



# President's FY2027 Budget Request in Historical Context: Outlays

May 4, 2026

On April 3, 2026, the Trump Administration submitted its [FY2027 budget](#) request to Congress. That budget proposes increases in defense spending, reductions in most nondefense discretionary spending, and seeks to maintain spending on border security and immigration enforcement, among other priorities. In February 2026, the Congressional Budget Office (CBO) issued its [budget and economic outlook](#) and its [current-law baseline projections](#). This Insight discusses the Administration's fiscal proposals in the context of longer-term budgetary trends.

## Outlays

**Figure 1** shows [federal outlays](#) by Budget Enforcement Act (BEA; P.L. 101-508) categories since FY1962 and total receipts (dark blue line), both measured as shares of GDP. Annual appropriations acts fund and control discretionary outlays. Other laws fund [mandatory outlays](#).

Mandatory spending mostly supports social insurance, health, and retirement programs. Over time, mandatory spending's share of federal outlays has grown, while discretionary spending's share has declined. [Some observers](#) express concern that the growth of mandatory spending has left a shrinking portion of the federal budget controlled by Congress on an annual basis.

Rising deficits in the 1980s spurred Congress to constrain deficit levels through the 1985 [Gramm-Rudman-Hollings Act](#). The 1990 [BEA](#) set statutory caps on discretionary budget authority (BA) and established pay-as-you-go (PAYGO) limits on mandatory spending and tax cuts. By FY1998, the federal government achieved its first budget surpluses in a generation, as caps on discretionary BA and PAYGO limits on mandatory outlays helped align spending and revenues. Strong economic growth, Social Security payroll taxes boosted by Baby Boomers—those born in the two decades after World War II—in their peak earnings years, and the Soviet Union's 1991 collapse all helped achieve four years of budget surpluses.

PAYGO and [discretionary caps](#) expired shortly after the attacks of September 11, 2001 (9/11 attacks). The Budget Control Act of 2011 (BCA; P.L. 112-25) reimposed caps on [discretionary spending](#) through FY2021. The [Fiscal Responsibility Act of 2023 \(P.L. 188-5\)](#) set new caps on discretionary spending for

