



Federal Budget Process and Context

Key Terms to Begin

- Fiscal policy=use of government spending and taxation powers
- Monetary policy=money supply
- Types of taxes
 - Regressive (as your income decreases, your tax increases)
 - Progressive (as your income increases, your tax increases)
 - Proportional (everyone pays the same percentage)
- Counter-cyclical=when the economy gets worse, spending in these areas increases

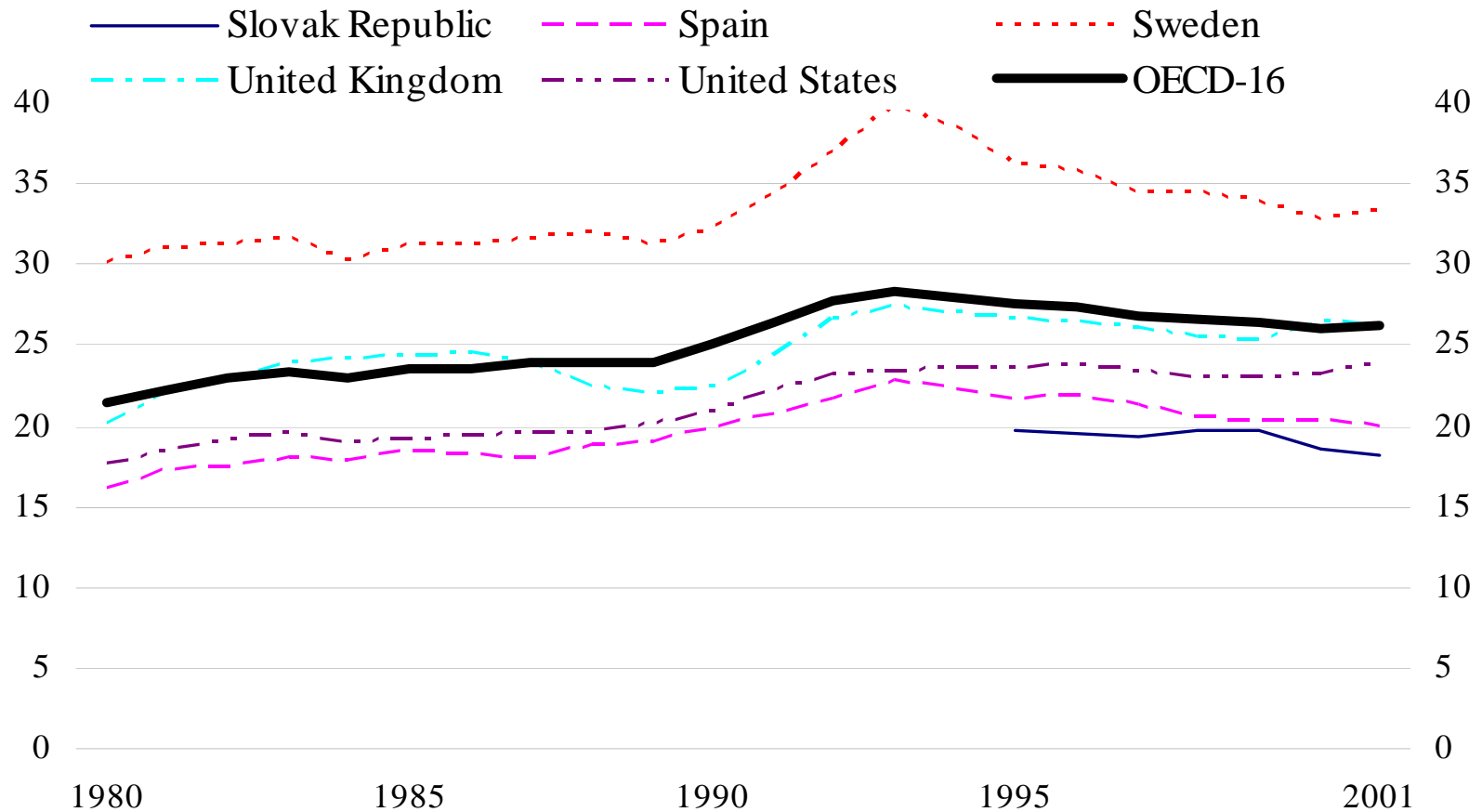
More Key Terms

- Supply-side vs. Demand-side economics
- Mandatory vs. Discretionary spending
- PAYGO
- Federal deficit and national debt
- Budget authority vs. outlays
- Omnibus appropriations bill
- Earmarks
- Continuing resolutions

