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Discretionary Budget Authority by Subfunction: An Overview

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Discretionary Budget Authority by Subfunction: An Overview

This report provides a graphical overview of historical trends in discretionary budget authority (BA) from FY1977 through FY2022, preliminary estimates for FY2023 spending, and the levels reflecting the President’s proposals for FY2024 through FY2028 using data from the FY2024 budget submission released in March 2023. This report, by illustrating trends in broad budgetary categories, provides a starting point for discussions about fiscal priorities. As the 118th Congress considers the FY2024 budget, past spending trends may help frame policy discussions. Other CRS products analyze funding for specific agencies, program areas, or appropriations bills.

Functional categories (e.g., national defense, agriculture, etc.) provide a means to compare federal funding for activities within broad policy areas that often cut across several federal agencies. Subfunction categories provide a finer division of funding levels within narrower policy areas. Budget function categories are used within the budget resolution and for other purposes, such as estimates of tax expenditures. Spending in this report is measured and illustrated in terms of discretionary budget authority as a percentage of gross domestic product (GDP). Measuring spending as a percentage of GDP in effect controls for inflation and population increases. A flat line on such graphs indicates that spending has increased at the same rate as overall economic growth. In some cases, rescissions, offsetting receipts, or budgetary scorekeeping adjustments can result in negative budget authority.

Discretionary spending is provided and controlled through appropriations acts, which provide budget authority to federal agencies to fund federal government functions such as running executive branch agencies, congressional offices and agencies, and international operations of the government. Essentially all spending on federal wages and salaries is discretionary. Administrative costs for entitlement programs such as Social Security are generally funded by discretionary spending, while mandatory spending—not shown in this report’s figures—generally funds the program benefits. The division of funding into discretionary and mandatory categories for surface transportation, however, is complex.

Statutory caps on discretionary spending were originally set in the Budget Enforcement Act of 1990 (BEA; P.L. 101-508), which also limited mandatory spending and revenue reductions. Those caps were extended through the 1990s, but expired shortly after the attacks of September 11, 2001. Both defense and nondefense discretionary spending grew more rapidly in the following decade compared to the 1990s. The Budget Control Act of 2011 (P.L. 112-25; BCA) reimposed caps on discretionary spending. Most BCA caps were divided between defense and nondefense funding. Congress modified BCA caps several times to avoid decreasing discretionary funding levels. The BCA caps expired at the end of FY2021. In June 2023, the Fiscal Responsibility Act (FRA; P.L. 118-5) suspended the federal debt limit and reestablished statutory caps on discretionary spending for FY2024 and FY2025, which were again divided between defense and nondefense categories.

Two separate crises strongly affected public sector spending in the United States, as elsewhere. The financial crisis of 2007-2009 and the subsequent Great Recession prompted large fiscal policy responses, including spending increases and tax (revenue) reductions aimed at supporting economic activity. The COVID-19 pandemic starting in 2020 presented governments around the world, including the U.S. government, with extreme fiscal challenges. The bulk of the fiscal responses to the Great Recession came through mandatory spending or automatic stabilizers, which result in high income support outlays and lower tax revenues during economic downturns, as well as through tax reductions. Fiscal responses to the COVID-19 pandemic also increased discretionary spending, although changes in mandatory spending were larger.

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Introduction

This report presents figures showing trends in discretionary budget authority as a percentage of gross domestic product (GDP) by subfunction within each of 17 budget function categories, using data from President Joseph R. Biden's FY2024 budget submission.¹ This report provides a graphical overview of historical trends in discretionary budget authority from FY1977 through FY2022, estimates for FY2023 spending, and the levels consistent with the President's proposals for FY2024 through FY2028.² Spending in this report is shown as a percentage of GDP to control for the effects of inflation, population growth, and growth in per capita income.³ Past spending trends may prove useful in framing policy discussions as the 118th Congress prepares to confront a new set of challenges while it considers a federal budget for FY2024.

Budget Concepts and Discretionary Spending

Appropriations acts provide and control discretionary spending,⁴ which funds many of the activities commonly associated with federal government functions, such as running executive branch agencies, congressional offices and agencies, and international operations of the government.⁵ Mandatory spending, which is provided by other kinds of acts, supports the much larger expenditures on various program benefits. For some program areas, such as highway and mass transportation funding, the division of spending into discretionary and mandatory categories is more complex.

Discretionary spending in this report is measured in terms of budget authority (BA). An agency head with BA can obligate the federal government to make payments, subject to congressional restrictions, for contractors, employees, or grantees to carry out the goals set in legislation. Outlays occur when the U.S. Treasury disburses funds to honor those obligations. Thus, outlays follow BA with a lag. Outlays for personnel costs mostly occur in the same year that BA is provided, but for large and complex projects, outlays may be spread over several years. Nearly all BA eventually results in outlays. In some cases, BA expires without being used. For instance, an agency might have difficulty in hiring personnel with the right qualifications or in finding a contractor with appropriate capabilities or a contract might cost less than anticipated. In a few cases, major federal initiatives were later curtailed or cancelled, resulting in the rescission of BA. For instance, most funding for the Carter Administration's synthetic fuels program and the Obama Administration's plans for high-speed rail did not result in outlays.

¹ The President's FY2024 budget (<http://www.whitehouse.gov/omb/budget/>) was released on March 9, 2023. Because the final FY2023 appropriations measure was enacted in December 2022, spending levels for that fiscal year reflect those in an earlier continuing resolution.

² The start of the federal fiscal year was changed from July 1 to October 1 in 1976 to accommodate changes in the congressional budget process. The figures omit data for the transition quarter (July 1 to September 30, 1976).

³ The Bureau of Economic Analysis (BEA) released a major revision to national income accounts in July 2013, which showed somewhat higher levels of national income and thus slightly reduced government spending as a share of GDP. See Stephanie H. McCulla, Alyssa E. Holdren, and Shelly Smith, "Improved Estimates of the National Income and Product Accounts: Results of the 2013 Comprehensive Revision," *Survey of Current Business*, September 2013, pp. 14-45, http://bea.gov/scb/pdf/2013/09%20September/0913_comprehensive_nipa_revision.pdf.

⁴ In some cases, Congress has specified that some funding provided in a nonappropriations act be classified as discretionary. Section 23008 of the CARES Act of 2020 (P.L. 116-136) specified that certain funding in Title B be designated as discretionary, although that measure was an authorizing act.

⁵ For a broader analysis of discretionary spending, see CRS Report RL34424, *The Budget Control Act and Trends in Discretionary Spending*, by D. Andrew Austin.

In some cases, changes in funding levels recorded in historical budget data reflect changes in budgetary concepts or the budgetary treatment of some types of spending. For example, the Federal Credit Reform Act of 1990 (P.L. 101-508) changed the budgetary treatment of federal loan and other credit programs starting in FY1992.

Budget Policy and Discretionary Spending

Discussions about the appropriate levels of spending for various policy objectives of the federal government have always played an important role in congressional deliberations over funding measures. For example, concerns about the trajectory of fiscal policy after the financial crisis of 2007-2009 led to the reestablishment of enforceable statutory caps on discretionary funding in the 2011 Budget Control Act (P.L. 112-25). More recently, the scale of fiscal responses to the COVID-19 pandemic prompted renewed discussions over federal fiscal policy. Moreover, how the growth of social insurance and health program spending, mostly funded through mandatory spending, has shaped the federal budget and its future fiscal trajectory has also been an issue of concern.

Funding for FY2023 was first provided by a continuing resolution (P.L. 117-180) that included supplemental appropriations to support Ukraine’s defense against the Russian invasion. After two one-week continuing resolutions (P.L. 117-229 and P.L. 117-264) were enacted in December 2022, a final appropriations measure (P.L. 117-328) for FY2023 was enacted on December 29, 2022. According to Congressional Budget Office (CBO) estimates, the act provided \$1,715 billion in discretionary BA.⁶

The enactment of final FY2023 appropriations at the end of December 2022, rather than before the start of the fiscal year on October 1, 2022, hinders OMB’s ability to estimate current budget year amounts in the Administration’s FY2024 budget submission.⁷

A 2023 act (Fiscal Responsibility Act; P.L. 118-5) that suspended the federal debt limit also set new statutory caps on discretionary spending for FY2024 and FY2025.

Overview of Recent Discretionary Spending

Federal fiscal policy in the past two decades has been shaped by two severe shocks, as noted above and discussed in more detail below.

First, the 2007-2009 financial crisis and the ensuing Great Recession was the most serious economic downturn since the Great Depression of the 1930s.⁸ Government deficits and debt typically rise after serious financial crises and economic downturns for two main reasons. First, tax revenues typically drop during economic downturns. Second, as recession reduces incomes for many households, spending increases due to the effect of “automatic stabilizers”—that is, programs that provide benefits linked to income levels or unemployment. In addition, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5), which

⁶ CBO, *CBO Estimate for Divisions A through N of H.R. 2617 (as modified by S.A. 6552), the Consolidated Appropriations Act, 2023*, December 21, 2022, <https://www.cbo.gov/publication/58872>. For estimates of mandatory (direct) spending, see *CBO Estimate for Divisions O Through MM of H.R. 2617, the Consolidated Appropriations Act, 2023, Enacted as P.L. 117-328 on December 29, 2022*, January 12, 2023, <https://www.cbo.gov/publication/58872>.

⁷ OMB, *FY2024 Budget, Analytical Perspectives*, ch. 4, Budget Process, p. 44, https://www.whitehouse.gov/wp-content/uploads/2023/03/ap_4_process_fy2024.pdf.

⁸ National Bureau of Economic Research, Business Cycle Dating Committee, “June 2009 Business Cycle Trough/End of Last Recession,” September 20, 2010, <https://www.nber.org/news/business-cycle-dating-committee-announcement-september-20-2010>.

combined a package of increased federal funding for education, energy, and other areas; greater support for state and local governments; and tax reductions.

Second, the COVID-19 pandemic, the most serious global health emergency in the past century, had profound effects on economic activity, health systems, and finances of households and governments.⁹

The direct and indirect effects of the 2007-2009 financial crisis and the COVID-19 pandemic both resulted in large increases in federal deficit spending. While federal deficit spending supports economic activity and household incomes, the sharp increases in federal debt levels raised concerns about the sustainability of public finances.

The Budget Control Act of 2011

Fiscal policy became a central concern of Congress in the wake of the 2007-2009 Great Recession. In early 2011, prompted by those concerns, some in Congress sought to constrain discretionary spending in the final FY2011 appropriations measure.¹⁰ In August 2011, negotiations over fiscal policy and the debt limit led to the reimposition of spending caps and associated budget enforcement mechanisms that had lapsed after FY2001 through the enactment of the Budget Control Act of 2011 (BCA; P.L. 112-25).

The BCA set statutory caps on discretionary spending, similar to those that had lapsed in 2002, and set up budget enforcement mechanisms designed to achieve \$2.1 trillion in savings over the period FY2012-FY2021.¹¹ An initial set of discretionary caps was estimated to save about \$900 billion over 10 years. A bipartisan Joint Select Committee on Deficit Reduction, often known as the “Super Committee,” was tasked with developing a plan to reduce deficits by \$1.2 trillion or more.

When that committee reported no plan by a November 2011 deadline, backup budget enforcement measures were triggered, including a January 2013 sequester (a cancellation of budgetary resources by OMB), and a revised set of discretionary caps on funding for defense (defined as the national defense budget function 050) and nondefense programs (all other) for FY2013-FY2021.¹² Those revised caps were to be lowered in each year by an amount calculated by the Office of Management and Budget (OMB) according to a formula designed to achieve a prorated share of the \$1.2 trillion deficit reduction that a Joint Select Committee plan did not achieve. An annual sequester of nonexempt mandatory spending accounts also contributes to those savings.

⁹ The John Hopkins Coronavirus Resource Center (<https://coronavirus.jhu.edu/region/united-states>), when it stopped updating its data, estimated that 1.1 million people had died from COVID-19 in the United States. The Centers for Disease Control (CDC) estimates that about 675,000 people died from the Spanish flu in 1918-1919. See CDC, “History of 1918 Flu Epidemic,” webpage, March 21, 2018, <https://www.cdc.gov/flu/pandemic-resources/1918-commemoration/1918-pandemic-history.htm>.

¹⁰ See CRS Report R41771, *FY2011 Appropriations in Budgetary Context*, by D. Andrew Austin and Amy Belasco.

¹¹ For more information on the BCA, see CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.

¹² Section 302 of the BCA set out procedures for lowering those revised caps by adding § 251A to the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA; P.L. 99-177). In FY2013, the lowering of the BCA caps was implemented through sequestration. See CBO, *Sequestration Update Report*, August 2012, p. 3, available at http://www.cbo.gov/sites/default/files/cbofiles/attachments/08-09-12_SequestrationUpdate.pdf; and OMB, *Sequestration Update Report to the President and Congress for Fiscal Year 2013*, August 20, 2012, p. 13, available at http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/sequestration/sequestration_update_august2012.pdf.

The spending trajectory implied by those backup enforcement measures implied discretionary base defense spending would have reverted to a level slightly above its FY2007 level in real dollar terms (i.e., adjusting for inflation but not for growth in population or the economy), while nondefense discretionary spending would have reverted to a level near its FY2003 level.¹³ Discretionary spending as a share of GDP, had unmodified BCA caps remained in place, would have declined to levels well below those seen in recent decades. CBO baseline projections suggested that discretionary spending would have accounted for 5.3% of GDP in FY2026, two percentage points below its level in FY2007 (7.3%), just before the start of the Great Recession.¹⁴

BCA caps were adjusted to accommodate certain types of spending, such as war spending (designated as “overseas contingency operations”), emergency appropriations, disaster relief, and program integrity initiatives.¹⁵ In particular, war-designated funding has been seen as a “relief valve” that has taken budgetary pressure off priority military and international programs.¹⁶ Some Members of Congress have argued that war spending cap adjustments weakened fiscal discipline.¹⁷

Congress Modified BCA Caps to Mitigate Fiscal Stringency

The stringency of BCA discretionary spending caps and backup enforcement measures prompted Congress and the President to adjust those limits several times to avoid dislocations of federal operations.¹⁸ Some journalists and others have referred to sequestration as a reversion to tighter caps on spending after a lapse of a Bipartisan Budget Act provision allowing higher levels of discretionary spending—something unrelated to the formal definition of sequestration.

The American Taxpayer Relief Act of 2012 (ATRA; P.L. 112-240) delayed the slated FY2013 sequester and reduced its size from \$109 billion to \$85 billion. ATRA, which also extended certain tax reductions, addressed concerns that the expiration of certain tax cuts and imposition of spending cuts could hinder economic recovery from the Great Recession, avoiding what had been called a “fiscal cliff.”¹⁹

¹³ For details, see CRS congressional distribution memorandum, “The Budget Control Act and Alternate Defense and Nondefense Spending Paths, FY2012-FY2021,” by Amy Belasco and Andrew Austin, November 16, 2012, available to congressional clients upon request. This comparison is made in terms of budget authority. Before passage of ATRA, BCA provisions were slated to bring discretionary base defense spending to its FY2007 level and nondefense spending to near its level in FY2003 or FY2004. Inflation adjustments made using GDP price index.

¹⁴ CBO, *Budget and Economic Outlook: 2017 to 2027*, January 24, 2017, Table 1-1, <http://www.cbo.gov/publication/52370>. CBO baseline projections assume current laws remain in effect and that discretionary spending levels remain constant in inflation-adjusted terms.

¹⁵ For BCA caps to be adjusted, emergency funding and war funding (Overseas Contingency Operations/Global War on Terrorism) must be designated on an account-by-account basis by Congress and the President. Cap adjustments for disaster funding are subject to a limit set at a 10-year average of previous disaster funding. The BCA established separate caps for certain program integrity initiatives.

¹⁶ See CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, by Brendan W. McGarry and Emily M. McCabe. Also see Marcus Weisgerber, “‘Magic Money’: DoD’s Overseas Contingency Budget Might Dry Up,” *Defense News*, June 29, 2014, <http://archive.defensenews.com/article/20140629/DEFREG02/306290011/-Magic-Money-DoD-s-Overseas-Contingency-Budget-Might-Dry-Up>. Also see archived CRS Report RL33110, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, by Amy Belasco.

¹⁷ Joe Gould, “Trump Selects OCO-Opponent Mulvaney for OMB,” *Defense News*, December 19, 2016, <http://www.defensenews.com/articles/trump-selects-oco-opponent-mulvaney-for-omb>.

¹⁸ A CRS congressional distribution memorandum “The Evolution of Budget Control Act of 2011 Caps on Discretionary Spending” is available upon request to congressional clients.

¹⁹ ATRA was enacted on January 1, 2013. Budgetary adjustments that affected the FY2013 sequester are described in (continued...)

The Bipartisan Budget Act of 2013 (BBA 2013; H.J.Res. 59; P.L. 113-67), enacted in December 2013 and popularly known as the Murray-Ryan budget agreement, set a pattern for adjusting BCA caps. The BBA 2013 raised BCA FY2014 limits for defense and nondefense by \$22.4 billion each and raised FY2015 limits by \$9.3 billion each. The Bipartisan Budget Act of 2015 (BBA 2015; P.L. 114-74) raised the FY2016 cap levels on both categories by \$25 billion and the FY2017 cap levels by \$15 billion.

The Bipartisan Budget Act of 2018 (BBA 2018; H.R. 1892, P.L. 115-123), enacted February 9, 2018, raised the defense cap by about \$80 billion for FY2018 and \$85 billion for FY2019 and the nondefense cap by about \$63 billion for FY2018 and \$67 billion for FY2019.²⁰ BBA 2018 also contained several changes in federal social programs and again suspended the debt limit.²¹

The Bipartisan Budget Act of 2019 (BBA 2019; H.R. 3877, P.L. 116-37), enacted on August 2, 2019, set discretionary cap levels for FY2020 and FY2021, allowing for higher spending in both the defense and nondefense categories. At the end of FY2021, BCA caps on discretionary spending (BA) expired, although BCA sequestration of nonexempt mandatory spending has been extended.²² Discretionary caps, as noted above, were reinstated for FY2024 and FY2025 by the Fiscal Responsibility Act (P.L. 118-5).

Coronavirus Pandemic and Federal Responses in 2020 and 2021

The COVID-19 pandemic confronted the federal government, like governments around the world, with extraordinary fiscal challenges.²³ In part, deficits were pushed upward through “automatic stabilizers,” such as expanded income support payments and diminished tax receipts as household incomes and business profits fell.²⁴ The designation of COVID-19 as a pandemic in mid-March 2020 prompted fiscal policy responses in 2020 and 2021 that increased federal spending and deficits, as percentage of GDP, to levels not seen since World War II.²⁵ Most of the

the CRS congressional distribution memorandum “The Evolution of Budget Control Act of 2011 Caps on Discretionary Spending.”

²⁰ CBO, *Bipartisan Budget Act of 2018*, February 8, 2018, <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/bipartisanbudgetactof2018.pdf>.

²¹ See CRS Report R45126, *Bipartisan Budget Act of 2018 (P.L. 115-123): Brief Summary of Division E—The Advancing Chronic Care, Extenders, and Social Services (ACCESS) Act*, coordinated by Paulette C. Morgan. Also see CRS Report R45136, *Bipartisan Budget Act of 2018 (P.L. 115-123): CHIP, Public Health, Home Visiting, and Medicaid Provisions in Division E*, coordinated by Alison Mitchell and Elayne J. Heisler.

²² The sequestration of mandatory spending was extended through the first half of FY2032 for Medicare patient care outlays and through FY2031 for other nonexempt programs. See OMB, *FY2024 Budget, Analytical Perspectives*, p. 37, https://www.whitehouse.gov/wp-content/uploads/2023/03/ap_4_process_fy2024.pdf.

²³ World Health Organization (WHO), “WHO Director-General’s Opening Remarks at the Media Briefing on COVID-19,” March 11, 2020, <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19—11-march-2020>.

²⁴ CBO, “Automatic Stabilizers in the Federal Budget: 2022 to 2032,” October 2022, <https://www.cbo.gov/publication/58593>. Estimated effect of automatic stabilizers in FY2020 was 1.6% of GDP.

²⁵ For 2020, see CBO, “The Budgetary Effects of Laws Enacted in Response to the 2020 Coronavirus Pandemic, March and April 2020,” June 2020, <https://www.cbo.gov/system/files/2020-06/56403-CBO-covid-legislation.pdf> (hereinafter CBO, “The Budgetary Effects of Laws Enacted in Response to the 2020 Coronavirus Pandemic, March and April 2020”). The total estimated effect on federal deficits from those acts (P.L. 116-123, P.L. 116-127, P.L. 116-136, and P.L. 116-139) was \$2.4 trillion, or 11.5% of GDP.

For 2021, see CBO, “The Budgetary Effects of Major Laws Enacted in Response to the 2020-2021 Coronavirus Pandemic, December 2020 and March 2021,” September 2021, <https://www.cbo.gov/system/files/2021-09/57343-Pandemic.pdf> (hereinafter CBO, “The Budgetary Effects of Major Laws Enacted in Response to the 2020-2021 Coronavirus Pandemic, December 2020 and March 2021”). The total estimated effect on deficits from those acts (P.L. 116-260, P.L. 117-2) was \$2.7 trillion, or 12.2% of GDP.

federal fiscal response was provided through mandatory spending, and to a lesser extent in revenue reductions.

The CARES Act (P.L. 116-136), enacted in late March 2020, provided an estimated \$326 billion in discretionary funding, while providing \$988 billion in mandatory spending and \$408 billion in revenue reductions. The Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139) provided an additional \$162 billion in discretionary funding as well as \$321 billion in mandatory spending.²⁶

The final appropriations package for FY2021, enacted in late December 2020, included an estimated \$185 billion in discretionary spending, \$677 billion in mandatory spending, and \$5 billion in revenue decreases. The American Rescue Plan Act (P.L. 117-2) provided \$1,803 billion in mandatory funding and \$53 billion in revenue reductions, but no discretionary funding.²⁷

Caps on Discretionary Spending Reinstated for FY2024 and FY2025

In June 2023, the Fiscal Responsibility Act (FRA; P.L. 118-5) suspended the federal debt limit and reestablished statutory caps on discretionary spending for FY2024 and FY2025. Separate caps apply to the defense and nondefense categories.

Federal Budget Data and Concepts

Figures in this report are based on the Office of Management and Budget (OMB) Public Budget Database accompanying the FY2024 budget release.²⁸ Table 5.1 in the *Historical Tables* volume of the FY2024 budget reports budget authority by function and subfunction, but does not break down spending into discretionary and mandatory subcomponents.²⁹

OMB Budget Data

OMB's public budget data generally do not reflect budgetary categories used in the congressional budget process such as emergency-designated funding, the appropriations subcommittee responsible for an account, or distinctions between war and base funding. OMB maintains more detailed budget data for its internal work. OMB is the official source for historical budget data. CBO estimates, however, are generally more relevant for congressional budget enforcement.

