**THE BUDGET SOLVING EXERCISE**

**GOAL**

Develop a state budget proposal based on your priorities and then negotiate with the other teams in your group for a final budget.

**TEAMS**

* Dragons (2 people)
* Unicorns (2 people)
* Kraken (2 people)

**DIRECTIONS**

* Using the proposals given or your own ideas, fill in the Budget Balancing Worksheet and develop a state budget.
* If you use your own proposals, you should be able to back them up with facts. Do not guess numbers. For example, if you propose to raise the sales tax on food to raise $8 million, you should have sales figures to show that this is realistic.
* As you develop your budget proposal, remember the other corners have their priorities, so keep in mind what their priorities might be and what you are willing to negotiate.
* You should strive for a balanced budget that addresses your priorities.
* You can have a surplus. If you have a surplus, add a line to the Budget Balancing Worksheet directing the money to the Rainy Day Fund.
* We will assign you to a group with members from the other corners to negotiate a final budget. When everyone is done, you will present your budget and explain your revenue and spending proposals.

**MATERIALS**

Budget Priorities**:** These are your priorities. This is what you want to see in the budget. Your decisions should be based on keeping these priorities.

Revenue Options: These are possible options if you decide to raise or cut revenue. You can find your own revenue proposals, but you must have facts to back up your proposals. You do not have to raise or cut revenue.

Spending Options: These are possible spending changes. You may propose your own spending changes.

Budget Balancing Worksheet: This will automatically do the math for you! The group will draft a separate final.

**Priority List – Sasquatch (EXAMPLE)**

In budget negotiations, the Office of the Governor, and the House and Senate Democratic and Republican caucuses are often referred to as the “five corners,” each bringing their own priorities to the negotiating table. Our exercise has three corners: Dragons, Kraken, and Unicorns. You represent one of the corners and need to advocate for a compromise that balances the budget and preserves as many of your priorities as possible.

Begin by determining how you would balance the budget to achieve your priorities. Your budget proposal must balance, meaning if you increase spending in one area, you must either reduce spending in another area or increase revenue to fund the new spending.

Remember, the other two corners have their own priorities. Anticipate how the other corners might approach the task. In the second half of the activity, the three corners will come together to negotiate.

**Starting Budget vs Goal Budget**

* Starting budget: $51.5 billion to maintain the budget from the prior year
* Revenue from priorities: $10.9 billion
* Governor’s goal budget: $62.4 billion proposed

**Sasquatch's Priorities: $10.9 billion**

* Additional cost to continue current programs for the next biennium ($4.5 billion)
* Whales ($1.6 billion)
* Trains ($1.3 billion)
* Free Community college ($1 billion)
* Free internet ($0.9 billion)
* Teachers ($0.6 billion)
* Forests ($0.4 billion)
* Covid recovery ($0.3 billion)
* Environmental Education ($0.2 billion)
* Taco Tuesday ($0.1 billion)

**Possible Additional Available Funding**

* Federal COVID relief: $4.4 available
* State surplus: $3 billion

**Dragon Priorities**

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**Starting Budget vs Goal Budget**

* Starting budget: $51.5 billion to maintain the budget from the prior year.
* Revenue from priorities: $0 billion.
* House's goal budget: $51.5 billion proposed.

**Dragon Priorities**

* **Scorching the Spending: (-$4.5 billion):**
* Keep the mountains rich with gold. Spending has gotten undisciplined; we need to cut our spending to keep our hoard of treasures prosperous.
* **Hatching Hope for the Future: ($1.3 billion):**
* Picture dragon hatchlings nestled in warm caverns, nurtured by careful claws. This investment allows parents to soar free, knowing their young are safe and sound.
* **Shelter for Weary Wings: ($0.6 billion):**
* Let not a single dragon be forced to roost beneath the open sky. This investment builds warm nests for those whose wings are clipped by misfortune.
* **Taxing the Fires Within: ($0.6 billion):**
* Imagine sparks of relief dancing through ledgers, easing the burden on the engines of our economy. This lets businesses, the fire-belching forges of our society, roar with greater vigor.
* **Rainy Day Fund: ($0.5 billion):**
* Picture a mountain of glittering gold, a fortress against unforeseen storms. This hoard ensures our future, even when the skies darken and lightning cracks.
* **Scaly Guardians of Wisdom: ($0.4 billion):**
* Our elders, the wise dragons of our land, deserve a twilight bathed in warmth. This investment strengthens their claws and ensures they are well-fed.
* **Welcoming New Dwellers: ($0.4 billion):**
* Let our borders be welcoming like a sun-drenched clearing, open to those seeking refuge. This fund provides the fuel for new fires, allowing new dragons to join our flight.
* **Working Clans Tax Exemption: ($0.3 billion):**
* Imagine a breath of wind easing the burdens of families. This exemption lifts their chains and lets them climb higher.
* **Wings of Support: ($0.2 billion):**
* Allow injured wings to heal and fiery spirits to mend without worry. This program provides a nest of comfort when illness or new life takes flight.
* **Habitat restoration: ($0.2** **billion)**:
* Picture sunlight dappling through ancient scales, the forest thriving under our watchful eyes. This investment keeps our woods vibrant and our air clean, a verdant haven for all creatures.

