

US National Government Budget Concepts

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Most people find the national government budget very confusing, and many hold misconceptions concerning national government spending. In addition, the very large numbers intimidate most people. In order to understand basic features of the national government spending it is important to be clear about central terms and about other important concepts.

Most government **budget years** (or **fiscal years**) do not have the same starting and ending date as calendar years. The national government budget year (fiscal year) starts October 1 and ends the following September 30; it is named after the calendar year in which it **ends**. (Many state budget years start July 1 and end June 30, though states vary.) Until 1976 the US Government fiscal year was July 1 to June 30; the date was extended to allow Congress more time to consider the increasingly large and complex budget. The quarter between the end of the 1976 budget year, which ended June 30, 1976, and the start of the 1977 budget year, which began October 1, 1976, is called the "Transitional Quarter" (TQ) and belongs to no budget year.

Some terms are important to understand budgets. The official term for national government spending in particular budget years is **outlays** (generally listed as "O" in budget documents). **Revenues** or **receipts** are the money collected each year in taxes, social insurance contributions, and similar. When the government spends more than it collects a **deficit** occurs; when revenues exceed outlays a **surplus** occurs. The national government ran a surplus 1998 to 2001 but most years it has run a deficit.

Outlays indicate spending in specific budget years. National government budget makers also decide **budget authority (BA)**. This is the amount Congress authorizes to be spent for a particular budget element, though the authority might be used over many years. For some budget elements, for example, building a new defense weapon system, budget authority might be expended over many years; for others, for instance, most personnel costs, budget authority is expended in a single budget year. The material here uses outlays.

Accumulated deficits are the **national debt**. Deficits increase the size of the national debt. Surpluses, on the other hand, allow part of the national debt to be repaid, so the national debt decreases. A government does not have to pay off the national debt but it does have to pay interest on that debt. The interest payments each year are part of the national government budget outlays, listed as "net interest" below. The national debt is a very large number though it was larger relative to the economy at the end of World War II. (See graphs about government and economy, at <http://oregonstate.edu/cla/polisci/price-levels-and-us-economy>.)

Suggestion: It is helpful to **MEMORIZE TWO NUMBERS** in order to make large budget numbers understandable relative to other numbers. Those two numbers are the approximate size of the **US economy (Gross Domestic Product, GDP)**, in order to relate government spending to the size of the economy; and **total budget outlays**, that is, total national government spending, in order to relate specific spending categories to total national government spending.

For example, national government spending for many years was about 20 percent of GDP, with slight variation; it has risen recently. That number is much easier to understand in "fingers and toes-sized numbers" than are budget numbers expressed in billions and trillions of dollars. **It is helpful to memorize:**

⇒ The **national economy (GDP)** Recently has been about **\$16,000-17,000 billion (that is, \$16-17 trillion)**.

⇒ **Outlays** (spending) for the US government budget in the fiscal year 2012 (ended September 30, 2012) were **\$3,538 billion (that is, \$3.538 trillion)**, which **rounds to \$3.5 trillion**.

Example: Hearing that US national government foreign aid spending in 2012 was \$37 billion and that national government outlays for kindergarten through vocational education were \$88 billion seems impressive, with numbers too large for most people to grasp. Knowing the approximate size of total national government spending, though, allows recognition that foreign aid was barely more than 1 percent of the budget and that education was less than 3 percent.

Rather than thinking of the national government budget as undifferentiated billions and trillions of dollars it is important to recognize that it has distinct parts in terms of how Congress and president deal with it and how spending occurs.

Starting with the 1962 fiscal year, the budget has been divided into **MANDATORY AND DISCRETIONARY SPENDING**.

Mandatory spending is that which is required under current law. The Appropriations (spending) process by Congress and presidents does not control mandatory spending. Instead, Congress and presidents control mandatory spending by changing the underlying law by which individuals, businesses, or other groups qualify for benefits. For example, Social Security spending or farm price support spending are controlled not by limiting how much Congress appropriates but by changing the requirements by which people qualify, modifying benefit amounts, and so on.

The appropriations process does control **discretionary spending**. That is, Congress and the president each year consider all elements of discretionary spending and decide how much should be spent for each of the 12 main categories in the next budget year. (The Appropriations Committees in both the House and the Senate have 12 subcommittees.)

