

## MIDDLE SCHOOL | UNIT 1

## Being Financially Responsible

## Title

# Comparing Personal and Government Budgeting

## LEARNING OBJECTIVES

Students will:

- **review** the steps to create a personal budget.
- **predict** what steps the federal government takes when creating a budget.
- **analyze** the similarities and differences between personal and governmental budgeting.

## Content Area

Social Studies

## Grades

6–8

## Overview

*Does the government need to think about the same things you do when creating a budget?* Students consider what steps the government takes to create a budget. The activity begins with students creating a mock budget with a fictitious birthday gift. Students will then create a life-sized Venn diagram to compare and contrast the personal and governmental budget processes.

## Themes

**Personal Finance:** Financial Responsibility

**Social Studies:** Civics, Economics

## C3 Framework for Social Studies Standards

**D2.Civ.4.6-8:** Explain the powers and limits of the three branches of government, public officials, and bureaucracies at different levels in the United States and in other countries.

**D2.Eco.1.6-8:** Explain how economic decisions affect the well-being of individuals, businesses, and society.

## Pathway to Financial Success

In Schools

### Connect

#### How does this connect to the student?

Governments get most of their income from taxes that are collected from individuals and businesses. When students go shopping or begin earning an income, they will pay taxes. They can have input into how much taxes are collected and how their tax dollars are spent by contacting their legislators and sharing their thoughts or by voting for government officials with similar viewpoints.

#### How does this connect to careers?

**Legislator:** Individuals that want to make a difference in government can run for office to represent their region or state. Members of the House of Representatives or Senate along with other elected officials at the state level are considered legislators. People generally have other careers before running for office. This means almost anyone can someday consider becoming a legislator.

#### How does this connect to the world?

Just like people, governments that spend more money than they earn accumulate debt. Almost every country in the world has debt, but the amount varies considerably. How governments approach debt and the decisions they make about income and expenses is a topic of interest to many individuals. Understanding these topics helps students to be more informed citizens and voters.

### Key Terms

**Personal Finance:** budgets, income

**Social Studies:** legislation, bill, fiscal year, discretionary spending, mandatory spending

### Prepare

**Background:** Although the government has a highly-complicated budget process, many of the steps in the process are very similar to the steps students and families would take in creating their own personal budgets. Students will learn about how different parts of government work together to create a budget with the goal of expenses not exceeding income in order to compare it to the process a family takes in creating a budget.

Creating a Venn diagram will give the students a concrete vision of those similarities and differences. It will help them to analyze the processes and develop an understanding of the federal fiscal system. By taking the additional step of creating a life-sized Venn diagram, students will be able to interact with the budgetary process, solidifying their understanding. To prepare for the life-sized Venn diagram, organize a large space in your room to display an enlarged diagram. This can be drawn on a board, drawn on butcher paper and taped to a wall, created with masking tape on the floor, etc. Adapt the instructions below to your situation.

### Materials

- **Spending Your Birthday Money Handout**—one copy per student
- **The Government's Budget Process Student Handout**—one copy for each student
- **Comparing Personal and Government Budgets**—one copy for each student
- **The Government's Budget Process Answer Key**—one copy for the teacher
- **Internet Access**

## Pathway to Financial Success

In Schools

- Sticky Notes
- Budgeting: What Is It and How Does It Work? Student Video

### Engage

- Ask students what they know about **budgets** (a plan used to decide the amount of money that can be spent and how it will be used). Explain that budgets can be used by individuals, families, businesses, and even governments.
- Play the video, **Budgeting: What Is It and How Does It Work?** At the conclusion, shout “Happy Birthday!” Tell the students that today is their pretend birthday, and they will all receive some pretend money as their gift!
- Challenge students to think of the different things they could do with their unexpected cash gift. Record student responses on the board before distributing the **Spending Your Birthday Money Student Handout**.
- Direct students to work in pairs to complete the handout. When everyone is finished, ask several students to share the process they and their partners took while completing the task. Reinforce that the processes they are describing is “budgeting” and share that their plans would be **expenses** (money that is spent). Ask students if it would be easier to have developed a plan for their money on their own. What challenges were presented by having to work with a partner?

