

Federal Budget – The Facts

Background

How large is the federal budget?

In February 2011, President Obama delivered to Congress a \$3.729 trillion budget proposal for fiscal year (FY) 2012.ⁱ It is the second largest federal budget ever proposed; only the FY 2010 budget (\$3.819 trillion) has been larger.

Another way to measure the size of the federal budget is to compare it to America's gross domestic product (GDP). For FY 2012, the budget is expected to be the equivalent of almost 24 percent of the GDP.ⁱⁱ

Over the next 10 years, the federal budget is only expected to increase. From 2012 to 2021, the federal government estimates that federal expenditures will rise almost 53 percent, from \$3.729 trillion to \$5.697 trillion.ⁱⁱⁱ

What does the federal budget pay for?

Historically, expenditures in the federal budget have been divided into three categories: discretionary spending; mandatory programs; and interest on the national debt.

- **Discretionary Spending.** For FY 2012, discretionary spending is expected to total \$1.344 trillion, or about 36 percent of the total budget. Of this amount, \$881 billion is earmarked for security, which includes the Departments of Defense (\$553 billion), Energy (\$11.7 billion), Homeland Security (\$43.2 billion), Veterans Affairs (\$58.8 billion), and other programs (\$52.7 billion). The remaining \$462 billion covers all other discretionary spending, the largest of which are the Departments of Health and Human Services (\$82.2 billion), Education (\$77.4 billion), Housing and Urban Development (\$41.7

ISSUE SNAPSHOT

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billion), Justice (\$20.9 billion), and Agriculture (\$22 billion).

- **Mandatory Programs.** Mandatory expenditures make up the majority of the federal budget. In FY 2012, these expenditures, which include Social Security payments (\$761 billion), Medicare (\$468 billion), Medicaid (\$269 billion), the Troubled Asset Relief Program (TARP; \$13 billion), and other programs (\$598 billion), total more than \$2trillion, or almost 57 percent of the national budget.
- **Interest on the National Debt.** America's interest payments on its national debt are the fastest growing component of the federal budget. In FY 2012, interest payments on the national debt are expected to total \$240 billion, or about 6.4 percent of the entire budget. If projections are accurate, this amount will rise 286 percent by 2021, to \$928 billion.

For FY 2011, a fourth category was added. Disaster costs represent possible outlays of federal assistance for relief and reconstruction. For FY 2012, \$6 billion has been set aside for disaster relief.

GUIDE TO THE ISSUES

While spending on all four categories is expected to rise over the next 10 years, discretionary spending will comprise an ever-smaller percentage of the federal budget. FY 2012, security and other discretionary spending comprised 36 percent of the federal budget. By 2021, it will account for only 26 percent of it.

Where does the revenue for the federal budget come from?

According to the White House, approximately 70 percent of the revenue for the federal budget will come from “receipts”—taxes—while the remaining \$1.101 trillion will be borrowed.

- Tax revenue: In FY 2012, most of the tax revenue for the federal government (\$1.145 trillion) will come from individual income taxes, followed by Social Security payroll taxes (\$660 billion), corporate income taxes (\$327 billion), and Medicare payroll taxes (\$202 billion). Other taxes with smaller contributions to the federal budget include excise taxes (\$80 billion), customs duties (\$31 billion), deposits of earnings into the Federal Reserve System (\$66 billion), and estate and gift taxes (\$13 billion).

From FY 2012 to FY 2021, federal revenue is expected to increase by 84 percent, from \$2.61 trillion in FY 2012 to \$4.82 trillion in FY 2021.^{iv}

- Deficit spending: For FY 2012, approximately \$1.025 trillion will be borrowed by the federal government to pay for its programs.^v When added to the existing federal debt, as of FY 2012 the federal government will owe approximately \$16.638 trillion. This is the same as each man, woman and child in America (311,391,000 persons) owing approximately \$53,431, as of May 20, 2011.

Little is being done to lower the federal deficit. Interest on the deficit in FY 2021 (\$928 billion) will almost match the amount spent on national security (\$1.039 trillion).^{vi}

ⁱ Budget of the United States Government, Fiscal Year 2012, Table S-1. Available at <http://tinyurl.com/453jjj3>. Access verified May 20, 2011.

ⁱⁱ *Ibid.*

ⁱⁱⁱ *Ibid.*

^{iv} S-3.

^v S-14.

^{vi} S-3.