Congressional Research Service

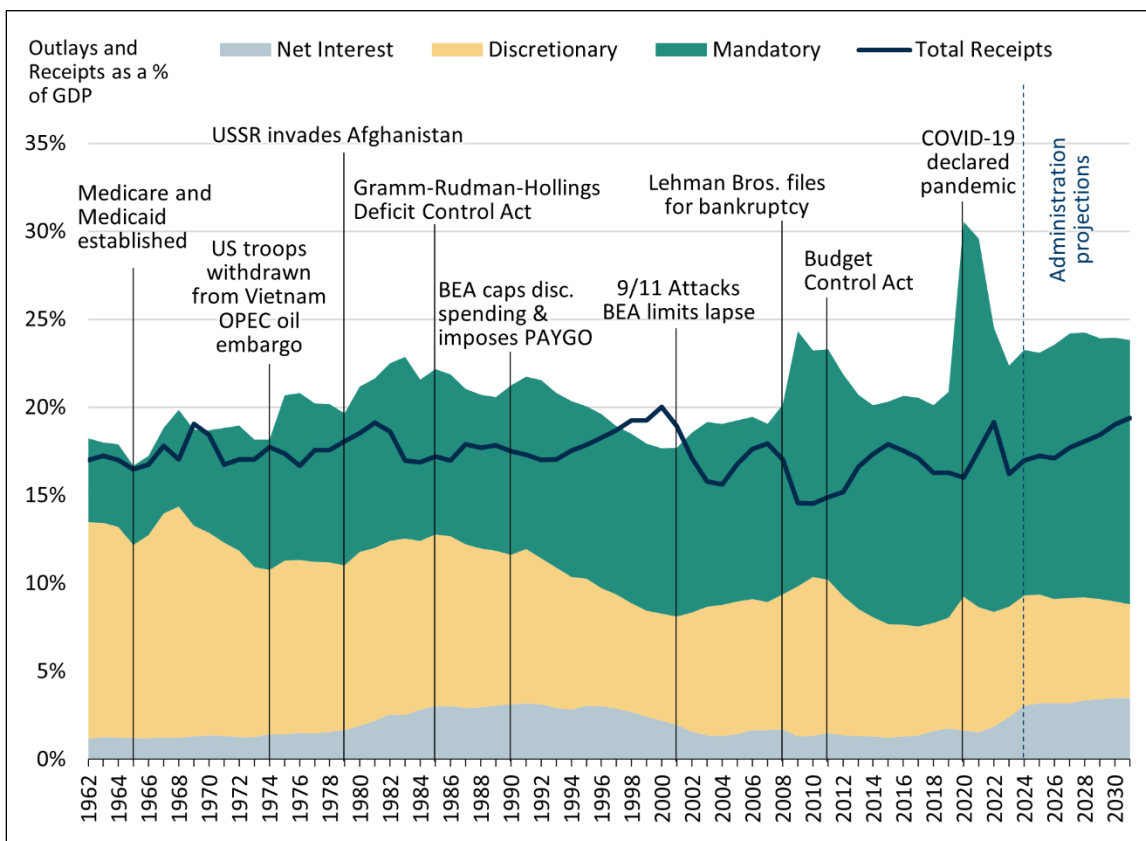
<https://crsreports.congress.gov>

IN12691

FY2024 and FY2025. Those caps [lapsed](#), although [sequestration](#) of [nonexempted mandatory programs](#) was extended through 2033.

**Figure 1. Federal Outlays by Budget Enforcement Act Category as a Percentage of Gross Domestic Product, FY1962-FY2031**

Figure is interactive in HTML report version.



**Source:** CRS calculations based on [OMB](#) and [Bureau of Economic Analysis \(BEA\)](#) data. Historical events shown in calendar years.

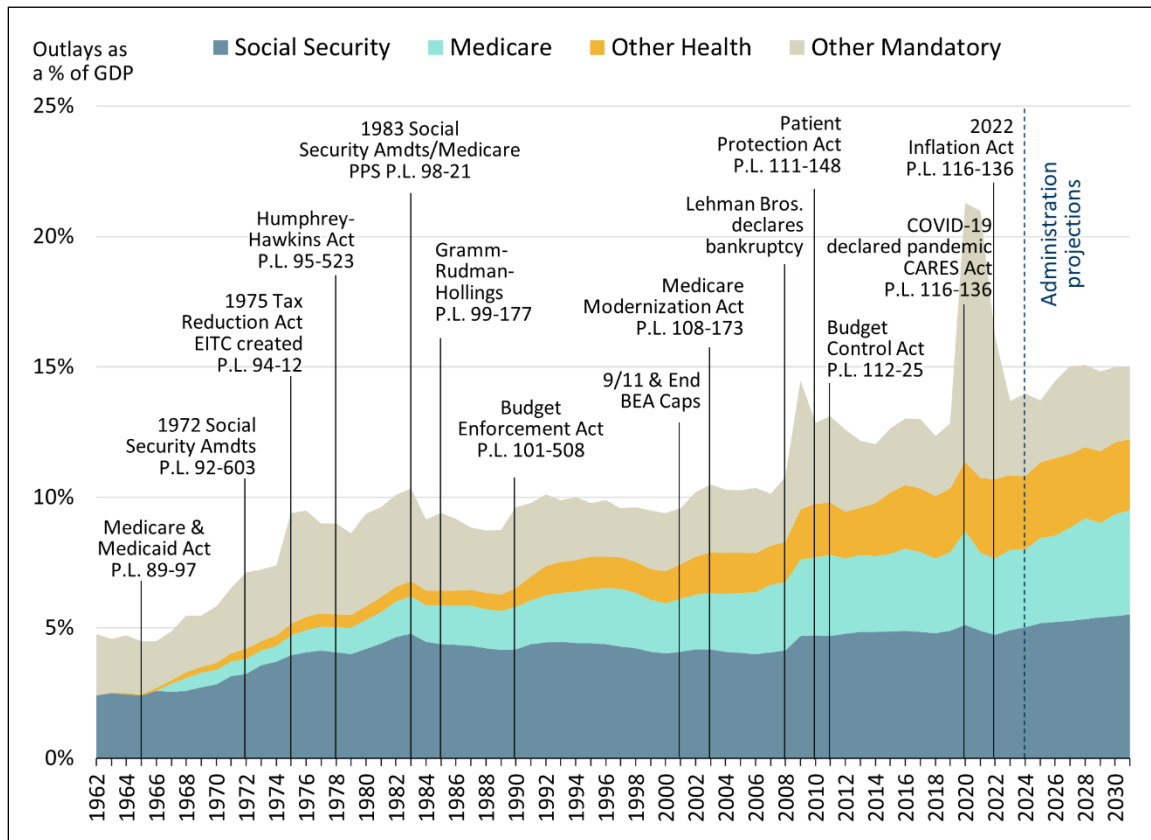
**Notes:** Revenue and outlay data are for fiscal years. Laws are shown in the calendar year when enacted. FY2026 values are estimated. Later years reflect Administration proposals and projections.

