

The Fiscal Ship Handout Packet

Name: _____ Date: _____

Budget Background Guiding Notes and Questions

Directions: Answer the questions in a complete sentence and fill-in the blanks. Make sure to follow along with the PowerPoint presentation.

1. (Slide 4) The federal budget is defined as the _____ and _____ plan of the U.S. federal government.

2. What is a budget deficit?

In years which a budget deficit occurs, the national debt: Increases / Decreases.

In years which a budget surplus occurs, the national debt: Increases / Decreases.

3. What is the difference between the federal debt and the federal deficit?

4. What is the difference between mandatory and discretionary spending?

5. (Slide 9) What information most surprised you on the chart? Why?

6. (Video) Which source contributed the largest percentage of taxes?

A. Payroll taxes that includes Social Security and Medicare

B. Corporate taxes

C. Individual income taxes

7. (Slide 15) Name the top three countries that hold U.S. debt.

8. (Slide 17 - 27) What is one real concern about a large national debt?

What is one false concern that should not be considered when discussing the debt?

9. (Slide 27 Video) Define "crowding out".
10. (Slide 28-32) Before steering fiscal policy away from unsustainable debt levels, policy makers must overcome several policy-making challenges:
- Challenge #1: _____; deficits lead to higher _____ which (increases, decreases) private investment spending.
 - Challenge #2- _____; decreasing fertility rates and increasing life expectancy are increasing the ratio of elderly to working-age people.
 - Challenge #3 - _____ programs are projected to continue rising as the population ages and medical costs rise.
11. (Slide 33) Significant negative consequences of a large and growing federal debt include:
- Reduce national _____ and _____ in long-term.
 - Increase the government's interest costs on debt, straining the rest of the federal _____.
 - Limit lawmaker's ability to respond to _____ events.
 - Increase the likelihood of a _____ crisis, a sudden increase in borrowing cost for the government.

Select Your Governing Goals

Governing goals represent your priorities for government. What's important to you? In order to play the game, you will need to pick three governing goals from the list below.

- **Reduce Inequality:** The disparity between Americans who have the most and the least income is growing, mirrored by disparities in education, health, and family structure. You want to narrow the widening gaps in incomes and well-being at the top and the bottom.
- **Strengthen National Defense:** Projections of current policies show defense spending, measured as a share of the economy, falling over the next decade and then plateauing. You'd bolster the U.S. military by providing it with more personnel and more arms. (To reach fiscal sustainability, you'll have to pay for these somehow.)
- **Fight Climate Change:** You want to use government policies to promote a cleaner, healthier environment, reduce greenhouse gas emissions and avoid the damage that could be caused by global climate change.
- **Strengthen Social Safety Net:** You believe it's important for the federal government to give a hand up to those in poverty and protect those at risk of falling down the income ladder when times are tough. You want to expand and protect programs that protect the vulnerable.
- **Tax Cutter:** You believe lower taxes will boost economic growth and want to allow Americans to keep more of what they earn. Your goal is to substantially reduce federal tax revenues as a share of the economy. (To reach fiscal sustainability, you'll have to cut spending, too.)
- **Shrink Government:** You believe that we're better off with a leaner federal government, shifting responsibilities to the private, non-profit and state and local sectors. Spending on general government operations and federal programs (other than health and retirement benefits) is projected under current policy to decline over the next decade. You'd reduce it more.
- **Shield the Elderly:** Under current policy, about 60% of the increase in federal spending over the next decade will go to Social Security, Medicare, Medicaid and other major health programs, much of that for the growing number of people who will be over age 65. You want to protect benefits for senior citizens.
- **Invest in the Future:** You believe in planting seeds today that will be harvested in years to come. You want policies to increase, above what's currently projected, government and private investment in children and young adults and in education, infrastructure and research that will pay off in the future. (To reach fiscal sustainability, you'll have to pay for these somehow.)
- **Fiscal Hawk:** You're not satisfied with restraining the projected increase in the federal debt so that in 25 years it's roughly where it is today, measured as a share of the overall economy. To put the government and the economy on a sounder footing, you want to reduce it substantially below today's levels.
- **Rein in Entitlements:** Spending on retirement, health and other government benefits, much of that for the elderly, account for two-thirds of non-interest spending today and threaten to squeeze out spending on everything else—from equipping soldiers with modern gear to repairing old bridges to pursuing cures for cancer. You want to restrain this spending to make room for other priorities.

Your Personal Governing Goals

Directions: Answer the questions below.

1. Choose up to 3 governing goals from the list provided (Slides 21-23). List them below.

Governing Goals...

Notes...

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-
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2. Why did you choose these goals? Explain how your personal values influenced your choices.

3. After the Pair-and-Share discussion with your neighbor, look at your goals again and answer questions A-C.

- a. Do your goals work together to achieve a common objective?

- b. Do they balance both revenues and expenditures so that you will be able to put the country on a sustainable fiscal path?

- c. Are there any inherent contradictions in your selected goals that make policy-making difficult during the game?

If so, should you change your selected goals?

4. (Slide 24) To help you identify with like-minded policy makers and voters, consider which of the following groups your values most closely align. (Circle one)

Centrist, Conservative, or Progressive.

5. Complete the Policy Options Evaluation handout.

Directions: When instructed to do so, begin playing the game at <http://fiscalship.org> . Then when your plan is finalized, answer the following questions by scrolling through your plan summary page.