Budget data in OMB documents may differ from other budget data for various reasons, although differences in historical data are typically small. For example, appropriations budget documents often reflect scorekeeping adjustments. Budget data issued at a later date may include revisions. In some cases, detailed appropriations data may differ from OMB data, which sometimes do not reflect certain relatively small zero-balance transfers among funds. Differences may also reflect technical differences or different interpretations of federal budget concepts.

²⁶ CBO, "The Budgetary Effects of Laws Enacted in Response to the 2020 Coronavirus Pandemic, March and April 2020."

²⁷ CBO, "The Budgetary Effects of Major Laws Enacted in Response to the 2020-2021 Coronavirus Pandemic, December 2020 and March 2021."

²⁸ Data in the OMB Public Budget Database (<https://www.whitehouse.gov/omb/budget/supplemental-materials/>) reconcile to information presented in the *Historical Tables* (<https://www.whitehouse.gov/omb/budget/historical-tables/>) of the FY2024 budget. For a further description and important caveats, see the *Public Budget Database User Guide*, https://www.whitehouse.gov/wp-content/uploads/2023/03/db_guide_fy2024.pdf.

²⁹ OMB, *Historical Tables*, Table 5.1, https://www.whitehouse.gov/wp-content/uploads/2023/03/hist05z1_fy2024.xlsx.

Negative Budget Authority

Within the federal budget concepts, certain inflows, such as offsetting receipts, offsetting collections, some user fees, and “profits” from federal loan programs, are treated as negative budget authority.³⁰

Provisions in appropriations acts that affect mandatory spending programs, known as CHIMPs (changes in mandatory programs) can be counted as negative discretionary spending according to federal budgetary scorekeeping guidelines. For example, a CHIMP affecting the State Children’s Health Insurance Program (CHIP) explains a dip in subfunction 551 (health care services) shown in **Figure 9** for FY2024.³¹

Scorekeeping adjustments, such as CHIMPs, lead to differences between actual discretionary budget authority totals and limits set by budget enforcement mechanisms, such as §302 allocations or BCA discretionary caps.³² Scored totals of budget authority—that is, totals that include scorekeeping adjustments and which are used to check conformity to BCA spending limits and other budget enforcement measures—typically diverge from totals that do not include those adjustments.

Federal Credit Programs

Disbursements for federal loan and loan guarantee programs do not appear directly in federal spending data. The federal government has used a form of accrual accounting for loan and loan guarantee programs since passage of the Federal Credit Reform Act (FCRA; Title V of the Omnibus Budget Reconciliation Act of 1990; P.L. 101-508) as well as for certain federal retirement programs.³³ OMB calculates net subsidy rates according to FCRA rules for loan and loan guarantee programs. The net subsidy cost is then reflected in federal spending data. In general, FCRA adjustments affect mandatory spending more than discretionary spending because the largest sources of federal credit are mandatory programs.³⁴

Comparisons of estimates of federal credit program costs before and after FY1991 should be treated with caution because FCRA changed the budgetary treatment of federal credit programs. For instance, the budgetary costs of loan guarantee programs before FCRA rules came into effect were typically understated because they required no upfront federal disbursements, unlike loan programs. Conversely, the budgetary costs of federal loan programs, which required upfront federal disbursements, did not reflect future repayments. FCRA changes in budgetary treatment of credit programs made loan and loan guarantee programs more comparable. Loan or loan guarantee program cost estimates calculated before FCRA implementation are unlikely to be comparable to estimates calculated afterward.

³⁰ See OMB, *FY2024 Budget, Analytic Perspectives*, ch. 18, “Offsetting Collections and Offsetting Receipts,” https://www.whitehouse.gov/wp-content/uploads/2023/03/ap_18_offsetting_fy2024.pdf.

³¹ OMB, *FY2024 Budget, Budget Appendix*, CHIP program and financing table, p. 441.

³² Section 302 of the 1974 Congressional Budget Act (P.L. 93-344, as amended) defines spending limits for appropriations subcommittees consistent with levels recommended in a budget resolution. See CRS Report R47388, *Enforceable Spending Allocations in the Congressional Budget Process: 302(a)s and 302(b)s*, by Drew C. Aherne. More precisely, BCA caps were adjusted upward to reflect those spending categories.

³³ See CRS Report RL30346, *Federal Credit Reform: Implementation of the Changed Budgetary Treatment of Direct Loans and Loan Guarantees*, by James M. Bickley, available to congressional clients upon request.

³⁴ See OMB, *FY2024 Budget, Analytic Perspectives*, ch. 7, “Credit and Insurance,” https://www.whitehouse.gov/wp-content/uploads/2023/03/ap_7_credit_fy2024.pdf.

FCRA calculations sometimes yield negative net subsidy levels, implying that the federal government appears to make a profit on those loans.³⁵ FCRA subsidy calculations, however, omit risk adjustments.³⁶ The true economic cost of federal credit guarantees can be substantially underestimated when risk adjustments are omitted.³⁷

Background on Functional Categories

Functional categories provide a means to compare federal funding for activities within broad policy areas that often cut across several federal agencies.³⁸ Various federal agencies may have closely related or overlapping responsibilities and many agencies have responsibilities in diverse policy areas. Budget data divided along functional categories therefore provide a useful view of federal activities supporting specific national purposes. Superfunction categories, which provide a higher-level division of federal activities, are

- National Defense,
- Human Resources,
- Physical Resources, and
- Other Functions.

Figure 1 shows trends in discretionary funding for those superfunctions since FY1977. Budget function categories, grouped by superfunctions, are shown in **Table 1**. Net Interest, Allowances, and Undistributed Offsetting Receipts could also be considered as separate categories. Superfunction categories for National Defense, Net Interest, Allowances, and Undistributed Offsetting Receipts coincide with function categories. Trends in net interest are excluded, as federal interest expenditures have been automatically appropriated since 1847.

Allowances, which contain items reflecting technical budget adjustments, and undistributed offsetting receipts are also excluded. Allowances for FY2024 include pandemic fraud prevention and enforcement, allowances for discretionary programs (nondefense), and proposals for spectrum relocation.

In this report, the International Affairs function, which OMB includes in the Other Functions superfunction, is listed after National Defense because similar influences can affect both.

Subfunction categories provide a finer division of funding levels within narrower policy areas.³⁹ Budget functions generally play no role in budget enforcement, although budget legislation mandates that budget resolutions list preferred spending levels by budget function, thus

³⁵ For example, some Federal Housing Administration mortgage programs and some federal student loan programs have been estimated in some years to yield negative net subsidies.

³⁶ While the FCRA calculations include estimates of default costs, they do not discount more volatile income flows, as a private firm would. See CRS Report R44193, *Federal Credit Programs: Comparing Fair Value and the Federal Credit Reform Act (FCRA)*, by Raj Gnanarajah.

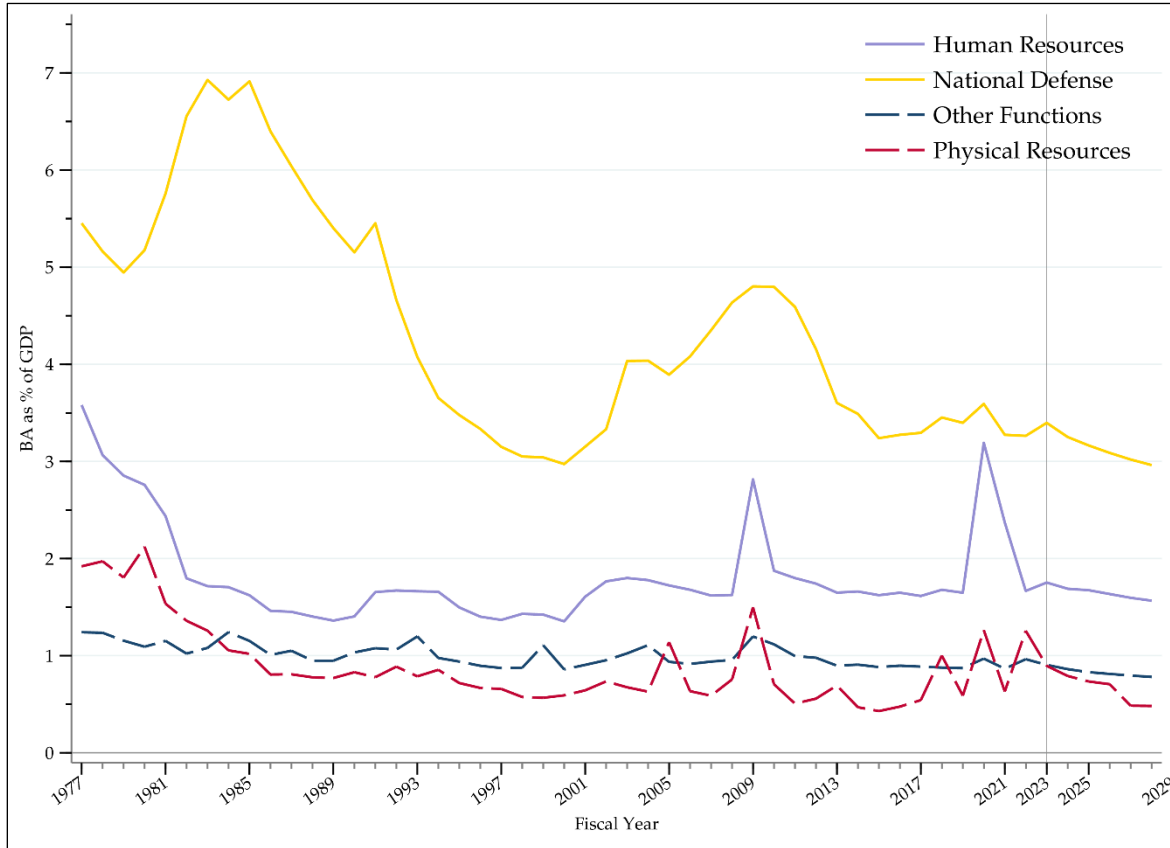
³⁷ U.S. Congressional Budget Office, *Estimating the Value of Subsidies for Federal Loans and Loan Guarantees*, August 2004, available at <http://cbo.gov/doc.cfm?index=5751>.

³⁸ See CRS Report 98-280, *Functional Categories of the Federal Budget*, by Bill Heniff Jr.

³⁹ **Table 1** largely follows the ordering of functions in the OMB *Historical Tables* volume. See OMB, FY2024 Budget, *Historical Tables*, Table 3.1, https://www.whitehouse.gov/wp-content/uploads/2023/03/hist03z1_fy2024.xlsx. The ordering of some items was changed to organize the discussion in a thematically consistent manner. As noted in the text, the international affairs function was grouped with the national defense function, as those categories are affected by common influences.

highlighting broad fiscal priorities.⁴⁰ Caps on discretionary spending set by BCA and FRA, as noted above, do define the “revised security category” as “discretionary appropriations in budget function 050.”⁴¹

Figure I. Discretionary Funding by Budget Superfunction, FY1977-FY2028



Source: CRS, based on OMB data from the FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

⁴⁰ 2 U.S.C. 632(a)(4).

⁴¹ 2 U.S.C. 900(c)(4)(D).

Table I. Budget Function Categories by Superfunction

| Superfunction | Code | Function / Subfunction |
|------------------------------|--------------------------------------|---|
| National Defense | 50 | National defense |
| | 51 | Dept. of Defense-Military |
| | 53 | Atomic Energy Defense Activities |
| | 54 | Defense-Related Activities |
| International Affairs | 150 | International affairs |
| | 151 | Intl. Dev. and Humanitarian Assistance |
| | 152 | Intl. Security Assistance |
| | 153 | Conduct of Foreign Affairs |
| | 154 | Foreign Information & Exchange Activities |
| | 155 | International Financial Programs |
| Human Resources | 500 | Education, training, employment, and social services |
| | 501 | Elementary, Secondary, and Vocational Education |
| | 502 | Higher Education |
| | 503 | Research and General Education Aids |
| | 504 | Training and Employment |
| | 505 | Other Labor Services |
| | 506 | Social services |
| | 550 | Health |
| | 551 | Health Care Services |
| | 552 | Health Research and Training |
| | 554 | Consumer and Occupational Health and Safety |
| | 570 | Medicare |
| | 571 | Medicare |
| | 600 | Income security |
| | 601 | Gen. retirement & disability insurance (exc. Soc. Sec.) |
| | 602 | Federal employee retirement and disability |
| | 603 | Unemployment compensation |
| | 604 | Housing assistance |
| | 605 | Food and nutrition assistance |
| | 609 | Other income security |
| | 650 | Social security |
| | 651 | Social security |
| | 700 | Veterans benefits and services |
| | 701 | Income security for veterans |
| | 702 | Veterans education, training, & rehabilitation |
| | 703 | Hospital and medical care for veterans |
| | 704 | Veterans housing |
| 705 | Other veterans benefits and services | |
| Physical Resources | 270 | Energy |
| | 271 | Energy supply |
| | 272 | Energy conservation |
| | 274 | Emergency energy preparedness |
| | 276 | Energy information, policy, and regulation |

| Superfunction | Code | Function / Subfunction |
|------------------------|------|--|
| | 300 | Natural resources and environment |
| | 301 | Water resources |
| | 302 | Conservation and land management |
| | 303 | Recreational resources |
| | 304 | Pollution control and abatement |
| | 306 | Other natural resources |
| | 370 | Commerce and housing credit |
| | 371 | Mortgage credit |
| | 372 | Postal service |
| | 373 | Deposit insurance |
| | 376 | Other advancement of commerce |
| | 400 | Transportation |
| | 401 | Ground transportation |
| | 402 | Air transportation |
| | 403 | Water transportation |
| | 407 | Other transportation |
| | 450 | Community and regional development |
| | 451 | Community development |
| | 452 | Area and regional development |
| | 453 | Disaster relief and insurance |
| Other Functions | | |
| | 250 | General science, space, and technology |
| | 251 | General science and basic research |
| | 252 | Space flight, research & supporting activities |
| | 350 | Agriculture |
| | 351 | Farm income stabilization |
| | 352 | Agricultural research and services |
| | 750 | Administration of justice |
| | 751 | Federal law enforcement activities |
| | 752 | Federal litigative and judicial activities |
| | 753 | Federal correctional activities |
| | 754 | Criminal justice assistance |
| | 800 | General government |
| | 801 | Legislative functions |
| | 802 | Executive direction and mgmt. |
| | 803 | Central fiscal operations |
| | 804 | General property and records mgmt. |
| | 805 | Central personnel mgmt. |
| | 806 | General purpose fiscal assistance |
| | 808 | Other general government |
| | 809 | Deductions for offsetting receipts |
| Net Interest | | |
| | 900 | Net interest |
| | 901 | Interest on Treasury debt securities (gross) |
| | 902 | Interest received by on-budget trust funds |
| | 903 | Interest received by off-budget trust funds |
| | 908 | Other interest |

| Superfunction | Code | Function / Subfunction |
|---------------------------------|------|---|
| Allowances | 909 | Other Investment and income |
| | 920 | Allowances |
| | 922 | Reductions for Joint Committee Enforcement |
| | 923 | Pandemic Fraud Prevention and Enforcement |
| | 924 | Allowance for Discretionary Programs (Nondefense) |
| | 926 | Spectrum Relocation |
| Undistributed Offsetting | 950 | Undistributed offsetting receipts |
| | 951 | Employer share, employee retirement (on-budget) |
| | 952 | Employer share, employee retirement (off-budget) |
| | 953 | Rents & royalties on the Outer Continental Shelf |
| | 954 | Sale of major assets |
| | 959 | Other undistributed offsetting receipts |

Source: CRS, based on OMB data (OMB, *FY2024 Budget, Analytical Perspectives*, Table 24-1, https://www.whitehouse.gov/wp-content/uploads/2023/03/24-1_fy2024.xlsx).

Notes: Allowances subfunctions can change from one year to the next.

Historical Spending Trends

Federal spending trends in functional areas are affected by changing assessments of national priorities, evolving international challenges, and economic conditions, as well as changing social characteristics and demographics of the U.S. population. Some of the trends and events that have had dramatic effects on federal spending are outlined below. Other CRS products provide background on more specific policy areas. The discussion of budgetary trends is broken up into three broad categories: defense and international affairs, domestic social programs, and other federal programs.

Spending in the following figures, as noted above, is shown as a percentage of GDP, which controls for the effects of inflation, population growth, and real income growth. A flat line on such graphs indicates that spending in that category is increasing at the same rate as overall economic growth.

Defense and International Affairs

The National Defense (050) and International Affairs (150) budget functions have been the categories most affected by larger changes in the geopolitical role of the United States.

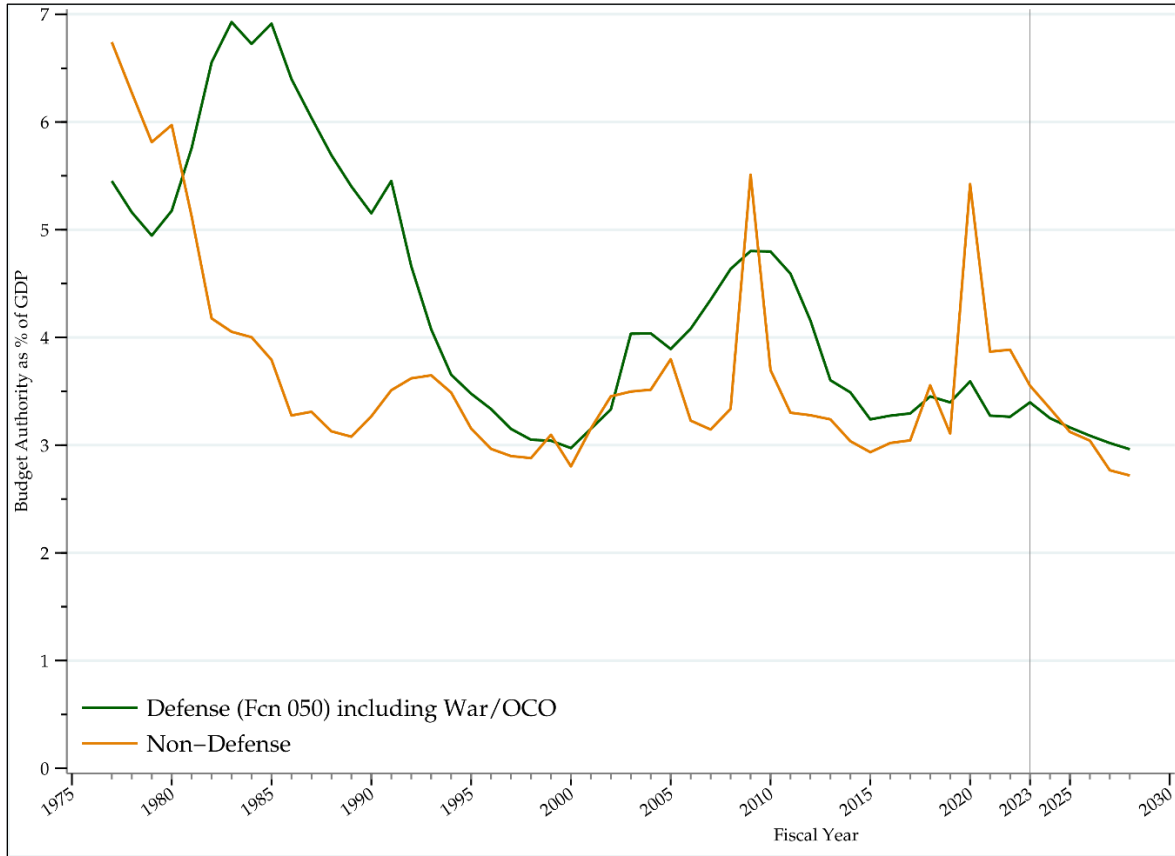
Cold War, Peace Dividend, and the Global War on Terror

The allocation of discretionary spending between defense and nondefense programs is one reflection of changing federal priorities over time. **Figure 2** shows defense and nondefense discretionary funding as a percentage of GDP. **Figure 3** shows defense spending by major title, including Military Personnel (Mil Pers), Procurement, Operations and Maintenance (O&M), and Research, Development, Test, and Evaluation (RTD&E).⁴²

⁴² Defense appropriations acts typically also contain titles for Revolving and Management Funds, Other DOD (continued...)

Figure 2. Discretionary Defense and Nondefense Spending

Budget authority as a percentage of GDP, FY1977-FY2028



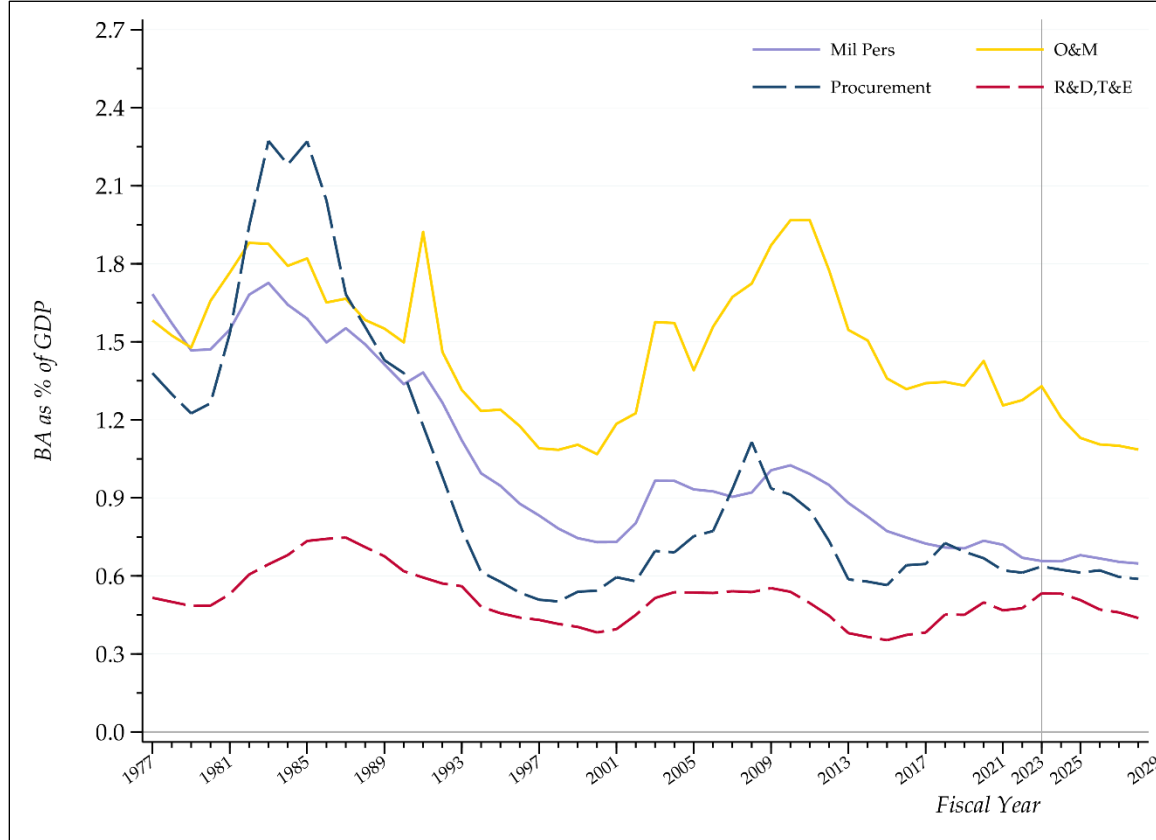
Source: CRS, based on OMB data from the FY2024 budget submission.

