

## Background

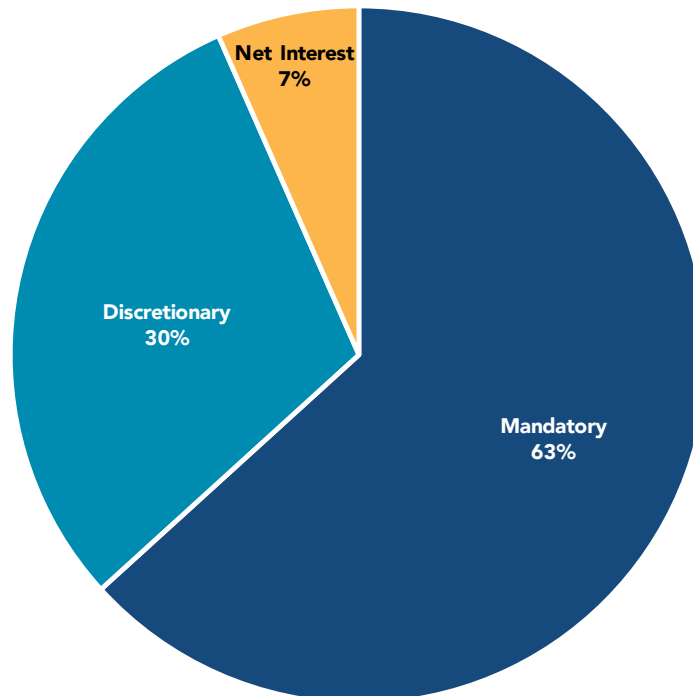
How does the federal government spend its money?

FEDERAL BUDGET  
2/4

### Q. How does the federal government spend its money?

**A. About 63 percent of federal spending in 2017 was for programs not subject to regular budget re-view, while nearly 30 percent covered discretionary programs for which Congress must regularly appropriate funds. Seven percent went for interest on government debt (figure 1).**

**FIGURE 1**  
Composition of Total Federal Spending  
Fiscal year 2017



Source: Congressional Budget Office (2018).

## Background

### How does the federal government spend its money?

#### MANDATORY SPENDING

Mandatory spending covers outlays controlled by laws other than appropriations acts. Almost all such spending is for “entitlements,” for which expenditures depend on individual eligibility and participation; they are funded at whatever level needed to cover the resulting costs. Mandatory spending has grown from about 31 percent of the budget in 1962 to nearly 66 percent in 2017 (figure 2). This is largely because of new entitlements, including Medicare and Medicaid (both of which started in 1965), the earned income tax credit (1975), and the child tax credit (1997). In addition, rapid growth of both the elderly and the disabled populations has contributed to increased Social Security and Medicare spending.

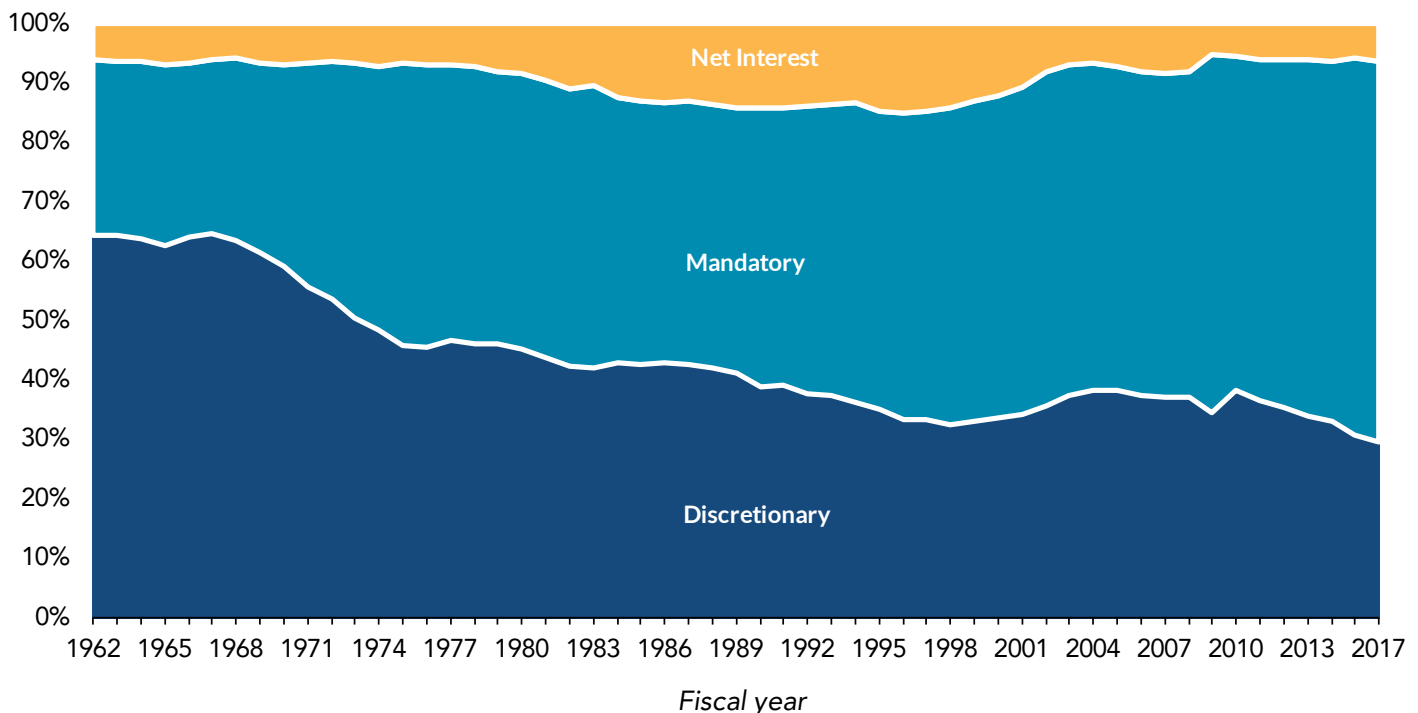
Nearly 60 percent of mandatory spending in 2017 was for Social Security and other income support programs (figure 3). Most of the remainder paid for the two major government health programs, Medicare and Medicaid.

