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Fast Facts about Mandatory Spending

By Romina Boccia and Dominik Lett

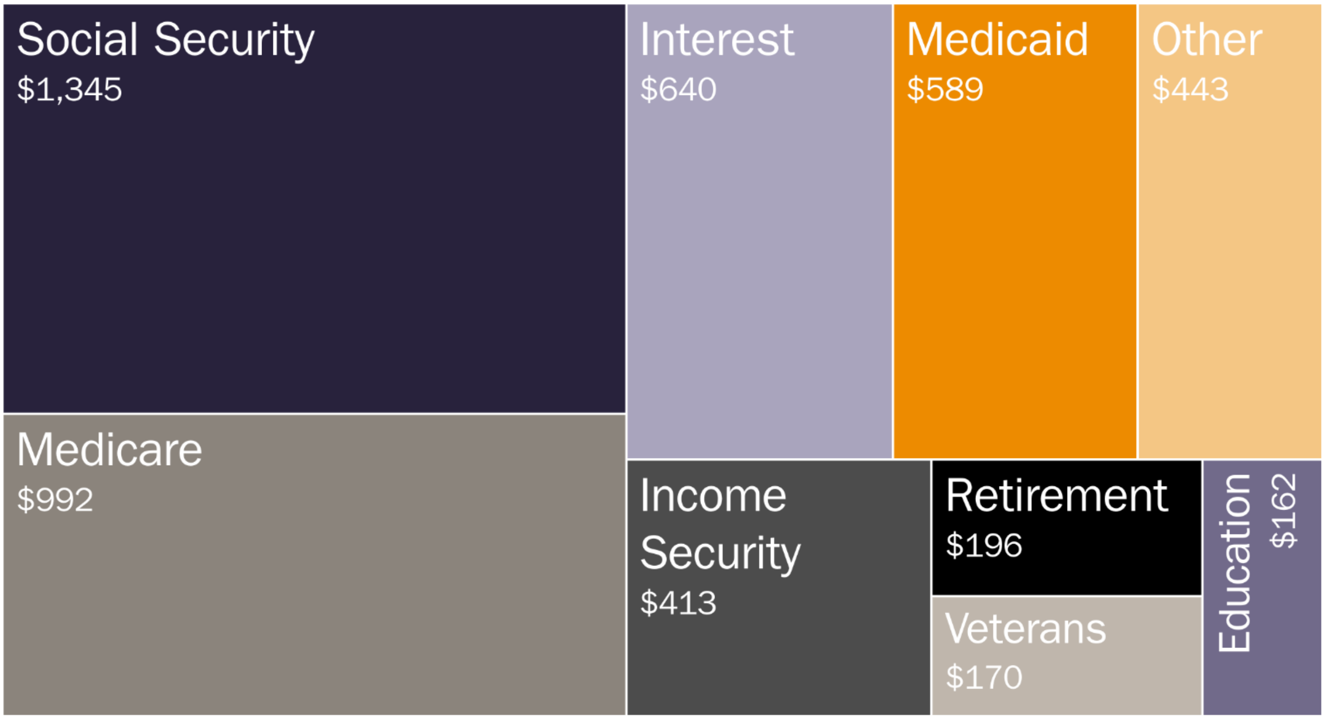
The federal government will spend $6.3 trillion in 2023, 73 percent is categorized as mandatory and 27 percent as discretionary. Mandatory spending refers to federal programs that are funded outside of annual appropriations, including Social Security, Medicare, and food stamps (SNAP). Mandatory spending also includes interest spending on the federal debt. Mandatory spending is typically ongoing and determined by statutory formula, meaning it continues from year to year, unless Congress changes the underlying law. This fact sheet lays out key details legislators and the public should know about mandatory spending.