### Teach

- Explain to the students that the government is required to set a budget every year in order to determine how to spend its **income** (money that is earned or given). Income for a government comes from several sources, but most comes from taxes by individuals and business. Like the student pairs, people in government must also work together to develop a budget.
- Challenge students to create a list of expenses that a government might have. Record students’ ideas on the board. Remind students to think about federal, state, and local governments. Anticipated responses might include: emergency services, maintenance of roads and bridges, defense, salaries, social services, schools, etc.
- In pairs, have students use the internet to complete cursory research on the federal government’s process for creating a budget. (*Note: The federal system is similar to the state and local budgeting process except that most state and local governments are required to balance the budget. This means they cannot spend more than they receive, or—put another way—their income must be equal to or greater than their expenses.*) Suggested sites for research include:
  - [Budget of the US Government](#)
  - [Basics of the Current Federal Budget Process](#)
- Distribute a **The Government’s Budget Process Student Handout** to each student to complete with their partners as they find information.
  - If necessary, review terms such as **discretionary spending** (spending for which the President can decide how he or she wants to spend the money), **mandatory spending** (spending for which the president does not get to decide), **bill** (a proposed law), and **fiscal year** (the income year determined for budgetary purposes; may or may not coincide with calendar year; in the United States, the federal government begins its fiscal year on October 1st each year).
- Share the correct answers from **The Government’s Budget Process Answer Key** with the class and allow them time to correct their answers.
- Direct students to circle the various parties involved in the government budgeting process.

## Pathway to Financial Success

In Schools

- Facilitate a discussion in which you ask students to reflect on how the different parts of government work together in creating a budget (at the federal level, the president, government agencies, house and senate). What situations might make it harder to reach agreement on a budget? Invite several students to share their thoughts.
- Challenge students to consider the process they took to create their pretend birthday budgets and the process the government uses to create a budget. With their partners, they should compare and contrast the processes by completing the Venn diagrams on their handouts.
- Distribute sticky notes around the room. Give each pair an opportunity to write something from their handout on a sticky note and add it to the life-sized diagram. They should state their idea out loud to the class while adding it. Continue until all ideas have been exhausted. Add any important ideas to the diagram that students did not share.

## Conclude

- Call on students to share any conclusions they can draw by studying the Venn Diagram.
- Direct students to submit an exit ticket answering the question: How can what I learned about how the government creates a budget affect my own spending plans?

## Extend

- **Family:** Encourage students to talk with their families about their own expenses and budgets. They should consider which portions would be considered mandatory spending and which are discretionary.
- **Research:** Challenge students to research the federal government's spending. What percent is mandatory and what percent is discretionary spending? What expenses fall into each category? How does the spending of the federal government compare to that of your state or local government?
- **Guest Speaker:** Invite state or local government officials to visit your class and discuss the budget process. Ask them to share information about the process including what influences spending decisions, how disagreements over income sources are handled, and specific examples of budget challenges they have worked to overcome.

# Spending Your Birthday Money

**Directions:** Read the scenario below and use the information to complete your personal budget in the tables provided.

*For your birthday you receive a total of \$50 from various relatives! You also have a babysitting job next weekend where you expect to earn another \$25 dollars. With this “found money,” you plan on buying a shirt you want that costs \$30. You also want to meet your friends for a pizza, and you know this will cost you about \$12. Lastly, your dad reminds you that you owe your brother \$15 to replace the basketball you lost. You plan to put any amount left over in savings.*

|                                     |      |
|-------------------------------------|------|
| <b>Starting Balance</b>             | \$75 |
| <b>Amount You Plan to Spend Now</b> |      |
| <b>Ending Balance in Savings</b>    |      |

Uh-oh! Your babysitting customers called to cancel your job next weekend as you were leaving to meet your friends. Now you need to adjust your spending plan.

|  |  |
|--|--|
| <b>New Starting Balance</b>                                  |  |
| <b>Cross off anything you are going to choose not to do:</b> | Buy Shirt (\$30)   Eat Pizza (\$12)   Pay Brother (\$15) |
| <b>Amount You Plan to Spending Now</b>                       |  |
| <b>Ending Balance for Savings</b>                            |  |

How do you decide how you will spend your money?

