

# *Federal Budget and Debt: So What*

## **Session 3: What “The Meat and Potatoes”**

*With continued thanks to Duke OLLI, Chris McLeod our Duke class  
“support” and my co-instructor, Dale Pahl as moderator*

## Recap of Session 2 :

1. **Programming, Planning, Budget & Execution (PPBE)**: A multi-year process followed by most Federal agencies to prepare, justify, and execute the budget. Key actions include: (a) strategic, forward-looking objectives, estimating budget requirements, presenting and justifying budget proposals, arriving at the final budget (through Department, OMB and Congress), and then execution consistent with Program, Project, and Activities.

*[Polling Question #1]*

2. **PY, CY, BY, BY+1, BY+2 up to BY+5 (or +9)**: The budget cycles for planning and execution, i.e., prior year (PY) to use as baseline, current year (CY) for executing the budget, budget year (BY) for proposed budget and legislative changes, and BY+1 through BY+5 (or +9 for DoD) to show the outyear impacts of the proposed budget.
3. **Budget Foundation**: (a) current laws; (b) strategic plans (goals, objectives and outcomes); (c) past budget levels (PY, CY & IOUs); (d) Presidential directives; (e) potential issues (e.g., Congressional, GAO, IG & other reports); and (f) Congressional and OMB expectations.
4. **Final Arbiter**: Congress and the President, and if not enacted, even with a Continuing Resolution, Federal shut-down for appropriated accounts

## Recap of Session 2 (continued)

### 5. Congressional Actions:

- From the Concurrent Budget Resolution with targets for spending (including 302(b) allocations), revenue and the debt (April 1<sup>st</sup>), to
- CBO's "scoring" of the President's Budget request (April 15<sup>th</sup>), to
- Appropriations mark-ups & final House/Senate bills (March to June to September), to
- Transmittal to the President for signing or veto (by September 30<sup>th</sup>), to
- Monitoring the Executive Branch's execution of new Budget or a Continuing Resolution (e.g., at last year's budget levels) pending President's approval with further appropriation actions as needed (October 1<sup>st</sup> to ??? – hopefully September 30<sup>th</sup>), to
- If needed, supplemental appropriations, and approval of reprogrammings, transfers, and/or deferrals

### 6. Budget Laws: Even if not always followed, there are a number of budget laws intended to control , including various Budget Control Acts (e.g., Gramm-Rudman-Hollings) that require a sequestration if spending targets are not met.

# “Who, When and What” of the Federal Budget Process

## **For the WHAT Let’s Start with a Few Key Definitions (again)**

### **Composition of the Federal Budget Spending**

#### **Discretionary Appropriations**

Provided by and controlled by appropriation acts and count against the Budget Control Act (BCA) control levels, except if designated as a mandatory appropriations (e.g., Disaster Relief Fund by 2011 BCA)

#### **Entitlement Authority\***

Budget authority not provided in advance by appropriation acts\*\*. Spending authority is a provision of law (e.g., Medicaid, Medicare, Social Security, certain VA programs, Unemployment, & Federal Retirement), based on eligibility and calculation(s)

*\* Mandatory usually synonymous with Entitlement but can be an Appropriations with “set amount” even if governed by another law.*

*\*\* Discretionary funds or spending ceiling maybe provided for administrative and program execution costs*

# “Who, When and What” of the Federal Budget Process

## A few other key terms:

## *Polling Question #3*

- 1. Budget authority\*\*:** Current or Permanent, Definite or Indefinite, & Unexpired or Expired Authority to enter into financial obligations by (a) appropriation, (b) borrowing, (d) contract authority, or (e) authority to obligate & expend offsetting receipts and collections, e.g., User Fee (\*\* Budget authority for direct/guaranteed loan subsidies represent estimated losses AND **“Off-Budget”** federal or quasi-federal entities excluded from budget totals per law (e.g., Social Security trust funds, Postal Service, Federal Reserve, Fannie Mae & Freddie Mac); still count in Budget totals and Debt calculation but not Budget Caps
- 2. Period of availability:** (a) one-year; (b) multi-year (e.g., 2-,3-years); or (c) no-year.
- 3. Trust Fund Account:** Expenditure & Receipt account for a specific purpose(s), e.g., Social Security Trust Funds
- 4. Obligation:** Definite commitment to create a legal liability for payment of goods/services ordered or received (BUT NOT DELIVERED). **Unobligated** is the portion of budget/spending authority not obligated. Lastly, **Accrued Obligation** is when the goods or services have been delivered. All important distinctions for funds management (*e.g., rescissions*)

# “Who, When and What” of the Federal Budget Process

## **Other key terms (continued):**

5. **Outlay:** A payment by check, EFT, cash, government bond or note or cash-equivalent instrument to liquidate a financial, legal obligation [intragovernmental payments are not outlays except for costs incurred by the providing government entity for goods/services]
6. **Revenue:** Governmental receipt including sale of assets, donations, fees fines, duties, and many other non-tax collections.
7. **Deficit:** Amount of spending that exceeds revenue for a given period, usually a fiscal year.
8. **Debt:** Sum of debt held by the public and debt held by government accounts (intragovernmental debt, mostly held by Society Security, Medicare, Federal Reserve Bank)

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I added the Deficit & Debt definitions now to put into context the other budget terms & actions . Every dollar appropriated or entitlement spending authority unless offset by revenue including offsetting collection drives both the Deficit and Debt.

<https://www.gao.gov/assets/gao-05-734sp.pdf>

## Who, When/How and WHAT of the Federal Budget Process

As stated at the end of Session 2, as a precursor to this Session, the “Budget “WHAT” is more than dollars. The \$s represent policy, psychology, philosophy & of course politics, and much more.

I believe this is equally true with the COVID funding bills and what’s been included. Thus, before digging into “regular” annual and historical budget levels and what they represent, let’s first examine the most recent event, COVID, and the budget actions and implications

*Address the large elephant in the budget room:*

*Does the Great Depression Still Impacts How We Budget? 😊*

***Polling Question #2***

**Qualifier:** WHEN A CRISIS strikes, we need to first examine funding for the Crisis (immediate and future impacts) because the funding may or may not be recurring, i.e., impact future budget levels, and definitely impacts annual budget levels.

# Who, When/How and WHAT of the Federal Budget Process

**FOR COVID FUNDING**, right now it's hard to say what funding may become recurring, e.g., continued restocking of critical medical supplier for future pandemics, ongoing testing, etc.

