domestic order. This area includes The FBI, Immigration and Naturalization Services (now part of the Department of Homeland Security), Drug Enforcement Agency (DEA), Bureau of Prisons (BOP), U.S. Attorneys, and the U.S. Marshals Service (USMS). Some points to consider:

- President Obama requested $6.2 billion to fund criminal investigations by agencies such as the FBI, DEA (Drug Enforcement Agency), and DHS (Department of Homeland Security).\(^ {34}\)

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\(^{29}\) Ibid.


\(^{31}\) Ibid.


\(^{34}\) [http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf](http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf)
• President Obama requested $12.9 billion for federal litigative and judicial activities—including prosecution and representation of alleged criminals.\textsuperscript{35}

• At present, there are approximately 211,000 inmates in the Bureau of Prison’s custody, most of whom were convicted for drug-related offenses, weapons or arson charges, or for illegal immigration.\textsuperscript{36} For FY 2014, $6.9 billion was requested to fund the federal prison system—including federal detention and incarceration. These DOJ components ensure that Federal criminals and those awaiting trial or sentencing are safely and cost-effectively incarcerated and detained.\textsuperscript{37}

• Other requests for FY 2014: $18.6 billion for border and transportation security related to preventing illegal immigration and $1.7 billion for the Secret Service.\textsuperscript{38}

9. \textbf{Natural Resources and the Environment}

\textit{$37.2 billion in discretionary spending. (4 chips will maintain current level.)}$

- Promotion of conservation
- Controlling and reducing air, water, and land pollution
- Development and maintenance of recreational resources such as national parks
- Work to clean up previously polluted sites, restore them to uses appropriate for surrounding communities, and respond to and prevent waste-related or industrial accidents

This functional area includes programs concerned with environmental protection and enhancement; recreation and wildlife areas; and the development and management of the nation's land, water, and mineral resources. Some points to consider:

• President Obama requested $2.9 billion allocated to support recreational resources such as national parks, refuges, and public lands.\textsuperscript{39}

• He requested $9.8 billion for conservation and land management.\textsuperscript{40}

• He requested $8.9 billion for pollution control and abatement.\textsuperscript{41}

• $7.0 billion was requested to fund the Army Corps of Engineers—part of their mission is the planning, designing, building and operating of water resources and other civil works projects (Navigation, Flood Control, Environmental Protection, Disaster Response, etc.)\textsuperscript{42}

\textsuperscript{35} Ibid.
\textsuperscript{36} http://www.bop.gov/about/facts.jsp
\textsuperscript{37} http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf
\textsuperscript{38} Ibid.
\textsuperscript{39} Ibid.
\textsuperscript{40} Ibid.
\textsuperscript{41} Ibid.
\textsuperscript{42} Ibid.
10. **Community and Regional Development**

$32.2 billion in discretionary spending. (3 chips will maintain current level.)

- Urban community and economic development programs, such as those providing money for the revitalization of public housing, or money to build affordable housing
- Disaster relief and insurance
- Grants and loans for water supply and sewer systems
- Regional economic development programs
- Aids to businesses such as loans and loan guarantees

Federal support for community and regional development helps economically distressed urban and rural communities. This functional area consists of broad-based community, regional, urban and rural renewal and development programs. The purpose of this development is to create physical facilities or financial infrastructures that promote workable community economies. Some points to consider:

- President Obama requested $11.4 billion for community development. 43
- He requested $4.1 billion for area and regional development. 44
- He requested $16.7 billion for disaster relief and insurance including funding for FEMA (Federal Emergency Management Agency). 45

11. **General Science, Space, and Technology**

$30.0 billion in discretionary spending. (3 chips will maintain current level.)