## Mandatory Outlays

**Figure 2** shows major components of mandatory outlays. [Social Security](#), created in 1935 during the Great Depression to provide old-age retirement benefits, is now the largest federal program. A 1972 act raised Social Security benefits, [tied them to a cost-of-living index](#), and created the [Supplemental Security Income](#) program. Financial concerns prompted a 1983 act limiting some benefits and raising employee and employer contribution rates. Baby Boom retirements increased Social Security outlays in the past decade and will continue to raise them in coming years.

**Figure 2. Mandatory Outlays by Category as a Percentage of Gross Domestic Product, FY1962-FY2031**

Figure is interactive in HTML report version.



**Source:** CRS calculations based on [OMB](#) and [BEA](#) data.

**Notes:** Outlay data are for fiscal years. Acts are shown in the calendar year when enacted. FY2026 values are estimated. Later years reflect Administration proposals and projections.

In 1965, [Medicare](#) was established to provide health care to the elderly and [Medicaid](#) (included within *Other Health* in **Figure 2**) to provide health care to low-income individuals. As beneficiary populations and health care costs rose, so did federal health outlays. Major legislation in 1996 and 1997 limited certain [income security](#) and [health care](#) programs.

Many mandatory programs act as [automatic stabilizers](#) that mitigate macroeconomic fluctuations. When incomes drop during recessions, more households become eligible for social benefits, and tax collections fall. Other economic shocks—including the 1973-1974 Organization of the Petroleum Exporting Countries (OPEC) [oil embargo](#); the [2007-2009 financial crisis](#), exemplified by the collapse of the Lehman Brothers investment bank, and the ensuing Great Recession; and the COVID-19 pandemic—led to [robust federal fiscal responses](#).

Net interest costs as a share of GDP fell in the late 1990s as falling interest rates outpaced debt accumulation. In recent years, large [COVID-19-era](#) debt increases and rising interest rates combined to raise [net interest costs](#) to \$1,039 billion in FY2026 (3.3% of GDP), rising to \$2,146 billion by FY2036 (4.6% of GDP) according to CBO baseline projections.

