



Congress & the Budget: Notes

In this lesson:

- The House & Senate
- Legislative Committees
- Big Ideas about the Budget
- Federal Expenditures
- The Budgetary Process

The House & Senate:

- **Operational Differences**
 - **The House of Representatives**
 - Centralized, formal, strong leadership
 - Restrictive debate rules
 - Rigid parliamentary procedure
 - Power concentrated on party leadership
 - Members specialize in one or a few fields
 - Emphasis on tax and revenue
 - Power concentrated in speaker and their rules committee
 - Turnover is high...but incumbents always win
 - **The Senate**
 - Less centralized, less formal, weak leadership
 - Few debate rules, need 60 Senators to end debate
 - More personal, polite, less rigid
 - Parties less powerful, equality for members
 - Members have general expertise
 - Emphasis on foreign policy
 - Changes
 - Difficult to pass legislation
 - Filibuster: need 60/100 votes to pass laws
- **Constitutional Differences**
 - **The House**
 - 435 members (apportioned) serving 2 year terms
 - Requirements: must be at least 24 years old, citizen for 7 years, resident of state elected from
 - Power of the Purse: House is responsible for initiating all revenue bills
 - Impeachment Power: voted on whether or not to have trial for a public official (to investigate treason, bribery, high crimes, and misdemeanors)



- The Senate
 - 100 members (2 per state) serve 6 year terms ($\frac{1}{3}$ of seats up for election every 2 years)
 - Requirements: be at least 30 years old, citizen for 9 year, resident of state elected from
 - Confirm executive appointments (cabinet heads, judge)
 - Ratify (approve) treaties
 - Impeachment trial officials by vote: if found guilty by Senate they can be removed from office
- Important Members
 - House
 - **Speaker of the House:** decides what bills are considered by whole House through Rules Committee, decides committee assignments, leadership posts, runs House
 - **Majority Leader:** supports Speaker on floor, helps with tasks
 - **Minority Leader:** minority voice, tries to control party and organize opposition to majority
 - **Majority Whip:** counts party votes; tries to get members to vote with party:
 - **Minority Whip:** same as majority whip
 - **Rules Committee:** “speakers committee”; can decide date of bill vote, can choose to allow debate, amendments to/for all
 - Senate
 - **Presiding Officer - Vice President:** president of Senate; tie breaking vote in Senate
 - **President Pro Tempore:** presiding officer when VP isn’t president (not tie breaking vote); honorary title for longest serving member of majority party
 - **Majority Leader:** voice of majority tries to shape majority party positions/policy
 - **Minority Leader:** voice of minority; tries to shape minority policy/positions to oppose majority
 - **Majority Whip:** counts party votes; tries to get party members to vote with party
 - **Minority Whip:** same as majority whip

Legislative Committees:

- Both Senate & House divide work into committees (review bills, change bills, hold hearing)



- **Main Type (Standing Committee)**
 - Permanent working groups that continue from one Congress to the rest
 - Focus on a particular area of legislation (Ex. foreign affairs, agricultures)
 - All bills are referred to the appropriate standing committee
 - Members develop expertise in field
 - Divided into subcommittees to work finer details
- **House Rules Committee**
 - Speaker's Committee/ Rules: through the Rules committee, Speaker controls all house business/if bills will be voting on
 - Closed rule: strict time limits on debate and no amendments can be offered
 - Open rule: less strict time limits, permits amendments to be proposed
- **House Committee on Ways & Means**
 - Power of the Purse: deals with taxation and revenue (funding for government functions)
 - Appropriations: all other committees use this revenue as budgeted appropriations (\$ for a specific purpose)
- **Other Types of Committees:**
 - **Select Committees:** special groups for a specific purpose and limited time; usually to conduct an investigation into a current meter
 - **Joint committees:** include both House and Senate members; similar to joint committee but focus attention on major/long term issue
 - **Conference committee:** temporary to resolve differences between House & Senate versions of the same bill; appointed by Party leadership from original committees
- **Committee Leadership**
 - **Committee Chair:** elected member of majority party who runs the committee
 - **Ranking member:** longest serving member of minority party; voice of minority party
 - **Why chair a committee:**
 - Responsibility: call meetings, schedule hearings, hire staff
 - Power: select subcommittee chairs; money from PACs
 - Pork: bring home the bacon, benefits to state/district
- **Oversight: Congressional investigation and review of activities of executive branch officials**

Big Ideas about the Budget:

