

TEXT SUMMARY

The largest area of government spending is for **entitlements**. These are payments made to people whom federal law says are entitled, or have a right, to them. Social Security (Old-Age, Survivors, and Disability Insurance, or OASDI) is the largest entitlement program. The next largest areas of expense are payment on the public debt and national defense.

Entitlement spending makes up part of the government's **uncontrollable spending**, that is, payments that the government is obliged by law to make each year. **Controllable spending** is spending that may be adjusted each year, such as spending on the environment or education.

The budget is the Federal Government's spending plan for one year. The President and the Office of Management and Budget put the budget together, then send it to Congress. There it goes to the Budget and Appropriations committees in each house.

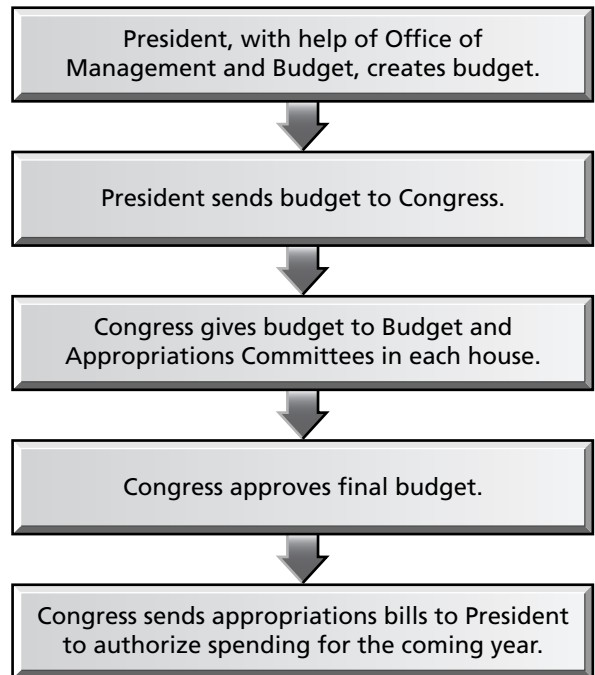
The federal budget, the President's yearly plan for conducting government, is a very important document.

When it has finished reviewing the budget, Congress passes a budget resolution setting spending limits for all federal agencies for the coming year. Congress then passes thirteen appropriations, or spending, bills for the year, each of which the President must sign. If all thirteen bills are not passed before October 1—the beginning of the new fiscal, or budget, year—Congress must pass a **continuing resolution**. Such a bill allows affected agencies to function until new appropriations bills are passed.

THE BIG IDEA

The annual budget-making process is a joint effort of the President and both houses of Congress.

GRAPHIC SUMMARY:
Creating the Federal Budget



REVIEW QUESTIONS

1. How is controllable spending different from uncontrollable spending?

2. Diagram Skills What two branches of government prepare and approve the budget?