Notes: Defense is defined as funding for the National Defense (050) budget function; nondefense is the remainder. FY1976-FY2022 are historical data; FY2023 is estimated; FY2024-FY2028 reflect the President’s FY2018 budget proposals. The spikes in nondefense funding in FY2009 and FY2020 reflect enactment of the Recovery Act (ARRA) and legislative responses to the COVID-19 pandemic, which are discussed elsewhere.

Relations between the United States and its allies on one hand, and the Union of Soviet Socialist Republics (USSR) and its allies on the other were the dominant security concern in the half century following the Second World War. In the early 1970s, U.S. involvement in the Vietnam War wound down, while the United States and the USSR moved toward detente, permitting a thaw in Cold War relations between the two superpowers and a reduction in defense spending relative to the size of the economy.⁴³

Programs, and Related Agencies. Military Construction/Veterans Administration appropriations acts typically contain titles for Military Construction and Family Housing.

⁴³ For a history of deficit finance and American wars, see Robert D. Hormats, *The Price of Liberty*, (New York: Times Books, 2007); or Steven A. Bank, Kirk J. Stark, and Joseph J. Thorndike, *War and Taxes*, (Washington, D. C.: Urban Institute, 2008). Also see Rosella Cappella Zielinski, *How States Pay for Wars* (New York: Cornell University Press, 2016); and Sarah Kreps, *Taxing Wars: The American Way of War Finance and the Decline of Democracy* (Oxford, 2018).

Figure 3. Defense Discretionary BA by Major Title, FY1977-FY2028

Source: CRS, based on OMB data from the FY2024 budget submission.

Notes: The four titles with the highest funding levels are shown.

In 1979, during the Jimmy Carter Administration, military spending increased sharply following intervention by the USSR in Afghanistan and the Iranian hostage crisis.⁴⁴ The Ronald W. Reagan Administration increased defense spending further, with procurement costs rising more sharply than other categories.⁴⁵

Defense spending continued to increase until 1986, as concern shifted to domestic priorities, the desire to reduce large budget deficits, and concerns about inflated procurement costs.⁴⁶ The collapse in 1989 of most of the Warsaw Pact governments in Central and Eastern Europe and the 1990-1991 disintegration of the Soviet Union was followed by a reduction in federal defense spending, allowing a “peace dividend” that relaxed fiscal pressures.⁴⁷ O&M costs, however, fell

⁴⁴ For one view of budgetary politics in the early 1980s, see David Stockman, *The Triumph of Politics* (New York: Harper & Row, 1986). Also see James M. Poterba, David Stockman, and Charles Schultze, “Budget Policy,” in *American Economic Policy in the 1980s*, NBER, pp. 235-292.

⁴⁵ Stockman (1986), pp. 105-109.

⁴⁶ Airon A. Mothershed, “The \$435 Hammer and \$600 Toilet Seat Scandals: Does Media Coverage of Procurement Scandals Lead to Procurement Reform?” *Public Contract Law Journal*, vol. 41, no. 4 (2012), pp. 855-880, <http://www.jstor.org/stable/41635361>.

⁴⁷ The Warsaw Treaty Organization established in 1955, included Albania, Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania, and the Soviet Union.

more slowly after the mid-1980s than other costs (as seen in **Figure 3**) and rose more quickly after 2000.

The attacks of September 11, 2001, were followed by sharp increases in homeland security spending. Defense spending also increased significantly with the start of the Afghanistan war in October 2001 and the Iraq war in March 2003.⁴⁸ Rising levels of violence and instability in Iraq in 2006 led President George W. Bush to send an additional “surge” of troops.⁴⁹ In 2008, the U.S. and Afghan governments negotiated a Status of Forces Agreement (SOFA) that set a December 2011 deadline for the withdrawal of most U.S. combat troops.⁵⁰ A smaller number of U.S. troops returned in 2014 to combat the Islamic State of Iraq and Syria (ISIS).⁵¹

President Barack H. Obama announced that additional troops would be sent to Afghanistan to prevent a collapse of its government. In 2013 and 2014, President Obama stated that most U.S. troops would be withdrawn from Afghanistan by the end of 2014.⁵² In November 2014, however, President Obama announced an extension of operations in Afghanistan.⁵³ In February 2020, the Trump Administration signed an agreement with the Taliban that set a May 2021 deadline for the withdrawal of U.S. military forces.⁵⁴ The collapse of Afghan forces in August 2021 forced the withdrawal of remaining U.S. personnel.⁵⁵

The invasion of Ukraine’s Crimean peninsula and eastern portions of Ukraine in March 2014 marked a turning point in U.S.-Russian relations, although those events had no material effect on defense spending.⁵⁶ The full-scale Russian invasion of Ukraine in February 2022, however, prompted a more robust response. As of July 2023, the United States had provided \$43 billion in security aid since the 2022 Russian invasion began.⁵⁷

⁴⁸ See archived CRS Report RL33110, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, by Amy Belasco, available to congressional clients upon request. The Afghan and Iraq wars, along with other related activities, were often called the Global War on Terror (GWOT) and later Overseas Contingency Operations (OCO). The OCO category was created in 1997 to fund activities in Kosovo and Southwest Asia. See DOD Comptroller, “Overseas Contingency Operations Transfer Fund,” in the *FY2000 DOD Budget Justification*, https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2000/budget_justification/pdfs/01_Operation_and_Maintenance/fy00pb_ocotf.pdf. Also see CRS In Focus IF10143, *Foreign Affairs Overseas Contingency Operations (OCO) Funding: Background and Current Status*, by Emily M. McCabe.

⁴⁹ White House, “President’s Address to the Nation,” January 10, 2007, <https://georgewbush-whitehouse.archives.gov/news/releases/2007/01/20070110-7.html>. Also see Timothy A. Sayle et al., *The Last Card: Inside George W. Bush’s Decision to Surge in Iraq*, (Ithaca, NY: Cornell Univ. Press, 2019), <https://www.jstor.org/stable/10.7591/j.ctvfc522t>.

⁵⁰ See archived CRS Report R40011, *U.S.-Iraq Withdrawal/Status of Forces Agreement: Issues for Congressional Oversight*, by R. Chuck Mason.

⁵¹ Stacie L. Pettyjohn, “Can Iraq Evict U.S. Forces?” January 6, 2020, <https://www.rand.org/blog/2020/01/can-iraq-evict-us-forces.html>.

⁵² See CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman. Also see Kevin Marsh, “Obama’s Surge: A Bureaucratic Politics Analysis of the Decision to Order a Troop Surge in the Afghanistan War,” *Foreign Policy Analysis*, vol. 10, no. 3 (July 2014), pp. 265-288.

⁵³ Mark Mazzetti and Eric Schmitt, “In a Shift, Obama Extends U.S. Role in Afghan Combat,” *New York Times*, November 21, 2014.

⁵⁴ U.S. Department of State, *After Action Review on Afghanistan: January 2020-August 2021*, June 30, 2023, p. 11, <https://www.state.gov/wp-content/uploads/2023/06/State-AAR-AFG.pdf>.

⁵⁵ *Ibid.*, p. 85.

⁵⁶ Katya Gorchinskaya, “A Brief History of Corruption in Ukraine: the Yanukovich Era,” *Eurasianet*, June 3, 2020, <https://eurasianet.org/a-brief-history-of-corruption-in-ukraine-the-yanukovich-era>. Also see Serhiy Kudelia, “The House that Yanukovich Built: the Maidan and Beyond,” *Journal of Democracy*, vol. 25 (2014).

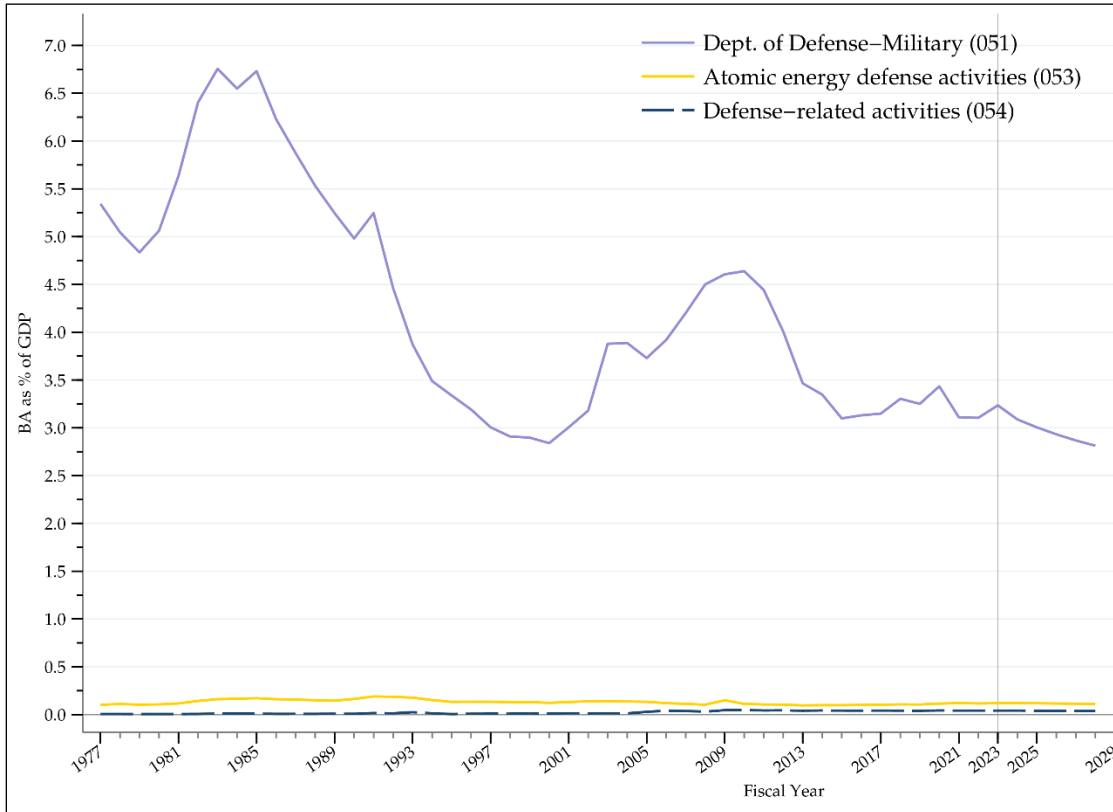
⁵⁷ U.S. DOD, “Fact Sheet on U.S. Security Assistance to Ukraine,” July 18, 2023, <https://media.defense.gov/2023/Jul/19/2003263170/-1/-1/1/UKRAINE-FACT-SHEET.PDF>. Also see CRS In Focus IF12040, *U.S. Security Assistance to Ukraine*, by Christina L. Arabia, Andrew S. Bowen, and Cory Welt.

Potential security and diplomatic challenges posed by the Peoples’ Republic of China (PRC) have emerged as a leading strategic concern.⁵⁸ Other strategic priorities include broader challenges such as climate change and terrorism, as well as shaping international rules that address potential policy disputes over trade and technology.⁵⁹

Defense Funding Outside of the Department of Defense

Figure 4 shows subfunctions within the National Defense (050) budget function. The Department of Defense (DOD)-Military (051) subfunction accounts for over 95% of that funding. Almost all of the Atomic Energy Defense Activities (053) subfunction supports operations within the U.S. Department of Energy (DOE). About two-thirds of that funding supports the National Nuclear Security Administration (NNSA) and the remainder funds environmental clean-up of weapons production and research sites, along with other related activities. Much smaller amounts support the Defense Nuclear Facilities Safety Board and site remediation activities of the U.S. Army Corps of Engineers.

Figure 4. National Defense (050) Subfunctions
Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from the FY2024 budget submission.

⁵⁸ OMB, *Budget of the U.S. Government FY2024*, p. 63, https://www.whitehouse.gov/wp-content/uploads/2023/03/budget_fy2024.pdf. “...the Budget prioritizes China as America’s pacing challenge in line with the 2022 *National Defense Strategy*.”

⁵⁹ See CRS Report R47582, *FY2024 Defense Budget Request: Context and Selected Issues for Congress*, by Cameron M. Keys and Brendan W. McGarry.

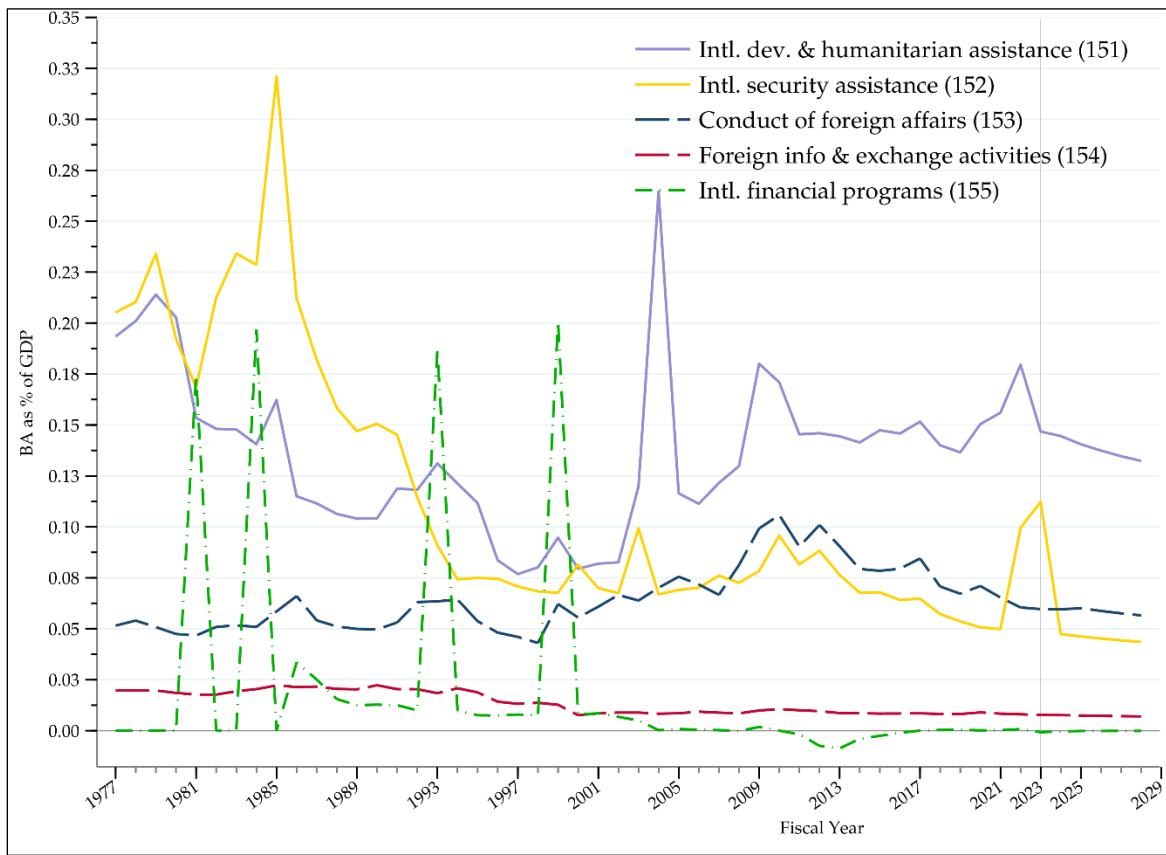
Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The Defense-Related Activities (54) subfunction comprises a variety of activities outside of DOD. In recent years, funding for counterterrorism activities within the Federal Bureau of Investigation (FBI) has accounted for almost two-thirds of all funding within this subfunction and about half of the FBI’s total discretionary funding.

International Affairs

Figure 5 shows levels of budget authority allocated to international affairs (budget function 150) as a share of GDP. Spending for activities within the international affairs budget function has fluctuated in response to changes in U.S. foreign policy and national security and economic priorities.

Figure 5. International Affairs (150) Subfunctions
Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

International Security Assistance rose sharply in the late 1970s and early 1980s, in large part due to foreign military financing support provided to Israel and Egypt following the 1979 Camp

David Accords.⁶⁰ The Economic Support Fund (ESF), which provides financial support to promote political and socioeconomic stability within a range of countries of strategic importance to the United States, also grew rapidly in the same time period.⁶¹ Funding for security assistance fell after the collapse of the Warsaw Pact governments in 1989 and the dissolution of the Soviet Union in 1991.

The level of funding for International Development and Humanitarian Assistance fell from about 0.2% of GDP in the late 1970s to less than 0.1% of GDP in the 1990s. The George W. Bush Administration increased funding for International Development and Humanitarian Assistance in the early 2000s through initiatives such as the President's Emergency Plan for AIDS Relief (PEPFAR), which has supported programs to stem the spread of AIDS and HIV in sub-Saharan Africa and South Asia, and creation of the Millennium Challenge Corporation (MCC), which seeks to spur economic growth in relatively well-governed developing countries.⁶² During the Obama Administration, funding for International Development and Humanitarian Assistance hovered around 0.15% of GDP, about midway between levels seen in the 1970s and in the 1990s. More recently, largely as a result of U.S. responses to the COVID-19 pandemic starting in 2020 and Russia's renewed invasion of Ukraine in 2022, International Development and Humanitarian Assistance has risen. In 2022, International Development and Humanitarian Assistance as a share of GDP peaked at more than 0.18%, a level last seen around 2009.

Costs of conducting foreign affairs, relative to GDP, rose during the first decade of the wars in Afghanistan and Iraq, but largely declined between FY2012 and FY2019. Following the declaration of the COVID-19 pandemic in 2020, the U.S. withdrawal from Afghanistan in 2021, and Russia's renewed invasion of Ukraine in 2022, Function 150 relative to GDP has increased. Heightened concerns over security of diplomatic facilities and personnel have also contributed to overall higher funding levels since 2001.

Domestic Social Programs

This section discusses budgetary trends among domestic social programs. In the past two decades, federal responses to the attacks of September 11, 2001, the 2007-2009 financial crisis and ensuing Great Recession, and the COVID-19 pandemic have had the most prominent effects of spending trends for most categories of federal domestic spending. **Figure 6** shows discretionary funding trends for budget functions within the Human Resources superfunction.

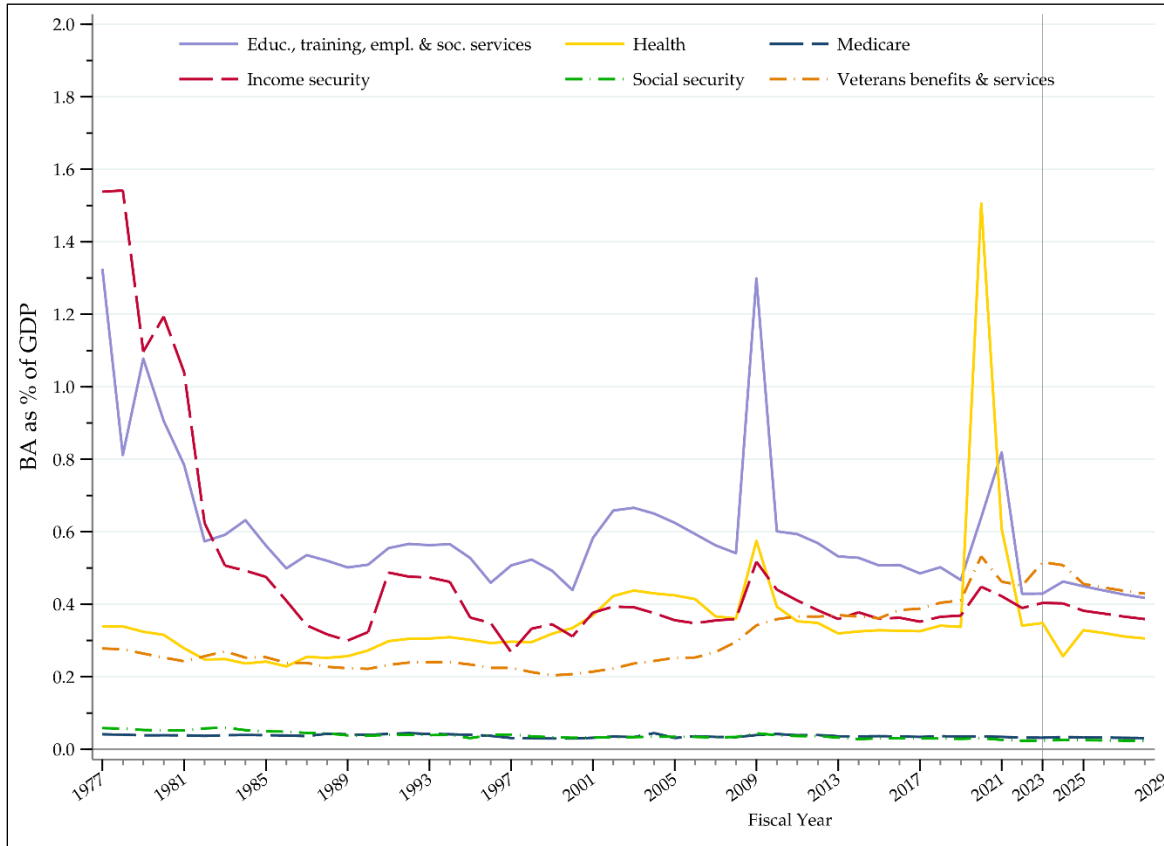
⁶⁰ U.S. General Accounting Office (now Government Accountability Office; GAO), *Military Sales to Israel and Egypt: DOD Needs Stronger Controls Over U.S.-Financed Procurements*, GAO/NSIAD-93-184, July 1993, <http://www.gao.gov/assets/160/153579.pdf>.

⁶¹ For more on U.S. foreign assistance history and trends, see CRS Report R40213, *Foreign Assistance: An Introduction to U.S. Programs and Policy*, by Emily M. McCabe and Nick M. Brown.

⁶² See CRS Report RL32427, *Millennium Challenge Corporation: Overview and Issues*, by Nick M. Brown.