**TO DATE**, there have been six separate COVID funding/appropriations bills totaling approx. \$6 trillion(t) dollars: direct payments, loans, financial assistance thru grants, tax credits, *federal appropriations to execute/oversee programs, and other financial transactions.*

*[Factoid: More than the annual budget and 3X annual discretionary budget]*

## **1. *Coronavirus Preparedness & Response Supplemental Appropriations Act, P.L. 16-123, Enacted 3/6/20, Totaling \$8.3 billion(b)***

**Highlights**: (a) \$3.1b for develop of vaccines/therapies & other (HHS/FDA); (b) \$2b for CDC epidemiology, infection control, mitigation & other; (c) \$1b for humanitarian & economic assistance to other countries), (d) Medicare telehealth coverage; & (e) Small business loans

**SO long ago but only one year**



## Who, When/How and WHAT of the Federal Budget Process

### **2. *Families First Coronavirus Response Act, P.L. 16-127, Enacted 3/17/20 totaling \$192b (incl. \$94b in decreased revenue)***

**Highlights:** (a) Guaranteed free COVID testing; (b) \$1.3b to reimburse health care (for services & to providers); (c) \$1.3b for emergency food assistance, incl. WIC & (d) \$1b for expanded unemployment insurance

### **3. *Coronavirus Aid, Relief, & Economic Security Act (CARES), P.L. 16-136, Enacted 3/30/20 totaling \$2t (CBO deficit est. \$1.7t: FRB guaranteed loans & \$408b in decreased revenue)***

**Highlights:** (a) Medical care & research, incl. \$100b to reimburse Hospitals & other health care providers (e.g., VA and DoD); (b) \$12b HUD rental assistance; (c) \$44b FEMA COVID response support; (d) \$35b DOT Air & Transit financial assistance; (e) \$25b Education funds to State & local & higher ed; (f) Increased unemployment benefits thru 12/31/20; & (g) 1<sup>st</sup> round of stimulus payments & PPP loans.

## Who, When/How and WHAT of the Federal Budget Process

### **4. Paycheck Protection Program and Health Care Enhancement Act, P.L. 116-139, Enacted 4/24/20, Totaling \$500b**

Highlights: (a) \$321b for PPP loans - ? Impact on deficit?; (b) \$75b to reimburse health care providers for loss revenues & expenses; (c) \$25b to develop, purchase, administer, & analyze COVID tests; (d) \$62b for Economic Injury Disaster Loans (EIDL) & grants; & (e) \$60b financial institutions loan guarantees

### **5. Title M “Coronavirus Response and Relief Supplemental Appropriations Act, 2021” & Title N “Additional Coronavirus Response and Relief”, within the Consolidated Appropriations Act, 2021, P.L. 116-120, Enacted 12/27/20, Totaling \$900b**

Highlights: (a) \$2b funeral costs; (b) \$32b testing & vaccines; (c) \$82b schools to keep clean, open within CDC guidelines & offset loss revenue; (d) \$50b for Transportation incl. revenue loss, maintaining services, etc.; (d) \$25b Rental assistance (avoid homelessness); (e) further extension of enhanced unemployment benefits; & (f) \$325b additional SBA PPP and EIDL loans.

## Who, When/How and WHAT of the Federal Budget Process

### **6. American Rescue Plan Act, P.L. 117-2, Enacted 3/11/210, Totaling \$1.9t**

Highlights: (a) many tax credits; (b) \$321b for PPP loans - ? Impact on deficit?; (b) \$75b to reimburse health care providers for loss revenues & expenses; (c) \$25b to develop, purchase, administer, & analyze COVID tests; (d) \$62b for Economic Injury Disaster Loans (EIDL) & grants; & (e) \$60b financial institutions loan guarantees [NOTE: This bill in total is in excess of all the 12 annual appropriations bills for discretionary funding]

#### A few COVID facts:

**(1) Most funding** is multi-year, & in many cases no-year (*gift that keeps giving*); **(2) Per loan requirements** (e.g., SBA PPP), believe most will be forgiven; **(3) Unemployment Insurance** (& other types of financial assistance) is considered income so possible a % of funds to come back thru Federal and/or State taxes (unless exempted, then bill provides relief to impacted States); & **(4) Biggest buckets**: (a) State, local, territory and tribal governments; (b) Medical supplies, testing, and vaccinations – across the board incl. schools; (c) Reimbursement of COVID-related costs and revenue impacts; & (d) Ongoing payments to individuals and businesses.

# Who, When/How and WHAT of the Federal Budget Process

## **OPEN QUESTION/DISCUSSION: IS THE \$6t IN COVID FUNDING/RELIEF WORTH IT?**

### **Comments: Considering the American Rescue Plan Act = annual discretionary Federal budget**

1. *Was another Great Depression inevitable, avoided (economically and socially, like spike in homelessness)? Biden's historical lens?*
2. *The American Rescue Plan ---Biden's "New Deal" for "Shared National Purpose"*
3. *Comparison to past U.S. financial crises & government intervention: Failure of Financial Institutions with Housing Market Collapse and Auto Industry Bailout (\$800b American Recovery & Reinvestment Act*
4. *Will we ever know true benefits of the actions vs increase to already large debt?*
5. *Consequences of doing less or nothing? Did State, Local, Territory & Tribal governments need nearly \$500b for loss revenue, capital improvement, & other non-vaccination costs.*
6. *Fraud, Waste and Abuse? Let's hear next two sessions from Dale but FYI:*  
<https://www.oversight.gov/disaster-oversight> <https://www.pandemicoversight.gov/track-the-money>

## Who, When/How and WHAT of the Federal Budget Process

### ***A Few View Points to Consider***

1. Housing Assistance in American Rescue Plan Act Will Prevent Millions of Evictions, Help People Experiencing Homelessness? <https://www.cbpp.org/research/housing/housing-assistance-in-american-rescue-plan-act-will-prevent-millions-of-evictions>
2. American Rescue Plan Act Will Help Millions and Bolster the Economy <https://www.cbpp.org/research/poverty-and-inequality/american-rescue-plan-act-will-help-millions-and-bolster-the-economy>
3. How Not to Criticize the American Rescue Plan Act of 2020 <https://verdict.justia.com/2021/03/17/how-not-to-criticize-the-american-rescue-plan-act-of-2021>
4. The American Rescue Plan Act will greatly benefit Americans 50-plus at a time when too many older adults are hurting as a result of the pandemic and economic fallout. [https://www.postandcourier.com/moultrie-news/opinion/statement-from-aarp-in-response-to-the-passing-of-the-american-rescue-plan-act/article\\_966aa1d4-82b4-11eb-b7cb-df66ac410cf1.html](https://www.postandcourier.com/moultrie-news/opinion/statement-from-aarp-in-response-to-the-passing-of-the-american-rescue-plan-act/article_966aa1d4-82b4-11eb-b7cb-df66ac410cf1.html)

# “Who, When and What” of the Federal Budget Process

## **NOW TO THE “REGULAR ANNUAL BUDGET” NUMBERS AND THE “WHAT”**

**ALIBI:** Unfortunately, I cannot compare **the total enacted** FY 2021 budget (current) to the FY 2020 (actuals) as the Federal data is not yet complete (particularly FY 2021 & that the President’s FY 2022 Budget request is delayed with ALL its historical tables).

**Also,** the FY 2021 annual discretionary budget is under-stated (in my view) as a result of the substantial COVID supplementals\*. Thus, I will examine and present historical total levels for FYs 2000, 2010, and 2020 (and some earlier) to show key changes and where spending is occurring.

