

Federal Government's _____ Budget

Just like an individual, the U.S. Government is faced with a budget. The government receives revenue (money) through taxes and has expenses (spending) to run the many areas of government. When a government spends more than it earns in a single year—that is, when expenses (spending) > revenue (tax receipts)—governments face a budget deficit for that year. The yearly budget deficit is then added to the current national debt of a country. Therefore, the \$22 trillion national debt of the U.S. is simply the sum of all past yearly budget deficits.

The government borrows money by selling government bonds and pays interest on these bonds. Interest rates vary greatly over time but the current borrowing rate for a 10-year government bond is 2.6%. Since the start of the Great Recession, the national debt has increased from \$10 to \$22 trillion. In addition, the U.S. government is expected to be in “deficit” spending mode over the foreseeable future because of structural economic issues. Therefore, the national debt is estimated to increase by over \$1 trillion per year going forward!

Deficit vs. Debt Example

Year	Tax Revenue	Expenses	Deficit	Debt
2003				
2004				
2005				

Taxes Collected (Receipts)

Revenue in Billions

Individual Income Taxes	\$
Corporate Taxes	\$
Social Insurance/Retirement: (<i>Social Security and Medicare taxes</i>)	\$
Other Taxes (<i>Excise taxes, estate taxes, tariffs, etc.</i>)	\$ 250 Billion

Total Collected in all taxes: \$ _____ Billion = _____ Trillion

Spending Categories

	Actual % of Total Spending	Spending in Billions
SOCIAL SECURITY (<u>entitlement</u> spending)		\$
MEDICARE (<u>entitlement</u> spending)		\$
MEDICAID (<u>entitlement</u> spending)		\$
INTEREST ON FEDERAL DEBT		\$
DEFENSE		\$
Other Spending (Food Stamps, Earned Income & child tax credits, various departments of government—Veterans Affairs, Transportation, EPA, NASA, Energy, State Dept., Housing, Commerce, etc.)		\$1, 201 Billion (\$1.201 Trillion)

TOTAL OF ALL SPENDING: \$ _____ Billion = _____ Trillion

Projected Deficit for _____: \$ _____ Billion

Total \$ Amount of the three Entitlement programs: \$ _____	% of All Spending _____%
Total \$ Amount of Entitlements, Defense & Interest: \$ _____	% of All Spending _____%