**Kraken Priorities**

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Begin by determining how you would balance the budget to achieve your priorities. Your budget proposal must balance, meaning if you increase spending in one area, you must either reduce spending in another area or increase revenue to fund the new spending.

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**Starting Budget vs Goal Budget**

* Starting budget: $51.5 billion to maintain the budget from the prior year
* Revenue from priorities: $14.9 billion
* Kraken’s goal budget: $66.4 billion proposed

**Kraken Priorities**

* **Hatching Hope for the Future: ($3.5 billion)**
* This investment nurtures future generations and ensures the Kraken's legacy thrives.
* **Building Sturdy Kelp Forests: ($2.9 billion)**
* Construct a "Kelp Forest" of stable housing and rental assistance. This provides secure shelters and fosters community growth.
* **Habitat Restoration: ($2.5 billion)**
* Invest in maintaining the vital "coral reefs" of existing infrastructure and essential services. This ensures stability and prevents ecological collapse.
* **Rainy Day Fund: ($2.3 billion)**
* The Kraken is notorious for keeping a stash of gold and jewels in sunken ships, safeguarding against budgetary storms and unexpected currents.
* **Plundering Lost Knowledge: ($1.7 billion):**
* Krakens get COVID too. Krakens need to relearn the basics to live up to the Krakens feared legacy.
* **Mythical Wellness Initiative: ($0.9 billion)**
* Bioluminescent antidotes, spreading like glowing plankton to combat the darkness of disease. This prioritizes public health and illuminates a path towards a healthier society.
* **Welcoming New Dwellers: ($0.6 billion)**
* This fosters inclusivity and strengthens the ecosystem with diverse perspectives and skills.
* **Working Clans Tax Exemption: ($0.3 billion)**
* Help hard-working families breathe easier by alleviating their tax burden. This allows them to contribute more readily to the economic coral reef.
* **Combat Climate Change: ($0.2 billion)**
* With ocean temperatures increasing, Kraken are concerned for their futures.

**Unicorn Priority List**

In budget negotiations, the Office of the Governor, and the House and Senate Democratic and Republican caucuses are often referred to as the “five corners,” each bringing their own priorities to the negotiating table. Our exercise has three corners: Dragons, Kraken, and Unicorns. You represent one of the corners and need to advocate for a compromise that balances the budget and preserves as many of your priorities as possible.

Begin by determining how you would balance the budget to achieve your priorities. Your budget proposal must balance, meaning if you increase spending in one area, you must either reduce spending in another area or increase revenue to fund the new spending.

Remember, the other two corners have their own priorities. Anticipate how the other corners might approach the task. In the second half of the activity, the three corners will come together to negotiate.

**Starting Budget vs Goal Budget**

* Starting budget: $51.5 billion to maintain the budget from the prior year
* Revenue from priorities: $15.5 billion
* Unicorns goal budget: $67 billion proposed

**Unicorn: $10.9 billion**

* **Habitat Restoration: ($4.5 billion):**

- This investment benefits biodiversity, tourism, and research.

* **Magical Research and Protection: ($1.6 billion):**
* Allocate $1.6 billion to establish a unicorn research institute. This promotes STEM education, fosters ethical magical practices, and safeguards unicorns from harmful spells.
* **Mythical Wellness Initiative: ($1.3 billion):**
* This prioritizes public health and illuminates a path towards a healthier society.
* **Enchanting Tourism Infrastructure: ($1 billion):**
* Requires $1 billion to develop sustainable, unicorn-friendly tourism routes and sanctuaries. This creates jobs, boosts revenue, and fosters responsible interactions with these mystical beings.
* **Rainy Day Fund: ($0.9 billion):**
* Even Unicorns can have bad days. This fund is used in case any surprise expenses come up.
* **Unicorn-Powered Renewable Energy: ($0.6 billion):**
* Need $0.6 Billion to research harnessing unicorns' inherent magical energy for eco-friendly power generation. This promotes sustainability, reduces dependence on fossil fuels, and leverages unicorns' magic for the greater good.
* **Inter-Species Diplomacy: ($0.4 billion):**
* Requires $0.4 billion to develop cultural exchange programs with other mythical communities. This fosters understanding, resolves conflicts, and promotes peace throughout the magical realm.
* **Combat climate change: ($2.3 billion):**
* Vanishing forests, polluted streams, and erratic magical storms endanger their habitats and disrupt their natural rhythms.
* **Hatching Hope for the Future: ($2.8 billion):**
* $0.2 billion is needed to integrate unicorn lore and conservation into early childhood education curricula and care. This sparks wonder, inspires eco-consciousness, and fosters future generations of unicorn protectors.
* **Mythological Scholarship Fund: ($0.1 billion):**
* $0.1 billion is needed for scholarships for mythical studies and creature care professions.