**Finally,** Budgets to Actuals fluctuate: (a) revised estimated e.g., entitlements, (b) changes in spending (subject or not to appropriation) or (c) rosy but wrong economic assumptions (e.g., revenue). FY 2020 budget estimated \$4.79T in spending, \$3.71T in revenue, & a \$1.08T deficit. Actual spending \$6.55T, revenue \$3.42T & deficit \$3.135 (\$2T above budget): mostly Supps like CARES Act. <https://www.thebalance.com/fy-2020-federal-budget-summary-of-revenue-and-spending-4797868>

\* again, discretionary appropriations do not count against the Budget Caps with the provision: “Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985”

## “Who, When and What” of the Federal Budget Process

### Key “Influencers” on Budget Estimates

1. Statutory requirements included in law (when, what and how)
2. # of federal employees & pay increases (1% but ?): 2.1 million civilian & avg salary (\$88,750 adj.) <https://www.opm.gov/policy-data-oversight/data-analysis-documentation/federal-employment-reports/reports-publications/salary-information-for-the-executive-branch.pdf>
3. Interest on the public debt (rate of interest changes +/-): 1.63% 10-year; 2.42% 30-year (growing recently but still far below historical levels)
4. Calculation of entitlement costs including inflation and cost-of-living adjustments [current rate of inflation: 1.7% mostly Food & Energy (in 2020 1.2% & 2019 2.3%)
5. Employment levels (taxes +/-): associated unemployment, retirements, & new hires
6. Health cost changes (Medicare and Medicaid): And aging/living longer U.S. Population
7. Speed of technology and other changes (including Global trade)
8. Unfunded mandates (including pass-down to states and other entities)
9. Post-Covid & others.....let's discuss

# “Who, When and What” of the Federal Budget Process

## DISCRETIONARY BUDGET AUTHORITY BY AGENCY BY FISCAL YEAR

(in millions of dollars)

Department or Agency	2000	2000 PV	2010	2010 PV	2020	%	2020 - 1990PV	%	2020 - 2010PV	%
Agriculture	16,951	25,882	27,632	32,882	27,430	2%	4,955	22%	-5,452	-17%
Commerce	8,667	13,234	13,409	15,957	15,387	1%	7,872	105%	-570	-4%
Defense--Military	287,280	438,648	690,469	821,658	712,596	50%	105,765	17%	-109,062	-13%
Education	29,362	44,833	64,132	76,317	72,201	5%	33,496	87%	-4,116	-5%
Energy	17,745	27,095	24,974	29,719	38,481	3%	5,409	16%	8,762	29%
Health & Human Svcs.	45,366	69,269	84,573	100,642	107,421	8%	60,035	127%	6,779	7%
Homeland Security	14,537	22,197	45,537	54,189	68,044	5%	52,815	347%	13,855	26%
Housing & Urban Dvlp	21,111	32,234	42,898	51,049	49,916	4%	20,060	67%	-1,133	-2%
Interior	8,462	12,921	12,158	14,468	14,970	1%	1,641	12%	502	3%

Notes: (1) PV is Present Value based on inflation; (2) Homeland Security was created after 2001; (3) While Defense is the largest item (50%), based on PV near smallest growth (Sources: White House Budget Historical Tables 2021 <https://www.whitehouse.gov/omb/budget/> & Bureau of Labor Statistics for inflation adjusters <https://www.bls.gov/charts/home.htm>)



# “Who, When and What” of the Federal Budget Process

## DISCRETIONARY BUDGET AUTHORITY BY AGENCY BY FISCAL YEAR

(in millions of dollars)

Department or Agency	2000	2000 PV	2010	2010 PV	2020	%	2020 - 1990PV	%	2020 - 2010PV	%
Justice	16,117	24,609	27,906	33,208	32,388	2%	16,983	110%	-820	-2%
Labor	8,761	13,377	13,550	16,125	12,413	1%	-4,969	-29%	-3,712	-23%
State	7,776	11,873	29,369	34,949	29,634	2%	20,510	225%	-5,315	-15%
Transportation	10,416	15,904	21,780	25,918	24,813	2%	4,083	20%	-1,105	-4%
Treasury	9,241	14,110	13,431	15,983	13,048	1%	341	3%	-2,935	-18%
Veterans Affairs	20,850	31,836	53,078	63,163	92,667	7%	65,804	245%	29,504	47%
International Assistance	13,628	20,809	24,854	29,576	23,961	2%	-4,005	-14%	-5,615	-19%
NASA	13,601	20,767	18,725	22,283	22,559	2%	-2,686	-11%	276	1%
All Other*	34,477	52,643	55,788	66,388	59,690	4%	3,527	6%	-6,698	-10%
<b>TOTAL**</b>	<b>584,348</b>	<b>1,125,056</b>	<b>1,264,263</b>	<b>1,520,747</b>	<b>1,417,619</b>		<b>391,637</b>	<b>37%</b>	<b>-103,128</b>	<b>-18%</b>

\* largest agencies include EPA, Legislative, Corps of Engineers, & National Science Foundation (approx. 50% of total )

\*\* Some of the increases & decreases include the shift of programs between Departments, especially after 9/11.  
AND for comparisons, total Budget Authority excl. certain receipt expenditure accounts (in millions): \$1,824 in FY 2000 (or \$2,785 PV), \$3,485 in FY 2010 (or \$4,147 PV) and \$4,908 in FY 2020

Notes: (1) State’s growth and then decline; (2) VA’s growth after two decades of war, increased pay & medical; (3) International Assistance, typically a Red Flag in reality less and less (excluding military assistance).

# “Who, When and What” of the Federal Budget Process

Let’s take a view into the four of the largest Agencies: Defense, HHS, Homeland Security, & VA!

**Defense** (<https://comptroller.defense.gov/Budget-Materials/FY2021BudgetJustification/>)

1. **Army Readiness:** \$ in billions  
 > FY 2019 \$22.2 (1m strength) > FY 2020 \$23.7 (N/C) > FY 2021 \$23.8 (N/C)  
*[Includes: Depot Maintenance, Infrastructure (approx. 50%), and Active, Reserve & National Guard]*
2. **Navy Readiness:**  
 > FY 2019 \$27.0 (397k strength) > FY 2020 \$31.5 (403k) > FY 2021 \$29.7 (401k)  
*[Same as Army & Infrastructure is 29%]*
3. **Airforce Readiness:**  
 > FY 2019 \$32.6 (509k strength) > FY 2020 \$35.9 (512k) > FY 2021 \$30.9 (506k)  
*[Maintenance 50%, Flying Hours & Ops 35% & Infrastructure 15%]*
4. **Operational Support (overseas):**  
 > FY 2019 \$68.8 > FY 2020 \$71.3 > FY 2021 \$69.0  
*[Afghanistan \$4b and Operations/Force Protection \$14b]*

*Note: Major systems acquisitions is approx. \$100 billion (excluding new Space program) & US Defense spending totals the next 10 countries below. Personnel, hardware, infrastructure, deployments, etc.*



# “Who, When and What” of the Federal Budget Process

**HHS** (<https://www.hhs.gov/about/budget/index.html>)

	<u>\$ in billions</u>		
<b>1. <u>National Institutes of Health/NIH:</u></b>			
> FY 2019	\$39.2 (17.3k FTEs)	> FY 2020	\$41.7 (18.1k)
		> FY 2021	\$38.7 (18.3k)
<b>2. <u>Food &amp; Drug Administration:</u></b>			
> FY 2019	\$5.7 (17.6k FTEs)	> FY 2020	\$5.9 (17.7k)
		> FY 2021	\$6.2 (18.0k)
<b>3. <u>Administration for Children &amp; Families:</u></b>			
> FY 2019	\$26.4 (1.3k FTEs)	> FY 2020	\$24.4 (1.4k)
		> FY 2021	\$20.2 (N/C)
<b>4. <u>Centers for Disease Control &amp; Prevention:</u></b>			
> FY 2019	\$12.1 (11.3k)	> FY 2020	\$12.8 (N/C)
		> FY 2021	\$12.6 (11.5k)