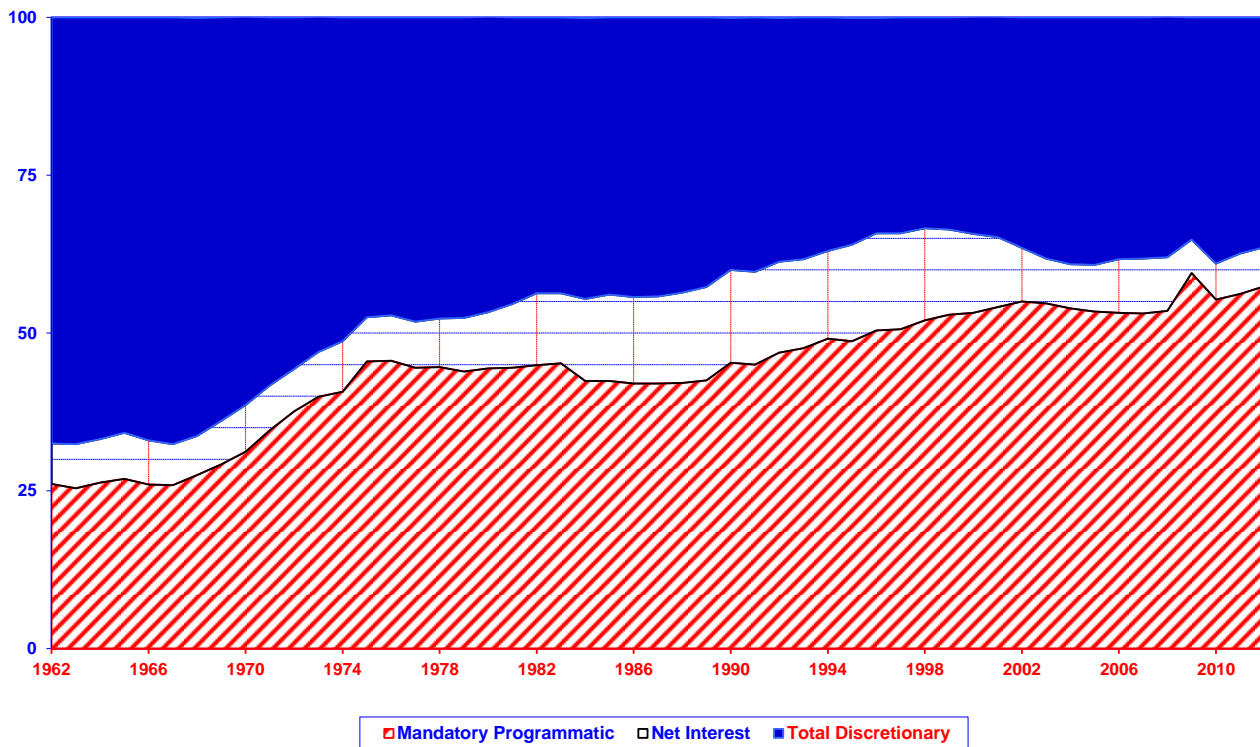
It is important to be careful about the term “discretionary,” since it includes some elements, especially national defense, that most people do not think of as “discretionary” but instead as an essential function for the national government. Defense is classified as discretionary spending because of how Congress and president deal with them, that is, through appropriations process.

The following graph shows change in the distribution of national government spending between mandatory and discretionary spending, starting in 1962, the first year of the mandatory-discretionary distinction. As the graph shows, since the 1960s discretionary spending has declined as share of total spending, so Congress and presidents control directly through appropriations much less of the budget than they did then.

Net interest payments on the national debt are part of mandatory spending but are shown separately in this graph. The non-interest part of mandatory spending is called “programmatic outlays.”

The Office of Management and Budget includes on its budget page a helpful *Budget Concepts and Budget Process* guide.

Percentage Distribution of Mandatory, Net Interest (part of Mandatory), and Discretionary Spending 1962 to 2012, in Percent



Source of data: *Budget 2014 Historical Tables, Table 8.3.*

In addition to mandatory and discretionary, another important division is between **FEDERAL FUNDS AND TRUST FUNDS**. General national government revenues pay for federal funds items. **Trust funds**, on the other hand, are collected in specific ways separate from regular taxes and charges and are “pigeon-holed” for those

purposes. Social Security is one example, Medicare another; both are shown by separate entries on pay stubs, in addition to federal personal income tax. Two other examples are the gasoline tax (in addition to the national government gasoline tax, states also have gasoline taxes) and airport taxes, both of which are paid as “user fees” by those who buy gasoline or travel by plane. The moneys from these are available for specific purposes, not general national government spending. (A listing of all national government trust funds and detailed monthly financial reports are available at <http://www.treasurydirect.gov/govt/reports/tfmp/tfmp.htm>).

The **table below** shows the relationship among these major categories. Note the very large importance of national defense concerning overall national government spending. Defense is one of the “big-five” items of the national government budget and is by far the largest federal fund item. Because all federal fund items compete for funding (they do not have individual trust funds), decisions about spending for national defense have large impact on the rest of federal fund spending. In recent years, national defense has made up more than half of all discretionary spending. Discretionary spending not including national defense is labeled “non-defense discretionary.”

Combining the two categories—federal funds and trust funds and mandatory spending and discretionary spending—produces four categories of national government spending.