**Spending Proposals**

Select spending changes from the list below (across the board increases or cuts) or make targeted changes to specific programs. Enter your proposed changes in the Spending side of your budget balance sheet. Enter spending cuts as a negative number and increases as a positive number.

**Across the Board Spending Proposals**

These calculations show what it would cost to cut or increase a budget area across the board, meaning all programs within that area would increase or decrease by the same amount. You may select any % change, in addition to any targeted cuts or increases.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Program** | **Current (in billions)** | **+ 10%**  | **- 10%**  | **+ 5%**  | **- 5%**  | **+ 1%**  | **- 1%**  |
| Mythological Creature Services | 15.8 | 1.58 | - 1.58 | 0.79 | - 0.79 | 0.158 | - 0.158 |
| Public Academies for Young Creatures | 14.7 | 1.47 | - 1.47  | 0.735 | - 0.735 | 0.147 | - 0.147 |
| Higher Education | 7.9 | 0.79 | - 0.79 | 0.395 | - 0.395 | 0.079 | - 0.079 |
| DSHS | 7.1 | 0.71 | - 0.71 | 0.355 | - 0.355 | 0.071 | - 0.071 |
| Mythical Administration Operations | 2.1 | 0.21 | - 0.21 | 0.105 | - 0.105 | 0.021 | - 0.021 |
| Special Appropriations | 1.8 | 0.18 | - 0.18 | 0.09 | - 0.09 | 0.018 | - 0.018 |
| Natural Resources | 1.1 | 0.11 | - 0.11 | 0.055 | - 0.055 | 0.011 | - 0.011 |
| Appropriations in other Legislation | .5 | NA | NA | NA | NA | NA | NA |
| The High Court of the Land | .2 | 0.02 | - 0.02 | 0.01 | - 0.01 | 0.002 | - 0.002 |
| Grand Council | .1 | 0.01 | - 0.01 | 0.005 | - 0.005 | 0.001 | - 0.001 |
| Land, Sea, and Sky Projects | .1 | 0.01 | - 0.01 | 0.005 | - 0.005 | 0.001 | - 0.001 |
| Other Education | .1 | 0.01 | - 0.01 | 0.005 | - 0.005 | 0.001 | - 0.001 |
| **Total** | **51.5** |  |  |  |  |  |  |

**Revenue Proposals**

Select revenue options from the list below and enter in the Revenue side of your budget balance sheet. If you adopt an across the board tax cut, make sure to enter it as a negative number in the balance sheet.

**Across the Board Increase and Decrease**

These calculations show what would happen to changes in current tax rates. You may select percentages as listed below or determine your own percentage. Remember that voters have routinely overturned tax increases and raising taxes too much may cause decreases in sales and businesses, which reduces the amount of revenue you collect.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Source | Current (in billions) | + 10%  | - 10%  | + 5%  | - 5%  | + 1%  | - 1%  |
| **TAX** |  |  |  |  |  |  |  |
| Trade and Barter Tax | 18.5 | 1.85 | - 1.85 | 0.925 | - 0.925 | 0.185 | - 0.185 |
| Shop Keeper Tax | 7.46 | 0.746 | - 0.746 | 0.373 | - 0.373 | 0.075 | - 0.075 |
| Water, Land, and Sky Tax | 5.85 | 0.585 | - 0.585 | 0.293 | - 0.293 | 0.059 | - 0.059 |
| Castle Tax | 1.77 | 0.177 | - 0.177 | 0.085 | - 0.085 | 0.018 | - 0.018 |
| Other Taxes | 4.33 | 0.433 | - 0.433 | 0.217 | - 0.217 | 0.043 | - 0.043 |

**NEW REVENUE PROPOSALS (Based on Real Policies)**

These bills below are proposals for new revenue from the 2021 session. You may use these proposals or create your own. Get creative by considering new revenue sources and researching proposals in other states.

|  |  |
| --- | --- |
| **Gem Hoarding Tax**  | * Equal to 7% of an individual's gem collection on long‐term hoards
* Assumes $357 million in additional funds
 |
| **Estate Tax**  | * Revises estate tax rates. Exempts small cottages, reduces rates on medium manors, increases rates on large castles
* Revenue is deposited into the Education Legacy Trust Account and must be used to support education
* Creates the Equity in Housing Account with a required $6 million per biennium deposit
* Assumes $105.9 million in additional funds
 |
| **Gold Tax**  | * 1% of all financial intangible assets/wealth above $1 billion
* Assumes $4.949 billion in additional funds
 |