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The Largest Spending Programs in the Federal Budget: FY2002 Outlays Over \$10 Billion

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In FY2002, federal outlays totaled \$2,011 billion. Mandatory spending, not including net interest, (\$1,106 billion) accounted for 55.0% of total federal outlays, while discretionary spending (\$734 billion) accounted for 36.5%. Outlays for net interest (\$171 billion) accounted for 8.5%. FY2002 is the most recent fiscal year for which actual outlays are available. This fact sheet identifies the largest spending programs with outlays greater than \$10 billion. For more information on budget process, see [<http://www.crs.gov/products/guides/guidehome.shtml>].

The federal budget consists of two types of spending: mandatory and discretionary. Mandatory spending (also called direct spending) is provided by substantive law. Most mandatory spending programs are funded by permanent appropriations, but some are funded in annual appropriations acts. In either case, the spending amounts for mandatory programs are based on benefit levels or other factors established by the substantive laws rather than through the appropriations process. By contrast, the level of discretionary spending is established by Congress and the President in the 13 regular appropriations acts and other appropriations measures during the annual appropriations process.

Table 1 lists the largest mandatory and discretionary spending activities with outlays greater than \$10 billion. The spending activities listed below account for about 78.0% of total federal outlays. The 15 largest mandatory programs account for 55.1% of total federal outlays, while the 11 largest discretionary spending activities account for 22.8%.

Table 1. Federal Outlays for the Largest Spending Programs Over \$10 Billion, FY2002

(in millions of dollars)

Program or Spending Activity	Type ^a	FY2002 Outlays	Percent of Total Federal Outlays
Social Security (Old-age and survivors insurance) ^b	M	387,672	19.3
Medicaid grants to states	M	147,512	7.3
Medicare—Hospital insurance (HI) ^c	M	145,044	7.2
DOD-Operation and maintenance	D	129,472	6.4
DOD-Military personnel	D	86,773	4.3
Medicare—Supplementary medical insurance (SMI) ^d	M	82,685	4.1
Social Security (Disability insurance) ^e	M	64,400	3.2
DOD-Procurement	D	62,515	3.1
Unemployment insurance programs	M	50,396	2.5
Federal civilian employee retirement and disability	M	49,464	2.5
DOD-Research, development, test and evaluation	D	44,389	2.2
Military retirement	M	35,060	1.7
Supplemental security income	M	31,411	1.6
Highways	D	29,332	1.5
Earned income tax credit	M	27,826	1.4
Subsidized, public, homeless, and other HUD housing	D	24,917	1.2
Veterans compensation	M	22,418	1.1
Food stamps (including Puerto Rico) ^f	M	22,053	1.1
Medical care and hospital services for veterans ^g	D	21,659	1.1
National Institutes of Health	D	20,366	1.0
Temporary assistance for needy families and related programs	M	18,749	0.9
Atomic energy defense activities (Dept. of Energy)	D	14,253	0.7
Commodity Credit Corporation	M	13,597	0.7
Airports and airways (FAA)	D	13,096	0.7
Student financial assistance (higher education)	D	12,369	0.6
State child nutrition programs	M	10,247	0.5
<i>Mandatory spending subtotal</i>		<i>1,108,534</i>	<i>55.1</i>
<i>Discretionary spending subtotal</i>		<i>459,141</i>	<i>22.8</i>

Source: Office of Management and Budget, *Budget of the U. S. Government, Fiscal Year 2004, Analytical Perspectives* (Washington: GPO, 2003), Outlays by Function, Category and Program, Table 25-2, pp. 502-523.

- a. M=mandatory; D=discretionary.
- b. Does not include discretionary outlays for administrative expenses (\$1,893 million in FY2002).
- c. Deduction made for premiums and collections (\$1,525 million in FY2002), and does not include discretionary outlays for administrative expenses (\$1,444 million in FY2002).
- d. Deduction made for premiums and collections (\$24,428 million in FY2002), and does not include discretionary outlays for administrative expenses (\$1,712 million in FY2002).
- e. Does not include discretionary outlays for administrative expenses (\$1,966 million in FY2002).
- f. The food stamp program is defined as direct spending by Section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900), as amended, rather than by its substantive legislation.
- g. Deduction made for medical care collections (\$985 million in FY2002).