HHS includes large entitlement programs, for which administrative caps are established against these funds. HHS entitles also include the Indian Health Svc., the Substance Abuse & Mental Health Services, the Health Resources & Services Administration (HRSA that is the primary federal agency for improving healthcare), the Centers for Medicare and Medicaid services (of course), etc. Also, HHS is the first stop for Unaccompanied Minors crossing the border and a major responsibility is supporting health care and public health training



## Polling Question #4

**Homeland Security** <https://www.dhs.gov/publication/congressional-budget-justification-fy-2021>

1. **U.S. Customs and Border Projection:** (excl. User Fees) **\$ in billions**  
(63 thousand FTEs) > FY 2019 \$17.3 > FY 2020 \$17.4 > FY 2021 \$18.2 (request\*)
2. **Federal Emergency Management Agency:** (incl. NFIP insurance rates)  
(12 thousand FTEs) > FY 2019 \$21.6 > FY 2020 \$27.3 > FY 2021 \$14.5 (request\*)
3. **U.S. Coast Guard:** (incl. Military personnel)  
(50 thousand FTEs) > FY 2019 \$ 7.6 > FY 2020 \$ 8.0 > FY 2021 \$ 8.4 (request\*)
4. **U.S. Immigration and Customs Enforcement:** (excl. User Fees)  
(22 thousand FTEs) > FY 2019 \$ 7.5 > FY 2020 \$ 8.0 > FY 2021 \$ 9.8 (request\*)
5. **Transportation Security Administration:** (excl. User Fees)  
(55 thousand FTE > FY 2019 \$ 8.0 > FY 2020 \$ 8.3 > FY 2021 \$ 7.9 (request\*)

Notes: (a) Other key DHS entities include U.S. Citizenship & Immigration Svcs (17% but fee-based); U.S. Secret Service, & Cybersecurity & Infrastructure Security (2% DHS budget but growing!), (b) the Border Wall, a National Emergency priority for prior Administration -- will not be the case forward although funds will continue at lower levels & (c) DHS has nearly 240k employees & is the largest federal law enforcement organization with over 60k law enforcement officers [\* will confirm enacted based on Consolidated Appropriations Act, 2021 passed 12/27/21]

# “Who, When and What” of the Federal Budget Process

**Veterans Affairs:** <https://www.va.gov/budget/docs/summary/fy2021VAbudgetInBrief.pdf>

	<u>\$ in billions</u>		
<b>1. <u>Medical Services:</u></b>			
	> FY 2019 \$49.9	> FY 2020 \$51.1	> FY 2021 \$56.7 (request*)
<b>2. <u>Medical Community Care:</u></b>			
	> FY 2019 \$ 9.8	> FY 2020 \$15.3	> FY 2021 \$18.5 (request*)
<b>3. <u>Medical Support &amp; Compliance:</u></b>			
	> FY 2019 \$ 7.2	> FY 2020 \$ 7.3	> FY 2021 \$ 8.2 (request*)
<b>4. <u>Medical Facilities:</u></b>			
	> FY 2019 \$ 6.8	> FY 2020 \$ 6.1	> FY 2021 \$ 6.6 (request*)

The VA is an organization of over 400 thousand FTEs. The VA: (a) treated 7.2 million patients, (2) worked on the long-overdue health record system modernization, (3) 126.5 million outpatient visits, (4) disability compensation benefits for 5.7+ million Veterans & Survivors, & pension benefits to nearly 400 thousand; (5) Education assistance to 950 thousand trainees, (6) Vocational rehabilitation & employment benefits to 131+ thousand Veterans, (7) home mortgage program of 3.7 million loans & (8) the largest national cemetery system with 137 thousand internments last year.

*\* will confirm enacted based on Consolidated Appropriations Act, 2021 passed 12/27/21*

# “Who, When and **What**” of the Federal Budget Process

For more information on how our Taxes are being spend by agency:

1. **Department of Agriculture** <https://www.usda.gov/sites/default/files/documents/usda-fy2021-budget-summary.pdf>
2. **Department of Commerce** <https://www.commerce.gov/about/budget-and-performance/FY-2021-congressional-bureau-justification>
3. **Department of Education**  
<https://www2.ed.gov/about/overview/budget/budget21/justifications/index.html>
4. **Department of Energy** <https://www.energy.gov/cfo/downloads/fy-2021-budget-justification>
5. **Department of Housing and Urban Development**  
[https://www.hud.gov/program\\_offices/cfo/reports/fy21\\_CJ](https://www.hud.gov/program_offices/cfo/reports/fy21_CJ)
6. **Department of the Interior** <https://www.doi.gov/budget/appropriations/2021>

## Polling Question 5



# “Who, When and **What**” of the Federal Budget Process

For more information on how our Taxes are being spend by agency (continued):

7. **Department of Justice** <https://www.justice.gov/doj/fy-2021-congressional-budget-submission>
8. **Department of Labor** <https://www.dol.gov/general/budget>
9. **Department of State** <https://www.state.gov/plans-performance-budget/>
10. **Department of the Treasury** <https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-requestannual-performance-plan-and-reports/budget-documents-congressional-justification>
11. **Department of Transportation** <https://www.transportation.gov/mission/budget/fiscal-year-2021-budget-estimates>

Other sites for insights into all types of federal spending: (a) <https://www.usaspending.gov/>  
(b) <https://www.whitehouse.gov/omb/budget/> (c) <https://www.usgovernmentspending.com/>  
(d) <https://www.cbo.gov/about/products/major-recurring-reports>

# “Who, When and What” of the Federal Budget Process

Summary of Entitlement/Mandatory Programs (\$ in millions)												
Type	1980		1990		2000		2010		2020		FY 2020 % vs.	
	\$	%	\$	%	\$	%	\$	%	\$	%	2010	1980
Medicaid	\$ 13,957	5.3%	\$ 41,103	7.2%	\$ 117,921	12.4%	\$ 272,771	14.3%	\$ 495,793	16.7%	2.4%	11.3%
Medicare	\$ 31,010	11.8%	\$ 95,803	16.9%	\$ 194,115	20.4%	\$ 446,477	23.3%	\$ 693,943	23.3%	0.0%	11.5%
Other Health/Insurance	\$ 741	0.3%	\$ 1,733	0.3%	\$ 6,663	0.7%	\$ 30,927	1.6%	\$ 120,727	4.1%	2.4%	3.8%
Federal employee retirement & disability	\$ 26,568	10.1%	\$ 51,921	9.1%	\$ 77,016	8.1%	\$ 119,675	6.3%	\$ 154,915	5.2%	-1.0%	-4.9%
Veterans benefits & svcs.	\$ 14,001	5.3%	\$ 16,033	2.8%	\$ 26,236	2.8%	\$ 57,445	3.0%	\$ 124,553	4.2%	1.2%	-1.2%
Earned Income & Child Tax Credit	\$ 1,275	0.5%	\$ 4,354	0.8%	\$ 26,908	2.8%	\$ 77,371	4.0%	\$ 89,873	3.0%	-1.0%	2.5%
Social Security	\$ 117,053	44.7%	\$ 246,495	43.4%	\$ 406,048	42.7%	\$ 700,752	36.6%	\$ 1,091,603	36.7%	0.1%	-8.0%
Supplemental Security Income	\$ 5,716	2.2%	\$ 11,493	2.0%	\$ 29,511	3.1%	\$ 43,878	2.3%	\$ 53,669	1.8%	-0.5%	-0.4%
Agriculture	\$ 7,240	2.8%	\$ 9,288	1.6%	\$ 31,943	3.4%	\$ 14,585	0.8%	\$ 29,858	1.0%	0.2%	-1.8%
Food and nutrition assistance	\$ 13,114	5.0%	\$ 21,338	3.8%	\$ 28,021	2.9%	\$ 87,820	4.6%	\$ 89,259	3.0%	-1.6%	-2.0%
Other	\$ 31,410	12.0%	\$ 68,507	12.1%	\$ 6,993	0.7%	\$ 62,018	3.2%	\$ 31,177	1.0%	-2.2%	-10.9%
<b>Total</b>	<b>\$ 262,085</b>	<b>N/A</b>	<b>\$ 568,068</b>	<b>N/A</b>	<b>\$ 951,375</b>	<b>N/A</b>	<b>\$ 1,913,719</b>	<b>N/A</b>	<b>\$ 2,975,370</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>PV estimate</i>	\$ 878,090		\$ 1,157,666		\$ 1,452,654		\$ 2,277,326		\$ 3,017,918			
<b>Total net interest</b>	<b>\$ 52,533</b>	<b>N/A</b>	<b>\$ 184,347</b>	<b>N/A</b>	<b>\$ 222,949</b>	<b>N/A</b>	<b>\$ 196,194</b>	<b>N/A</b>	<b>\$ 376,171</b>	<b>N/A</b>		
<i>PV estimate</i>	\$ 176,007		\$ 375,681		\$ 340,421		\$ 233,471		\$ 381,550			