Figure 6. Discretionary Funding for Human Resources Functions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

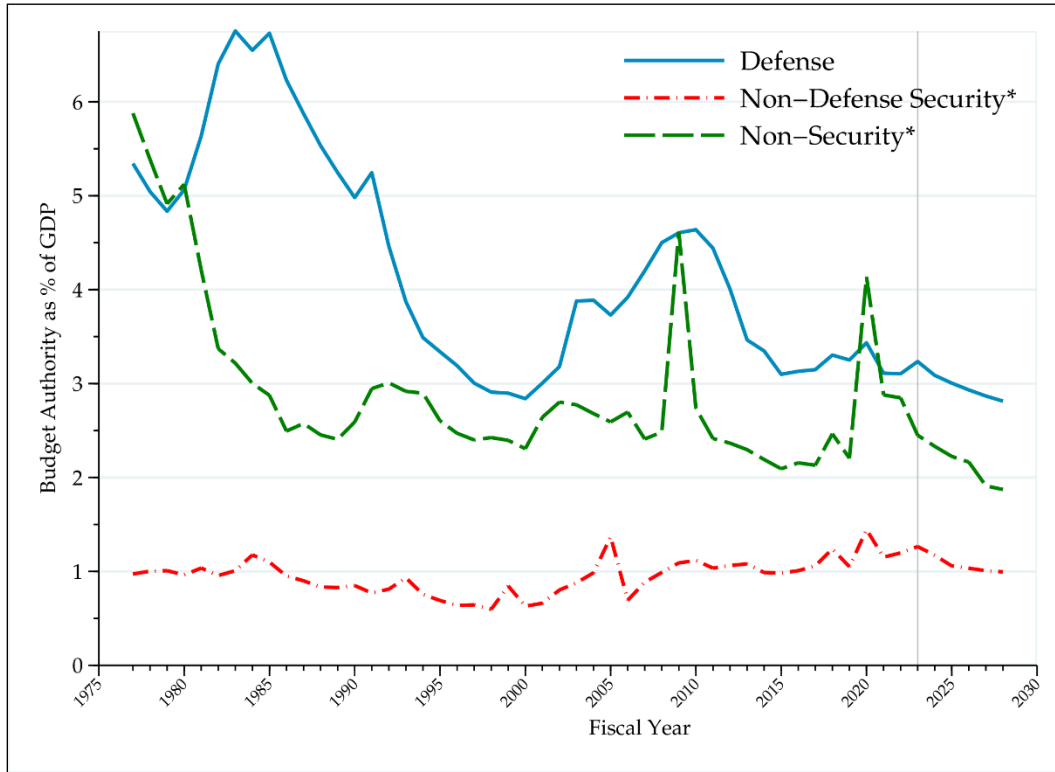
Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

Nondefense Security and Nonsecurity Spending Diverge After 9/11

Domestic spending (i.e., nondefense spending excluding international affairs) increased after the attacks of September 11, 2001, after having fallen for much of the 1990s. Most of that increase in domestic spending occurred in areas related to nondefense security spending, as the federal government overhauled airport security procedures, and then established the Department of Homeland Security. Since 2001, several definitions of “security spending” have been used, most recently in the 2011 Budget Control Act (BCA).⁶³ **Figure 7** shows funding trends divided by BCA security and nonsecurity categories.

⁶³ The Obama Administration defined security spending in its FY2012 budget as funding for Department of Defense-Military (subfunction 051); the Department of Energy’s National Nuclear Security Administration; International Affairs (function 150, which includes State Department and related agencies); the Department of Homeland Security; and the Department of Veterans Affairs. The BCA defined security similarly, except that it included all military activities within the Department of Defense excluding war funding (i.e., defined by department rather than by subfunction), and also included the Intelligence Community Management Account.

Figure 7. Security and Nonsecurity Funding Trends
 Budget Authority as a Percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: BCA security and nonsecurity categories used. Nondefense security is BCA security spending apart from National Defense budget function 050. FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The Recovery Act

After the financial crisis of 2007-2008 plunged the United States into the deepest economic recession in decades, Congress passed the American Recovery and Reinvestment Act of 2009 (P.L. 111-5; ARRA), often known as the Recovery Act. ARRA includes support for state and local governments, as well as tax cuts and rebates among other provisions.⁶⁴ According to initial CBO estimates, ARRA provisions were expected to total \$787.2 billion in increased spending and reduced taxes over the FY2009-FY2019 period or just over 5% of GDP in 2008, while a more recent CBO estimate put the total at \$814 billion.⁶⁵ The effects of Recovery Act spending can be seen in most of the figures shown below.

⁶⁴ For more information on the provisions of ARRA, see CRS Report R40537, *American Recovery and Reinvestment Act of 2009 (P.L. 111-5): Summary and Legislative History*, by Clinton T. Brass et al.

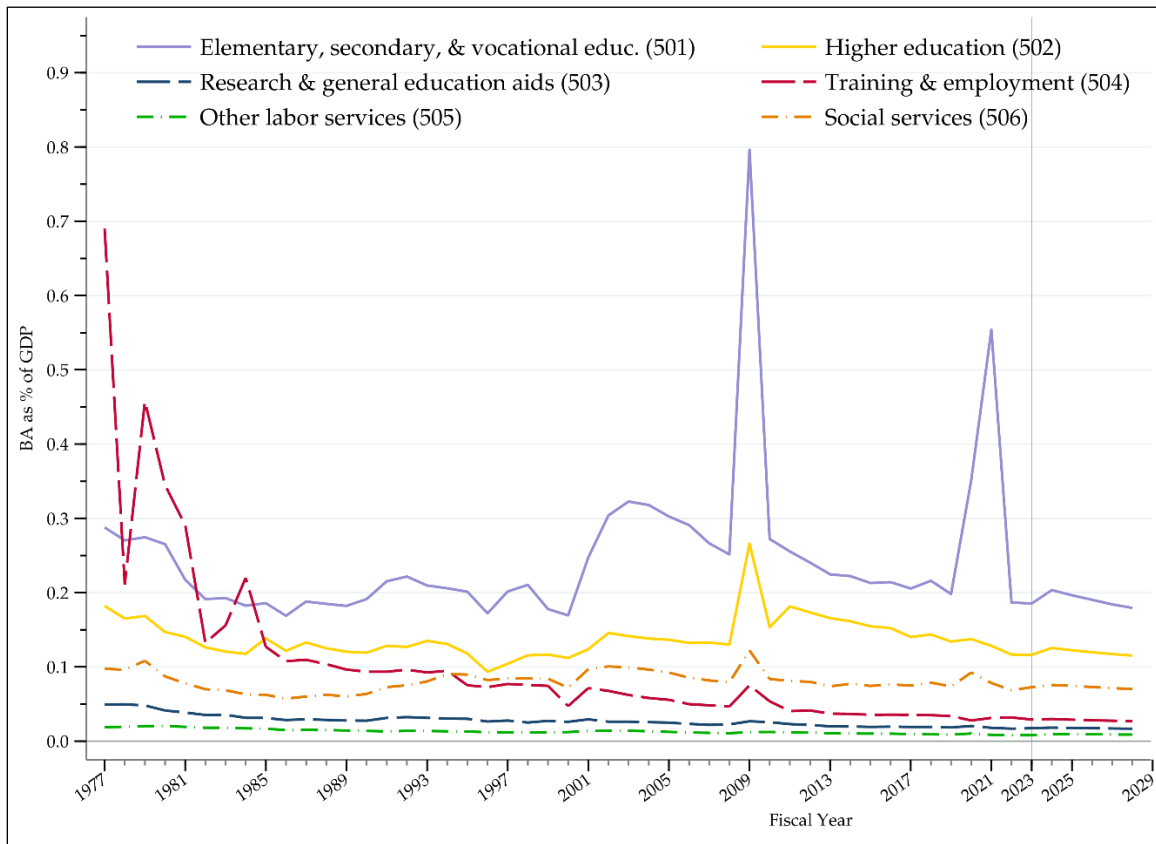
⁶⁵ For initial estimates, see U.S. Congressional Budget Office, *Cost Estimate For the Conference Agreement For H.R. 1*, February 13, 2009, available at <http://cbo.gov/ftpdocs/99xx/doc9989/hr1conference.pdf>. For a later assessment, see CBO, *Budget and Economic Outlook: An Update*, August 2010, Box 1-2, available at <http://www.cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf>.

Since 2010, however, total nondefense discretionary spending has declined in real (i.e., inflation-adjusted) terms.⁶⁶ Nondefense discretionary spending as a share of the economy has been declining more rapidly. Although economic growth has been relatively sluggish, most components of federal spending have grown even more slowly. Funding trends for most budget categories since FY2010 have been less volatile than in past decades.

Education, Training, Employment, and Social Services

Figure 8 shows spending trends for subfunctions within the Education, Training, Employment, and Social Services budget function. Federal support for employment and training programs generally declined as a share of GDP between 1977 and 2023, the period depicted in **Figure 8**.

Figure 8. Education, Training, Employment, and Social Services (500) Subfunctions
Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from the FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The initial higher levels of funding largely reflect public service employment efforts under the Comprehensive Employment and Training Act (CETA; P.L. 93-203), which addressed high levels of unemployment following the first oil shock of 1973. The Job Training Partnership Act of 1982 (P.L. 97-300), enacted during the 1981-1982 recession, replaced CETA. After 1984, discretionary

⁶⁶ See OMB, *The Budget for FY2024, Historical Tables*, Table 8.2, https://www.whitehouse.gov/wp-content/uploads/2023/03/hist08z2_fy2024.xlsx.

funding has declined as a share of GDP. Under subsequent workforce development statutes, the Workforce Investment Act of 1998 (P.L. 105-220) and the Workforce Innovation and Opportunity Act of 2014 (P.L. 113-128), training and employment funding as a share of GDP continued to decline.⁶⁷

Federal support for elementary and secondary education increased sharply following the reauthorization of the Elementary and Secondary Education Act (ESEA) by the No Child Left Behind Act of 2001 (NCLB; P.L. 107-110). Funding for most subfunctions within the budget function, including elementary, secondary, and higher education, rose sharply with enactment of ARRA and other legislative responses to the Great Recession of 2007-2009. Funding levels for education as measured as a percentage of GDP tapered off until 2020 with the enactment of discretionary funding for federal education programs in response to the COVID-19 pandemic through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136). The majority of CARES Act education-focused funds were provided through the Education Stabilization Fund (ESF). Additional discretionary funding was provided for the ESF and ESF programs in response to the COVID-19 pandemic through the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA; Division M of the Consolidated Appropriations Act, 2021 [P.L. 116-260]). Finally, the largest tranches of pandemic-related funding for ESF programs were provided through mandatory funding included in the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2).⁶⁸ Since 2021, discretionary funding levels for elementary and secondary education—measured as a percentage of GDP—have attenuated.

Federal Health Programs

Costs of federal health programs continue to play a central role in budgetary discussions. Total federal costs of the largest federal health care programs such as Medicare and Medicaid, however, are nearly all supported by mandatory spending and are thus not discussed here. Administrative costs for those programs, which account for a small portion of those costs, are generally funded by discretionary spending. Many other federal health programs, such as federal support for health research, public health programs, and veterans' health care, are mostly funded through discretionary spending. **Figure 9** shows trends in discretionary funding within the Health (550) and Medicare (570) budget functions since FY1977. Several discretionary health subfunctions saw substantial increases during the COVID-19 pandemic.

The trajectory of funding for the hospital and medical care for veterans subfunction, which falls under another budget function and is also shown in **Figure 12**, is included for the sake of comparison. Veterans' health care spending as a percentage of GDP has increased since 2009 due to community care, mental health, and suicide prevention reforms that have increased overall spending. The veterans' health care budget subfunction also saw one-time increases during the COVID-19 pandemic in 2020 and 2021.⁶⁹

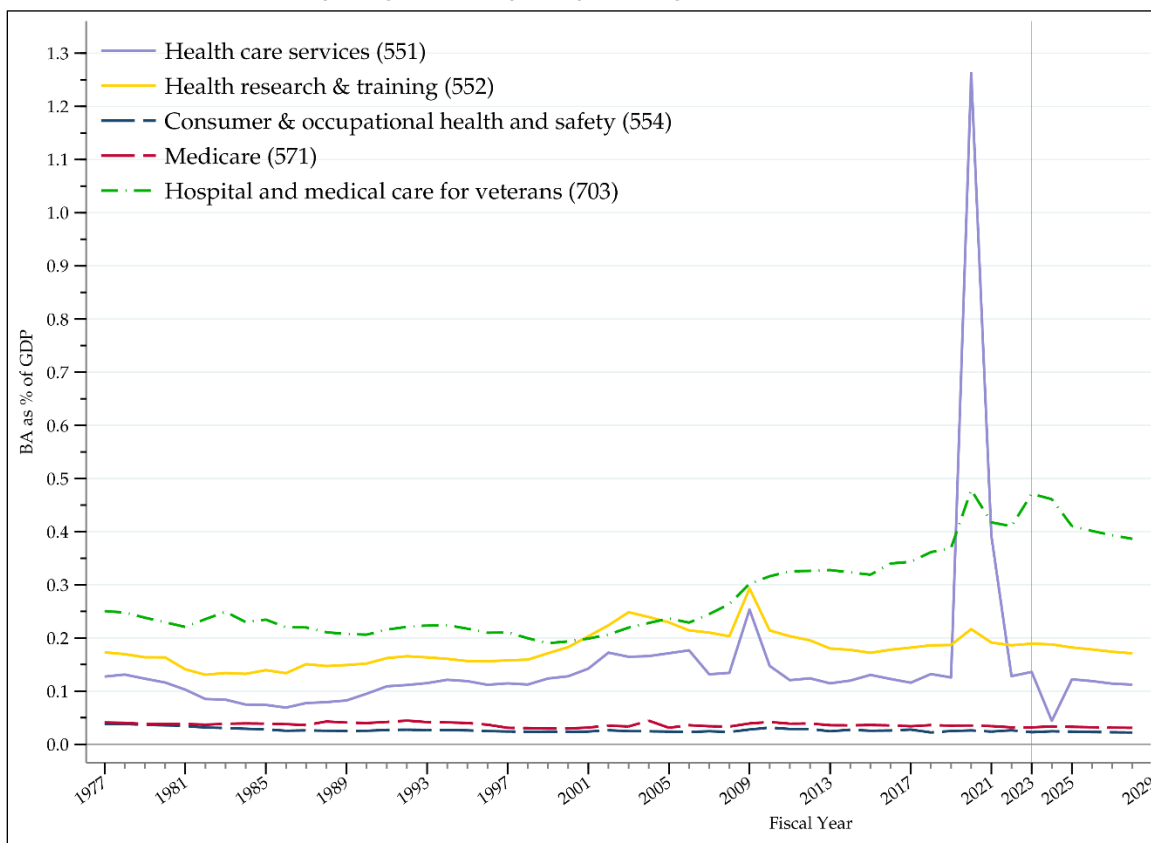
⁶⁷ See CRS Report R44252, *The Workforce Innovation and Opportunity Act and the One-Stop Delivery System* for historical background.

⁶⁸ Approximately one-quarter of the discretionary and mandatory funds provided for the ESF and ESF programs was dedicated to higher education; OMB attributed all of such funds to the elementary and secondary education subfunction. For more information about discretionary and mandatory funding provided to support elementary, secondary, and higher education during the COVID-19 pandemic, see CRS Report R47027, *Education Stabilization Fund Programs Funded by the CARES Act, CRRSAA, and ARPA: Background and Analysis*.

⁶⁹ See CRS Report R45390, *VA Maintaining Internal Systems and Strengthening Integrated Outside Networks Act of 2018 (VA MISSION Act; P.L. 115-182)*; CRS Report R46848, *Commander John Scott Hannon Veterans Mental Health Care Improvement Act of 2019 (P.L. 116-171) and Veterans COMPACT Act of 2020 (P.L. 116-214)*; CRS Report (continued...)

Figure 9. Federal Health Programs

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from the FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections.

Discretionary funding within the health care services (551) subfunction supports activities and programs administered by the Centers for Disease Control and Prevention (CDC), the Health Resources and Services Administration, the Substance Abuse and Mental Health Services Administration (SAMHSA), and the Indian Health Service (IHS), among other health-related agencies. From the mid-1980s through FY2001, funding within the health care services subfunction doubled. Since then, funding trends have been more volatile. This budget subfunction has seen spikes during public health emergencies and from other one-time funding.⁷⁰ The large spike during 2020-2021 reflected the substantial and unprecedented spending for the health response to the COVID-19 pandemic.⁷¹

R46340, *Federal Response to COVID-19: Department of Veterans Affairs*; CRS Report R46459, *Department of Veterans Affairs FY2021 Appropriations*; and CRS Report R46964, *Department of Veterans Affairs FY2022 Appropriations*.

⁷⁰ The 2009 spike was linked to spending in response to the 2009 H1N1 influenza pandemic (P.L. 111-32) as well as one-time health investments in the American Recovery and Reinvestment Act of 2009 (P.L. 110-5).

⁷¹ See CRS Report R46711, *U.S. Public Health Service: COVID-19 Supplemental Appropriations in the 116th Congress*

The National Institutes of Health (NIH) accounts for most of the health research and training (552) subfunction. Discretionary funding within the health research and training subfunction has usually exceeded discretionary funding for the health care services subfunction, except during the COVID-19 pandemic. After funding in the health research and training subfunction failed to keep up with the rate of GDP growth in the late 1970s and early 1980s, funding grew steadily as a percentage of GDP for the next 20 years. In the late 1990s, policymakers decided to double the NIH budget within a five-year period, from FY1999 to FY2003.⁷² From FY2003 to FY2016, however, funding as a percentage of GDP generally fell, with the exception of increased funding provided through ARRA in FY2009.⁷³ From FY2016 to FY2023, NIH has seen relatively modest funding increases each year with a spike during the COVID-19 pandemic.⁷⁴

Discretionary funding for Medicare (subfunction 571), which, as noted above, mostly funds administrative costs, and the consumer and occupational health and safety (554) subfunction, which includes U.S. Food and Drug Administration (FDA) spending, has been relatively stable over time. Each has remained at about 0.03% to 0.04% of GDP over the period. Total FDA spending increased over the period covered, but budget authority provided through the annual appropriations from the Treasury general fund has been offset by user fees collected by the agency.⁷⁵

Income Security

The bulk of federal funding for income security programs is provided through mandatory spending. In general, discretionary spending—outside of housing assistance—funds administrative costs of those programs. Housing assistance programs, unlike most other income security programs, are largely supported by discretionary funding. **Figure 10** shows trends in the Income Security (600) budget function.

The largest changes within the Income Security budget function reflect shifts in the structure and funding levels for programs within the housing assistance (604) subfunction in the 1970s and early 1980s.⁷⁶ Federal support for affordable housing shifted from supporting up-front long-term funding for construction of publicly subsidized units toward annual funding for rent subsidies for low-income households to use in existing housing and block grants to local governments over the time period in question.⁷⁷ Since the late 1970s, the share of BA for housing assistance has fluctuated, driven by the creation of new programs and activities, as well as rescissions of recaptured unobligated balances. Housing assistance's share of GDP, however, has remained at less than a quarter of what it was at its peak. Legislative responses to the Great Recession of 2007-2009 led to increased funding for various housing programs in FY2009. Discretionary funding for tenant rental and homeless assistance increased modestly in FY2020.

Discretionary funding for other income security subfunctions generally remained below 0.1% of GDP until FY2020. Responses to the COVID-19 pandemic increased funding for some programs,

⁷² See CRS Report R43341, *National Institutes of Health (NIH) Funding: FY1996-FY2024*.

⁷³ P.L. 110-5.

⁷⁴ See CRS Report R43341, *National Institutes of Health (NIH) Funding: FY1996-FY2024*.

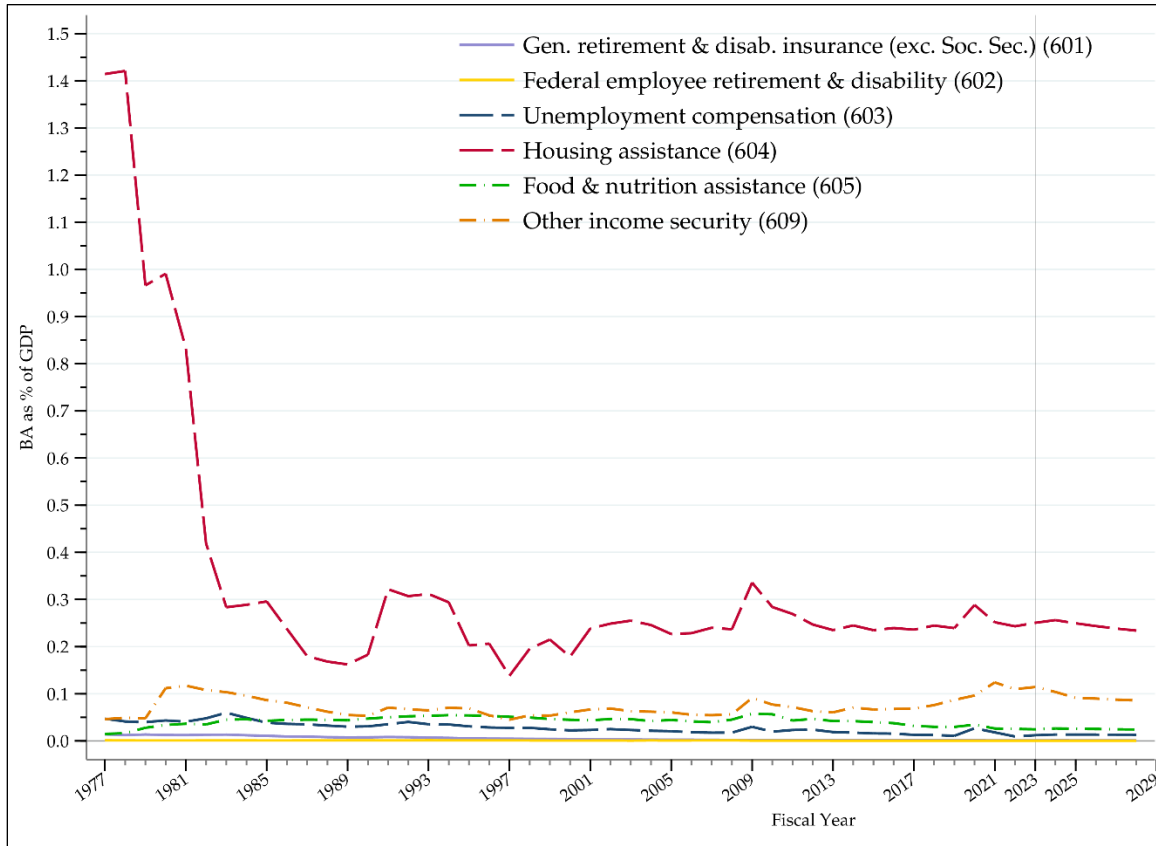
⁷⁵ See CRS Report R44576, *The Food and Drug Administration (FDA) Budget: Fact Sheet*.