**FIGURE 2**

#### Federal Spending by Type Fiscal years 1962–2017



Share of total outlays



**Source:** Office of Management and Budget. 2018. Historical Tables. Table 8.1, “Outlays by Budget Enforcement Act Category: 1962–2023.”

## Background

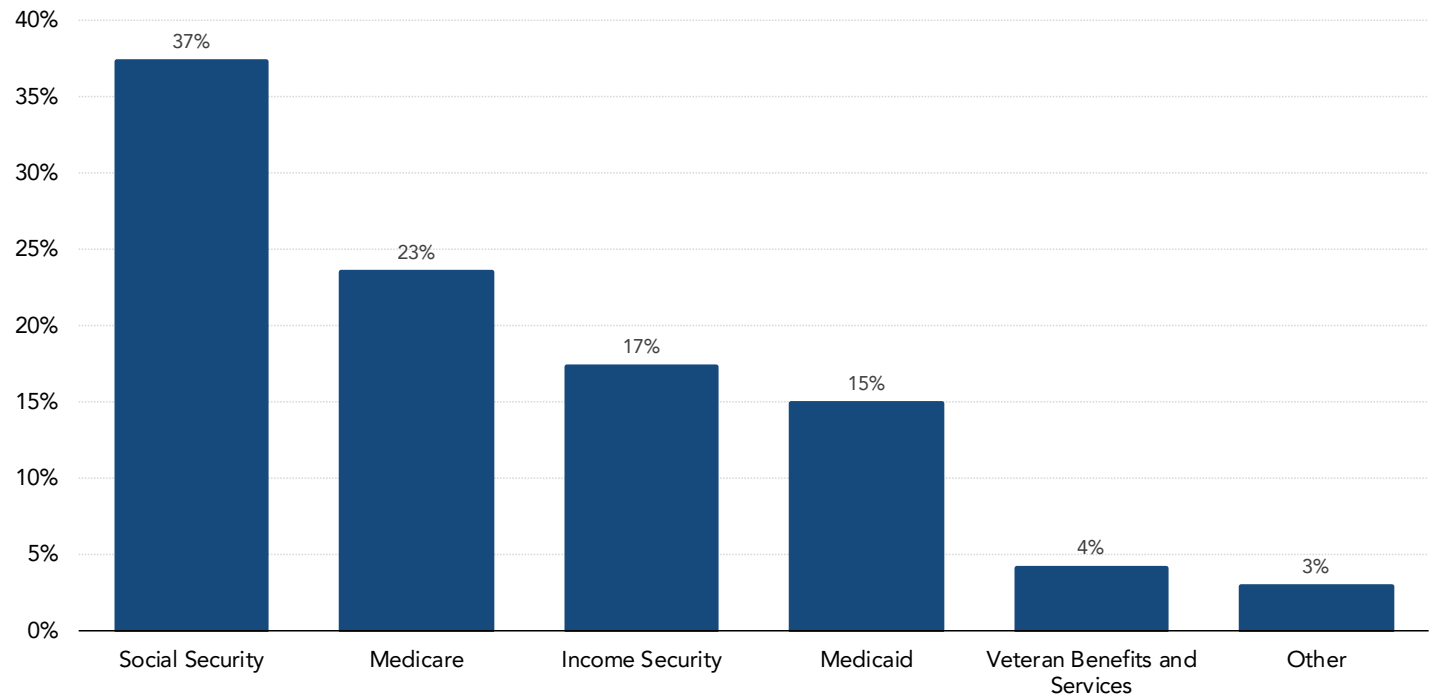
### How does the federal government spend its money?

FIGURE 3

#### Composition of Federal Mandatory Spending Fiscal year 2017



Share of total mandatory spending



Source: Office of Management and Budget. 2018. Historical Tables. Table 8.5, "Outlays for Mandatory and Related Programs: 1962–2023."