1. **Mandatory federal funds** are funded through general revenues (taxes rather than trust funds) and are required under current law. Two of the ‘big 5’ items fit here: **net interest** on the national debt (currently 4th largest) and **Medicaid**, an “entitlement” program (5th largest).
2. **Mandatory trust funds** are funded through trust funds (that is, they are “pigeon-holed”) and are required under current law. Two of the “big 5” are here: **Social Security**, an entitlement program and the largest single spending category (though national defense was a very close second during some years of the early 2000s and 2010s) and **Medicare**, also an entitlement program and currently the 3rd largest spending category. (*Entitlement* is explained below.)
3. **Discretionary federal funds** are funded through general revenues (that is, from “federal funds”) and are controlled by Congress and president through the appropriations process. The only discretionary federal spending item in the “big 5” is national defense. It is, in fact, the only discretionary item among the “big 5,” so, as noted above, is very important in relation to its influence on national government budget planning.
4. **Discretionary trust funds** are funded through trust funds but the spending is controlled by congressional and presidential decisions. These are relatively small; none are among the “big 5.”

The word “**entitlement**” is important. Entitlements are those benefits to which individuals, businesses, or other beneficiaries are “entitled” by law if they meet qualifying requirements. They are not limited by the appropriations process. Many but not all are social spending, such as Social Security and Medicare. Farm subsidies, though, also fit in the entitlement category.

Trust funds vs. federal funds and mandatory vs. discretionary (parenthetical number: rank among the budget “Big 5”)

Total outlays FY2012 = \$3,599 B (2000: \$1,789 B)	Federal Funds (from general revenues)	Trust Funds (“pigeon-holed” funds)	Totals (Overall total 2012: outlays = 22.8% GDP)
Notes: B = billion (\$1000 B = \$1 trillion); values are not inflation-adjusted; 2012 data from CBO, February 2013			
Mandatory	Net interest on debt (4) \$258 B; 2000: \$223 B Medicaid (5); \$251 B (2000: 117) Farm Supports, etc.	Social Security (1); \$762 B (2000: \$406 B) Medicare (3); \$469 B (2000: \$216 B) [see additional detail on pp 4-5 below]	2000: \$1,252.8 (12.1% of GDP) 2012: \$2,030.7 (15.8% of GDP)
Discretionary	Defense, military (2) \$651 B (2000: \$295 B) TANF (formerly AFDC) was mandatory until 1996 reforms Many other small spending items	Highway Airport	2000: \$614.8 B (6.3% of GDP) 2012: \$1,285.2 B (8.3% of GDP; defense 4.3%, non-defense 4.0%)

The table below summarizes overall revenues and outlays and resulting surpluses or deficits for the 2000, 2004, 2008, and 2012 budget years (FY 2000, FY 2004, FY 2008, and FY 2012), the last full year of the terms of Presidents Clinton, George W. Bush (both terms), and Obama.

	2000 \$ billions	2000 % GDP	2004 \$ billions	2004 % GDP	2008 % GDP	2012 % GDP
Revenue	\$2,025	20.8	\$1,871	16.3	17.7	15.8
Outlays	\$1,689	18.4	\$2,293	19.8	20.9	22.6
Surplus (+) or Deficit (-)	+236.4	+2.4	-\$412	-3.6	-3.2	-7.0

Data from Budget Historical Tables

It is important to remember the **difference** between **percent** and **percentage point**. The reduction in revenue from 20.8% of GDP in 2000 to 15.8% in 2012 represents a reduction of 6.0 percentage points but about 29 percent $([6.0/20.8] \times 100)$. Similarly, the increase in outlays is 4.2 percentage points and about 23 percent $([4.2/18.4] \times 100)$. (**Percent change** always is calculated relative to the **starting value**.)

The table below shows that the **overall national government surplus or deficit** is determined by **adding up surpluses or deficits in federal funds and in trust funds**. It shows that in most years a federal fund deficit added to a trust fund surplus produces an overall deficit, but one that is smaller than for federal funds alone. The years are the final years of the George H. W. Bush presidency, the final year of each of President Clinton's two terms, and the final year of George W. Bush's first term. (These numbers are not adjusted for inflation; they are intended to show only how overall surpluses and deficits are calculated not the inflation-adjusted values during these time periods.)

	FY1992 \$ B	FY1996 \$ B	FY2000 \$ B	FY2004 \$ B	FY2008 \$ B
Federal Fund Surplus (+) or Deficit (-)	-\$386.4	-\$222.1	+\$1.5	-\$604.8	-\$724.6
Trust Fund Surplus (+) or Deficit (-)	+\$96.0	+\$114.6	+\$234.6	+\$192.6	+\$266.1
Overall Surplus (+) or Deficit (-)	-\$290.3	-\$107.5	+\$236.2	-\$412.1	-\$458.6

Data from *Budget 2013 Historical Tables*, Table 1.4 (rounding might affect totals shown)

Historical data: See Office of Management and Budget, presented here for budget year FY 2013, at <http://www.whitehouse.gov/omb/budget/Historicals>, that is, the budget year that began October 1, 2012 and ended September 30, 2013. See also the graph on the final page below.

As noted earlier, the division of national government spending into mandatory and discretionary spending categories began in 1962. The graph at the top of this page shows that mandatory spending has become a larger part of the budget since that time. This shows that the appropriations process controls a much smaller part of the national government budget than was true in earlier years. A result is that Congress and president have less short-term control over the budget than earlier.

