

Some Background

FEDERAL BUDGET

How does the federal government spend its money?

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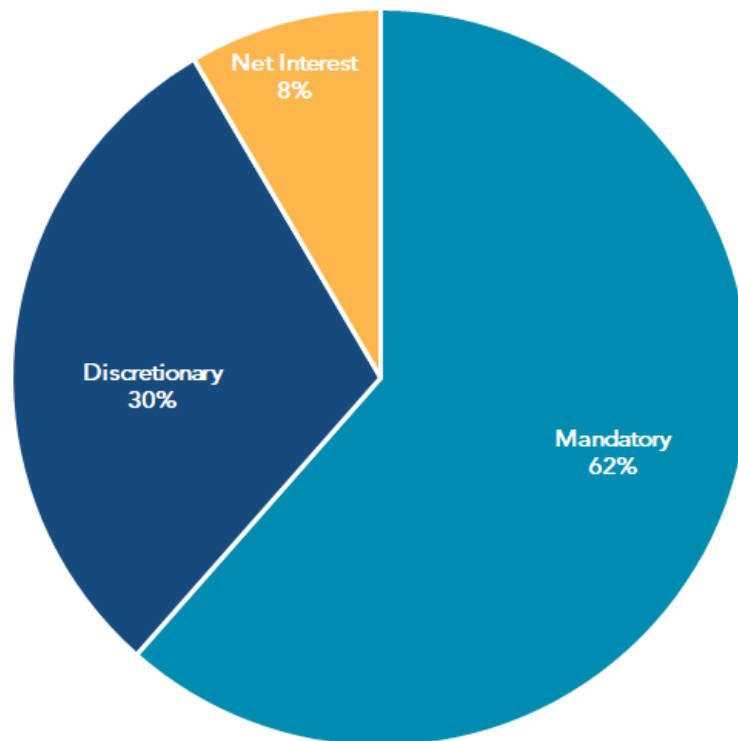
A. Federal spending totaled \$4.4 trillion in 2019. About 62 percent of the total was for programs not subject to regular budget review, while nearly 30 percent covered discretionary programs for which Congress must regularly appropriate funds. Eight percent went for interest on government debt (figure 1).

FIGURE 1

Composition of Federal Spending

Fiscal year 2019

Share of total



Source: Congressional Budget Office. *The Budget and Economic Outlook: 2020 to 2030*, January 2020.

MANDATORY SPENDING

Mandatory spending covers outlays controlled by laws other than appropriations acts. Almost all such

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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 61 percent in 2019 (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.