⁷⁶ See *The Reagan Record*, eds., John L. Palmer and Isabel V. Sawhill, (Washington, D.C.: Urban Institute, 1984), Appendix C, pp. 372-373.

⁷⁷ Katherine M. O'Regan and John M. Quigley, "Federal Policy and the Rise of Nonprofit Housing Providers," *Journal of Housing Research*, vol. 11, no. 2 (2000), pp. 301-302. Also see Charles L. Edson, "Affordable Housing—An Intimate History," *Journal of Affordable Housing and Community Development*, vol. 20, no. 2 (winter 2011), pp. 193-213.

such as for the Child Care and Development Block Grant, although increases in mandatory spending were larger.⁷⁸

Figure 10. Income Security (600) Subfunctions
Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from the FY2024 budget submission.

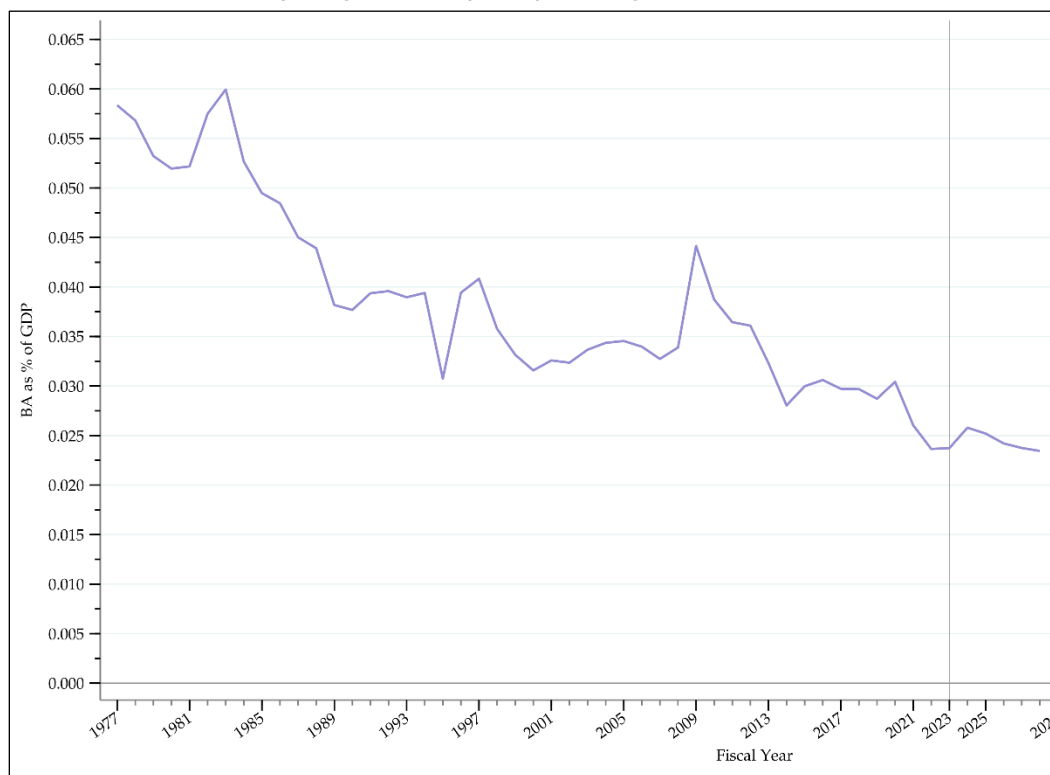
Notes: Most income security benefits, aside from housing assistance, are generally funded by mandatory spending, which is not shown here. FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

Social Security

Discretionary funding for Social Security, depicted in **Figure 11**, supports program administration. Social Security benefits are generally funded by mandatory spending. Program administration costs supported by discretionary funding are a small fraction of mandatory benefit amounts. Those costs, which increased in nominal dollar terms in most years, grew more slowly than the rate of economic growth. Over time, the composition of those costs evolved. In the 1970s, costs of administering Old-Age and Survivors Insurance (OASI) benefits were nearly three times as large as those for Disability Insurance (DI) benefits. Since FY2012, costs of administering DI benefits, however, have exceeded costs of administering OASI benefits.

⁷⁸ See CRS Report R47312, *The Child Care and Development Block Grant: In Brief*, by Karen E. Lynch.

Figure 11. Social Security (650) Subfunction
Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from the FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

Veterans' Benefits and Services

The Department of Veterans Affairs (VA) provides a range of benefits and services to veterans who meet certain eligibility criteria.⁷⁹ These benefits and services include, among other things, hospital and medical care; disability compensation and pensions; education; veteran readiness and employment (VR&E); assistance to homeless veterans; home loan guarantees; administration of life insurance, as well as traumatic injury protection insurance for servicemembers; and death benefits that cover burial expenses.⁸⁰

⁷⁹ For details on basic criteria, including the statutory definition of “veteran,” see CRS Report R47299, *U.S. Department of Veterans Affairs: Who Is a Veteran?*

⁸⁰ For more information on health care programs, see CRS Report R42747, *Health Care for Veterans: Answers to Frequently Asked Questions*. For more information on disability benefit programs, see CRS Report R44837, *Benefits for Service-Disabled Veterans*; and CRS Report R47163, *Department of Veterans Affairs: Claims Process and Compensation and Pension Exams by Contracted Physicians*. For information on pension programs, see CRS Report R46511, *Veterans Benefits Administration (VBA): Pension Programs*. For a discussion of education benefits, see CRS Report R42785, *Veterans' Educational Assistance Programs and Benefits: A Primer*. For details on VA's vocational rehabilitation and employment, see CRS Report RL34627, *Veterans' Benefits: The Veteran Readiness and Employment Program*. For detailed information on homeless veterans programs, see CRS Report RL34024, *Veterans and Homelessness*. For more information on burial benefits, see CRS Report R41386, *Veterans' Benefits: Burial Benefits and National Cemeteries*.

Health care provided through VA's Veterans Health Administration (VHA) accounts for a majority (about 90%) of discretionary funding within the Veterans' Benefits and Services (700) budget function.⁸¹ For instance, in FY2023 VA's total discretionary funding was \$134.72 billion, and VHA accounted for \$119.66 billion.⁸² Departmental administration, information technology, and smaller discretionary programs account for the remainder.⁸³ Veterans' income security programs, such as disability compensation, pensions, and readjustment benefits (such as education), are generally supported by mandatory spending. Essentially all discretionary spending within the veterans' benefits and services subfunction supports general operating expenses for administering disability compensation and readjustment benefits and services. **Figure 12** shows trends in discretionary funding for the veterans' benefits and services budget function since FY1977.

The Hospital and Medical Care for Veterans (703) subfunction, as noted above, accounts for the bulk of funding with the veterans' benefits and services budget function. Since 2001, veterans' health care costs have been one of the fastest-growing components of discretionary spending.

Three major trends have affected spending on veterans' health care. These could be characterized as demographics, health care trends such as demand for care and reliance on VHA health services, and legislative changes expanding services. First, the total number of veterans has been decreasing. From 2009 to 2023, the number of World War II, Korean War, and Vietnam War veterans dropped from 12 million to 6 million.⁸⁴ Despite the decline in the overall veteran population, the number of veterans enrolled in the VA health care system has increased. The share of the veteran population enrolled in the health care system grew from 18.4% in FY2000 to 50% in FY2023. Additionally, the veteran population is generally older than the overall U.S. population, and veterans over the age of 65 are driving growth in long-term care services such as nursing home care and assisted living.⁸⁵ Currently, newer veterans from Operation Enduring Freedom (OEF)/Operation Iraqi Freedom (OIF)/Operation New Dawn (OND)/Operation Inherent Resolve (OIR) account for about 18% of the overall VA patients served.⁸⁶ Over time these veterans could account for a greater share of the veteran population.⁸⁷ Moreover, the number of women veterans is growing and also makes an increasing share of VHA patients with gender-specific health needs.⁸⁸

⁸¹ Aside from medical care (which comprises medical services, medical community care, medical support and compliance, and medical facilities accounts) and medical research, discretionary funding for veterans' programs supports construction programs, information technology, Electronic Health Care Record Modernization (EHRM), the Office of Inspector General, the Board of Veterans Appeals, the National Cemetery Administration, and general operating expenses. See CRS Report R47423, *Department of Veterans Affairs FY2023 Appropriations*.

⁸² See CRS Report R47423, *Department of Veterans Affairs FY2023 Appropriations*.

⁸³ David I. Auerbach, William B. Weeks, and Ian Brantley, "Health Care Spending and Efficiency in the U.S. Department of Veterans Affairs," RAND Corporation Research Report RR-285-MTF, 2013, http://www.rand.org/content/dam/rand/pubs/research_reports/RR200/RR285/RAND_RR285.pdf.

⁸⁴ U.S. Bureau of Labor Statistics, Population Level - Veterans, World War II or Korean War or Vietnam Era, 18 Years and over [LNU00077884], <https://fred.stlouisfed.org/graph/?g=16mmy>.

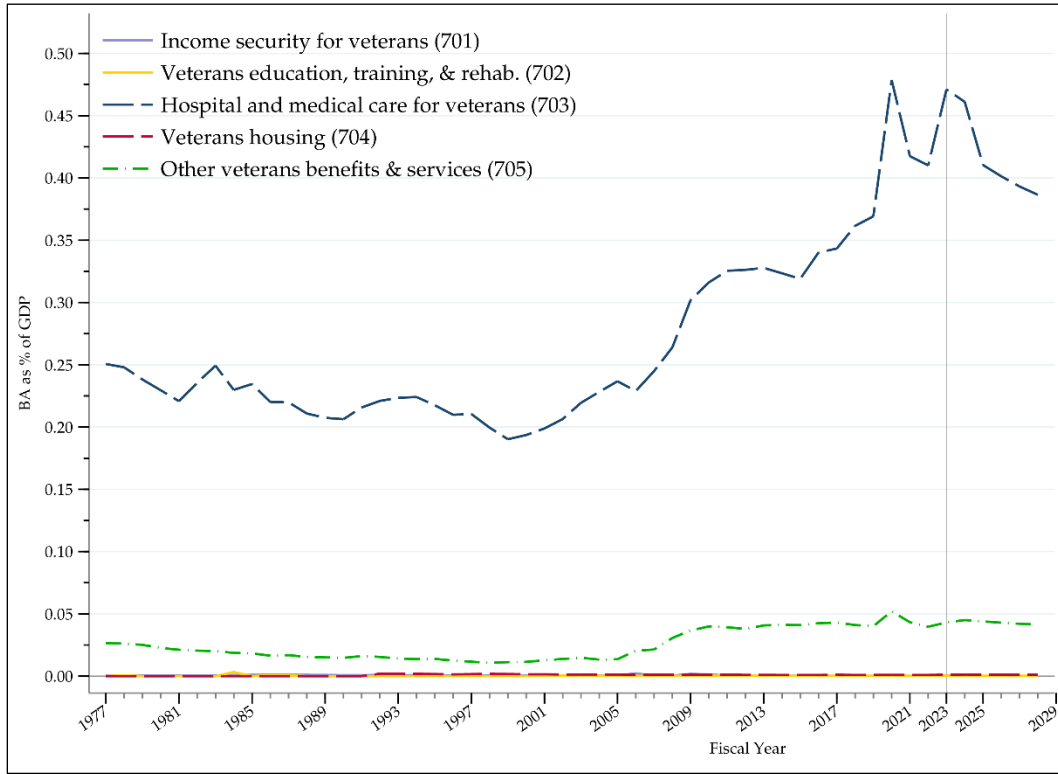
⁸⁵ Department of Veterans Affairs, Veterans Health Administration, *VISION PLAN*, Updated Response to 38 U.S.C. 7330C(b): Strategy Regarding the Department of Veterans Affairs High-Quality Integrated Health Care System, December 2020, pp. 46-47; and Department of Veterans Affairs, *FY2023 Congressional Submission, Medical Programs and Information Technology Programs*, vol. 2 of 4, March 2022, p. VHA-202 and p. VHA-420.

⁸⁶ Department of Veterans Affairs, *FY2023 Congressional Submission, Medical Programs and Information Technology Programs*, vol. 2 of 4, March 2022, p. VHA-307.

⁸⁷ Department of Veterans Affairs, *FY2023 Congressional Submission, Medical Programs and Information Technology Programs*, vol. 2 of 4, March 2022, pp. VHA-417 to VHA-421.

⁸⁸ Department of Veterans Affairs, Veterans Health Administration, *VISION PLAN*, Updated Response to 38 U.S.C. 7330C(b): Strategy Regarding the Department of Veterans Affairs High-Quality Integrated Health Care System, December 2020, p. 29.

Figure 12. Veterans Benefits and Services (700) Subfunctions
 Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from the FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats. Discretionary funding for the Veterans education, training, and rehabilitation (702) and the Veterans housing (704) subfunctions has not exceeded 0.005% of GDP since FY1977. Programs within those subfunctions are generally funded by mandatory spending.

Second, the demand and reliance on VA care affects health care spending. VA estimates that of the enrolled veterans in the VA health care system, on average about 38% rely on the VA for their health care needs.⁸⁹ Nevertheless, a higher percentage of veterans enrolled in the VA health care system have multiple chronic conditions when compared to the nonveteran population. For example, veterans generally experience arthritis earlier when compared to nonveterans; veterans have higher rates of cancer than nonveterans after age 50; and veterans deployed to a theater of conflict and those living in a rural county have slightly increased incidence of chronic diseases.⁹⁰ These higher morbidity rates increase VA’s health care spending.⁹¹

⁸⁹ “Reliance is defined as the portion of enrollees’ total health care needs expected from the VA health care system, including both VA direct care and community care paid by VA, versus other health care options. For example, if an enrollee received 10 office visits in a year, 4 from VA and 6 through Medicare, that enrollee would be considered 40% (= 4 / 10) reliant on VA for office visits.” Department of Veterans Affairs, *FY2023 Congressional Submission, Medical Programs and Information Technology Programs*, vol. 2 of 4, March 2022, p. VHA-440.

⁹⁰ Department of Veterans Affairs, Veterans Health Administration, *VISION PLAN*, Updated Response to 38 U.S.C. 7330C(b): Strategy Regarding the Department of Veterans Affairs High-Quality Integrated Health Care System, December 2020, p. 48.

⁹¹ Department of Veterans Affairs, *FY2023 Congressional Submission, Medical Programs and Information Technology Programs*, vol. 2 of 4, March 2022, p. 420.

Third, since 2009 the Congress has expanded programs for community care,⁹² mental health and suicide prevention, and services for women veterans at VA, with the passage of several major pieces of legislation. These include, among others, the John S. McCain III, Daniel K. Akaka, and Samuel R. Johnson VA Maintaining Internal Systems and Strengthening Integrated Outside Networks Act of 2018 or the “VA MISSION Act of 2018” (P.L. 115-182); the Johnny Isakson and David P. Roe, M.D. Veterans Health Care and Benefits Improvement Act of 2020 (P.L. 116-315); the Commander John Scott Hannon Veterans Mental Health Care Improvement Act of 2019 (P.L. 116-171); and the Veterans Comprehensive Prevention, Access to Care, and Treatment Act of 2020 or the “Veterans COMPACT Act of 2020” (P.L. 116-214). Finally, the veterans’ health care budget subfunction also saw one-time funding increases during the COVID-19 pandemic in 2020 and 2021.⁹³

Funding within the Other Veterans Benefits and Services (705) subfunction, which has accounted for roughly one-tenth of funding within the Veterans’ Benefits and Services budget function, has doubled since FY2005 as a percentage of GDP.

Physical Resources

The Physical Resources superfunction includes the budget subfunctions Energy, Natural Resources and Environment, Commerce and Housing Credit, Transportation, and Community and Regional Development. **Figure 13** shows discretionary funding for each of those budget functions as a percentage of GDP.

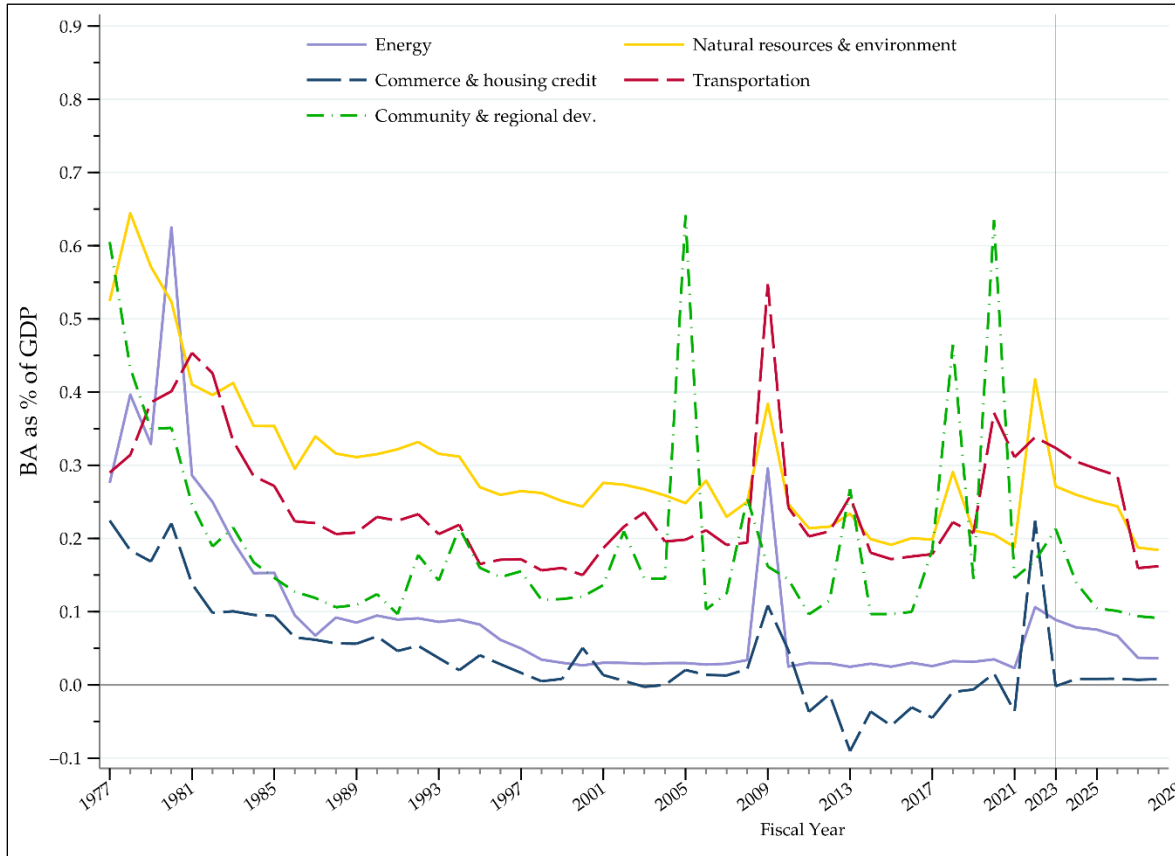
Energy

Most funding within the Energy budget function supports operations of the Department of Energy (DOE). The remainder supports rural electrification programs within the U.S. Department of Agriculture, tax credits administered by the U.S. Treasury, certain activities of the Nuclear Regulatory Commission, the Tennessee Valley Authority, and a few other agencies. About half of DOE’s budget funds nuclear weapons programs or efforts to clean up sites used by those programs, which fall within the Atomic Energy Defense Activities (053) subfunction.

⁹² Department of Veterans Affairs, *FY2023 Congressional Submission, Medical Programs and Information Technology Programs*, vol. 2 of 4, March 2022, p. VHA-29. Also see, Congressional Budget Office, *The Veterans Community Care Program: Background and Early Effects*, October 21, 2021.

⁹³ See CRS Report R45390, *VA Maintaining Internal Systems and Strengthening Integrated Outside Networks Act of 2018 (VA MISSION Act; P.L. 115-182)*; CRS Report R46848, *Commander John Scott Hannon Veterans Mental Health Care Improvement Act of 2019 (P.L. 116-171) and Veterans COMPACT Act of 2020 (P.L. 116-214)*; CRS Report R46340, *Federal Response to COVID-19: Department of Veterans Affairs*; CRS Report R46459, *Department of Veterans Affairs FY2021 Appropriations*; and CRS Report R46964, *Department of Veterans Affairs FY2022 Appropriations*.

Figure 13. Discretionary Funding for Physical Resources
 Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The largest spike in funding within the energy supply (271) subfunction visible in **Figure 14** reflects responses to the second oil shock of 1978-1979. Following a revolution in 1978, Iran cut its oil exports, which caused widespread disruptions through world energy markets in 1979.⁹⁴ In June 1980, President Jimmy Carter signed the Energy Security Act (P.L. 96-294), which established various renewable energy initiatives and provided \$88 billion for synthetic fuels production.⁹⁵ The Synthetic Fuels Corporation, which the act had created, was abolished in 1985 after struggling to develop viable projects.⁹⁶

A smaller downtick in the emergency energy preparedness (274) subfunction in FY1980 also reflects world oil supply disruptions that followed the Iranian revolution. The United States, in consultation with G7 partner countries, agreed to suspend oil purchases for the Strategic

⁹⁴ Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power*, (New York: Free Press, 1991), ch. 33.

