



## Understanding Discretionary Spending

Federal spending is generally divided between mandatory spending and discretionary spending (along with interest costs). Whereas mandatory programs like Social Security and Medicare generally spend automatically based on the law, discretionary spending is mostly appropriated annually. Discretionary spending includes a wide range of government activities, such as defense, K-12 education, transportation, foreign aid, and public health programs.

Discretionary spending is provided through the appropriations process, which gives agencies “budget authority,”<sup>7</sup> allowing them to spend a specific amount of funds. When the funds are spent, it is called an outlay. In Fiscal Year (FY) 2025, discretionary outlays are projected to total about \$1.8 trillion, which is about one-quarter of total spending. The discretionary share of the federal budget has decreased over time as mandatory spending has grown; it accounted for 34 percent of the federal budget in FY 2000 but accounts for only 26 percent of the budget today.

The Fiscal Responsibility Act (FRA) established specific limits on defense and nondefense base discretionary budget authority for FY 2024 and 2025. If these caps are exceeded, automatic cuts, known as sequestration, can be triggered to bring spending back in line – though lawmakers often employ budgetary gimmicks to circumvent these caps and raise effective spending, including emergency designations for non-emergencies and rescissions, or cuts, that produce no savings.

Through the FRA, base discretionary budget authority for FY 2025 was set at \$1.6 trillion, spread across 12 different appropriations bills. The below graphics shows the breakdown of this spending by appropriations bill.

### FY 2025 Base Discretionary Spending



Leg. Branch: \$7 billion (<1%)

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Source: Congressional Budget Office