The details of mandatory and discretionary spending categories are shown in tables (only the part of each table for recent years is shown) Study the following sections of the *Budget of the United States FY2013 Historical Tables* (available online at this web site: <http://www.whitehouse.gov/omb/budget/Historicals>). **Table 8.5** shows **mandatory** spending and **table 8.7** shows **discretionary** spending. Other tables in section 8 show these data as share of the economy and in inflation-adjusted dollars.

Examining table 8.7 for any recent year shows how large national defense outlays are relative to total discretionary spending; in recent years defense has made up more than half of all discretionary spending; the second largest discretionary budget category, education, is much smaller. This is in contrast to mandatory spending, in which there are a number of large spending categories.

The **2013 sequester** illustrated effects of these divisions in discretionary spending. The original sequester required equal cuts in defense and non-defense spending, \$42.7 billion each in FY 2013. The Congressional Budget Office estimated that all the defense reductions came from discretionary spending; for non-defense, discretionary spending was reduced \$28.7 billion, with the rest from mandatory and other.

Because national spending has changed so much after 2007 in response to major economic difficulties, it is useful to examine historical data for earlier years to be able to observe the details of spending changes during the recession and later.

The graph on the final page, below, shows national government outlays, revenues, and resulting surpluses or deficits as percent of the economy for the years 1952 to 2012. It illustrates the use of "fingers and toes-sized" numbers as well as billions and trillions, to help make sense of very large government spending and change over time. (Also available online at http://oregonstate.edu/cla/polisci/sites/default/files/faculty-research/sahr/inflation-conversion/pdf/chart_outlays_billions_gdp_1952-2012.pdf.)

Although **Medicare** generally is classified as a "trust fund" item, only part of its financing comes from trust funds. As Donald Marron, Director of the Tax Policy Center, explains (<http://dmarron.com/2012/06/15/payroll-taxes-cover-about-a-third-of-medicare-costs/>):

In 2010, payroll taxes covered a little more than a third of Medicare's costs. Beneficiary premiums (and some other earmarked receipts) covered about a seventh. General revenues (which include borrowing) covered the remainder, slightly more than half of total Medicare costs.

If you prefer to focus on just the government's share of Medicare (i.e., after premiums and similar payments by or on behalf of beneficiaries), then payroll taxes covered about 40% of the program, and other revenues and borrowing covered about 60%.

In contrast, payroll taxes and other earmarked taxes covered more than 93% of Social Security's costs [<http://www.ssa.gov/oact/tr/2012/lr4b1.html>] in 2010, and that was after many years of surpluses.

The difference between the two programs exists because payroll taxes finance almost all of Social Security, but only one part of Medicare, the Part A program for hospital insurance. Parts B and D (doctors and prescription drugs) don't get payroll revenues; instead, they are covered by premiums and general revenues. But that distinction often gets lost in public discussion of Medicare financing.

See also CBO Medicare funding detail, at http://www.cbo.gov/sites/default/files/cbofiles/attachments/43894_Medicare2.pdf

Following is the page of the US government budget *Historical Tables* that shows the **allocation** of total spending among the categories **mandatory spending, discretionary spending, and net interest** (interest on the debt, which is a part of mandatory spending, though often is broken out separately). **Discretionary spending** (some of which is central to what the national government does, and so most of us would consider "mandatory" in terms of that purpose) is that part controlled by yearly decisions by President and Congress in the appropriations process. **Mandatory spending** is that part controlled by changing the underlying law, for example, the law that determines how farmers qualify for national government benefits or how much Social Security recipients receive. As this table shows, the share of the national government budget that is mandatory has increased since 1962, the year the discretionary-mandatory budget division was introduced, and discretionary has decreased. As a result, presidents and Congress now control through appropriations a much smaller part of the budget than they did in 1962. (From *Budget 2015 Historical Tables*, which is available online at <http://www.whitehouse.gov/omb/budget/Historicals/>. The OMB posts revised historical budget data tables each year.)