- Mandatory spending accounts for three quarters of all federal spending, that's **$4.6 trillion** in 2023 or 17.6 percent of gross domestic product (GDP).
    - The federal government will spend **$35,000** in mandatory spending for every U.S. household in 2023.
    - Between 1973 and 2023, mandatory spending's budgetary share grew from **47 percent to 73 percent** of total federal spending.
    - Between 1973 and 2023 mandatory spending doubled from **8.5 percent of GDP to 17.6 percent** of GDP.
    - Mandatory spending is growing as a share of the overall budget, primarily due to the growth of major entitlement programs like Social Security and Medicare.
    - Mandatory spending will reach **$7.4 trillion** or 19 percent of GDP by 2033 according to projections by the Congressional Budget Office (CBO).

- Most mandatory spending is for major entitlements like Social Security, Medicare, and Medicaid.
    - Social Security spending will grow from **$1.4 trillion** or 5.1 percent of GDP in 2023 to $2.4 trillion or 6 percent of GDP.
    - Medicare, excluding offsetting receipts such as premium payments, will spend **$1 trillion** in 2023.
    - Medicaid will spend **$589 billion** in 2023.
    - Major health care programs when combined make up the largest category of federal spending, spending **$1.7 trillion** in 2023 or **6.5 percent** of gross domestic product (GDP).
    - Major health care spending will increase to **$3 trillion** or 7.8 percent of GDP by 2033. That's almost three times what the U.S. government will spend on defense that year.
    - Spending for income security programs, including food stamps (SNAP) and unemployment compensation, will reach **$413 billion** in 2023.
    - Since 2019, federal spending has increased by **40 percent**. Net interest spending and means-tested entitlements like food stamps, welfare, and Medicaid, grew the fastest.

- Interest spending on the federal debt is categorized as mandatory spending.
    - Interest costs on the federal debt are projected to grow faster than any other category of spending.
    - In 2023, net interest spending will reach **$663 billion** or 2.5 percent of GDP.
    - By 2033, interest costs are projected to double to **$1.4 trillion** or 3.7 percent of GDP. That's 20 percent of total federal revenues in 2033.
    - By 2052, net interest costs are projected to rise to **7.2 percent of GDP**. That would be higher than spending on Social Security or all discretionary spending.
    - If interest rates were 1 percentage point higher than projected, cumulative interest costs would increase by **$3 trillion** over 10 years.

Mandatory spending, billions $ (2023)



Source: Congressional Budget Office, "An Update to the Budget Outlook: 2023 to 2033," May, 12, 2023.
Note: Graph displays gross mandatory outlays by major category (including net interest) for FY 2023.

- Mandatory spending is the primary driver of the U.S. fiscal imbalance.
    - Nearly **60 percent** of the federal government's long-term structural fiscal imbalance is the result of legislation enacted between 1965 and 1972 pertaining to Medicare, Medicaid, and Social Security.
    - Together, major entitlement programs and interest will be responsible for **82 percent** of projected spending growth over the next 10 years.
    - Over the next 75 years, Medicare and Social Security are responsible for **95 percent** of the total unfunded obligation (the present value of non-interest spending less receipts).
    - Four of the five largest federal budget functions are mandatory spending; only one of the five largest budget functions is subject to regular review and spending limits: national defense.

Further reading:

- **Why We Have Federal Deficits: An Updated Analysis, by Charles Blahous**
  "Nearly three-fifths of the federal government's long-term structural fiscal imbalance derives from legislation enacted between 1965 and 1972, including the enactments of Medicare and Medicaid in 1965, expansions of Medicare and Medicaid in 1971–72, and substantial increases in Social Security benefits in 1972."
- **Designing a BRAC-Like Fiscal Commission To Stabilize the Debt**
  "A well-designed BRAC-like process will be an effective tool for reducing government spending while also respecting Congress's constitutional authority."
- **How a Better Budget Control Act Would Limit Spending and Control Debt**
  "An independent, nonpartisan commission can help Congress overcome entitlement reform gridlock by providing politicians with political cover to approve the necessary changes sooner. [That] allows for more gradual changes to old-age entitlement programs that preserve benefits for the most vulnerable seniors without economically damaging tax increases on American workers."