6. When finished selecting your goals and policies record the following data:

- Total Number of Policies Played: _____
- You've Increased Revenue by: _____%
- You've Decreased Spending by: _____%
- You are _____% Toward Your Target Debt Level

Did you meet the debt target and keep your fiscal ship afloat? YES or NO

7. How many policy options that you selected met all three of your policy goals?

_____ out of _____

How many policy options that your selected met two out of three policy goals?

_____ out of _____

8. Which of your goals were most difficult to achieve?

Policy Options Evaluation

Directions: Based on your political strategy (circle one): Centrist, Conservative, or Progressive, highlight options you agree with in GREEN (good) and those you absolutely disagree with in YELLOW (yucky), or simply place a '+' or '-' by the policies if they do or do not align with your three governing goals.

POLICY OPTIONS ON THE FISCAL SHIP



ARTS & SCIENCES

- Boost National Science Foundation funding
- Cut National Institutes of Health funding
- Cut National Science Foundation funding
- End human space exploration
- Increase funding for arts and humanities
- Increase NASA budget
- Increase National Institutes of Health budget
- Reduce funding for arts and humanities

CHILDREN & FAMILIES

- Block grant and cut food stamps
- Expand Earned Income Tax Credit
- Expand housing aid for poor
- Expand the child tax credit
- Increase childcare subsidies
- Paid family leave
- Preschool for four-year-olds
- Tighten eligibility for food stamps

CORPORATE TAXES

- Cut corporate tax rate, close some loopholes
- Increase corporate tax rate
- Reduce taxes on international profits
- Set minimum tax on foreign profits

FOOD & AGRICULTURE

- Block grant and cut food stamps
- Double FDA funding
- Reduce farm subsidies
- Tax sugary drinks
- Tighten eligibility for food stamps

DEFENSE & FOREIGN AFFAIRS

- Build fewer submarines
- Cancel new aircraft carrier construction
- Cut active duty Army by half
- Cut foreign aid
- Expand U.S. Navy fleet
- Increase active duty Army
- Increase defense R&D spending
- Increase foreign aid
- Kill F-35 Joint Strike Fighter

EDUCATION

- Eliminate student loan subsidies
- Eliminate the Department of Education
- Free tuition at public colleges
- Limit Pell grants to neediest students
- Preschool for four-year-olds
- Slash interest rates on existing student debt
- Two years of community college tuition-free

ENERGY & ENVIRONMENT

- Double the EPA's budget
- Eliminate renewable fuel subsidies
- Eliminate the EPA
- End tax breaks for fossil fuels
- Extend renewable energy tax credits
- Impose a carbon tax
- Increase the gas tax

TAXES ON INVESTMENTS

- Cut taxes on investment income
- End tax on capital gains, interest, dividends
- Impose new tax on financial transactions
- Increase tax on capital gains and dividends
- Tax carried interest as ordinary income

SEE REVERSE FOR MORE POLICIES 

POLICY OPTIONS ON THE FISCAL SHIP

HEALTH

- Boost access to generic drugs
- Boost Medicare Advantage competition
- Bundle Medicare payments for post-acute care
- Cap Medicaid payments to states
- Cap Medicare spending
- Convert Medicare to "premium support"
- Cut National Institutes of Health funding
- Increase Medicare premiums
- Increase National Institutes of Health budget
- Increase taxes on cigarettes
- Means test Medicare
- Raise Medicare eligibility age
- Raise Medicare out-of-pocket costs
- Reduce what Medicare pays for drugs
- Reform malpractice laws
- Repeal Cadillac tax on costly health plans
- Repeal Obamacare's insurance expansions
- Use income taxes to fund Medicare

INCOME & PAYROLL TAXES

- Reduce income tax rates, consolidate brackets
- Boost taxes on the super rich
- Eliminate cap on wages subject to payroll tax
- Implement a 15% flat income tax
- Increase all income tax rates
- Increase Medicare payroll tax
- Increase Social Security payroll tax

Lower the inflation adjustment for taxes

Raise taxes on \$150,000+ folks

Raise taxes only on \$400,000+ folks

Use income taxes to fund Medicare

Use income taxes to fund Social Security

INFRASTRUCTURE & TRANSPORTATION

Cut infrastructure spending

Double subsidies for Amtrak

Eliminate funding for Amtrak

Increase infrastructure spending

LABOR & EMPLOYMENT

Expand unemployment benefits

Reduce federal employees' pensions

Reduce federal employment through attrition

Slow increases in government pay

LAW & ORDER

Cut spending on law enforcement

Enact immigration reform

Increase Homeland Security spending

Reduce Homeland Security spending

Spend more on law enforcement

OTHER TAXES

Eliminate the estate tax

Extend renewable energy tax credits

Impose a carbon tax

Impose a value-added tax

Increase taxes on cigarettes

Increase the estate tax

Increase the gas tax

Repeal Cadillac tax on costly health plans

Tax sugary drinks

SOCIAL SECURITY

Boost low-wage workers' Social Security

Boost Social Security benefits for very old

Cut Social Security COLA

Increase Social Security eligibility age

Lower the COLA for all spending programs

Reduce Social Security benefits

Use income taxes to fund Social Security

TAX CREDITS & DEDUCTIONS

End tax breaks for fossil fuels

Convert mortgage interest deduction to credit

Curtail charitable deduction

Eliminate renewable fuel subsidies

Eliminate state and local tax deductions

Expand Earned Income Tax Credit

Expand the child tax credit

Raise the standard deduction