Table 8.3—PERCENTAGE DISTRIBUTION OF OUTLAYS BY BUDGET ENFORCEMENT ACT CATEGORY: 1962–2019

Fiscal Year	Total Outlays ¹	Discretionary			Mandatory and Net Interest								
		Total	National Defense ²	Non-defense ²	Total	Mandatory					Undistributed Offsetting Receipts ⁴	Net Interest	
						Total	Programmatic						
							Total	Social Security	Deposit Insurance	Means Tested Entitlements ³			Other
1980	100.0	46.8	22.8	24.0	53.2	44.4	47.7	19.8	-0.1	7.6	20.4	-3.4	8.9
1981	100.0	45.4	23.3	22.1	54.6	44.5	48.6	20.3	-0.2	7.7	20.8	-4.1	10.1
1982	100.0	43.7	24.9	18.8	56.3	44.9	48.4	20.6	-0.3	7.0	21.0	-3.5	11.4
1983	100.0	43.7	26.0	17.7	56.3	45.2	49.4	20.8	-0.1	7.1	21.6	-4.2	11.1
1984	100.0	44.5	26.8	17.8	55.5	42.4	46.2	20.7	-0.1	6.9	18.7	-3.8	13.0
1985	100.0	43.9	26.7	17.2	56.1	42.4	45.8	19.7	-0.2	6.6	19.7	-3.5	13.7
1986	100.0	44.3	27.6	16.6	55.7	42.0	45.3	19.8	0.2	6.8	18.6	-3.3	13.7
1987	100.0	44.2	28.1	16.1	55.8	42.0	46.2	20.4	0.3	7.0	18.4	-4.2	13.8
1988	100.0	43.6	27.3	16.3	56.4	42.1	46.3	20.4	0.9	7.3	17.7	-4.2	14.3
1989	100.0	42.7	26.6	16.2	57.3	42.5	46.4	20.1	1.9	7.5	16.8	-3.9	14.8
1990	100.0	40.0	24.0	16.0	60.0	45.3	48.3	19.7	4.6	7.6	16.3	-2.9	14.7
1991	100.0	40.3	24.1	16.1	59.7	45.0	48.0	20.1	5.0	8.9	14.0	-3.0	14.7
1992	100.0	38.6	21.9	16.7	61.4	46.9	49.8	20.6	0.2	10.4	18.6	-2.8	14.4
1993	100.0	38.3	20.7	17.5	61.7	47.6	50.3	21.4	-2.0	11.3	19.5	-2.7	14.1
1994	100.0	37.0	19.3	17.7	63.0	49.1	51.7	21.7	-0.5	11.9	18.6	-2.6	13.9
1995	100.0	35.9	18.0	17.9	64.1	48.7	51.7	22.0	-1.2	12.2	18.7	-2.9	15.3
1996	100.0	34.1	17.0	17.1	65.9	50.4	52.8	22.2	-0.5	12.3	18.9	-2.4	15.4
1997	100.0	34.2	17.0	17.2	65.8	50.6	53.7	22.6	-0.9	12.4	19.6	-3.1	15.2
1998	100.0	33.4	16.4	17.1	66.6	52.0	54.9	22.8	-0.3	12.4	20.0	-2.9	14.6
1999	100.0	33.6	16.2	17.4	66.4	52.9	55.3	22.7	-0.3	12.8	20.1	-2.4	13.5
2000	100.0	34.4	16.5	17.9	65.6	53.2	55.6	22.7	-0.2	13.0	20.0	-2.4	12.5
2001	100.0	34.8	16.4	18.4	65.2	54.1	56.6	23.0	-0.1	13.3	20.3	-2.5	11.1
2002	100.0	36.5	17.4	19.1	63.5	55.0	57.4	22.5	-0.1	14.0	21.0	-2.4	8.5
2003	100.0	38.2	18.7	19.4	61.8	54.7	57.3	21.8	-0.1	14.2	21.3	-2.5	7.1
2004	100.0	39.0	19.8	19.2	61.0	54.0	56.5	21.4	-0.1	14.3	20.8	-2.6	7.0
2005	100.0	39.2	20.0	19.2	60.8	53.4	56.0	21.0	-0.1	14.2	20.9	-2.6	7.4
2006	100.0	38.3	19.6	18.7	61.7	53.2	55.7	20.5	.*	13.4	21.9	-2.6	8.5
2007	100.0	38.2	20.1	18.1	61.8	53.1	56.2	21.3	-0.1	13.4	21.5	-3.0	8.7
2008	100.0	38.1	20.5	17.5	61.9	53.5	56.4	20.5	0.6	14.3	20.9	-2.9	8.5
2009	100.0	35.2	18.7	16.5	64.8	59.5	62.1	19.3	0.6	13.9	28.3	-2.6	5.3
2010	100.0	39.0	19.9	19.0	61.0	55.4	57.7	20.3	-0.9	16.3	22.1	-2.4	5.7
2011	100.0	37.4	19.4	18.0	62.6	56.2	58.7	20.1	-0.2	16.2	22.6	-2.5	6.4
2012	100.0	36.4	19.0	17.4	63.6	57.4	60.3	21.7	0.2	15.1	23.3	-2.9	6.2
2013	100.0	34.8	18.1	16.7	65.2	58.8	61.5	23.4	0.1	16.3	21.7	-2.7	6.4
2014 estimate	100.0	32.2	16.8	15.4	67.8	61.7	64.1	23.3	-0.1	17.5	23.5	-2.5	6.1

This is the page of the US government budget *Historical Tables* that shows the allocation of the **mandatory** part of national government spending for recent years. Note that **four of the “Big 5” items** of national government spending are in the **mandatory**: part of the national government budget: Social Security (1st largest), Medicare (usually 3rd), Medicaid (4th), and net interest (5th). Mandatory spending is not exactly on “auto-pilot” but changing it requires modifying the underlying law, which generally is more difficult than changing yearly appropriations. Reminder: this page shows that part of spending—**mandatory**—which in recent years has totaled **somewhat more than 60 percent of total outlays**. (This table also is from *Budget 2015 Historical Tables*.)