Social Welfare in the U.S. Market State

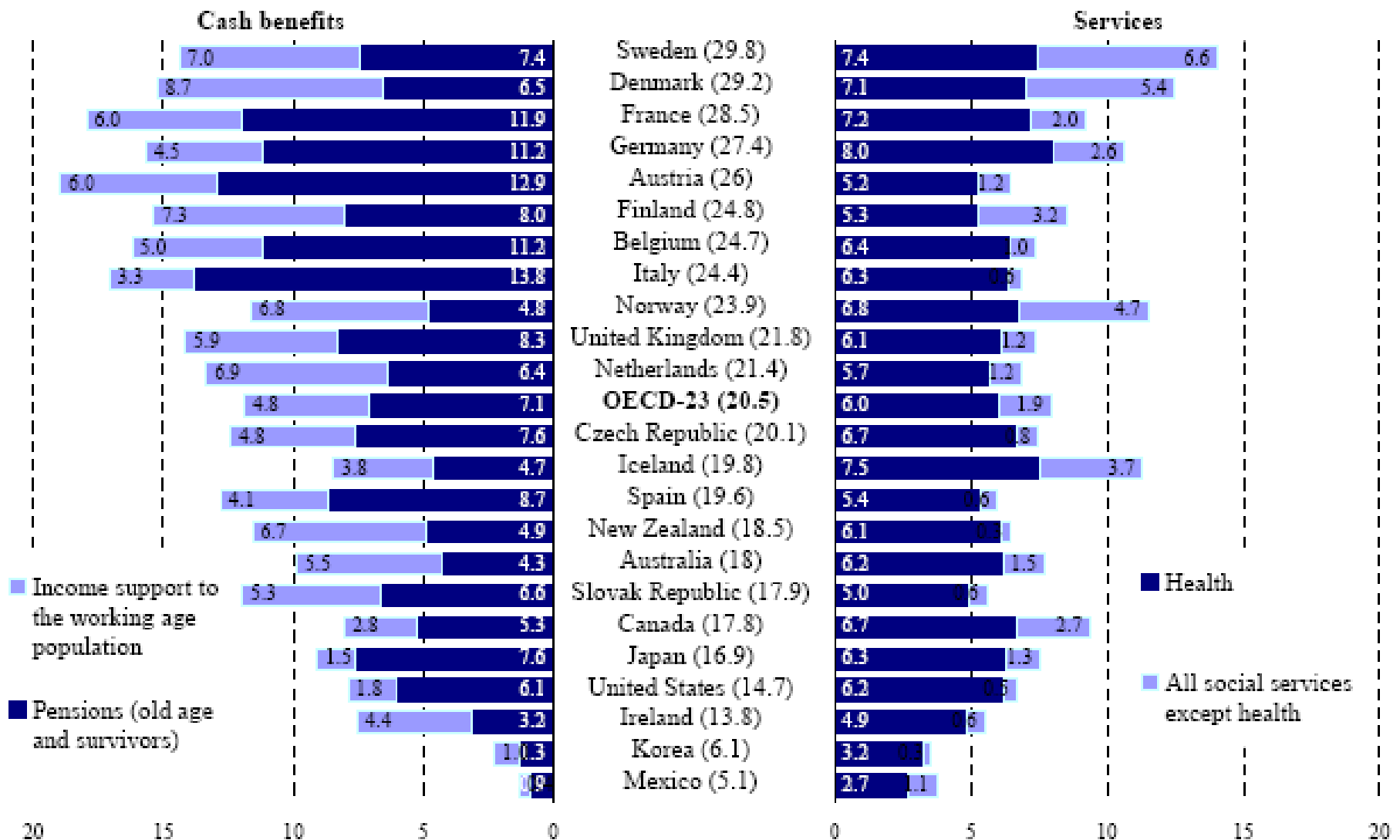
- U.S. system uses tax and expenditure policy not to fundamentally restructure economy but to remediate its worst consequences.
- Social welfare system designed to intervene in the event of 'market failures', where the 'pursuit of private interest does not lead to an efficient use of society's resources or a fair distribution of society's goods'. (Weimer & Vining, 1999, p. 41).
- U.S. social welfare policies evaluated for economic efficiency.