- America’s space program
- Grants for cutting-edge discovery in science and engineering
- Grants for improving the quality of math and science education

The general scientific research under the National Science Foundation (NSF), NASA, and the Department of Energy is covered in this area. Some points to consider:

- President Obama requested $7.3 billion for The National Science Foundation, an independent federal agency created by Congress "to promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense…" This is the funding source for approximately 20 percent of all federally supported basic research conducted by America's colleges and universities. In many fields such as mathematics, computer science and the social sciences, NSF is the major source of federal backing. 46
- He requested $17.4 billion for space flight, research, and supporting activities (NASA). 47
- He requested $5.3 billion for Department of Energy science programs. 48

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44 Ibid.
45 Ibid.
48 Ibid.
• The more we know about the environment, agriculture, weather, geological phenomena, the oceans and alternative sources of energy, the more we can do to actually save lives and make our quality of life better. There might be a discovery just around the corner that can save us billions of dollars, and save us from earthquakes, famine, etc.

12. General Government
$19.4 billion in discretionary spending. (2 chips will maintain current level.)
• Costs for administering the Internal Revenue Service (IRS)
• Costs for Congress and the Executive Office of the President
• Property and records management

Not only does this category cover the general overhead costs (and salaries) of the Federal Government, including legislative and executive activities, but it also covers the IRS. Some points to consider:

• This may seem like an easy place to take money, but money for this function supports the cost of running our federal agencies, and running the IRS. We need tax revenues from the IRS to pay for our government programs. President Obama allocated $13.1 billion for the IRS.49
• The President gets $400,000 in salary plus an expense account of $50,000. The Vice President's annual salary is $230,700. Senators and Representatives earn approximately $174,000.50

13. Energy
$9.3 billion in discretionary spending. (1 chips will maintain current level.)
• Funding for alternative fuel research and development.
• Nuclear waste disposal of commercial (non-Defense) spent nuclear fuels.
• Strategic Petroleum Reserve, which provides emergency oil supply in the event of a severe disruption of supply.
• Funding for energy efficiency and renewable energy.
• Fossil energy programs. (ex., R&D for coal uses)

Most programs in this category are within the Department of Energy, comprising civilian energy-related programs including research and development and environmental clean-up. This category does not include national security activities. Some points to consider:

• Some funding is allocated to “Energy Supply” ($5.1 billion) for fossil energy, electricity delivery and energy reliability, and the Innovative Technology Loan Guarantee Program; some funding is allocated to “Energy

49 Ibid.
50 http://www.thecapitol.net/FAQ/payandperqs.htm
Conservation” ($3.6 billion)\(^{51}\) to advance energy efficiency and technologies for cleaner power.

14. Agriculture

$6.7 billion in discretionary spending. (1 chip will maintain current level.)

- Agricultural research
- Meat and poultry inspection
- Agricultural education

This functional area includes farm income stabilization, agricultural research, and other services administered by the U.S. Department of Agriculture (USDA). The mandatory programs include crop insurance, and certain farm loans. Some points to consider:

- The USDA ensures the safety and abundance of our food supply with agricultural and grain inspections, animal health monitoring, and pest detection.
- President Obama requested 2.1 billion for agricultural research and education programs.\(^{52}\)
- President Obama requested $830 million for animal and plant inspection programs.\(^{53}\)

\(^{51}\) http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf
\(^{52}\) http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/31_1.pdf
\(^{53}\) Ibid.
**FY 2014 Proposed National Defense Spending (including operations in Afghanistan)**

Total personnel (Army, Navy, Air Force, Marines, National Guard): $140 billion  
Total operations and maintenance: 218 billion  
Total federal procurement of aircrafts, ships, weapons, ammo: 100 billion  
Total R&D, Test and Evaluation of weapons: 66 billion  
Total military construction: 12 billion  
Total family housing: 2 billion  
Nuclear Defense Activities: 19 billion

**Military operations Afghanistan:** As of January 2014, approximately 37,500 U.S. troops were stationed in Afghanistan. President Obama allocated about $40 billion for Afghanistan in his FY 2014 budget proposal. Although the President has stated that he would remove all troops from Afghanistan by the end of 2014, the Pentagon has proposed a residual force of 10,000 troops. For our purposes, consider that 10,000 troops in Afghanistan for one year cost approximately $10 billion dollars or 1 chip.
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<th>final # of chips</th>
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