Table 8.5—OUTLAYS FOR MANDATORY AND RELATED PROGRAMS: 1962–2019—Continued

(in millions of dollars)

Category and Program	2012	2013	2014 estimate	2015 estimate	2016 estimate	2017 estimate	2018 estimate	2019 estimate
Mandatory Programs:								
Human resource programs:								
Education, training, employment, and social services	-4,588	-15,108	-101	24,369	22,311	21,432	24,968	27,587
Health:								
Medicaid	250,534	265,392	308,615	335,962	354,578	372,258	392,156	415,344
Refundable Premium Tax Credit and Cost Sharing Reductions			36,748	60,082	76,462	88,688	93,786	98,539
Childrens Health Insurance	9,065	9,469	10,189	10,521	14,744	12,545	7,135	6,040
Other	26,830	26,384	35,759	49,035	47,272	47,827	45,969	48,884
Total health	286,429	301,245	391,311	455,600	493,056	521,318	539,046	568,807
Medicare	466,018	491,809	513,162	526,033	568,697	575,112	588,547	647,535
Income security:								
General retirement and disability	7,451	6,649	8,681	8,094	8,329	7,796	7,962	8,506
Federal employee retirement and disability	122,177	131,512	137,143	141,623	148,151	148,702	148,647	157,852
Unemployment compensation	90,705	67,252	60,469	47,004	42,514	43,063	44,043	45,358
Food and nutrition assistance	99,454	102,615	101,060	99,840	98,924	97,987	97,635	97,605
Supplemental Security Income	44,052	50,164	52,018	53,561	61,035	58,125	54,719	60,845
Family and Other Support Assistance	23,599	24,744	24,366	25,092	25,345	25,584	25,936	26,530
Earned Income Tax Credit	54,890	57,513	58,585	58,368	64,328	65,567	67,279	67,760
Child Tax Credit	22,106	21,608	21,698	21,720	21,946	21,778	22,108	26,366
Making Work Pay Tax Credit	253	-11	5					
Payments to States for foster care/adoption assistance	6,847	6,770	6,803	6,955	7,330	7,588	7,806	8,011
Housing Assistance and Other (including offsetting receipts)	4,393	3,828	4,878	5,884	4,972	5,160	2,944	1,459
Total income security	475,927	472,644	475,706	468,141	482,874	481,350	479,079	500,292
Social Security	767,714	807,841	852,251	896,484	947,361	1,003,092	1,062,576	1,125,932
Veterans benefits and services:								
Income security for veterans	55,897	65,889	73,309	79,159	90,220	88,055	86,861	99,349
Other	11,678	14,088	15,336	14,439	16,346	16,527	17,433	18,869
Total veterans benefits and services	67,575	79,977	88,645	93,598	106,566	104,582	104,294	118,218
Total mandatory human resource programs	2,059,075	2,138,408	2,320,974	2,464,225	2,620,865	2,706,886	2,798,510	2,988,371
Other mandatory programs:								
National defense	7,329	7,635	8,201	8,202	8,295	8,296	8,307	8,533
International affairs	-2,705	-532	-3,585	-3,172	-1,772	-1,078	-722	-786
Energy	1,981	3,735	4,943	898	-1,264	-2,174	-2,583	-2,492
Agriculture	11,789	23,833	15,689	10,791	16,789	19,727	18,235	11,628
Deposit insurance	6,636	4,260	-4,569	-9,178	-10,023	-8,474	-7,037	-2,628
Universal service fund	9,391	9,145	9,966	10,384	10,143	9,958	10,067	10,153
Other commerce and housing credit	24,988	-82,630	-81,105	-23,686	-21,876	-24,972	-28,832	-24,583
Community and regional development	909	5,397	1,573	2,230	5,539	7,616	4,453	1,431
General government	8,501	10,151	5,132	6,403	6,898	7,852	9,288	11,040
Allowances				8,000	11,001	18,002	24,002	28,001
Spectrum auctions and major asset sales	-12,992	-2,588	-709	-3,927	-11,176	-9,700	-7,815	-2,905
Other undistributed offsetting receipts	-90,544	-90,197	-90,031	-91,726	-93,131	-94,173	-95,829	-98,679
All other	6,269	4,951	64,434	78,272	80,698	85,042	81,389	79,730
Total other mandatory programs	-28,448	-106,840	-70,061	-6,509	121	15,922	12,923	18,443
Total mandatory programs	2,030,627	2,031,568	2,250,913	2,457,716	2,620,986	2,722,808	2,811,433	3,006,814
Net interest:								
Interest on Treasury debt securities (gross)	359,219	415,651	427,219	454,903	511,299	590,503	680,021	767,240
Interest received by:								
On-budget trust funds	-14,753	-51,015	-57,803	-56,701	-57,903	-58,385	-60,225	-66,067
Off-budget trust funds	-112,393	-105,650	-100,239	-96,203	-92,968	-91,987	-91,572	-91,236
Other	-11,665	-38,101	-45,727	-50,128	-42,820	-48,439	-54,569	-59,283
Total net interest	220,408	220,885	223,450	251,871	317,608	391,692	473,655	550,654
Total outlays for mandatory and related programs	2,251,035	2,252,453	2,474,363	2,709,587	2,938,594	3,114,500	3,285,088	3,557,468

