



HOUSE
BUDGET
COMMITTEE

Budget Digest

Chairman Diane Black

Volume 2, Number 2

29 June 2017

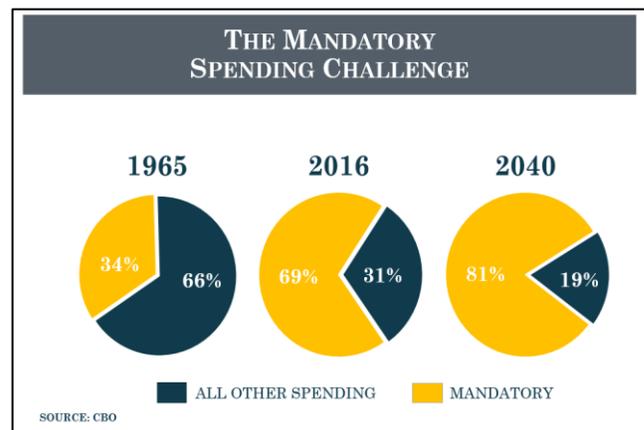
THE HAZARDOUS TREND OF UNCONTROLLED SPENDING

Despite the threat of a sovereign debt crisis, the Federal Government continues to overspend – and most of the spending continues automatically unless Congress acts to restrain it. More than two-thirds of the Federal budget (including interest) is “direct” or “mandatory” spending. It runs on effectively permanent authorizations, driven mainly by economic and demographic factors, and is not subject to the annual appropriations process. It will mushroom to more than four-fifths of total spending by 2040. Direct spending excluding interest totaled \$2.4 trillion in fiscal year 2016 and will nearly double to \$4.3 trillion by 2027, according to the Congressional Budget Office [CBO]. This is the principal source of the Nation’s growing national debt, which now stands at \$19.9 trillion – greater than the size of the entire economy.

Social Insurance Programs. Within overall non-interest mandatory spending, the two major social insurance programs are projected to continue growing faster than the economy as a whole, with Social Security increasing from \$910 billion in 2016 to \$1.7 trillion in 2027, and Medicare from \$692 billion in 2016 to \$1.4 trillion in 2027. This level of growth is unmanageable and threatens each program’s solvency.

Means-Tested Programs. Major means-tested program direct spending has almost doubled over the past decade, growing from \$385 billion to \$720 billion. In the next 10 years, CBO expects these programs to grow by an average of 4.3 percent annually, ballooning to \$1.1 trillion by 2027. The largest of these programs is Medicaid, with spending expected to rise from \$368 billion in 2016 to \$650 billion in 2027. Both Medicaid and the Supplemental Nutrition Assistance Program [SNAP] could be converted into a flexible allotment tailored to meet the needs of individual States, which would put both on a budget for the first time. Left on their current path, however, the high rates of spending in

these programs not only jeopardize the Nation’s economy but also fray the safety net for America’s most vulnerable.



Other Programs. Direct spending extends beyond retirement, health care, and welfare programs into all functions of the government. It includes Federal employee retirement, agriculture and higher education subsidies, and a variety of other programs. In fiscal year 2016, the Federal Government spent \$337 billion on these additional mandatory programs, which Congress does not reassess on a regular basis.

Reconciling the Trend. One way Congress *can* control this spending is through budget reconciliation. The procedure can drive much-needed reform of these programs while helping curb direct spending in pursuit of a balanced budget. The process can preserve funding for social insurance and safety net programs, while encouraging upward mobility. It must become an annual practice in congressional budgeting.

Prepared by:
Brittany Madni, Policy Advisor
Brad Watson, Senior Policy Advisor