# The Government's Budget Process

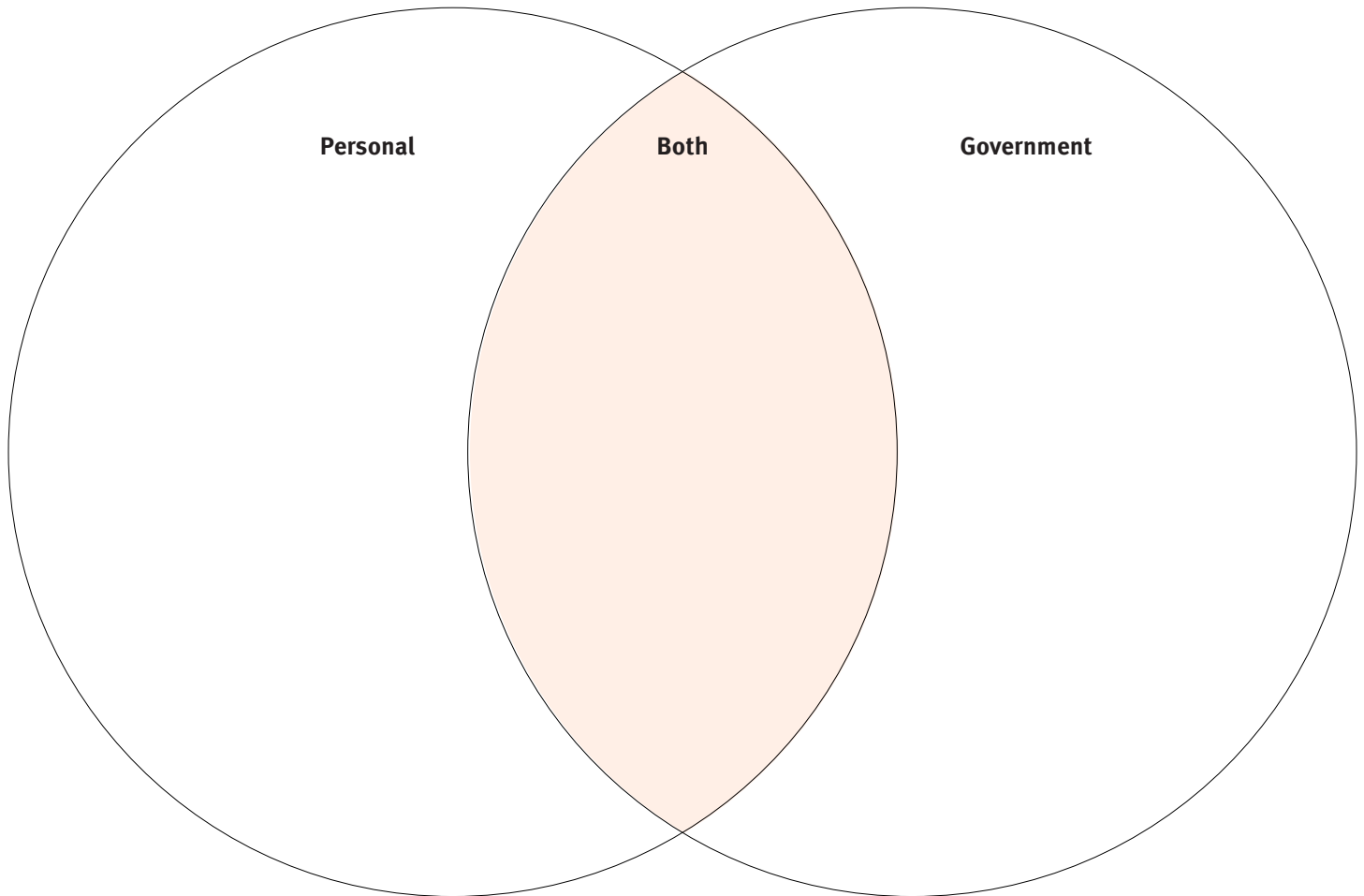
## STUDENT HANDOUT

**Directions:** With your partner, put these steps in the order that you think the federal government would use when developing an annual budget.

- \_\_\_\_\_ The President and his advisors determine what they estimate the income will be next year.
- \_\_\_\_\_ The President's budget is prepared and sent to Congress.
- \_\_\_\_\_ The heads of various government agencies send requests for funds to the President.
- \_\_\_\_\_ Congress must pass bills for each discretionary spending item in their revised budget.
- \_\_\_\_\_ Congressional committees agree or disagree with items in the President's budget and send their own budget back to the President.
- \_\_\_\_\_ The President and his advisors figure out what amount will be left for discretionary spending.
- \_\_\_\_\_ The budget and bills are sent back to the President for his or her signature.
- \_\_\_\_\_ Members of Congress (both the Senate and House of Representatives) review the budget.
- \_\_\_\_\_ The fiscal year begins on October 1, and the new budget is implemented by the various government agencies. (The fiscal year is the income and spending year).
- \_\_\_\_\_ The President and his advisors determine how much money is required to be spent on mandatory programs, such as Social Security, veterans' benefits, and interest on the national debt.

# Comparing Personal and Government Budgets

**Directions:** Consider the process you took to create your pretend birthday budget and the process that the government takes to create a budget. With your partner, compare and contrast the processes by completing the Venn diagram.



# The Government's Budget Process

## ANSWER KEY

**Directions:** With your partner, put these steps in the order that you think the federal government would use when developing an annual budget.

- 2 The President and his advisors determine what they estimate the income will be next year.
- 5 The President's budget is prepared and sent to Congress.
- 1 The heads of various government agencies send requests for funds to the President.
- 8 Congress must pass bills for each discretionary spending item in their revised budget.
- 7 Congressional committees agree or disagree with items in the President's budget and send their own budget back to the President.
- 4 The President and his advisors figure out what amount will be left for discretionary spending.
- 9 The budget and bills are sent back to the President for his or her signature.
- 6 Members of Congress (both the Senate and House of Representatives) review the budget.
- 10 The fiscal year begins on October 1, and the new budget is implemented by the various government agencies. (The fiscal year is the income and spending year).
- 3 The President and his advisors determine how much money is required to be spent on mandatory programs, such as Social Security, veterans' benefits, and interest on the national debt.