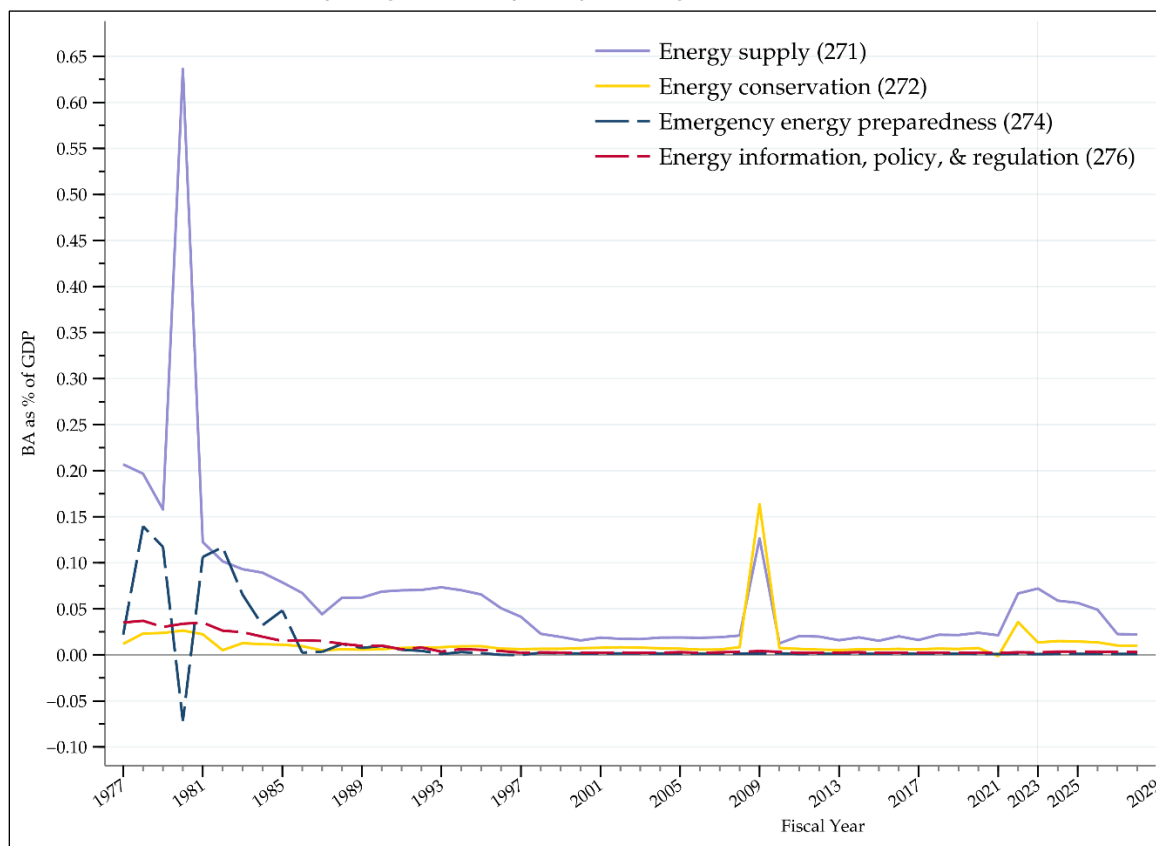
⁹⁵ Jimmy Carter, “Energy Security Act Remarks on Signing S. 952 Into Law,” June 30, 1980; <http://www.presidency.ucsb.edu/ws/?pid=44684>.

⁹⁶ Robert D. Hershey Jr., “Synfuels Corp. is Running on Empty,” *New York Times*, August 25, 1985. The Synthetic Fuels Corporation was disestablished by P.L. 99-190 and P.L. 99-272.

Petroleum Reserve in early 1979.⁹⁷ In June 1980, the Energy Security Act mandated resumed oil reserve purchases, although \$2 billion was rescinded from the Strategic Petroleum Reserve the following month, which is reflected in the negative value for FY1980.⁹⁸ Congress required additional oil reserve purchases in December 1980.⁹⁹

Figure 14. Energy (270) Subfunctions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The smaller spike visible in **Figure 14** resulted from funding provided by ARRA in 2009, which provided \$90 billion in funding or tax credits for clean energy projects, not all of which were within the energy budget function. DOE received about \$35 billion in funding, with most of the remainder supporting energy-related tax credits as well as mass transportation and high-speed rail initiatives.¹⁰⁰ The bump in discretionary budget authority beginning in FY2022 is a result of

⁹⁷ U.S. Congress, Senate Committee on Energy and Natural Resources, Subcommittee on Energy Resources and Materials Production, *Strategic Petroleum Reserve*, 96th Cong., 1st sess., December 13, 1979, S.Hrg. 96-91 (Washington: GPO, 1980). G7 members are the United States, the United Kingdom, France, the Federal Republic of Germany, Italy, Japan, Canada, and the European Union.

⁹⁸ Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304).

⁹⁹ P.L. 96-514.

¹⁰⁰ Center for Climate and Energy Solutions, “U.S. Department of Energy’s Recovery Act Investments,” issue brief, January 5, 2013, <http://www.c2es.org/docUploads/arra-brief-feb-2013.pdf>. See Transportation section below.

funding provided by the Infrastructure Investment and Jobs Act (IIJA, P.L. 117-58), which appropriated more than \$62.2 billion over five years (FY2022-FY2026) to DOE.

Natural Resources and Environment

Funding within the Natural Resources and Environment budget function supports activities of a wide range of federal agencies. Much of the discretionary funding for the U.S. Department of the Interior (DOI) and all of the discretionary funding for the U.S. Environmental Protection Agency (EPA) falls within this function, as does most of the funding for the U.S. Forest Service and certain conservation programs of agencies within the U.S. Department of Agriculture. Funding within this budget function also supports operations of the U.S. Department of Commerce's National Oceanic and Atmospheric Administration (NOAA), water projects of the U.S. Army Corps of Engineers (USACE), and the U.S. Coast Guard's pollution control activities related to spills of oil and hazardous substances in the coastal zone, among other agencies and activities.

The Natural Resources and Environment function has five subfunctions: water resources (301), conservation and land management (302), recreational resources (303), pollution control and abatement (304), and other natural resources (306).¹⁰¹ As a percentage of GDP, more variation in discretionary budget authority was exhibited throughout the period in three subfunctions—water resources, conservation and land management, and pollution control and abatement—than in the other two subfunctions.

The water resources subfunction (301) principally represents water infrastructure (e.g., multipurpose dams, navigation locks, levees) built and sometimes owned and operated by the federal government. Discretionary budget authority for water resources projects has, by and large, declined as a percentage of GDP since the late-1970s, as **Figure 15** indicates, due to a number of reasons. For instance, the Water Resources Development Act of 1986 (WRDA; P.L. 99-662) changed cost shares for USACE projects that reduced the federal share of project costs. Also, a number of Administrations reduced emphasis on construction of large, multipurpose federal water resource infrastructure, including by the Bureau of Reclamation, in general.¹⁰² In certain years since FY2005, funding for the water resources subfunction increased as a percentage of GDP. The peaks shown in **Figure 15** generally reflect enactment of supplemental appropriations for natural disaster response (e.g., hurricanes and subsequent construction of flood risk reduction projects), economic stimulus, and infrastructure development.¹⁰³

Discretionary budget authority for the conservation and land management subfunction (302) encompasses various agencies and programs. It includes funding for certain U.S. Department of Agriculture agencies and certain DOI agencies, among other entities.¹⁰⁴ Discretionary budget

¹⁰¹ There is no subfunction 305.

¹⁰² For more information on these policy decisions and implications regarding two primary water resources agencies, see CRS Report R45185, *Army Corps of Engineers: Water Resource Authorization and Project Delivery Processes*, by Nicole T. Carter and Anna E. Normand, and CRS Report R46303, *Bureau of Reclamation: History, Authorities, and Issues for Congress*, by Charles V. Stern and Anna E. Normand.

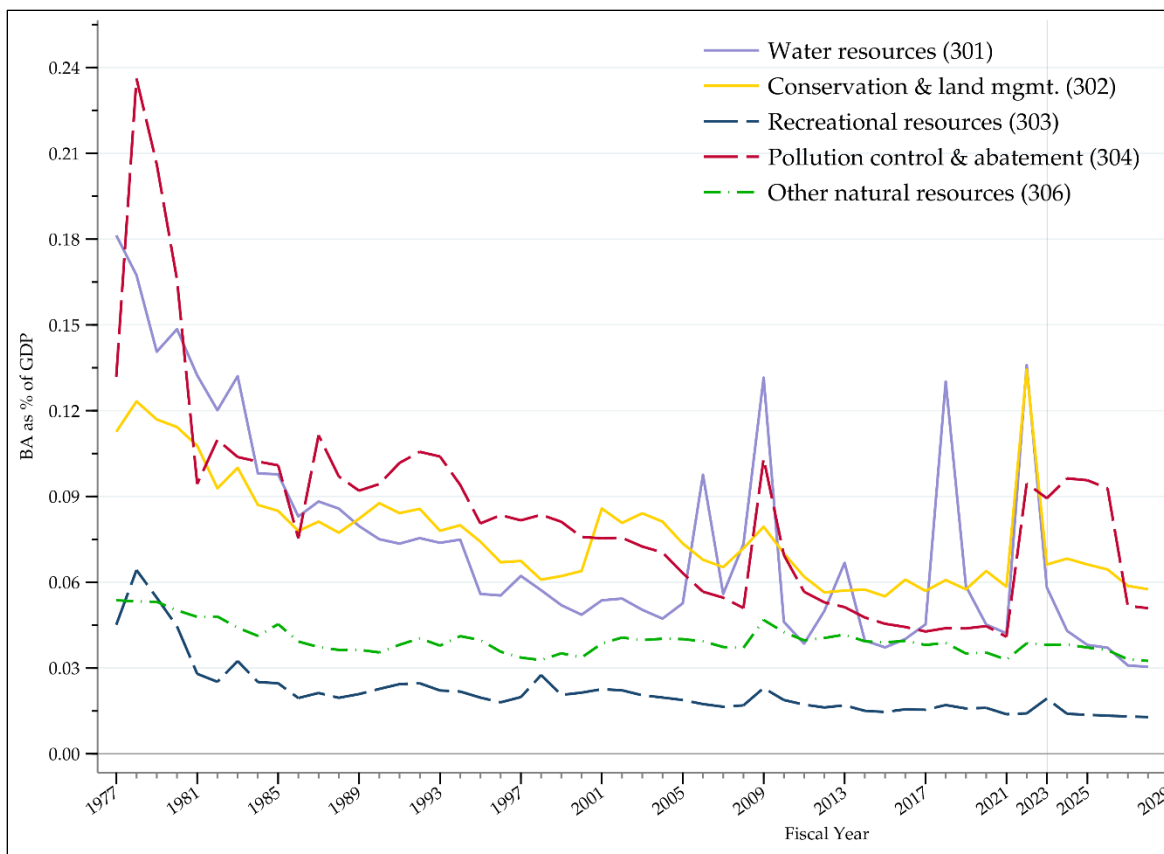
¹⁰³ For example, see Figure 1 in CRS In Focus IF11945, *U.S. Army Corps of Engineers: Supplemental Appropriations*, by Anna E. Normand and Nicole T. Carter, and Table 2 in CRS Report R47440, *Water Resource Issues in the 118th Congress*, by Anna E. Normand et al.

¹⁰⁴ Agriculture agencies include the U.S. Forest Service (including for wildland fire management) and conservation programs of the Farm Service Agency and Natural Resources Conservation Service. DOI agencies include certain accounts and activities of the Bureau of Indian Affairs; Bureau of Land Management; Bureau of Ocean Energy Management; Bureau of Safety and Environmental Enforcement; Office of Surface Mining Reclamation and Enforcement; U.S. Fish and Wildlife Service; and U.S. Department of the Interior, Departmental Offices and Department-Wide programs (e.g., wildland fire management), among others.

authority for this subfunction fluctuated over the period examined. It declined overall from the late 1970s to about half that level in FY2021. The peak in FY2022, as a percentage of GDP, can be attributed in large part to emergency supplemental funding in the Infrastructure Investment and Jobs Act (P.L. 117-58, IIJA) for various activities within the subfunction. They included abandoned mine land and water reclamation projects; orphaned well site plugging, remediation, and restoration activities; federal land and resource management; ecosystem restoration; and wildland fire management.

Figure 15. Natural Resources and Environment (300) Subfunctions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The recreational resources subfunction (303) includes the National Park Service (NPS) as well as various smaller entities. From the late 1970s to the early 1980s, discretionary budget authority for recreational resources (303) declined as a percentage of GDP. This was partly due to a reduction in funding from the Land and Water Conservation Fund for the NPS. Portions of this fund are provided to the NPS for land acquisition and grants to states for outdoor recreation. Thereafter, recreational resources continued to decline, but at a more modest rate than previously.

The pollution control and abatement subfunction (304) includes a wide range of environmental protection activities of EPA and other federal agencies under authority of statutes such as the Clean Air Act, Clean Water Act, Safe Drinking Water Act, and Comprehensive Environmental Response, Compensation, and Liability Act (Superfund). The peak in **Figure 15**, in the 1970s,

reflects federal support for construction of local wastewater treatment plants and other water quality initiatives, which fall within subfunction 304.¹⁰⁵ **Figure 15** illustrates that discretionary budget authority for subfunction 304 as a percentage of GDP gradually decreased over time until FY2022. The subsequent increase from FY2022 through FY2026 primarily reflects supplemental appropriations to EPA for water infrastructure financial assistance programs in IIJA.¹⁰⁶ Federal aid for local water infrastructure projects, especially EPA assistance, has evolved over time from a program that provided grants directly to local governments for wastewater treatment plant construction to the primary programs for clean water and drinking water infrastructure projects. Under these programs, the federal government provides grants to states to capitalize state loan programs. More recently, Congress has amended these loan programs to increase the amount of principal forgiveness, grants, or other types of additional subsidization that states can provide to communities. Further, EPA has the authority to provide direct loans or grants to support such infrastructure.¹⁰⁷

The Other Natural Resources (306) subfunction includes the U.S. Geological Survey; activities of NOAA; and certain DOI Departmental Offices and Department-wide programs, among others. Discretionary budget authority for this subfunction had a relatively modest decline, as a percentage of GDP, throughout the period examined.

Commerce and Housing Credit

The commerce and housing credit budget function supports a variety of programs within the U.S. Department of Commerce and the Department of Housing (HUD), along with several other federal agencies. The 2007-2009 financial crisis and subsequent Great Recession led to changes in federal housing finance policies.¹⁰⁸

The interrelation between discretionary and mandatory funding for many programs within that budget function is complex. In part, that complexity stems from how federal credit rules operate. Many of the programs in this budget function provide credit for housing, business loans, and other purposes, and their costs are therefore calculated using methods prescribed by the Federal Credit Reform Act (FCRA; described above). Changes in estimates of the subsidy costs of those loans are sensitive to anticipated economic conditions, which can cause large fluctuations in budgetary costs, even if current cash flows are more stable.

When the present value of fees or other receipts collected through a program exceeds disbursements and default costs, estimated using FCRA methods, a negative credit subsidy results which appears as negative BA. For example, the large negative amounts shown in **Figure 16** for

¹⁰⁵ See CRS Report 96-647, *Water Infrastructure Financing: History of EPA Appropriations*, by Jonathan L. Ramseur and Mary Tiemann.

¹⁰⁶ For more information about drinking water and wastewater infrastructure funding, CRS Report R46892, *Infrastructure Investment and Jobs Act (IIJA): Drinking Water and Wastewater Infrastructure*, by Elena H. Humphreys and Jonathan L. Ramseur.

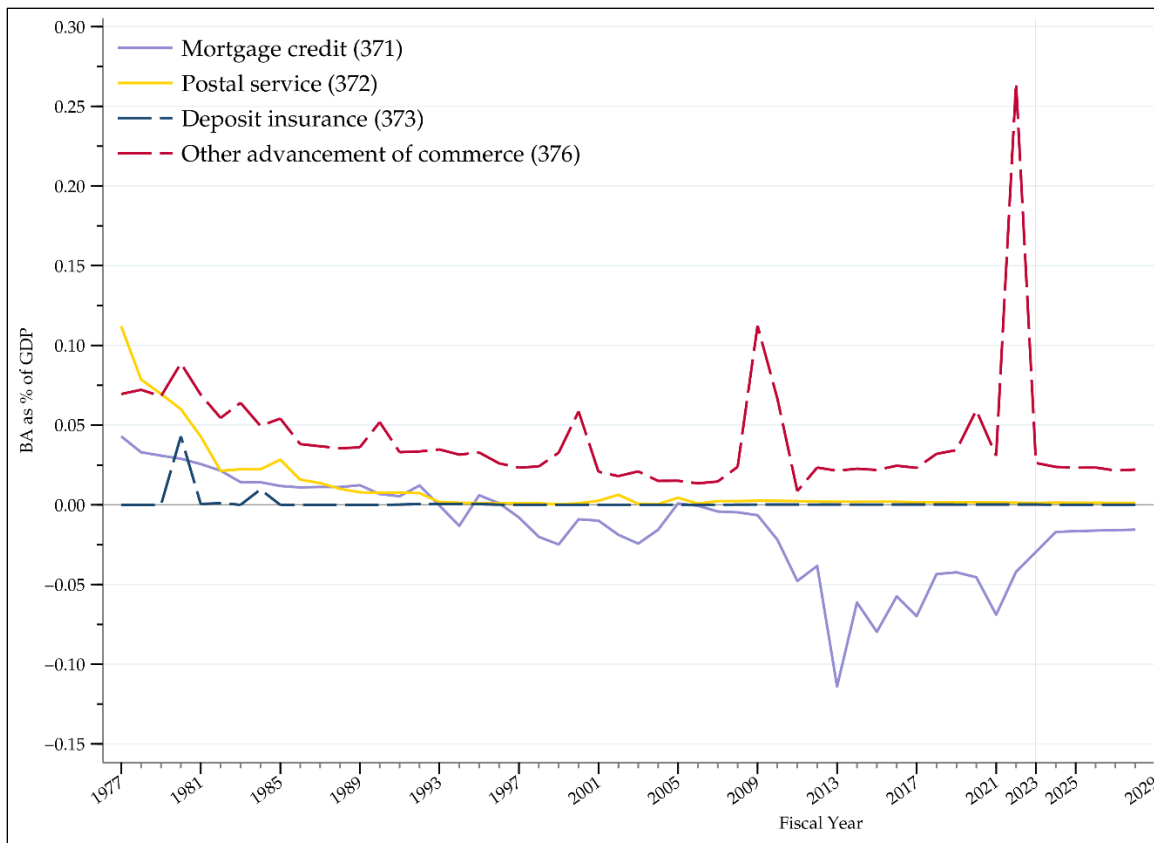
¹⁰⁷ For more information, see CRS Report R46471, *Federally Supported Projects and Programs for Wastewater, Drinking Water, and Water Supply Infrastructure*, coordinated by Jonathan L. Ramseur.

¹⁰⁸ Many federal agencies took steps to mitigate the effects of the financial crisis in 2007 and 2008. Congress also passed measures that significantly reshaped federal housing finance policies. For instance, the Housing and Economic Recovery Act of 2008 (P.L. 110-289), among other provisions, set up authorities that were used to put the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac, which guarantee a major share of U.S. housing mortgages, into conservatorships when both faced insolvency in September 2008. See Financial Crisis Inquiry Commission, Final Report, February 25, 2011, <https://www.govinfo.gov/app/details/GPO-FCIC>. For a description of how the Federal Housing Administration reacted to the financial crisis, see HUD, Office of Policy Development and Research, “The Federal Housing Administration: Bringing the Housing Finance System Out of a Chaotic Situation,” *Evidence Matters*, summer/fall 2020, <https://www.huduser.gov/portal/periodicals/em/SummerFall20/highlight2.html>.

the mortgage credit (371) subfunction following the 2007-2009 Great Recession largely reflect negative credit subsidy estimates for the single-family mortgage insurance program within the Federal Housing Administration (FHA) and, to a lesser extent, Ginnie Mae (Government National Mortgage Association).¹⁰⁹ Expected negative credit subsidies for FHA-insured mortgages increased in the years after the housing market turmoil of the late 2000s as a result of several factors, including better credit quality of FHA-insured mortgages, increases in the fees that FHA charges to borrowers, and higher FHA loan volumes.

Figure 16. Commerce and Housing Credit (370) Subfunctions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The other advancements of commerce (376) subfunction includes a diverse range of activities within the Department of Commerce, the Small Business Administration (SBA), many

¹⁰⁹ See CRS Report R42875, *FHA Single-Family Mortgage Insurance: Financial Status of the Mutual Mortgage Insurance Fund (MMI Fund)*, by Katie Jones. Also see Chad Chirico and Susanne Mehlman, "How FHA's Mutual Mortgage Insurance Fund Accounts for the Cost of Mortgage Guarantees," CBO Blog, October 22, 2013; <https://www.cbo.gov/publication/44634>. The largest discretionary account in the Mortgage Credit subfunction is the FHA-Mutual Mortgage Insurance Capital Reserve. That account recorded \$214 million in negative BA in FY2007, which expanded to \$17.4 billion in negative BA in FY2013. In later years, magnitudes have been smaller, although they have fluctuated widely.

independent federal regulatory bodies, and other entities. Funding for the decennial census falls within this subfunction and is reflected in peaks at 10-year intervals visible in **Figure 16**.

The Infrastructure Investment and Jobs Act (P.L. 117-58), enacted in November 2021, provided \$65 billion in funding programs to expand access to broadband internet connections administered by the National Telecommunications and Information Administration and the Federal Communications Commission.¹¹⁰

The U.S. Postal Service (USPS; postal service subfunction 376) operates under a mandate to cover its costs with its own revenues, and thus runs without an operating subsidy from the federal government.¹¹¹ Congress does appropriate funds to offset postal revenues that were foregone by charging concessionary rates for certain postal services, although as can be seen in **Figure 16**, that funding has decreased over time.¹¹²

Transportation

Funding within the transportation budget function primarily supports activities of the U.S. Department of Transportation (DOT), including grants and other forms of financial support provided to state and local governments. That funding also supports some operations of the U.S. Coast Guard, which was transferred from DOT to the U.S. Department of Homeland Security in 2003, as well as various boards and commissions involved in transportation issues. **Figure 17** shows funding trends within the transportation budget function.

Some ground transportation programs have had a special budgetary status since 1988, in which BA is treated as mandatory but outlays are classified as discretionary.¹¹³ This status enables some transportation funding to avoid budgetary restraints that affect most other federal funding. Moreover, that dual designation of surface transportation funding complicates analysis of trends in federal spending to support various forms of transportation. Thus, trends in funding for ground transportation shown in **Figure 17** exclude the vast majority of federal highway and mass transit (also known as public transportation) funding supported by the Highway Trust Fund, which is classified as mandatory, rather than discretionary, BA. Moreover, those amounts do not reflect expenditures of state and local governments, which are typically required to match federal funds at some level. Discretionary funding for ground transportation also does not reflect transfers from the U.S. Treasury's general fund to the Highway Trust Fund.¹¹⁴

The ground transportation (401) subfunction includes federal support for mass transit and Amtrak, as well as funding for operations of DOT bureaus such as the Federal Railroad Administration and the Federal Highway Administration, as well as various transportation-related safety or regulatory bodies. The peak in discretionary funding for ground transportation during the late 1970s and early 1980s evident in **Figure 17** reflects, in large measure, grants to local

¹¹⁰ National Telecommunications and Information Administration, "NTIA's Role in Implementing the Broadband Provisions of the 2021 Infrastructure Investment and Jobs Act," <https://broadbandusa.ntia.doc.gov/news/latest-news/ntias-role-implementing-broadband-provisions-2021-infrastructure-investment-and>. See also CRS Report R47506, *The Persistent Digital Divide: Selected Broadband Deployment Issues and Policy Considerations*, by Colby Leigh Rachfal.