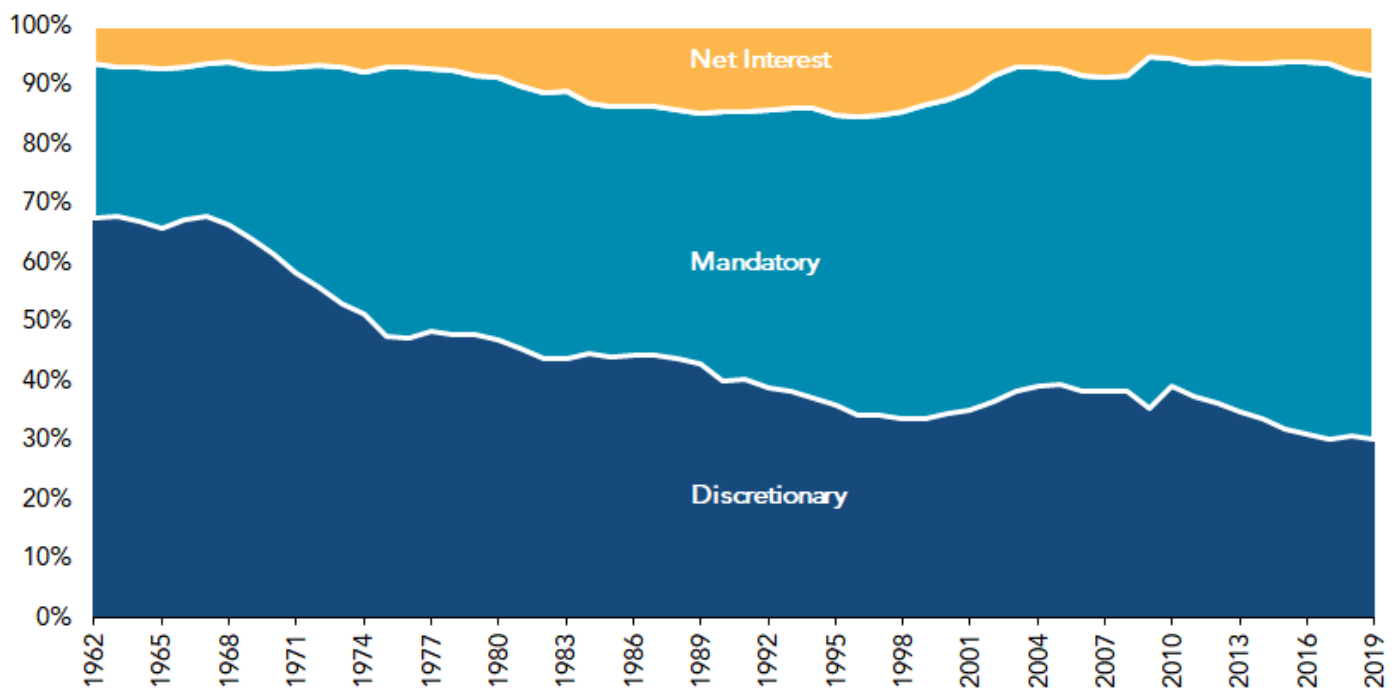
FIGURE 2

Composition of Federal Spending

Fiscal years 1962–2019



Share of total



Source: Congressional Budget Office. The Budget and Economic Outlook: 2020 to 2030, January 2020.

Nearly 60 percent of mandatory spending in 2019 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.

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 30 percent now.

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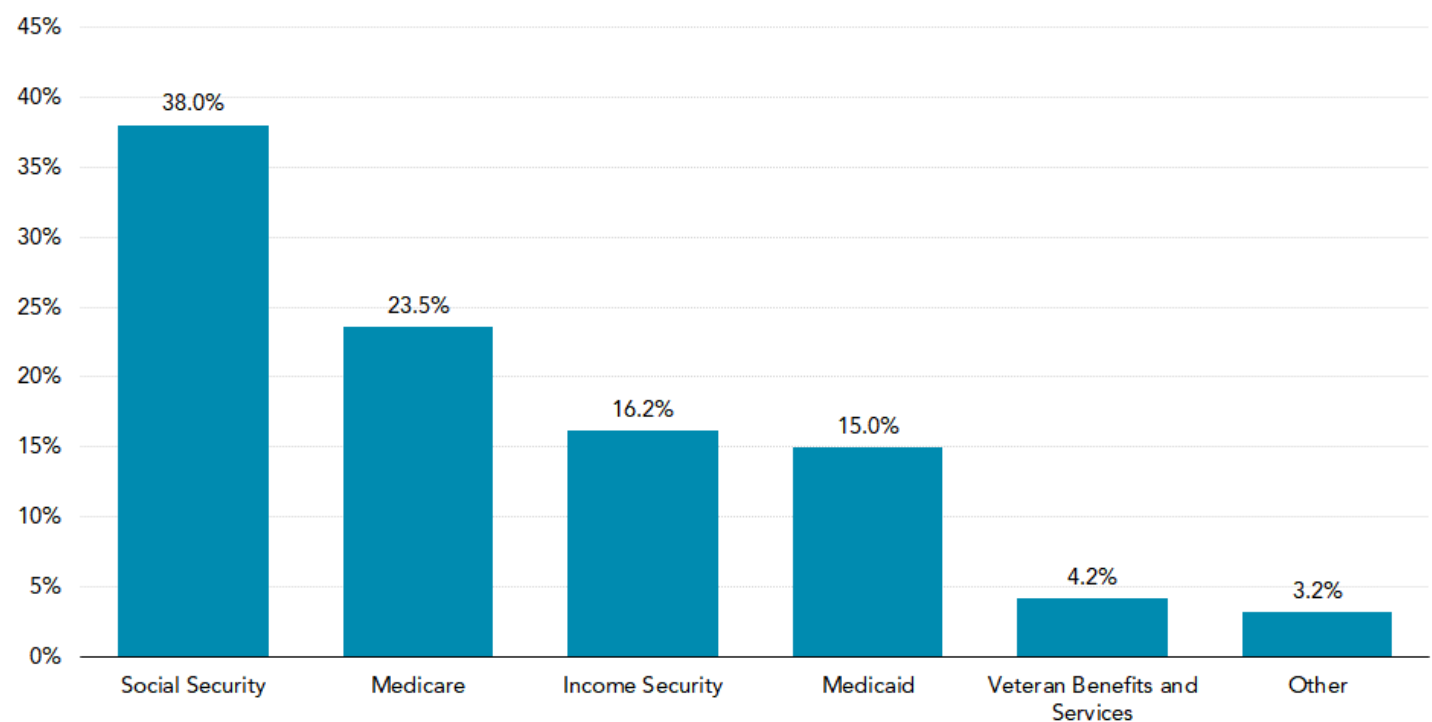
More than half of FY 2019 discretionary spending went for national defense, and most of the rest went for domestic programs, including transportation, education and training, veterans' benefits, income security, and health care (figure 4). About 4 percent of discretionary spending funded international activities, such as foreign aid.

