

What is the Federal Budget?

Information Adapted from *A Citizen's Guide to the Federal Budget* (2003)

<https://www.whitehouse.gov/sites/default/files/omb/assets/omb/budget/fy2003/cguide.pdf>

No enterprise on Earth is larger than the U.S. government. In 2015 more than \$3 trillion was spent to attempt to meet not only the desires and needs of its citizens, but some of those of governments and people around the world.

The Federal Budget, like any good budget, is a plan for spending money effectively to accomplish well-defined goals. To undertake such a momentous exercise, the President presents to Congress early each February his budget proposal for the U.S. government for the following year. Usually before spring becomes summer, Congress makes initial decisions about how funds set aside for spending will be divided among activities such as defense, education, and transportation. Then work begins on the budget's details. Before spelling out where a budget's funds go, though, there should be an understanding about the source of funds: you and your fellow taxpayers.

Income taxes from individuals supply the biggest portion of revenues for the U.S. Treasury. From their paychecks, citizens also directly supply half the funds destined for Social Security, as well as a portion of Medicare's costs. One way or another, Americans also pay most of the largely hidden taxes the U.S. government collects from sales of the use of gasoline, alcohol, tobacco, telephones, and products that harm the Earth's atmosphere.

So, by its very nature, government is dependent on you. The taxes you pay on your income, consumption, assets, and use of facilities and services fund the enterprise. It has been that way for quite some time.

Where do those taxes go? Major spending categories include Social Security, Medicare, Medicaid, Defense, Education, and Transportation. The [infographic](#) from the Congressional Budget Office provides details regarding the amount spent in each category.

Federal spending falls into two categories: mandatory and discretionary. As the mandatory label suggests, certain laws require that some programs spend money automatically without further action by Congress. The most recognized example of mandatory spending comes in the payment of Social Security benefits. Dozens of other programs operate on this sort of "automatic pilot" basis because Congress chooses not to set the level of such spending on a year-by-year basis.

Congress does exercise its say over discretionary spending, which requires new decisions each year. But there is frequent disagreement between the political parties and even within them about priorities and whether funding them is an appropriate use of the U.S. government's authority or taxpayers' dollars. Those disagreements fuel each year's budget debate over priorities, how programs perform, and the distribution of dollars. The law requires that the President spark the debate with the submission of his budget in early February.