Is Mandatory Spending Taboo?

ADDRESSING AN UNSUSTAINABLE BUDGET PROCESS

SPENDING

Discretionary

funded entirely by the annual appropriations process, and only enacted upon agreement of periodic appropriations (Bowen et al, 2014).

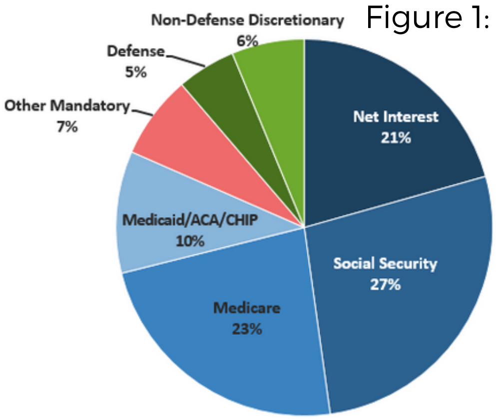
Discretionary spending spans many sectors from disaster relief, to national parks, law enforcement, transportation and largely concentrated in defense.

Mandatory

outside Congressional power, "an expenditure governed by formulas or criteria set by law." It strongly affects the overall spending level for tomorrow (Bowen et al 2014).

Considered to be on **autopilot**, the three largest mandatory programs: Social Security, Medicare and Medicaid receive continual funding without budget alterations.

Figure 1: 2018-2028 Spending Growth



Social Security, health care and interest contribute to

82%

of the spending growth

Graph data obtained from the Congressional Budget Office CRFB.org

Inside Mandatory Spending

An aging population with increased health care costs places strong burdens on the already bulky mandatory programs. There are two primary contributions to the drastic increases in mandatory outlays: significant growth in the over 65 population and certain health care costs projections that outpace total economic growth (The Economic & Budget Outlook).The CBO estimates an increase from 38 to 45 percent of all federal non interest spending to go towards the large mandatory spending programs for the population age 65 over the next decade (The Budget & Economic Outlook). The nature of these entitlement programs, merits the name "uncontrollable spending" because qualifying participants fluctuate and lack precision from year to year (Tax Policy Center). This spending is under the assumption, by the Congressional Budget Office, that the existing laws and policies for these programs remain unchanged (The Budget and Economic Outlook). Such an assumption is not unreasonable given the nature of these large programs, any abrupt shifts to them would disrupt the recipients' lives and compromise their functionality (Austin, 2018).

In the next decade...

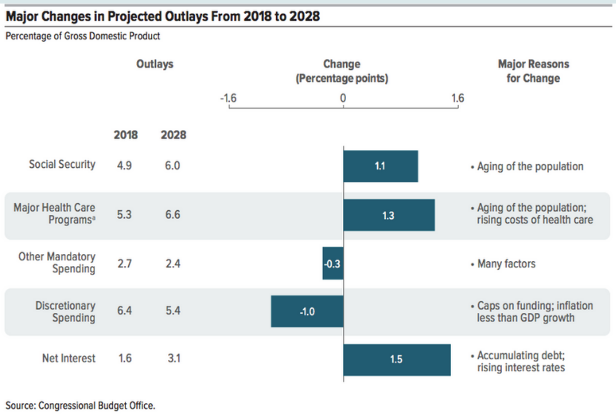
5.4%

Discretionary spending will decrease to 5.4% of the national GDP

14.9%

Mandatory spending will increase to 14.9% of the national GDP

Source: Congressional Budget Office



Major Changes in Projected Outlays From 2018 to 2028

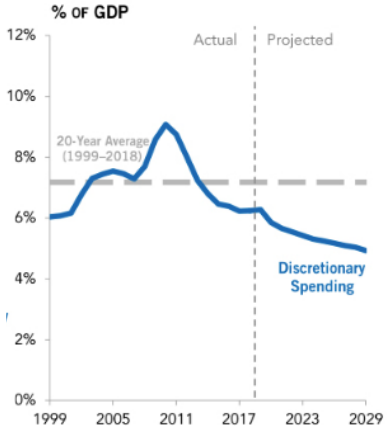
Percentage of Gross Domestic Product

	Outlays 2018	Outlays 2028	Change (Percentage points)	Major Reasons for Change
Social Security	4.9	6.0	1.1	• Aging of the population
Major Health Care Programs[a]	5.3	6.6	1.3	• Aging of the population; rising costs of health care
Other Mandatory Spending	2.7	2.4	-0.3	• Many factors
Discretionary Spending	6.4	5.4	-1.0	• Caps on funding; inflation less than GDP growth
Net Interest	1.6	3.1	1.5	• Accumulating debt; rising interest rates

Source: Congressional Budget Office.

The Drop In Discretionary Spending

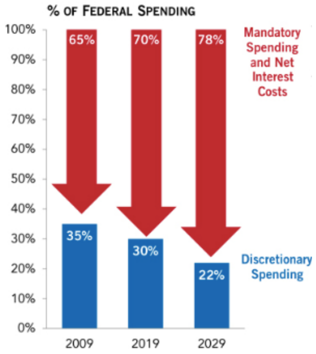
Figure 3 & 4. Discretionary Spending Expected to Fall Well Below its Average



Source: Congressional Budget Office

The spending crisis is not new to the Congressional appropriations committee and action taken to adjust discretionary spending has been met with results. Discretionary spending, on the controlled side of spending, as it consumes less of the budget, shows effective use of budgetary procedures to tighten spending over long periods of time (Ippolito, 1993), through past initiatives: Omnibus Reconciliation Act and the Budget Act of 2011. The Omnibus Act placed the strongest controls on discretionary spending but weakest on entitlement assets, not considering economic and demographic forces(Ippolito, 1993).

Figure 4.



Source: Congressional Budget Office

Because it is controlled entirely through the annual budget process, discretionary spending is considered to be a more **flexible fiscal instrument**. While the caps do decrease overall spending, the steady decline in funding, as seen in Figure 3, could "provide insufficient funding for domestic policy initiatives (Austin, 2014)." Curtailing discretionary spending further could hinder federal agencies' ability to meet national priorities.

Budgetary Integration

Before legislative spending changes can be put forth, portions of mandatory spending must be placed on the appropriations table. This requires greater involvement from the policy actors. Jim Nussle's perspective on budget reform targets the leadership in the Congress and Presidency, encouraging the use of the Congressional "toolbox," instead of both branches "simply rolling through the stop signs (Nussle, 2012). The President should be required to submit his own budget as a leader. Furthermore, both sides of the aisle are attempting to blow through the caps for defense or social welfare, when these Budget Control Act caps are the only impediment from further increasing the deficit (Moore, 2018). Political tensions caused 2017 proposed mandatory cuts to be abandoned in political turmoil: as Democrats easily accused the Republicans of "gutting" popular programs like Medicare and Medicaid (Kramer, 2017).

In the 2019 budget, the Trump administration proposed retaining mandatory spending at its current level, 13% of GDP. Allowing portions of mandatory programs incorporation into the budgetary process, it puts pressure on limited resources to be allocated to the most necessary option, and adds Congressional oversight ("2019 Budget"). Inspired by Bowen's study of a **flexible budgetary institution,** to obtain the highest level of efficiency and overcome gridlock, the strongest components of each type should be integrated into the budgetary process. Mandatory spending follows a status quo to be maintained as a midst party changes while discretionary spending can adapt and adjust, "tailor" to the total desired spending level (Bowen, 2017). By introducing programs that rely on both spending types, a more comprehensive model allows Congress to exercise its lawmaking power and keep all spending controllable.