Note: Medicaid 2020 tax credit and cost-share change

While Entitlements/Mandatory accounts are growing significantly, where is the growth and why? And \$ vs. % growth tell a very different story, although % can be misleading given the overall spending growth, e.g., VA post-9/11 increased benefits but total # of Veterans has been declining. Changes in eligible Medicare expenses (new Parts). LET’S DISCUSS MORE!

# “Who, When and **What**” of the Federal Budget Process

## **What's driving increase in Entitlements & what can be done?**

1. Aging U.S. Population  
([www.census.gov/programs-surveys/popest.html](http://www.census.gov/programs-surveys/popest.html))  
➤ Health care costs, Social Security, Medicare, Medicaid

The Federal Government will spend ½ of its Budget on Older Adults in 10 years

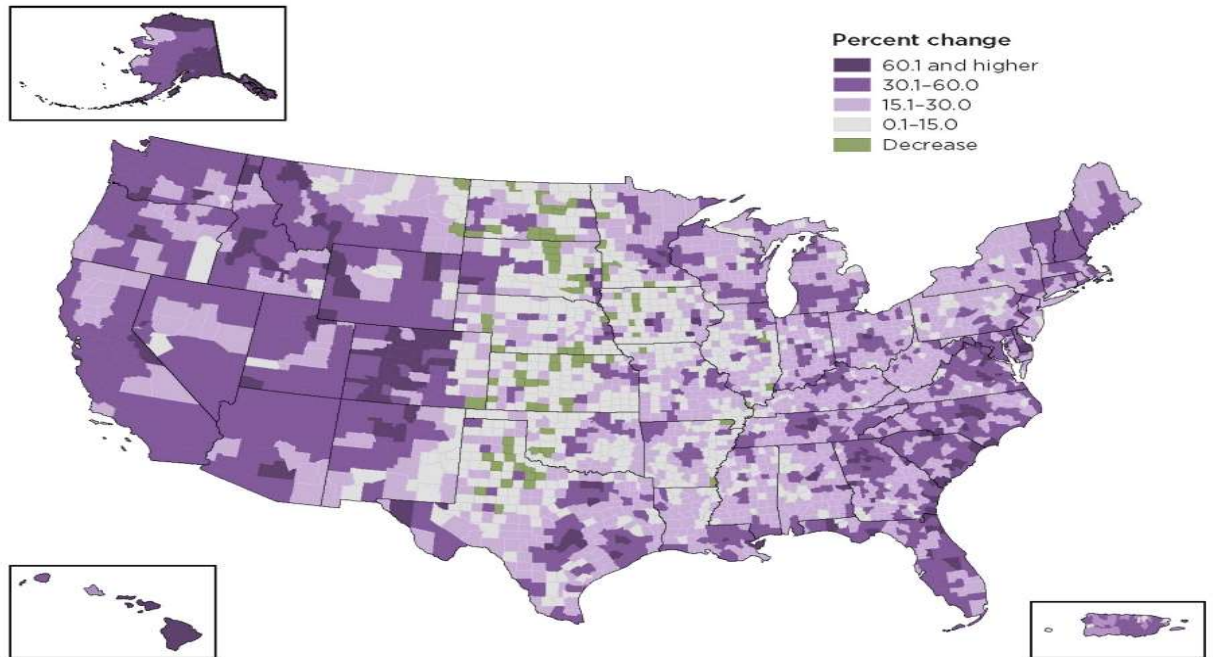
<https://www.forbes.com/sites/howardgleckman/2019/02/01/the-federal-government-will-spend-half-its-budget-on-older-adults-in-ten-years/?sh=6f7945ab56b6>

2. Veterans reduced over past decade (1/3) but post 9/11?
3. Inflation down now but?

OLLI Winter 2021 Federal Budget & Debt Class ((ZOOM))

## Older and Growing

Percent Change among the 65 and Older Population: 2010 to 2019



United States<sup>®</sup>  
**Census**  
Bureau

U.S. Department of Commerce  
U.S. CENSUS BUREAU  
[census.gov](http://census.gov)

