Shortfall or Owed?

Sort government money statements by what they measure.

E.4.5 "Define budget debt and budget deficit and distinguish between the two. Explain the effects of both on the economy."

NAME _____ DATE _____

BUDGET DEFICIT

A budget deficit happens when a government spends more than it collects during one fiscal year. Borrowing to cover the gap can support spending now, but it may add to future debt.

In a hypothetical fiscal year, national outlays exceed tax receipts by $40 billion.

BUDGET DEBT

Budget debt is the total amount a government still owes from borrowing over time. Paying interest on that debt can leave less money for other needs.

A national treasury still owes bondholders $900 billion from past borrowing.

1 SORT

8 items

Circle DEFICIT or DEBT for each item, then choose two items and explain how you knew each answer in Part 2.

1.	Suppose $15 trillion in federal borrowing remains unpaid at the end of the year.	DEFICIT DEBT
2.	Money the federal government still owes people who lent to it in earlier years.	DEFICIT DEBT
3.	Suppose federal spending is $6 trillion this year and revenue is $5.5 trillion.	DEFICIT DEBT
4.	The unpaid balance on federal bonds issued in past years.	DEFICIT DEBT
5.	Suppose a state collects $80 billion and spends $85 billion in one fiscal year.	DEFICIT DEBT
6.	A federal budget has a $120 billion shortfall for a single fiscal year.	DEFICIT DEBT
7.	Even with a surplus this year, suppose the federal government still owes $4 trillion from earlier borrowing.	DEFICIT DEBT
8.	Federal expenses exceed incoming revenue by $200 billion during the current year.	DEFICIT DEBT

2 PROVE IT

Explain your thinking

Pick two items from Part 1. For each one, tell how you knew where it belonged.

ITEM # _____ **HOW I KNEW** _____

ITEM # _____ **HOW I KNEW** _____

3 MAKE YOUR OWN

One of each

Write one new example of a budget deficit and one new example of budget debt.

DEFICIT _____

DEBT _____

CHALLENGE

In two sentences, explain how a budget deficit can affect budget debt and describe one possible economic effect of growing debt.

Shortfall or Owed?

PART 1 · SORT

#	ITEM	CATEGORY	WHY
1	Suppose $15 trillion in federal borrowing remains unpaid at the end of the year.	**DEBT**	It describes an amount still owed, not a one-year gap.
2	Money the federal government still owes people who lent to it in earlier years.	**DEBT**	It describes unpaid borrowing from previous years.
3	Suppose federal spending is $6 trillion this year and revenue is $5.5 trillion.	**DEFICIT**	Spending exceeds revenue by $0.5 trillion in one year.
4	The unpaid balance on federal bonds issued in past years.	**DEBT**	Unpaid bonds represent money still owed.
5	Suppose a state collects $80 billion and spends $85 billion in one fiscal year.	**DEFICIT**	The state has a $5 billion shortfall for that year.
6	A federal budget has a $120 billion shortfall for a single fiscal year.	**DEFICIT**	A one-year shortfall is a deficit.
7	Even with a surplus this year, suppose the federal government still owes $4 trillion from earlier borrowing.	**DEBT**	A current surplus does not erase money still owed.
8	Federal expenses exceed incoming revenue by $200 billion during the current year.	**DEFICIT**	Expenses exceed revenue during one year.

PART 2 · PROVE IT

Accept any explanation that names the deciding feature from the rule box for the chosen item.

PART 3 · MAKE YOUR OWN (SAMPLE ANSWERS)

- **DEFICIT**: In a hypothetical year, a county spends $12 million more than it collects.
- **DEBT**: A town still owes $25 million on bonds it sold in past years.

Challenge: If a government borrows to cover a budget deficit, its debt can grow. Growing debt can increase interest costs, leaving less money for other public needs.

For Part 2, accept explanations that identify either a gap within one fiscal year or an amount still owed from borrowing over time. A government can have debt even in a year when it runs a surplus.