



February 28, 2017

## NDD: What is it, and why is it at risk?

Non-defense discretionary spending – NDD in budget-speak – funds core government programs that invest in and safeguard people and resources. It provides the vital services and protections Americans value, need, and deserve.

And it's in jeopardy.

### What is it?

Federal spending is generally divided into two categories: mandatory and discretionary.

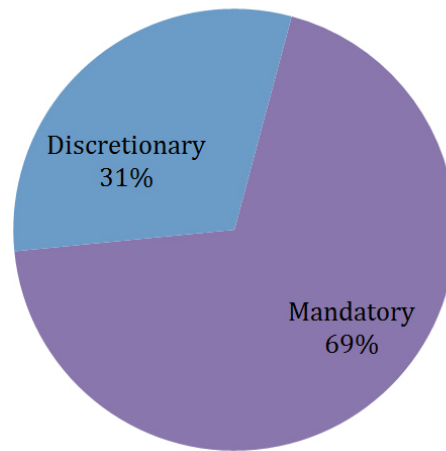
Mandatory spending – also called direct spending or entitlement spending – is determined by eligibility criteria established by law. It is not controlled through the annual appropriations process. Social Security, Medicare, Medicaid, farm programs, and veterans' pensions are examples. In 2016, mandatory outlays totaled \$2.7 trillion, including net interest, and made up 69 percent of total outlays.

Discretionary spending is funded by appropriations bills, which are passed by Congress and signed by the President every year. Discretionary outlays for 2016 were \$1.2 trillion, or 31 percent of total outlays.

Defense discretionary spending includes the military and certain weapons and national security activities outside the Department of Defense. Non-defense discretionary is everything else. In 2016, defense outlays were \$584 billion and non-defense outlays were \$600 billion.

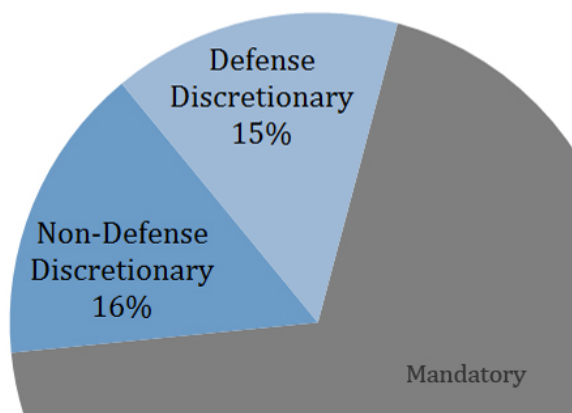
### Major Categories of Spending

% of Total 2016 Outlays



### Major Categories of Discretionary Spending

% of Total 2016 Outlays



Non-defense discretionary spending includes homeland security, education, research, veterans' health care, transportation, and much more. It provides resources for everything from airport security to Zika research. Through NDD, the country is able to invest in infrastructure, and enforce laws on imported goods and illegal drugs. It fights wildfires, fuels renewable energy efforts, and funds agricultural research. NDD ensures the safety of everything from poultry and planes to prescription medicine and the President.

## Why is it at risk?

Austerity-level spending caps loom for the coming fiscal year and beyond, threatening the continued operations of many vital government functions. In past years, Congress has changed these arbitrary spending caps to blunt the harshest impact of massive cuts to important federal programs.

However, the non-defense discretionary spending limit for 2018 is \$2 billion less than it was in 2016, in nominal terms. The 2018 level represents a significant cut to purchasing power. If the inflation rate is what the Congressional Budget Office projects, the 2018 cap represents a reduction of nearly \$30 billion compared with 2016.

Relative to the size of the economy, non-defense discretionary outlays for 2018 will be 3.1 percent of GDP, matching the lowest levels since this category has been tracked. Congress cannot continue to underfund these crucial investments.

While past bipartisan agreements have somewhat mitigated the harmful cuts of these spending limits, it is unclear if Congressional Republicans are willing to do so again. Without relief from these spending caps, vital government programs are facing significant cuts for fiscal year 2018 that would have significant effects on American families all across the country.

Even though most Americans say they want to cut government spending in general, individual programs that fall under the NDD

category receive widespread support. Indeed, Americans usually advocate boosting investment in those areas. If the Administration or Congressional Republicans are looking for savings to reduce the deficit, eliminating programs that are highly valued – yet make up a small fraction of federal spending – is not the answer.