### DISCRETIONARY SPENDING

Discretionary spending covers programs that require appropriations by Congress. Unlike mandatory spending, both the programs and the authorized levels of spending require regular renewal by Congress. The share of the budget going for discretionary spending has fallen from two-thirds in 1962 to about one-third now.

About half of FY 2017 discretionary spending went for national defense, and most of the rest for domestic programs, including transportation, education and training, veterans benefits, income security, and health care (figure 4). About 4 percent of discretionary spending funded international activities, such as foreign aid.

### DEBT SERVICE

Interest on the national debt has fluctuated over the past half century along with the size of the debt and interest rates. It climbed from 6.5 percent of total outlays in 1962 to more than 15 percent in the mid-1990s, fell to 6.1 percent in 2015, but climbed back to 6.6 percent by 2017 (figure 2). In 2016 and 2017, historically low interest rates have held down interest payments despite the national debt reaching a peacetime high of nearly 77 percent of GDP, but interest payments as a share of outlays are projected to rise because of projected increases in both the national debt and interest rates.

## Background

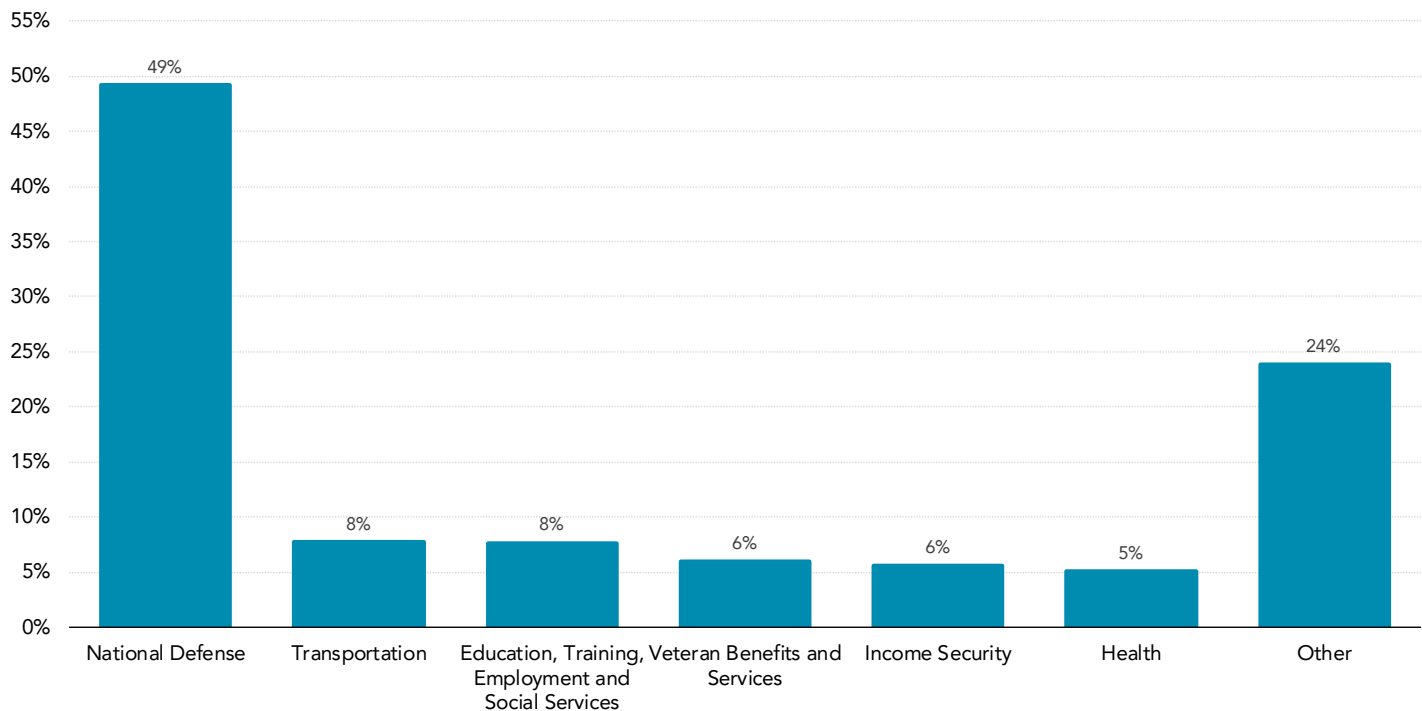
### How does the federal government spend its money?

FIGURE 4

#### Composition of Federal Discretionary Spending Fiscal year 2017



Share of total discretionary spending



Source: Office of Management and Budget. 2018. Historical Tables. Table 8.7, "Outlays for Discretionary Programs: 1962–2023."

#### Data Sources

Congressional Budget Office. 2018. "[Budget and Economic Outlook: Fiscal Years 2018 to 2028](#)," Appendix E: Historical Budget Data. Washington, DC: Congressional Budget Office.

Office of Management and Budget. 2018. [Historical Tables](#). Table 8.1, "Outlays by Budget Enforcement Act Category: 1962–2023," Table 8.5, "Outlays for Mandatory and Related Programs: 1962–2023," and Table 8.7, "Outlays for Discretionary Programs: 1962–2023."