- **Budget: a financial plan for use of money, personnel, and property**
- **Balanced Budget: when expenditures equal revenues in a fiscal year**
- **Budget Deficit: when expenditures exceed revenues in a fiscal year**



- **Federal Debt: total amount owed by the federal government**
- **How Federal Government Influences Economy:**
 - **Monetary Policy**
 - Controlled by the Federal Reserve Board
 - Includes regulating money supply, controlling inflation, adjusting interest rates
 - Not influenced by public opinion/voting/elected representatives
 - **Fiscal Policy**
 - Controlled by executive/legislative branches
 - President proposes budget, Congress passes it
 - Includes raising and lowering taxes/rates and government spending programs
 - Subject to public opinion
- **Sources of Federal Income**
 - **Individual Income Tax (46% tax revenue)**
 - 16th amendment made this possible
 - Progressive tax: proportionate to income; tax rate increases as taxpayers income does
 - Regressive tax: flat rate, regardless of ability to pay
 - **Payroll (Social Insurance) (36% tax revenue)**
 - Employers and employees each pay social security tax of 6.2% of the first \$106,800 of earnings
 - Medicare: 1.4% tax on total annual income (employers match)
 - Social insurance taxes are regressive because they're at a fixed rate
 - **Corporate Taxes (12% tax revenue)**
 - Corporations pay a tax rate from 21% to 21% on all income
 - **Excise Tax (3% tax revenue)**
 - Tax on manufacturing, sale, or consumption of a good or service
 - Fed taxes gas, alcohol, tobacco, airline tickets, etc.
 - **Estate & Gift Taxes (1% tax revenue)**
 - Levy on assets of someone who dies on anything they pass to others if it totals more than \$11.2 million
 - **Custom Duties (1% tax revenue)**
 - Duties and tariffs are taxes levied on items brought into the US from abroad
 - Most tax comes from here before income tax

Federal Expenditures:

- **Non discretionary/Mandatory Spending (60% of federal spending)**



- **Congress and President have no power to change this type of spending**
- **Most of it is spent on entitlement programs**
- **Entitlement Programs**
 - Federal entitlement: program that guarantees a specific level of benefits to people who meet legal requirements
 - Ex: social security, medicare, medicaid
 - Social security, medicare, medicaid make up 44% of all federal expenditures
 - **Entitlements make it very hard to achieve a balanced budget**
- **Borrowing and the Debt**
 - Federal debt exceeds \$19 trillion (as of 2020)
 - About 5-9% of federal expenditures go to paying interest on the debt
 - Amount is dependent on interest rates
- **The Social Security Program**
 - In 1935, FDR signed the Social Security Act into law
 - SS is designed to help Americans retire with certainty and age with dignity
 - In 1965, Congress added Medicare to SS
 - It is designed to assist the elderly with medical costs
- **Demographic Trends**
 - SS and Medicare are funded by current/younger taxpayers; the retired generation relied on today's workers to finance their requirements and medical treatment
 - The Baby Boomer generation (1946-1964) include 76 million people
 - As these people retire, the number of workers who fund SS will decrease while people eligible for benefits increase
 - Improvements in healthcare - exponentially increasing life expectancy
 - Strains SS program
- **Discretionary Spending (30% of federal spending)**
 - **Non required by law**
 - **Funding changes year to year**
 - **More than half goes to the military**
 - Ex.: education, highways, agriculture, research

The Budgetary Process:

- **President & the Budget**
 - President starts budgetary process by submitting a proposed to Congress
 - The Office of Management and Budget has the primary role in creating and preparing the federal budget
 - The budget is a way for the President to articulate his priorities/goals
- **Congress & the Budget**



- Congressional Budget & Impoundment Act - designed to retake budgetary power back from executive branch
 - Created a fixed budget calendar; est/ budget committees in both houses; created Congressional Budget Office to advise Congress & forecast future revenues
- President's budget sent to Appropriations Committee
- Tax proposals referred to House Ways & Means Committee and Senate Finance Committee
- Congress required to pass appropriations (spending bills)
- **Why can't Congress balance the budget?**
 - Entitlement Spending: is 60% of budget which severely limits what President and Congress can do
 - Incrementalism: federal agencies assume their budgets will grow by a smaller regular amount each year; these small increases make spending cuts hard
 - Interest Groups: this process makes it easy for outside groups to lobby Congress, resist tax increases, and preserve favorite spending programs
- **Consequences of Budget Deficits:**
 - **Deficits require huge interest payments**
 - **Deficits place big burden on future generation**
 - **Deficits make it hard to fund important policy goals**