This is the page of the US government budget *Historical Tables* that shows the allocation of the **discretionary** part of national government spending for recent years. Discretionary spending is the part of the budget controlled by yearly decisions by presidents and Congress in the appropriations process. Only one of the “Big 5” items of national government spending is discretionary: national defense. Note also that national defense is by far the largest discretionary item, with the second largest (education) being only about one-ninth the size of defense. Reminder: this page shows spending that in recent years has totaled **somewhat less than 40 percent of total outlays**. (Also from the *Budget 2015 Historical Tables*.)

Table 8.7—OUTLAYS FOR DISCRETIONARY PROGRAMS: 1962–2019—Continued

(in millions of dollars)

Category and Program	2012	2013	2014 estimate	2015 estimate	2016 estimate	2017 estimate	2018 estimate	2019 estimate
National defense:								
DoD-Military (051)	645,435	602,118	587,122	578,090	550,965	541,408	542,962	549,731
Other Defense	25,088	23,632	25,239	44,988	33,188	28,508	27,393	27,522
Total national defense ¹	670,523	625,750	612,361	623,078	584,153	569,916	570,355	577,253
Nondefense:								
International affairs	49,894	46,950	52,057	53,258	51,658	49,541	48,660	48,628
General science, space and technology:								
General science and basic research	12,345	12,357	11,993	13,186	12,420	12,532	12,747	12,822
Space and other technology	16,602	16,429	16,607	17,532	17,572	17,661	17,950	18,346
Total general science, space and technology	28,947	28,786	28,600	30,718	29,992	30,193	30,697	31,168
Energy	12,877	7,307	8,432	7,722	6,496	5,714	5,217	5,330
Natural resources and environment	39,595	36,555	36,508	38,000	37,432	36,545	36,565	37,733
Agriculture	6,002	5,659	6,970	6,162	6,148	6,156	6,247	6,389
Commerce and housing credit	-192	-13,974	-6,575	-8,950	-9,287	-9,323	-8,896	-8,200
Transportation:								
Ground transportation	60,490	59,384	4,078	3,477	2,740	2,394	2,245	1,938
Air transportation	22,039	21,707	22,080	21,656	20,399	20,667	20,570	20,870
Water and other transportation	8,575	8,594	9,360	9,038	8,892	8,830	8,925	9,056
Total transportation	91,104	89,685	35,518	34,171	32,031	31,891	31,740	31,864
Community and regional development	24,223	26,939	31,732	26,635	20,216	16,782	13,694	12,766
Education, training, employment and social services:								
Education	73,456	66,784	79,126	71,079	69,241	71,617	73,178	74,365
Training, employment and social services	21,955	21,132	21,435	21,902	21,805	21,798	21,961	22,376
Total education, training, employment and social services	95,411	87,916	100,561	92,981	91,046	93,415	95,139	96,741
Health	60,313	57,070	59,484	56,593	56,365	57,224	58,413	59,190
Medicare	5,775	6,017	5,865	6,291	6,191	6,324	6,436	6,592
Income security:								
Housing assistance	43,801	42,376	43,612	45,112	44,843	45,260	46,376	46,979
Other	21,616	21,491	22,919	22,710	21,575	21,988	22,500	22,969
Total income security	65,417	63,867	66,531	67,822	66,418	67,248	68,876	69,948
Social security	5,576	5,710	5,068	6,712	4,661	4,905	5,021	5,128
Veterans benefits and services	57,020	58,961	62,520	64,926	68,087	69,464	70,677	71,968
Administration of justice	54,072	51,350	51,381	44,695	49,997	53,560	55,748	56,973
General government	19,535	17,604	17,275	19,303	20,566	20,758	20,851	21,758
Allowances ¹	15,785	30,689	35,418	33,742	30,719
Total nondefense ¹	615,569	576,402	561,927	562,824	568,706	575,815	578,827	584,695
Total outlays for discretionary programs	1,286,092	1,202,152	1,174,288	1,185,902	1,152,859	1,145,731	1,149,182	1,161,948