Social Welfare Spending as Percentage of GDP



Global Social Expenditures

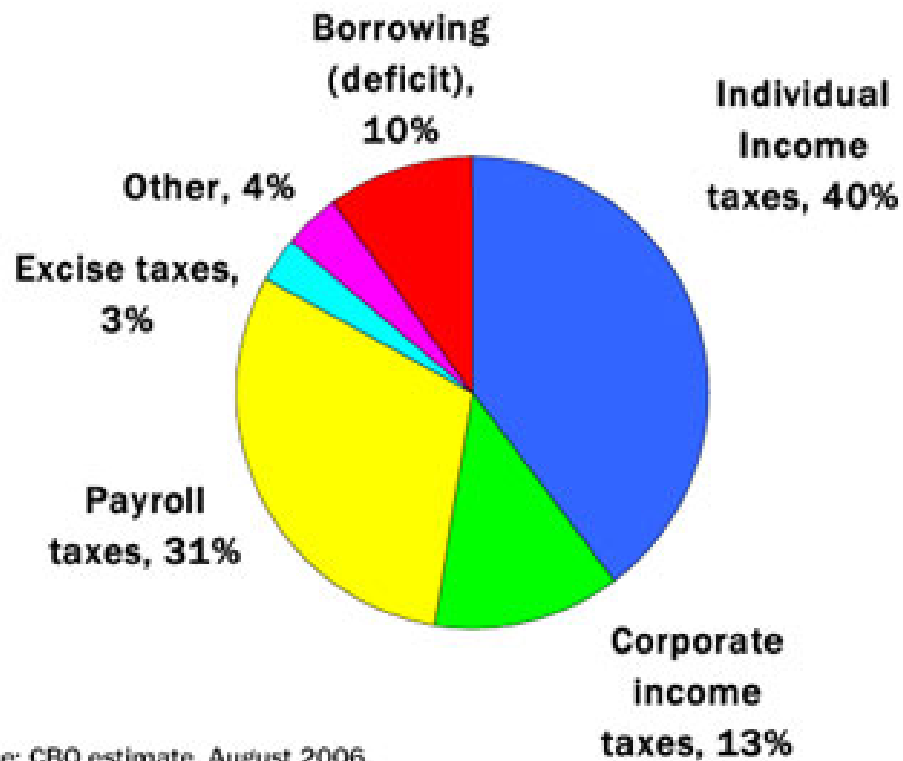
A. Public social expenditure by broad social policy area ^a, in percentage of GDP, in 2001



2006 Federal Revenue Sources

FIGURE 2

Financing the Federal Budget, FY 2006



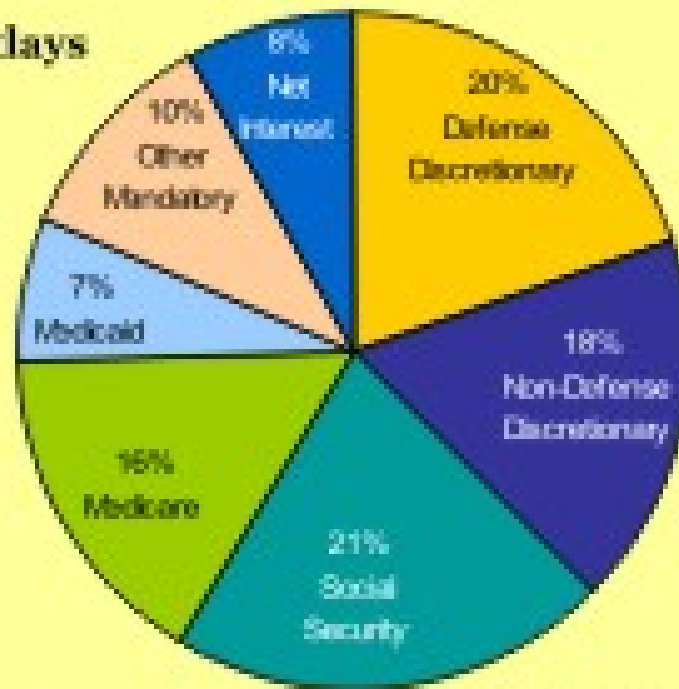
Source: CBO estimate, August 2006.