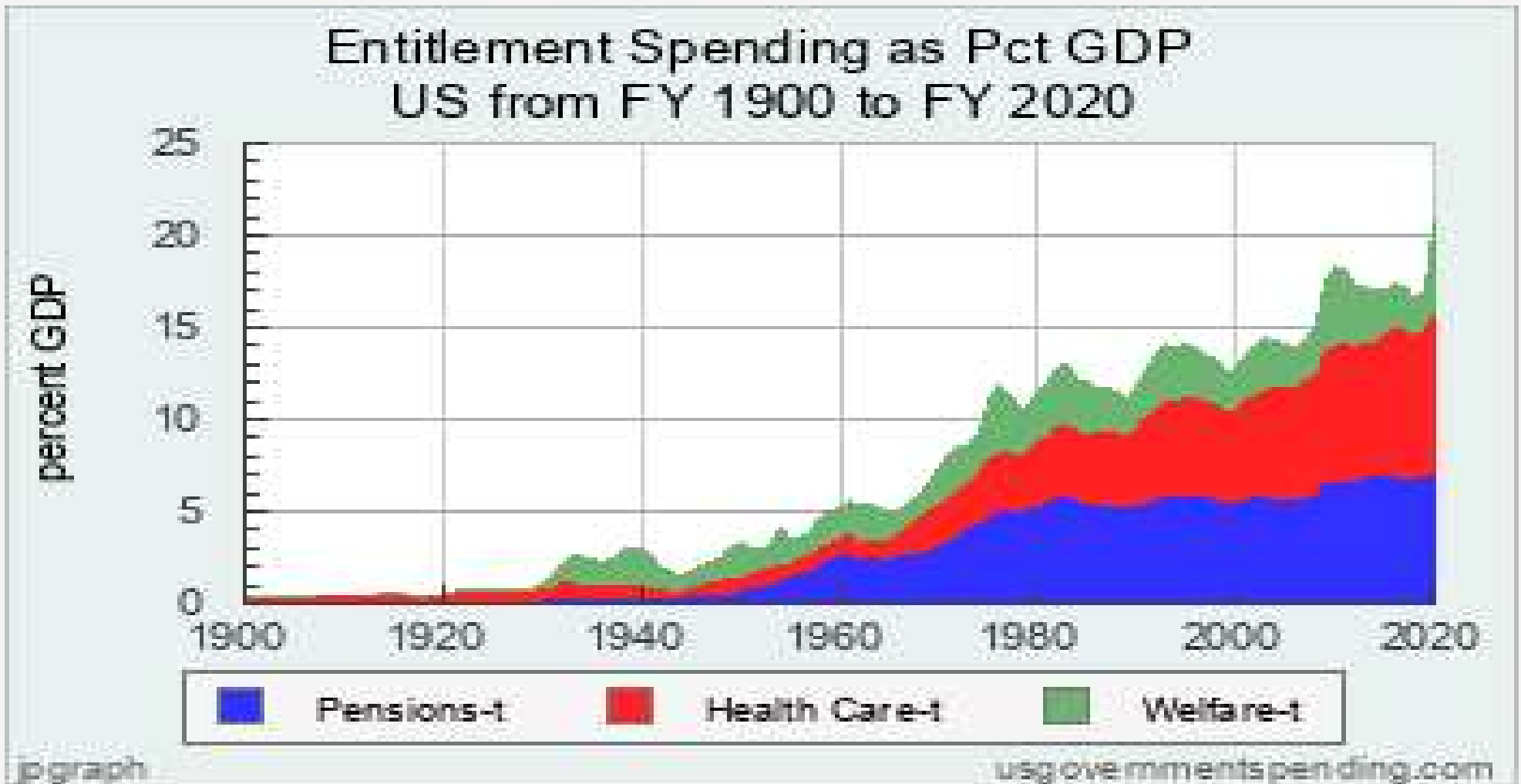
Source: Vintage 2019 Population Estimates  
[www.census.gov/programs-surveys/popest.html](http://www.census.gov/programs-surveys/popest.html)

Presented by Ed Johnson & Dale Pahl ([ehjsolutions@gmail.com](mailto:ehjsolutions@gmail.com) & [dalepahl@gmail.com](mailto:dalepahl@gmail.com)) ©2021

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## A picture is worth a thousand (trillions) of words

### Entitlement Spending as Pct GDP US from FY 1900 to FY 2020

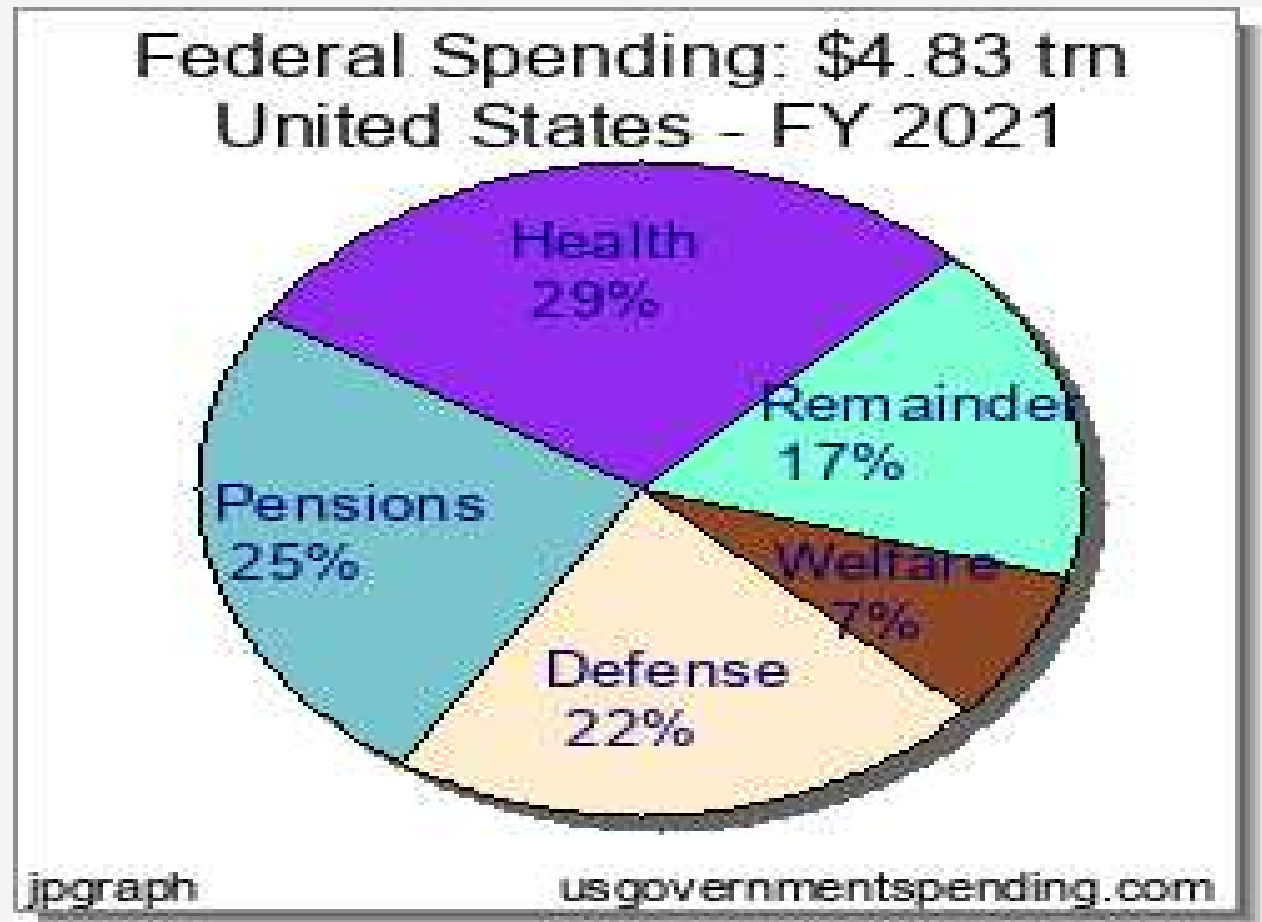


ipgraph

usgovernmentspending.com

## Another picture is worth a thousand (trillions) of words

While the amounts continue to change especially with the supplements, this captures the key breakouts of Federal Spending Overall



## “Who, When and What” of the Federal Budget Process

Before further discussing Revenue, I always like to mention the Laffer curve (supply-side economics) especially in light of the 2017 Jobs Act and Tax Cuts. As explained, the Laffer curve illustrates a theoretical relationship between rates of taxation and the resulting levels of government **revenue**.

There is a consensus among leading economists that a **reduction** in the US **federal income tax** rate does not **raise** annual total **tax revenue** (e.g., by increasing workers wages, increasing hiring, or investing in infrastructure, etc.)