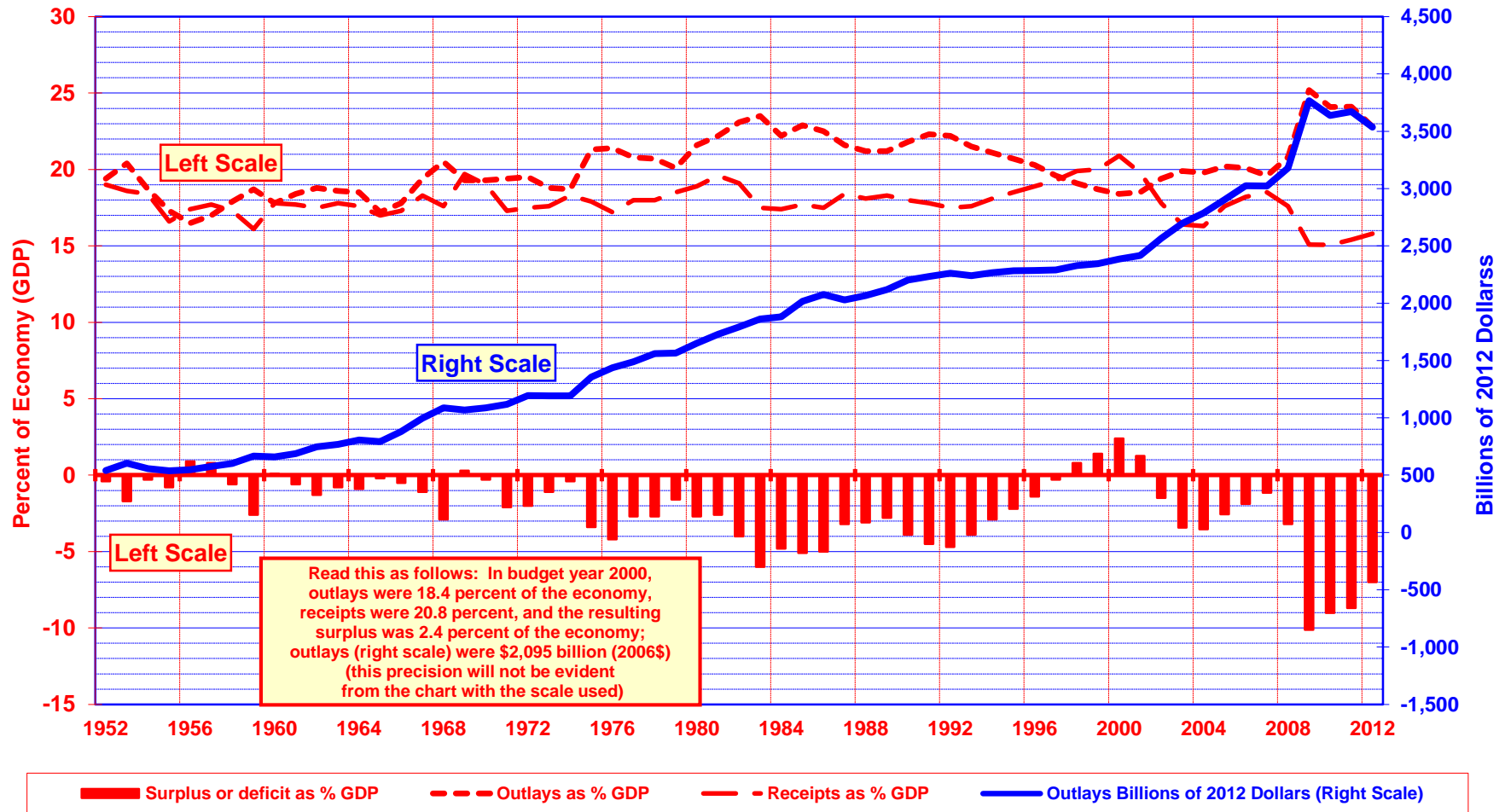
¹ Discretionary outlays include a placeholder for outyear Overseas Contingency Operations that includes some funding that would be categorized as national defense once the placeholder is allocated in the FY 2016 and subsequent Budgets. See the Allowances section of Table 3.2 for the amount of this placeholder.

Note: Due to the effects of the Credit Reform Act of 1990 on the measurement and classification of Federal credit activities, the discretionary outlays for years prior to 1992 are not strictly comparable to those for 1992 and beyond. However, the discretionary outlays shown for 1992 are no more than \$1 billion higher than they would have been if measured on the same (pre-credit reform) basis as the 1991 outlays.

⇒ For an interesting analysis of causes of deficits under Presidents George W. Bush and Barack Obama, see the discussion in Mann and Ornstein's *It's Even Worse Than It Seems* (Basic Books, 2012), especially Part I, chapter 3. See also discussion of causes of deficit changes in recent years by the Center on Budget and Policy Priorities, at <http://www.cbpp.org/cms/?fa=view&id=3849>.

The following page shows national government budget outlays for years 1952 to 2012 relative to the size of the economy (gross domestic product, GDP) and in billions of inflation-adjusted (2012) dollars.

National Government Budget Outlays in Billions of Constant (2012) Dollars and as Percent of Economy, and Revenues and Surplus or Deficit as Percent of Economy, 1952 to 2012



Source of current-dollar and percent of GDP data: *Budget of the United States 2014 Historical Tables*, Tables 1.1 and 1.3; Inflation-adjustment with CPI-U-X1, which applies the post-1982 CPI to the entire period starting 1950

This graph shows the national government budget in billions and trillions of dollars and also as percent of the economy (that is, in “fingers-and-toes” sized numbers), which portray changes over time in ways much easier to comprehend than billions and trillions.