From CBPP, www.cbpp.org

2008 Federal Expenditures

Major Categories of Federal Spending:

2008 Outlays



Current Federal Spending on Social Welfare

- Overall, federal spending has decreased slightly as percentage of GDP over past 40 years (discretionary shrunk a lot and mandatory grown)
- ~\$0.20 of every \$1 of the GDP is spent on social welfare
- Only 16% of social welfare expenditures spent on assistance to the poor
- Social welfare spending has increased slightly during Bush Administration (3.1%-3.4% of GDP 2001 and 2004)
- Given increases in military, homeland security, and mandatory expenditures, non-security discretionary will have to be reduced by \$214 billion by 2010

Domestic Discretionary Funding Is a Shrinking Share of Total Program Costs

Share of Total	2001	2008	Change
Defense & security	21.7%	29.2%	+7.5%
Social Security, Medicare/caid	45.9%	43.5%	-2.4%
Other mandatory programs	14.0%	12.5%	-1.4%
<u>Domestic discretionary</u>	<u>18.4%</u>	<u>14.7%</u>	<u>-3.7%</u>
Total program costs	100%	100%	0.0%

Notes: Figures may not add due to rounding. The defense/security figures also include veterans, homeland security, and international affairs. Medicare is net of premiums. Figures for 2008 are CBO's January estimate plus supplemental discretionary funding requested by President Bush. Totals exclude net interest.

Types of Funding Streams

- Prepayments and other insurance schemes
- Voluntary contributions
- General revenue appropriations
- Direct out-of-pocket payment by consumer
- Corporate/employment-based funding of benefits

Social Welfare through Tax Expenditures

- Tax expenditures=tax deductions that the government extends to particular groups to assist them in attaining social welfare
- Largely impact those with incomes above \$50,000
- Difference in administration and targeting makes non-stigmatizing

The Federal Budget and Nonprofits

- Federal spending impacts demand for and supply of nonprofit services
- Social service agencies lost major appropriations between 1982-1997
 - Between 1980 and 1995, the growth in private giving only offset 59% of cuts in areas 'of interest' to nonprofits
- Tax rates affect price of giving to charity

Federal Budget Process

- President's Budget Request (February)
- Congressional Budget Resolution (supposed to be by April 15)
 - Enforced by 'point of order' when any committee exceeds spending authority
- Budget Reconciliation Process
 - Tool to force committees to bring forth specific spending or tax policies called for in CBR
 - Byrd rule limits policymaking through budget reconciliation process unless it has direct budget implications

But where's the \$?

- **Federal Appropriations Process**
 - All spending bills originate in the House of Representatives
 - Each chamber has 13 appropriations subcommittees, overseen by an Appropriations Committee
 - These committees authorize spending within previously determined (see above) levels
 - Appropriations bills follow a similar legislative path as other substantive bills

Interactions between levels and branches

- Unfunded mandates
- Judicial mandates
- New federalism
- Categorical grants vs. Block grants
- Incrementalism and the irrational growth of government agencies
- Line-item veto
- Privatization

Opportunities for Intervention

- Agency budget development
- Budget subcommittees
- Appropriations subcommittees
- Implementation and audit phase
- Individual members of Congress
- Executive
- Party caucuses
- Local and state government leaders

Questions

- What's more important—balancing the budget or providing needed social programs? Can we do both? How?
- The President's budget is a political document. How are priorities framed? What values dominate?
- Ethics of using earmarks for social program spending?
- What do you see as the core challenges facing advocates in the arena of federal and state budgets?

More Questions

- Given the huge fiscal impact of the war in Iraq, and its effects on social welfare spending, should NASW as a body and social workers as professionals take an anti-war stance? What are the ethical and political ramifications of such a decision?
- Are Americans overtaxed or undertaxed?
- How do revenue decisions influence programming? Why is it important for social work practitioners to understand budget policy?