

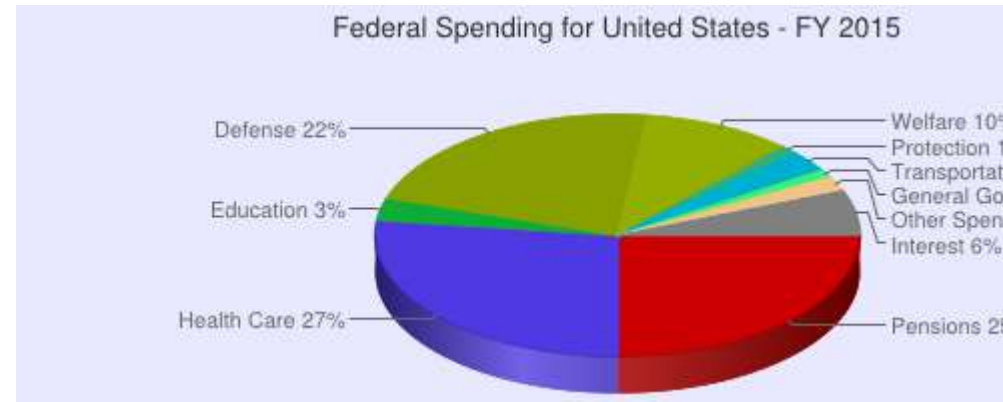
Federal Spending 14.3

- **What is the difference between mandatory and discretionary spending?**
- **What are some major entitlement programs?**
- **What are some of the categories of discretionary spending?**
- **How does federal aid impact state and local governments?**

Mandatory and Discretionary Spending

Spending Categories

- **Mandatory spending** refers to money that lawmakers are **required by law to spend on certain programs** or to use for interest payments on the national debt.
- **Discretionary spending** is spending about which **government planners can make choices**.
- <http://www.concordcoalition.org/issues/indicators/federal-budget-pie-charts>



Entitlements

An **entitlement program** is a social welfare program that people are “entitled” to if they meet certain eligibility requirements.

- **Social Security** <http://www.ssa.gov/planners/benefitcalculators.htm#ht=0>
Social Security is the largest category of government spending. Age 67 or older, or disabled.
- **Medicare** Age 65 or older
 - Medicare pays for certain health benefits for people over 65 or people who have certain disabilities and diseases.
- **Medicaid**
 - Medicaid benefits low-income families, some people with disabilities, and elderly people in nursing homes. Medicaid costs are shared by the federal and state governments.

Discretionary Spending

Defense Spending

- Spending on defense accounts for about half of the federal government's discretionary spending.
- Defense spending pays military personnel salaries, buys military equipment, and covers operating costs of military bases.

Other Discretionary Spending

- Other discretionary spending categories include:
 - Education
 - Training
 - Environmental cleanup
 - National parks and monuments
 - Scientific research
 - Land management
 - Farm subsidies
 - Foreign aid



Section 3 Assessment

1. All of the following are examples of mandatory spending except
 - (a) defense spending
 - (b) Medicare
 - (c) Social Security
 - (d) Medicaid
2. An entitlement program is
 - (a) a program to provide benefits paid to everyone.
 - (b) a program to provide benefits paid to government employees only.
 - (c) a program to provide benefits to people who meet certain requirements.
 - (d) a program to provide benefits to illegal aliens.

Want to connect to the PHSchool.com link for this section? [Click Here!](#)

Section 3 Assessment

1. All of the following are examples of mandatory spending except
 - (a) **defense spending**
 - (b) Medicare
 - (c) Social Security
 - (d) Medicaid
2. An entitlement program is
 - (a) a program to provide benefits paid to everyone.
 - (b) a program to provide benefits paid to government employees only.
 - (c) **a program to provide benefits to people who meet certain requirements.**
 - (d) a program to provide benefits to illegal aliens.

Want to connect to the PHSchool.com link for this section? [Click Here!](#)

State and Local Taxes and Spending 14.4

- How do states use budgets to plan their spending?
- How are state taxes spent?
- What are the sources of state tax revenue?
- How do local governments obtain and use revenues?

State Budgets

- Operating Budgets
 - A state's **operating budget** pays for day-to-day expenses. These include salaries, supplies, and maintenance of state facilities.
- **Capital Budgets**
 - A state's **capital budget** pays for major capital, or investment, spending.
- Balanced budgets
 - Some states have laws requiring balanced budgets. These laws, however, only apply to a state's operating budget.

Where Are State Taxes Spent?

- **Education**
 - State education budgets help finance public state universities and provide some aid to local governments for elementary, middle, and high schools.
- **Public Safety**
 - State governments operate state police systems, as well as correctional facilities within a state.
- **Highways and Transportation**
 - Building and maintaining highways is another state expense. States also pay some of the costs of waterways and airports.
- **Public Welfare**
 - State funds support some public hospitals and clinics. States also help pay for and administer federal benefits programs.
- **Arts and Recreation**
 - State parks and some museums and historical sites are funded by state revenues.
- **Administration**
 - Like the federal government, state governments spend money just to keep running.

State Tax Revenues

- **Limits to State Taxation**
 - Because trade and commerce are considered national enterprises, states cannot tax imports or exports. They also cannot tax goods sent between states.
- **Sales Taxes**
 - Sales taxes are the main source of revenue for many states.
- **Other State Taxes**
 - Different states have various other means to collect revenue, such as state income taxes, excise taxes, corporate income taxes, business taxes, and property taxes.

Local Government Spending and Revenues

The Jobs of Local Government

- The following is a brief list of the many functions that local governments carry out or assist in:
 - Public school systems
 - Law enforcement
 - Fire protection
 - Public transportation
 - Public facilities, such as libraries and hospitals
 - Parks and recreational facilities
 - Record keeping (birth/death certificates, wills, etc.)

Local Government Revenues

- Property taxes are the main source of local revenue. These taxes are paid by people who own homes, apartments, buildings, or land.
- Local governments sometimes collect excise, sales, and income taxes as well.
- Some taxes, such as room and occupancy taxes, are aimed at nonresidents in order for local governments to earn additional revenue.

Section 4 Assessment

1. Which of the following is not a source or revenue for most state governments?
 - (a) education tax
 - (b) intergovernmental revenue
 - (c) income tax
 - (d) sales tax
2. What is a tax assessor?
 - (a) someone who pays high taxes
 - (b) someone who decides which taxes are unfair
 - (c) someone who prepares individual tax statements
 - (d) someone who determines the value of a property

Want to connect to the PHSchool.com link for this section? [Click Here!](#)

Section 4 Assessment

1. Which of the following is not a source or revenue for most state governments?
 - (a) education tax**
 - (b) intergovernmental revenue
 - (c) income tax
 - (d) sales tax
2. What is a tax assessor?
 - (a) someone who pays high taxes
 - (b) someone who decides which taxes are unfair
 - (c) someone who prepares individual tax statements
 - (d) someone who determines the value of a property**

Want to connect to the PHSchool.com link for this section? [Click Here!](#)