¹¹¹ See CRS Report R44603, *Reforming the U.S. Postal Service: Background and Issues for Congress*, coordinated by Michelle D. Christensen.

¹¹² See CRS Report RS21025, *The Postal Revenue Forgone Appropriation: Overview and Current Issues*, by Kevin R. Kosar.

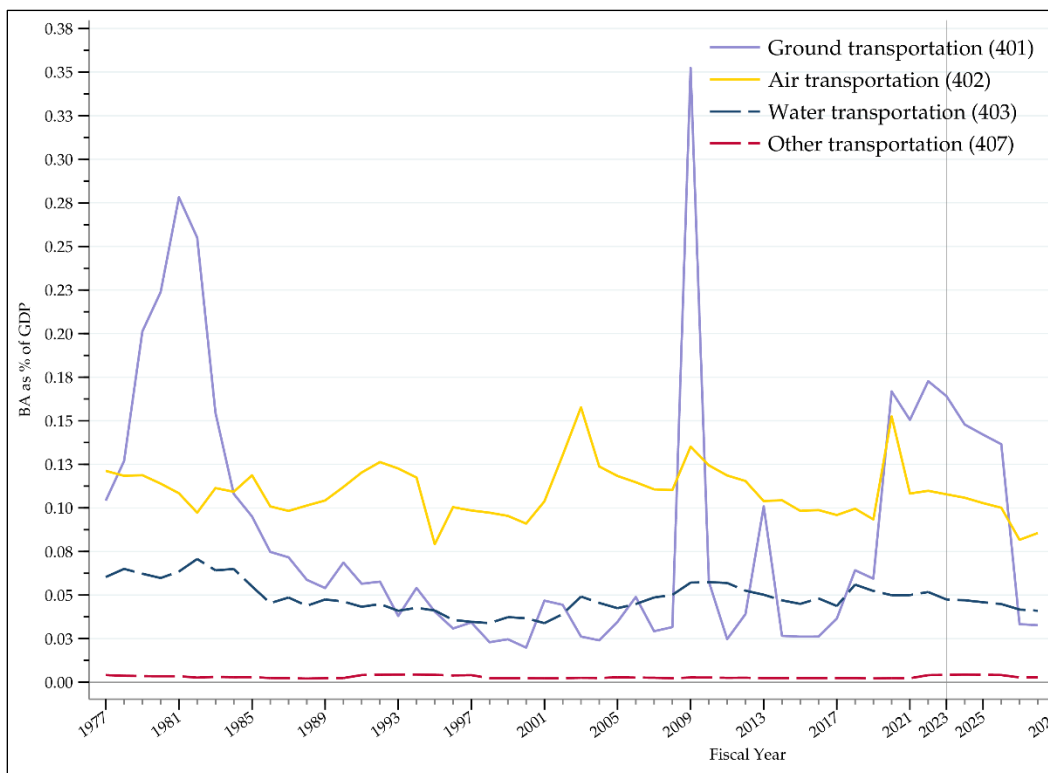
¹¹³ CBO, *The Highway Trust Fund and the Treatment of Surface Transportation Programs in the Federal Budget*, June 2014; <https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/45416-TransportationScoring.pdf>.

¹¹⁴ See CRS Report R47573, *Funding and Financing Highways and Public Transportation Under the Infrastructure Investment and Jobs Act (IIJA)*, by Robert S. Kirk and William J. Mallett.

governments to expand, modernize, or operate mass transit systems.¹¹⁵ Through the 1980s, however, that support was reduced. A second peak reflects increased funding for road and other infrastructure projects in ARRA.

Figure 17. Transportation (400) Subfunctions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

Funding within the air transportation (402) subfunction has varied less. Increased funding for airport security after the attacks of September 11, 2001, is visible in **Figure 17**. The Transportation Security Administration (TSA) was created within DOT in November 2001, but was transferred to the U.S. Department of Homeland Security (DHS) in March 2003.

Funding within the water transportation (403) subfunction, again measured as a percentage of GDP, has been even more stable.

Community and Regional Development

The Community and Regional Development budget function (450) includes funding for various federal programs that support state and local government development initiatives in urban and

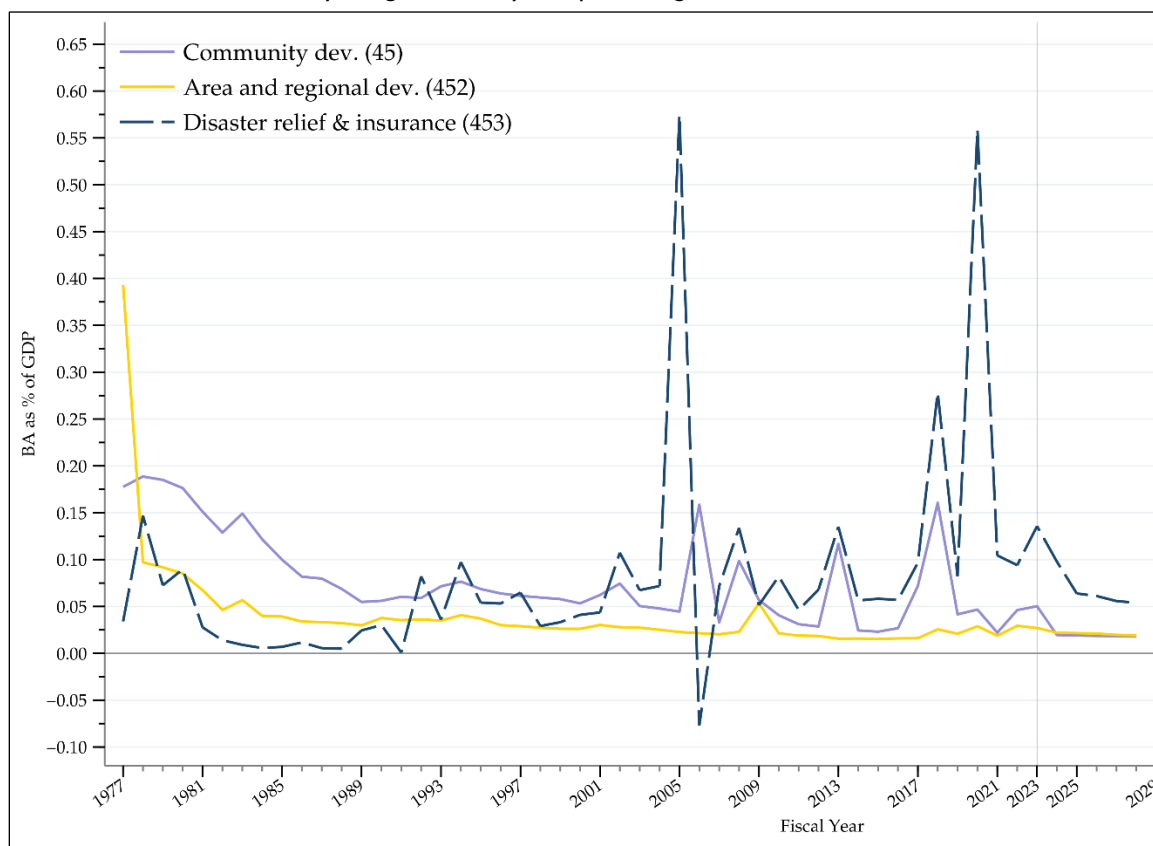
¹¹⁵ CBO, *Public Works Infrastructure: Policy Considerations for the 1980s*, April 1983, ch. 3, <https://www.cbo.gov/sites/default/files/98th-congress-1983-1984/reports/doc20-entire.pdf>. Also see DOT, Urban Mass Transit Administration, *FY1980 Summary of UMTA'S Transit Assistance Program*, 1981, https://ia802709.us.archive.org/13/items/fy1980yearendsum00offi_0/fy1980yearendsum00offi_0.pdf.

rural areas, as well as funding to support responses to natural and other disasters. **Figure 18** shows funding trends within that budget function.

The largest item within the Community Development (451) subfunction is the U.S. Department of Housing and Urban Development's (HUD's) Community Development Fund, which provides resources for the Community Development Block Grant (CDBG) program.¹¹⁶ That subfunction also includes programs administered by the U.S. Department of Agriculture (USDA), the U.S. Department of the Treasury, and other federal agencies. Federal community development funding fell from almost 0.2% of GDP in the late 1970s to about half that level in the 1990s.

Figure 18. Community and Regional Development (450) Subfunctions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

Funding since FY2000 has fluctuated significantly, reflecting congressional responses to natural and other disaster-related events, and economic recessions.¹¹⁷ Community Development Block Grant Disaster Recovery Funding (CDBG-DR), a part of the Community Development Fund, has

¹¹⁶ See CRS Report R46733, *Community Development Block Grants: Funding and Allocation Processes*, by Joseph V. Jaroscak. Also see Seth R. Marcus, "Community Development Block Grants," in Goldfield, David R. (ed.), *Encyclopedia of American Urban History*, (Thousand Oaks, CA: Sage, 2006).

¹¹⁷ See CRS Report R46475, *The Community Development Block Grant's Disaster Recovery (CDBG-DR) Component: Background and Issues*, by Joseph V. Jaroscak. For data on CDBG funding from FY2000-FY2014, see CRS Report R43394, *Community Development Block Grants: Recent Funding History*, by Eugene Boyd.

supported long-term recovery efforts and met needs not addressed by other federal programs. Congress has often provided CDBG-DR funding through supplemental emergency appropriations following disasters.

The Area and Regional Development (452) subfunction includes a wide range of programs, from operations of the Department of Interior’s Bureau of Indian Affairs (BIA) and Bureau of Indian Education (BIE), to assorted USDA rural development initiatives, as well as Department of Commerce’s Economic Development Administration (EDA) programs and federally chartered regional development commissions, such as the Appalachian Regional Commission, the Delta Regional Authority, the Denali Commission, and the Northern Border Regional Commission. An anti-recession measure—the Public Works Employment Act (P.L. 95-28)—increased funding for FY1977 and FY1978 with the aim of supporting local public works-focused job creation efforts.

The disaster relief and insurance (453) subfunction mainly funds the Federal Emergency Management Agency, which has been part of the Department of Homeland Security (DHS) since 2003. That subfunction also includes other programs within USDA, SBA, and HUD. Funding for the disaster relief and insurance subfunction has been volatile in large part because it is driven by responses to natural and manmade disasters that by definition are difficult to anticipate. The largest spike in funding reflects responses to Hurricanes Katrina, Rita, and Wilma, which hit the Gulf Coast in 2005. A smaller spike in FY2013 reflects funding for responses to Hurricane Sandy, which hit the Atlantic Coast. A larger spike for FY2018 reflects responses, especially through the Disaster Relief Fund,¹¹⁸ to two hurricanes that hit Puerto Rico and the U.S. Virgin Islands in September 2017, as well as other hurricanes and floods that hit the eastern and Gulf Coast states.¹¹⁹ The spike at FY2020 mostly reflects funding for the Disaster Relief Fund to support programs responding to the COVID-19 pandemic.¹²⁰

Other Federal Functions

The Other Federal Functions category includes the General Science, Space, and Technology; Agriculture; Administration of Justice; and General Government budget functions. **Figure 19** shows discretionary funding trends for those functions.

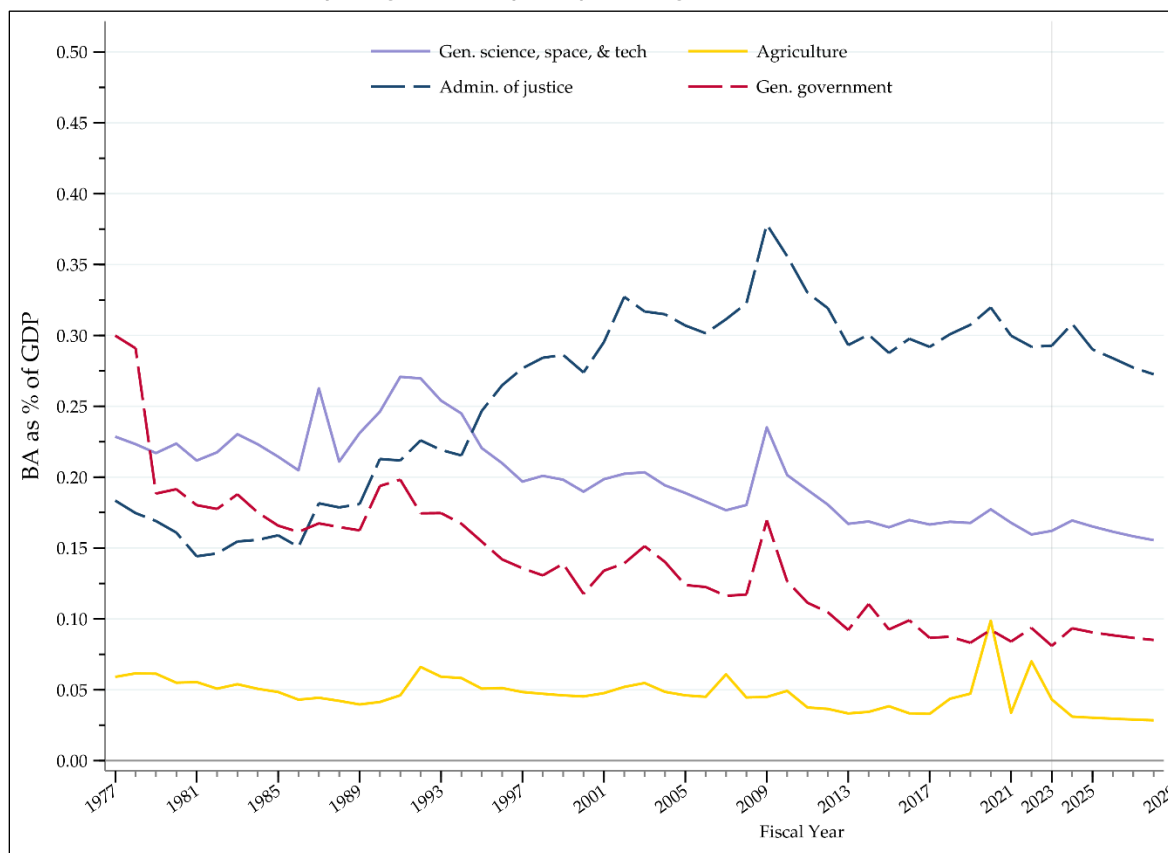
¹¹⁸ See CRS Report R45484, *The Disaster Relief Fund: Overview and Issues*, by William L. Painter.

¹¹⁹ See CRS Report R46609, *The Status of Puerto Rico’s Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster.

¹²⁰ See CRS Report R47048, *FEMA’s Role in the COVID-19 Federal Pandemic Response*, coordinated by Erica A. Lee.

Figure 19. Discretionary Funding for Other Government Functions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

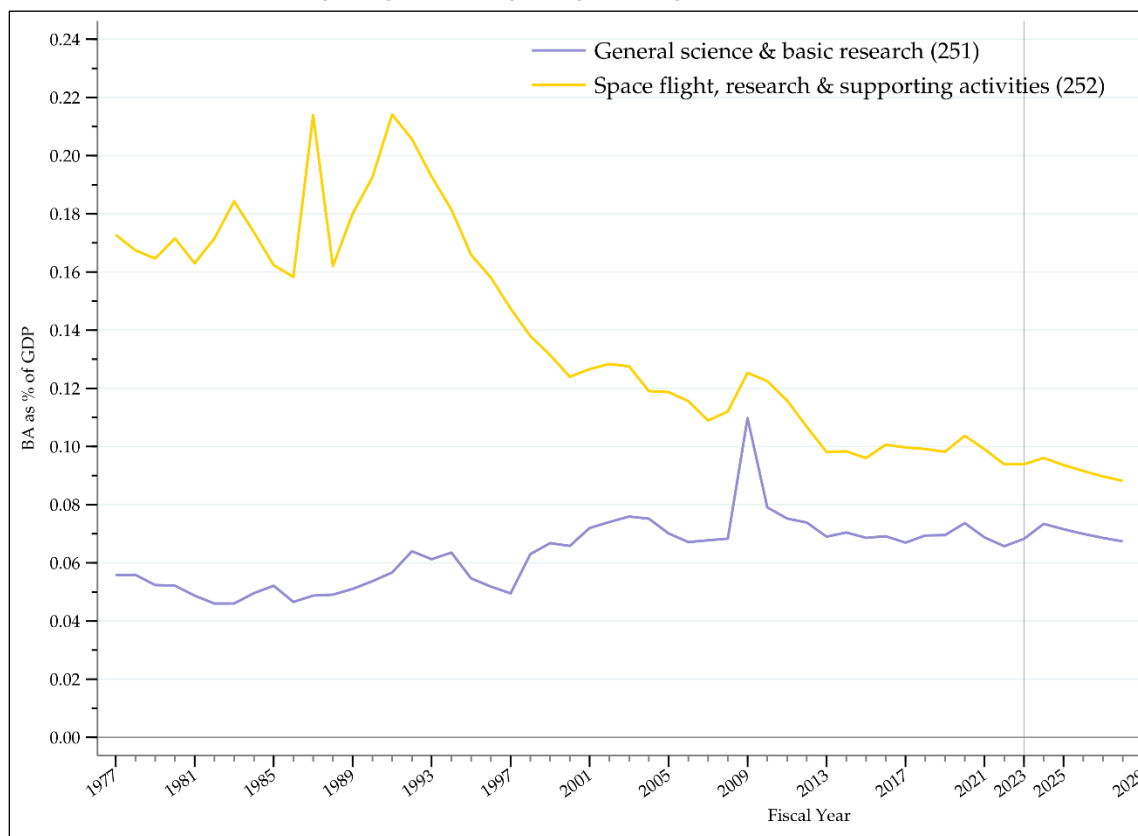
General Science, Space, and Technology

Funding within the General Science, Space, and Technology budget function (250)—shown in **Figure 20**—has been dominated for most of the past half century by spending to support operations of the National Aeronautics and Space Administration (NASA), which falls within the space flight, research and supporting activities subfunction (252). In some years during the mid-1960s, as the Apollo program was moving toward its aim of manned lunar exploration, NASA accounted for over 4% of total federal spending—well beyond the scale used in **Figure 20**.¹²¹ After the Apollo program ended in the early 1970s, NASA funding levels in inflation-adjusted terms and as a percentage of GDP declined in the face of budgetary pressures. The narrow peak visible in **Figure 20** reflects funding for a replacement space shuttle after the January 1986 *Challenger* disaster. From FY1993 to FY2016, BA for NASA fell from about 0.2% of GDP to about 0.1% of GDP, as funding did not keep pace with inflation and economic growth.

¹²¹ See OMB, FY2018 Budget, *Historical Tables*, Table 4.2. NASA spending accounted for 4.3% of federal outlays in FY1965 and 4.4% in FY1966. See also CBO, *Reinventing NASA*, March 1994, <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/48xx/doc4893/doc20.pdf>.

Figure 20. General Science, Space, and Technology (250) Subfunctions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

Funding for the General Science and Basic Research subfunction (251) mostly supports the National Science Foundation (NSF) and the basic research activities of the Office of Science within the Department of Energy (DOE). As a proportion of GDP, it rose, albeit unsteadily, from the mid-1980s to the late 2000s. In 2006, the George W. Bush Administration's American Competitiveness Initiative, established by and subsequently authorized by Congress in the America COMPETES Act (P.L. 110-69) and America COMPETES Reauthorization Act of 2010 (P.L. 111-358), set out a goal to double funding for NSF and the DOE Office of Science. That goal has not been achieved. In FY2009, ARRA provided a temporary boost in funding for general science and basic research.

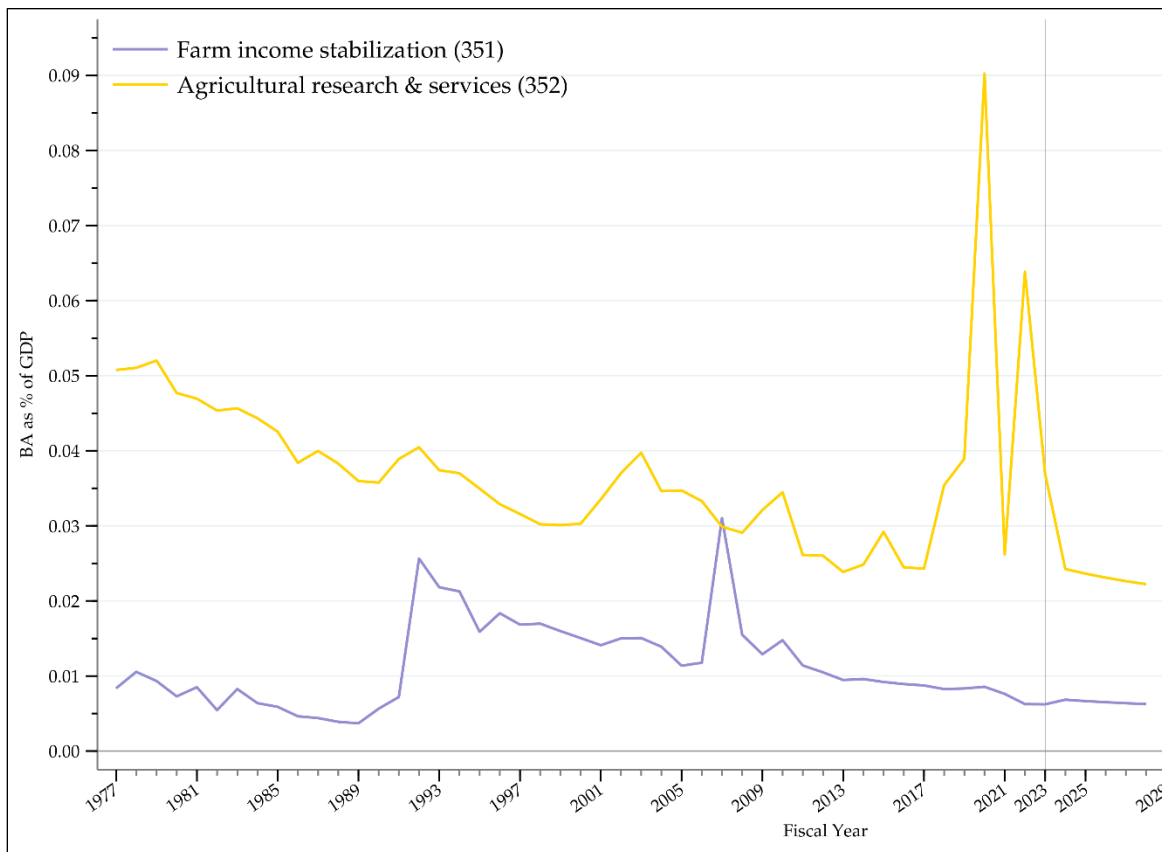
Agriculture

The Agriculture budget function (350) includes the Agricultural Research and Services (352) subfunction and the Farm Income Stabilization (351) subfunction. Nearly all funding within that budget function supports operations of the U.S. Department of Agriculture (USDA). Some of the largest USDA programs, however, such as the Supplemental Nutrition Assistant Program (SNAP) and some child nutrition programs, are classified within the Income Support budget function. Most Forest Service and USDA conservation activities fall under the Natural Resources and

Environment budget function, and provision of foreign food aid falls under the International Affairs budget function. **Figure 21** shows trends within the Agriculture budget function.