FIGURE 3

Composition of Federal Mandatory Spending Fiscal year 2019



Share of total



Source: Office of Management and Budget. Historical Tables. Table 8.5, "Outlays for Mandatory and Related Programs: 1962–2025."

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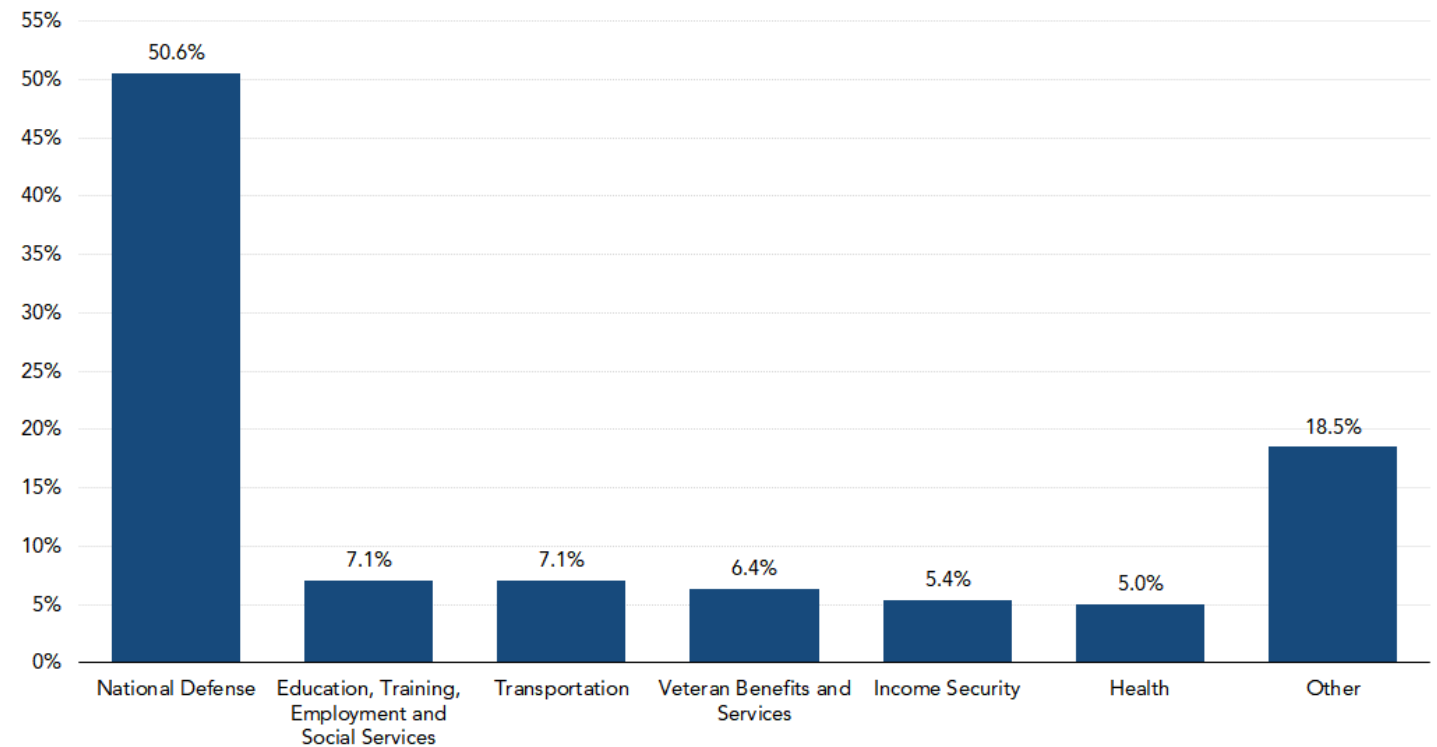
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FIGURE 4

Composition of Federal Discretionary Spending
Fiscal year 2019

Share of total



Source: Office of Management and Budget. Historical Tables. Table 8.7, "Outlays for Discretionary Programs: 1962–2025."

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 8.4 percent by 2019 (figure 2). Since 2016, historically low interest rates have held down interest payments despite the national debt reaching a peacetime high of nearly 80 percent of GDP in 2019. But interest payments as a share of outlays are projected to rise because of projected increases in both the national debt and interest rates.

Updated May 2020

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Data Sources

Congressional Budget Office. 2020. [“Budget and Economic Outlook: Fiscal Years 2020 to 2030,”](#) 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: 1962–2025,” Table 8.5, “Outlays for Mandatory and Related Pro-grams: 1962–2025,” and Table 8.7, “Outlays for Discretionary Programs: 1962–2025.”

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