### OTHER THOUGHTS?

# “Who, When and What” of the Federal Budget Process

## Federal Receipts\*: Total and as % of GDP (\$ in million)

Type	FY 1960		FY 1980		FY 1990		FY 2000	
	\$	%GDP	\$	%GDP	\$	%GDP	\$	%GDP
Individual Income Taxes	\$ 40,715	7.6	\$ 244,069	8.7	\$ 466,884	7.9	\$1,004,462	9.9
Corporation Income Taxes	\$ 21,494	4.0	\$ 64,600	2.3	\$ 93,507	1.6	\$ 207,289	2.0
Social Insurance & Retirement Receipts**	\$ 14,683	2.7	\$ 157,803	5.7	\$ 380,047	6.4	\$ 652,852	6.5
Excise Taxes	\$ 11,676	2.2	\$ 24,329	0.9	\$ 35,345	0.6	\$ 68,865	0.7
Other***	\$ 3,923	0.7	\$ 26,311	0.9	\$ 56,174	1.0	\$ 91,723	0.9
<b>TOTAL</b>	<b>\$ 92,491</b>	<b>17.3</b>	<b>\$ 517,112</b>	<b>18.5</b>	<b>\$1,031,957</b>	<b>17.5</b>	<b>\$2,025,191</b>	<b>20.0</b>
<b>1960 by type: 44%/ 23%/ 16%/ 13%/ 4%</b>					<b>1990 by type: 45%/ 9%/ 37%/ 3%/ 5%</b>			

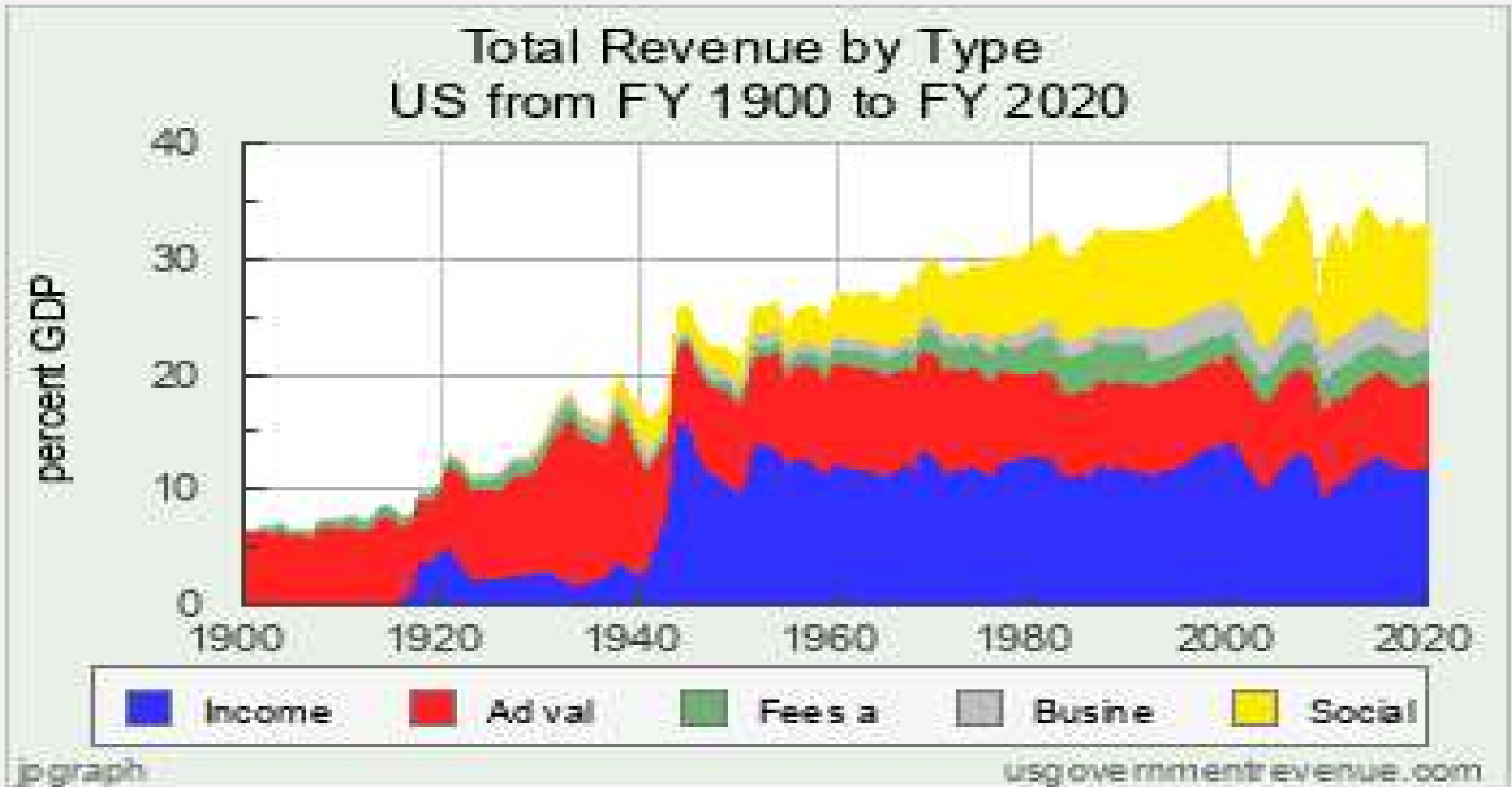
Type	FY 2010		FY 2017		FY 2018		FY 2019		FY 2020	
	\$	%GDP	\$	%GDP	\$	%GDP	\$	%GDP	\$	%GDP
Individual Income Taxes	\$ 898,549	6.1	\$1,587,120	8.2	\$1,683,538	8.3	\$1,717,857	8.1	\$1,812,040	8.2
Corporation Income Taxes	\$ 191,437	1.3	\$ 297,048	1.5	\$ 204,733	1.0	\$ 230,245	1.1	\$ 263,642	1.2
Social Insurance and Retirement Receipts**	\$ 864,814	5.8	\$1,161,897	6.0	\$1,170,701	5.8	\$1,243,372	5.9	\$1,312,026	5.9
Excise Taxes	\$ 66,909	0.5	\$ 83,823	0.4	\$ 94,986	0.5	\$ 99,452	0.5	\$ 94,593	0.4
Other***	\$ 140,997	1.0	\$ 186,296	1.0	\$ 175,949	0.9	\$ 173,235	0.8	\$ 224,026	1.0
<b>TOTAL</b>	<b>\$2,162,706</b>	<b>14.6</b>	<b>\$3,316,184</b>	<b>17.2</b>	<b>\$3,329,907</b>	<b>16.4</b>	<b>\$3,464,161</b>	<b>16.3</b>	<b>\$3,706,327</b>	<b>16.7</b>
<b>2010 by type: 42%/ 9%/ 40%/ 3%/ 7%</b>					<b>2020 by type: 49%/ 7%/ 35%/ 3%/ 6%</b>					

\* Starting in 1987, includes Superfund; (2) In 1989 & 1990, includes supplementary medical insurance trust fund.

\*\* Mostly "off-budget" -- approx. 73% \*\*\* Estate & gift taxes, customs duties, Federal reserve earnings, & various fees & charges (other than user fees)

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A further picture is worth a thousand (trillions) of words





# ““Who, When and What” of the Federal Budget Process

## **OTHER SOURCES OF FUNDING**

While taxes remain the largest source of federal funding, there are a number of other funding sources to cover spending:

- User fees (e.g., Immigration applications, TSA, Patent and Trademark, Customs, National Parks, etc.)
- Loans (with subsidies)
- Sales and receipts
- Premiums (e.g., Flood Insurance program)
- Borrowing

Other opportunities? Actual collection on open receivables/aged debt?  
Higher compliance/enforcement on taxes and other fees (e.g., IRS)

# “Who, When and What” of the Federal Budget Process

## Some Current Items of Interest

## POLLING QUESTION #6

1. Rising and management of Health Care costs
2. Cybersecurity and Protection of our Institutions/Infrastructure
3. Military Spending: what’s next and for what?
4. Infrastructure (roadways/bridges, electric grid, transportation & water systems (many IOUs)
5. Public Assistance (including mental health, homelessness, children programs): social-economic equity
6. Interest on the Public Debt/Debt (including what’s “lost”)
7. Opioid epidemic response: not done yet
8. Terrorism (Domestic/International) & Growing Threats Abroad (China, Russia, Korea, Iran)
9. Immigration Enforcement, e.g., Unaccompanied Children
10. Others: inflation, rising interest rates/federal monetary policies, Congressional gridlock, ???