Figure 21. Agriculture (350) Subfunctions

Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The largest components of discretionary funding within the Agricultural Research and Services subfunction support activities of the Agricultural Research Service and the National Institute of Food and Agriculture. Funding for the Animal and Plant Health Inspection Service (APHIS) quadrupled between FY1999 and FY2003. APHIS also received extra funds to respond to bird flu threats in FY2015, which are reflected in a small peak visible in **Figure 21**.¹²² Overall, funding for Agricultural Research and Services as a percentage of GDP has declined from about 0.05% in the late 1970s to about half that level in the mid-2010s. The two larger peaks for FY2020 and FY2022 reflect funding to support agricultural producers affected by the COVID-19 pandemic provided in the CARES Act (P.L. 116-136; Division B, Title I), the American Rescue Plan Act of 2021 (P.L. 117-2; Title I), and other legislation.¹²³

¹²² See CRS Report R44114, *Update on the Highly-Pathogenic Avian Influenza Outbreak of 2014-2015*, by Joel L. Greene.

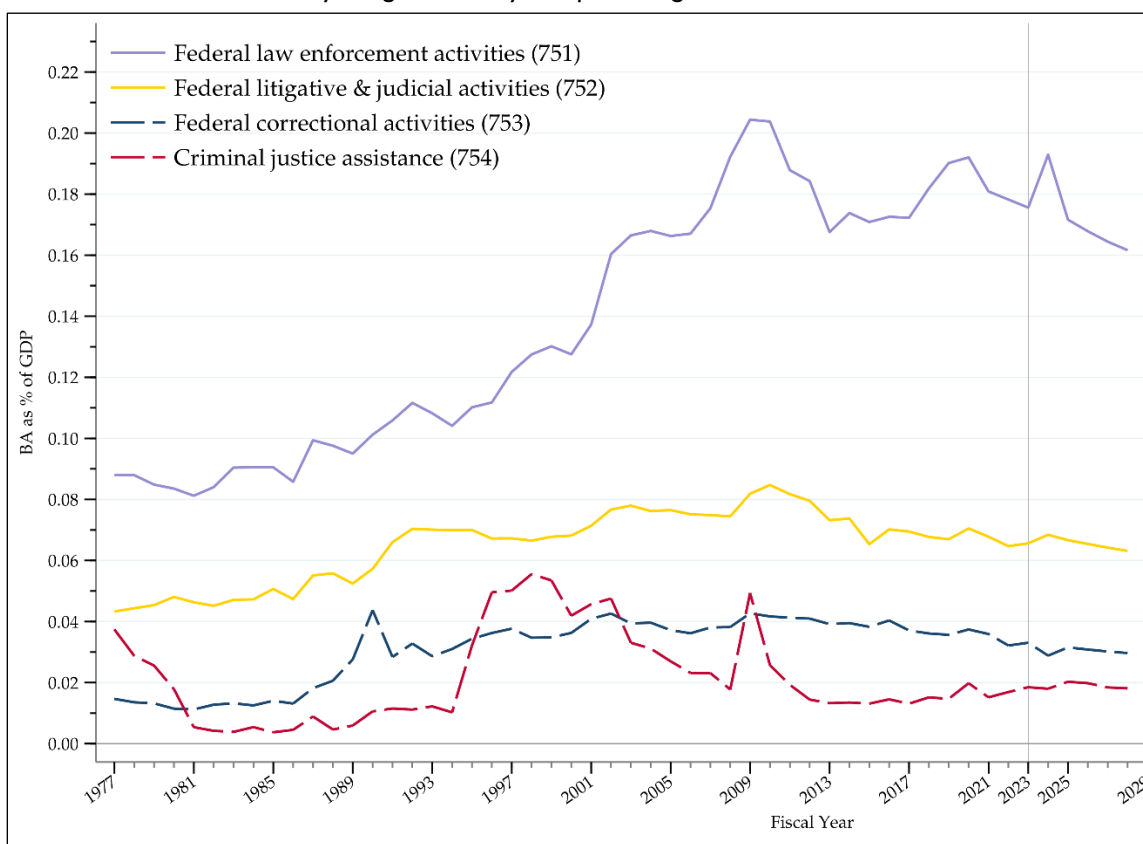
¹²³ See CRS In Focus IF11764, *U.S. Agricultural Aid in Response to COVID-19*, by Randy Schnepf and Stephanie Rosch.

The sharp funding increase within the Farm Income Stabilization subfunction for FY1992 reflects implementation of the Federal Credit Reform Act of 1990 (FCRA; P.L. 101-508), which changed the budgetary treatment of federal loan and loan guarantee programs.¹²⁴ The peak in FY2008 reflects ad hoc disaster assistance. Many farm income stabilization programs are mostly funded via mandatory spending, although discretionary spending generally covers administrative costs.

Administration of Justice

The Administration of Justice (750) budget function includes most federal judicial, law enforcement, and correctional activities. **Figure 22** shows funding trends within that budget function.

Figure 22. Administration of Justice (750) Subfunctions
Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The Federal Law Enforcement Activities (751) subfunction includes operations of the Department of Homeland Security (DHS), such as the U.S. Customs and Border Protection (CBP), the U.S. Immigration and Customs Enforcement (ICE), and the U.S. Secret Service, as well as operations of the U.S. Department of Justice (DOJ), including the Federal Bureau of Investigation (FBI), the

¹²⁴ See CRS Report R44193, *Federal Credit Programs: Comparing Fair Value and the Federal Credit Reform Act (FCRA)*, by Raj Gnanarajah.

Drug Enforcement Administration (DEA), the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), and the U.S. Marshals (USMS). Counterterrorism activities, which account for roughly half of the FBI's funding, are classified under the Defense-Related Activities (054) subfunction.

Funding within the Federal Law Enforcement subfunction, measured as a percentage of GDP, more than doubled in the period FY1980 to FY2010. Funding increases for CBP and ICE account for much of that increase. In FY1977, CBP and ICE accounted for just over a third (35%) of all funding within the federal law enforcement activities subfunction, while in FY2016 they accounted for over half (54%). Since FY2010, however, funding as a percentage of GDP has fallen to a level slightly above what it was in the mid-2000s. During that time period, funding for CBP and ICE rose by 10% in nominal terms, while funding for the rest of the subfunction was essentially flat.

The Federal Litigative and Judicial Activities subfunction (752) includes operations of the judicial branch and trial-related activities such as pre-trial detention by U.S. Marshals and publicly funded legal defense services. The subfunction also covers operations of offices of U.S. Attorneys and legal activities of DOJ, as well as boards and commissions that address legal matters. Funding for this subfunction, measured as a percentage of GDP, has trended slightly upward until FY2010 and slightly downward since then.

The Federal Correctional Activities subfunction (753) includes the DOJ Federal Prison System. The small increase visible in **Figure 22** reflects a one-time increase of about \$1 billion for prison buildings and facilities in FY1990.

The Criminal Justice Assistance subfunction (754) includes DOJ programs that assist state and local governments combat crime, violence against women, and drug trafficking; and that strengthen local juvenile justice and other local initiatives. The increase in funding visible in **Figure 22** in FY1994 reflects enactment of the Violent Crime Control and Law Enforcement Act of 1994 (P.L. 103-322), by which Congress and President Bill Clinton aimed to fund the hiring of an additional 100,000 local police officers via the community-oriented policing (COPS) program.¹²⁵ After decreases in funding for COPS during the mid-2000s, additional funds were provided as part of the ARRA stimulus. Since then, the level of funding, measured as a percentage of GDP, has decreased.

In some years, restrictions on the Crime Victims Fund (CVF) were used to offset other discretionary spending according to budgetary scoring rules governing changes in mandatory program spending (CHIMPS). Those restrictions did not reduce the flow of federal support for state grants, because CVF balances were well above usual grant funding levels.

According to budget estimates from OMB, however, DOJ will not be able to sustain FY2023 levels of funding for programs funded by the Crime Victims Fund (CVF) in FY2024.¹²⁶ For several years, the annual carryover balance of the CVF has declined, and according to OMB, the projected start-of-year balance for the CVF is -\$1.9 billion.¹²⁷ Presumably, OMB is estimating the negative start-of-year balance for the CVF based on an assumption that Congress will seek to sustain the FY2023 level of spending for CVF-funded programs (\$1.9 billion), and OMB estimates the CVF will be short \$1.9 billion.

¹²⁵ See CRS Report RL33308, *Community Oriented Policing Services (COPS): In Brief*, by Nathan James.

¹²⁶ For more information on the Crime Victims Fund, see CRS Report R42672, *The Crime Victims Fund: Federal Support for Victims of Crime*.

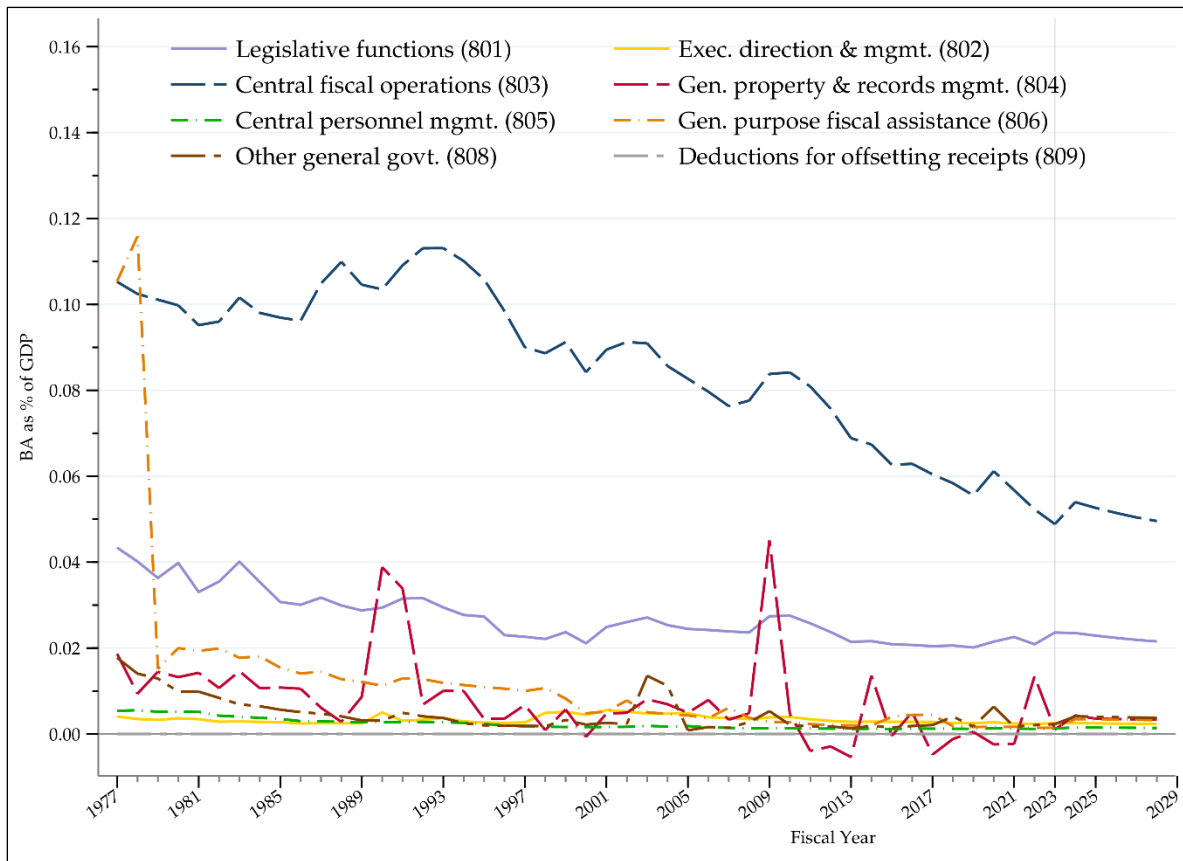
¹²⁷ Office of Management and Budget, *Appendix: Budget of the U.S. Government, Fiscal Year 2024*, p. 733.

General Government

The General Government (800) budget function includes costs of operating the legislative and executive branches, as well as administering federal personnel policy, managing federal records and property, and providing fiscal support to state and local governments. **Figure 23** shows trends in funding by subfunction within that budget function.

The Legislative Functions (801) subfunction includes activities of Congress and congressional agencies, such as the Government Accountability Office (GAO), the Congressional Budget Office (CBO), and the Congressional Research Service (CRS). The subfunction also includes the Capitol Police and the Architect of the Capitol, along with various congressional commissions and boards. From FY1977 to FY2000, funding for the legislative functions subfunction, measured as a percentage of GDP, trended slightly downward. Since then, funding for that subfunction has ranged from 0.03% to 0.04% of GDP.

Figure 23. General Government (800) Subfunctions
Discretionary budget authority as a percentage of GDP, FY1977-FY2028



Source: CRS, based on OMB data from FY2024 budget submission.

Notes: FY2023 levels are estimated. FY2024-FY2028 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

The Executive Direction and Management (802) subfunction includes activities of the White House, the Executive Office of the President, agencies closely connected to the President such as the Office of Management and Budget (OMB), the U.S. Trade Representative, and certain drug control activities. Various boards, commissions, councils, and offices associated with the

presidency are also included. Over the FY1977-FY2017 period, funding within that subfunction has not exceeded 0.01% of GDP.

The Central Fiscal Operations (803) subfunction includes operations of the Internal Revenue Service (IRS) as well as fiscal and currency operations of the U.S. Treasury. Since FY1990, the IRS accounted for at least 90% of the funding within that subfunction. Thus, to large extent, the decline in funding for the subfunction, measured as a percentage of GDP, reflects trends in funding for the IRS, which has resulted in reductions in staffing and enforcement activities.¹²⁸ P.L. 117-169, commonly referred to as the Inflation Reduction Act, provided \$79 billion in mandatory funding to support activities similar to those previously funding via discretionary funds.¹²⁹ The Fiscal Responsibility Act (FRA; P.L. 118-5) rescinded some of those funds.¹³⁰

The General Property and Records Management (804) subfunction includes operations of the General Services Administration (GSA) and the National Archives and Records Administration (NARA). Fluctuations in funding within this subfunction in large part reflect costs of GSA's Federal Buildings Fund.¹³¹ That fund operates somewhat as a revolving fund that receives rent payments from federal agencies. Proceeds, through appropriations law, are used to lease properties or to acquire and maintain federally owned properties, although it has received supplemental appropriations to fund buildings in some years. In other years, rental revenues exceeded building expenses, resulting in negative budget authority.

The Central Personnel Management (805) subfunction includes operations of the Office of Personnel Management (OPM) as well as several offices concerned with federal workforce issues such as the Merit Systems Protection Board, the Office of Special Counsel, and the Office of Government Ethics. Funding for this subfunction was about 0.05% of GDP in the late 1970s, and that percentage has declined since then.

The General Purpose Fiscal Assistance (806) subfunction covers various forms of assistance to state and local government. The high levels of funding visible in **Figure 23** in the 1970s reflect credit support offered to New York City.¹³² The bulk of that support was through a facility for short-term loans that were to be paid back at the end of each city fiscal year.¹³³ The subfunction also includes federal support for the District of Columbia.¹³⁴ Since the early 1980s, when this subfunction funding accounted for about 0.2% of GDP, funding according to that measure has declined.

The Other General Government (808) subfunction includes a broad array of miscellaneous federal activities. The uptick visible in **Figure 23** in the mid-2000s reflects federal support for electoral reform.

¹²⁸ CBO, Trends in the Internal Revenue Service's Funding and Enforcement, July 2020, <https://www.cbo.gov/publication/56467>.

¹²⁹ See CRS In Focus IF12394, *The Internal Revenue Service's Strategic Operating Plan to Spend \$79 Billion in Inflation Reduction Act Funding*, by Brendan McDermott and Gary Guenther.

¹³⁰ See CRS Insight IN12172, *Changes to IRS Funding in the Debt Limit Deal*, by Brendan McDermott.

¹³¹ See GAO, *Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities*, GAO-12-646, July 2012, <http://www.gao.gov/assets/600/592377.pdf>.

¹³² See archived CRS Report 95-328E, *Financial Control Boards for Cities in Distress*, by Nona Notto and Lillian Rymarowicz, which is available to congressional clients upon request.

¹³³ CBO, *Overview of the 1977 Budget*, February 4, 1976, p. 94, https://www.cbo.gov/sites/default/files/94th-congress-1975-1976/workingpaper/76doc549_0.pdf.

¹³⁴ See CRS Report R44099, *District of Columbia: Issues in the 114th Congress*, coordinated by Eugene Boyd.

Appendix. Descriptions of Budget Functions

BUDGET FUNCTION 050: NATIONAL DEFENSE

The National Security function includes funds to develop, maintain, and equip the military forces of the United States. Historically, about 95% of these funds go to Department of Defense military activities, with remaining funding dedicated to atomic energy defense activities within the Department of Energy and other defense-related activities.

BUDGET FUNCTION 150: INTERNATIONAL AFFAIRS

The International Affairs function contains spending on international humanitarian, development, and security assistance; the conduct of foreign affairs; foreign information and exchange activities; and international financial programs. The funding supports operations at major agencies including the Departments of State, Treasury, and Agriculture; the U.S. Agency for International Development (USAID); and the Millennium Challenge Corporation.

BUDGET FUNCTION 250: SCIENCE AND TECHNOLOGY

The Science and Technology function includes the National Science Foundation, programs other than aviation programs at the National Aeronautics and Space Administration (NASA), and general science programs at the Department of Energy.

BUDGET FUNCTION 270: ENERGY

The Energy function concerns the production, development, and use of energy for the country. This function contains civilian energy programs at agencies including the Departments of Energy and Agriculture, the Tennessee Valley Authority, the Federal Energy Regulatory Commission, and the Nuclear Regulatory Commission.

BUDGET FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

The Natural Resources and Environment function focuses on the management, development, and maintenance of the nation's natural heritage. This function includes conservation of land and water resources; development of water power and transportation infrastructure; and agencies and resources associated with the management and regulation of pollution, public and recreational lands, and natural resources.

BUDGET FUNCTION 350: AGRICULTURE

The Agriculture function includes the Department of Agriculture and the Farm Credit Administration, and only deals with programs concerned with agricultural production.

BUDGET FUNCTION 370: COMMERCE AND HOUSING CREDIT

The Commerce and Housing Credit function includes the regulation and promotion of commerce and certain housing policies and agencies. Agencies concerned with the economy as a whole fall under this function. In addition, general-purpose subsidies and credit subsidies are recorded here.

BUDGET FUNCTION 400: TRANSPORTATION

The Transportation function focuses on aid and regulation for ground transportation, including roads and highways, railroads, and urban mass transit; air transportation, including aeronautical research conducted by NASA; and maritime commerce. The major agencies included in this function are the Department of Transportation, including the Federal Aviation Administration, the Federal Highway Administration, the Federal Transit Administration, and the Maritime Administration; the Department of Homeland Security, including the Transportation Security

Administration, the United States Coast Guard, and the Federal Air Marshal Service; and the National Railroad Passenger Corporation.

BUDGET FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

The Community and Regional Development function includes federal programs to improve community economic conditions, promote rural development, and assist in federal preparations for, and responses to, disasters. This function provides appropriated funding for the Community Development Block Grant program, Department of Agriculture rural development programs, the Bureau of Indian Affairs, the Federal Emergency Management Agency, and other disaster mitigation and community development-related programs. It also provides mandatory funding for the federal flood insurance program.

BUDGET FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

The Education, Training, Employment, and Social Services function includes funding for the Department of Education, some social services programs within the Department of Health and Human Services, and employment and training programs within the Department of Labor.

BUDGET FUNCTION 550: HEALTH

The Health function contains spending on a variety of health care services administered by the Department of Health and Human Services. Specifically, the function includes health research overseen by the National Institutes of Health; public health and safety programs administered by the Centers for Disease Control and Prevention; primary health care services provided by the Health Resources and Services Administration; health insurance for federal employees administered by the Office of Personnel Management; and the regulation of pharmaceuticals, medical devices, and food products conducted by the Food and Drug Administration. The most significant drivers of spending in this function are Medicaid and the exchange subsidies created in the Patient Protection and Affordable Care Act—commonly known as Obamacare.

BUDGET FUNCTION 570: MEDICARE

The Medicare function includes only the Medicare program, which provides health insurance to senior citizens and certain persons with disabilities. Nearly 99% of spending in this function occurs on the mandatory side of the budget, and almost all of the mandatory spending consists of payments for Medicare benefits. The balance of spending is discretionary annual appropriations covering the cost of administering and monitoring the Medicare program.

BUDGET FUNCTION 600: INCOME SECURITY

The Income Security function covers a range of income security programs that provide cash or near-cash assistance to low-income persons and benefits to certain retirees, persons with disabilities, and the unemployed.

BUDGET FUNCTION 650: SOCIAL SECURITY

The Social Security function consists of the payroll-tax-financed programs collectively known as Social Security: Old-Age and Survivors Insurance and Disability Insurance. These programs provide monthly cash benefits to approximately 61 million retired and disabled workers and their spouses, dependents, and survivors. This function includes both benefit payments and funds to administer the programs and ensure program integrity.

BUDGET FUNCTION 700: VETERANS BENEFITS AND SERVICES

The Veterans Benefits and Services function includes health administration and health services for veterans (majority of the discretionary spending), their pensions and disability compensation (majority of the mandatory spending), and other services our nation provides to veterans.

BUDGET FUNCTION 750: ADMINISTRATION OF JUSTICE

The Administration of Justice function includes programs to ensure civil rights protections and provide judicial services, police protection, law enforcement, rehabilitation and incarceration of criminals, and the general maintenance of domestic order.

BUDGET FUNCTION 800: GENERAL GOVERNMENT

The General Government function includes the activities of the White House and the Executive Office of the President, the legislative branch, and programs to carry out the administrative responsibilities of the federal government, including personnel management, fiscal operations, and property control.

BUDGET FUNCTION 900: NET INTEREST

The Net Interest function contains the interest paid to private and foreign government holders of U.S. Treasury securities. This function includes interest on the public debt less the interest received by the federal government from trust fund investments and loans to the public. It contains mandatory payments, with no discretionary components.

BUDGET FUNCTION 920: ALLOWANCES

The Allowances function displays the budgetary effects of proposals that cannot be easily distributed across other budget functions.

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