# How Does North Carolina Benefit?

## Nearly every federal program directly or indirectly impacts North Carolina

- > Transportation
- > Medicare/Medicaid
- > Education
- > Law Enforcement
- > Health and Human Services
- > Financial Assistance (SBA, FEMA, etc.)

**Some key facts:** North Carolina is the 9<sup>TH</sup> largest state (10.5 million or 3.2% of US): And NC grew 10% (nearly 1 million more residents) in past decade (vs. US 6.1%) = greater costs

- Poverty: 13% of population
- Medicaid & Children's Health Insurance Program (CHIP) enrollments: 1.9+ million (18% of population) incl. nearly 300 thousand in CHIP
- Medicare enrollment: 2 million enrollments (or 19% of the population), incl. over 700 thousand in the new" Advantage program
- Social Security (Old-Age, Survivors & Disability): 230 thousand (incl. 211 thousand blind & disabled ) \$133 million in payments) (avg. \$578)
- Active duty and reserve military personnel: 113 thousand (4<sup>th</sup> highest State)

Fed \$: \$3,358 per resident TOTAL Fed rev.: \$113.1b (9<sup>th</sup> most) Median household income: \$54,602 (13<sup>th</sup> lowest)

# How Does North Carolina Benefit?

## Some key facts (continued):

Federal grants a key, critical funding piece (largest share of state revenue)

- Grants are apprx. 31% of state budgets & 23% of state/local budgets: Support health care, public education, housing, community development, child care, job training, transportation, and clean water, etc.
- Many states have revenue shortfalls and struggle to find adequate revenues to support services; without federal aid, likely cut or eliminate programs.

Largest discretionary grant areas: Transportation (including grants for highways, airports, and mass transit), Education (including support for low-income students and students with special needs), and Programs to subsidize housing for low-income families and seniors and foster community development.

<https://www.cbpp.org/research/state-budget-and-tax/federal-aid-to-state-and-local-governments>

# How Does North Carolina Benefit?

## Some key facts (continued):

**4. Mandatory State/Local government grants for Medicaid and CHIP.** *Remainder primarily for families and children programs, including seniors and people with disabilities.*

- These benefits/services are available to anyone who meets their strict eligibility criteria, and funding increases automatically to increased need.
- Medicaid & CHIP spending grown significantly over time (as % of economy): enrollment growth and the rise in per-person health care costs.
- Mandatory grants other than for Medicaid/CHIP WERE at a lower percentage of the economy than when President Reagan left office – **need to evaluate COVID impact.**
- **North Carolina is one of 14 states that have not adopted the Medicaid expansion. If approved, greater federal/state costs based on hundreds of thousands added. *[Legislation has not included yet despite Governor's efforts including veto on funding bill (not overridden) that included the expansion.]***

<https://www.kff.org/medicaid/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/>

<https://www.nc.gov/government/open-budget>

# “Who, When and What” of the Federal Budget Process

**And again, a reminder of “recent” bills that will continue to impact future budgets, spending, revenue and OF COURSE, our discussion on Deficits and the Debt:**

**2010/2011**: Affordable Care Act enacted & President proposes \$400 billion of federal deficit reductions (over 10 years) including spending freeze on many domestic programs

**2011 & 2013**: For the first time in history, the U.S. has its credit rating lowered (from AAA to AA+) and removing U.S. from list of risk-free borrowers & the Congressional Supercommittee in charge of finding \$1.2 trillion in deficit **reductions fails to agree** on programs to cut; automatic cuts to military and domestic programs go into effect

**2017**: Tax Cuts and Jobs Act enacted (Dec. 22) – deficit increased by \$2 trillion over 10 years and the most severe disaster season ever.

**2020/2021**: \$2.7 trillion budget agreement for FYs 2020 and 2021 signed by President Trump; **holds off \$126 billion in automatic spending cuts and suspends the debt ceiling through July 2021**

**2019/2020**: Administration transfers without Congressional approval \$10+b to fund Border “wall” and delays funding for Ukraine: political and legal processes for which GAO opined were illegal.

**2020/2021/???**: COVID and the aftermath! And new discussion on raising taxes.

## Pre-Course Questions: Check-In

As we have now completed three of our six sessions, it's a good time to recheck if we are addressing the class expectations from the responses to the pre-course questions:

- (1) Are there specific questions or topics you would like addressed/covered during our six sessions together?;
- (2) Why did you decide to take this course?; and
- (3) Would you pay more taxes to pay down the Federal debt, or cut Federal spending, or both, and explain why?

For questions #1: Impact of different interest rates on budget/debt; Impact of Waste and Fraud in government programs; Why should the federal government be a safety net for so many and why so many federal employees; Understanding “modern monetary theory” on federal spending and impact on economy; Why deficit, sustainable/wise and who owns; Structure of federal budget and should we have a balanced budget requirement; & Should the Federal budget be more like my personal budget (living within my means).

## Pre-Course Questions: Check-In (*continued*)

For question #2: Gain understanding of the structure, issues and complexity of federal budget/spending, the deficit and debt including economic impact/factors and taxes; How to interpret the numbers (e.g., State Department) and Who is in charge; If Debt is not covered, what is the So What and do deficits really matter/why; What are the short- and long-term implication of the Debt, and Understand the policy/rationale for the Central Bank; What are the laws that govern the processes; & What has changed in the past 2-4 years.

For question #3: More taxes if fair/equitable and tax avoidance addressed; Too much spent on Health care and need to address Wealth Gap; Prior tax cut ill-advised and will inflation become a problem again; Open to comprehensive approach to get economic affairs in order (even though taxes are high); Reduce Federal spending and erroneous payments & no more taxes; If taxes then spending cuts; Need to evaluate, readjust, redefine and rebalance taxes (e.g., tax expenditures theory); & Whatever approach is the Country able/willing to support.

**Still lot's to discuss, examine and focus on ahead, so please raise (if we do not) and we will continue to try to address in the context of this course, where we can or through our Q&As!**



## END OF SESSION 3: OUTSTANDING QUESTIONS



For our next session, we will explore the Federal Accountability Framework, incl. the concept & evolution of oversight, techniques, & the legal context. Without oversight, accountability & controls, the consequences: financial waste, fraud & abuse.

### REMINDERS

1. The next session (Session 4) is April 1<sup>st</sup> @ 11:00am (No Aprils Fool) so sign-in early!
2. The Session 3 presentation will be uploaded to our Website in the next couple of days (<https://olli-federal-budget.weebly.com/session-3-3182021.html> )
3. For any questions not addressed, please submit to us through the OLLI course website, or our personal emails that we provided.

<https://www.usdebtclock.org/>