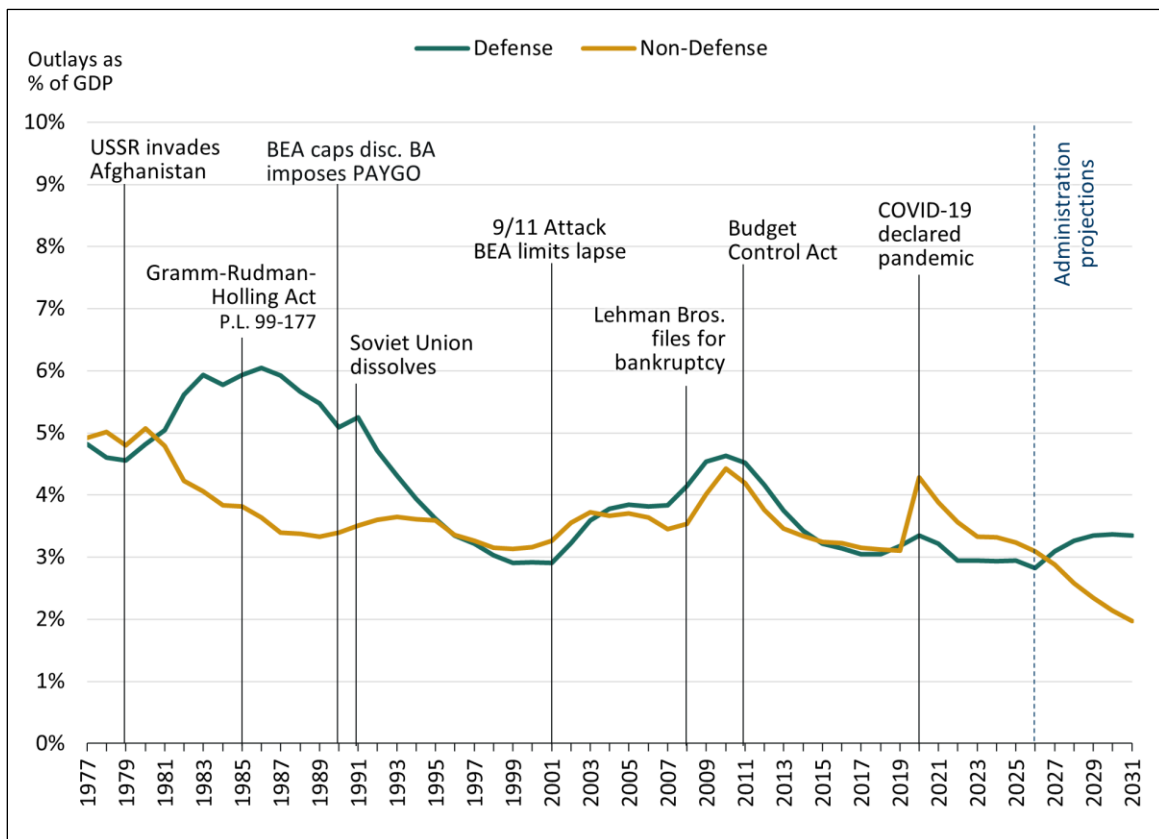
## Discretionary Outlays

Discretionary spending mostly supports federal agencies’ operations, including those of the Department of Defense. In recent years, however, reconciliation acts have included mandatory funding for operations of the Internal Revenue Service, the Department of Homeland Security, and the Department of Defense.

**Figure 3** shows discretionary defense and nondefense outlays measured as shares of GDP. After the 1968 [Tet offensive](#) and U.S. [deescalation](#) in Vietnam, defense spending fell sharply. After the Soviet Union invaded Afghanistan in 1979, defense outlays rose dramatically, reaching 6% of GDP in the [mid-1980s](#). The Soviet Union’s 1991 dissolution yielded a “peace dividend” and [falling defense outlays](#). The 9/11 attacks, lapsing of BEA budgetary limits, and wars in Afghanistan and Iraq all increased discretionary outlays in the Aughts. After elevated spending responding to the [2007-2009 Great Recession](#), the 2011 [BCA](#), as noted above, reestablished caps on discretionary spending through FY2021, which were extended for FY2024 and FY2025.

**Figure 3. Discretionary Defense and Nondefense Outlays as a Percentage of Gross Domestic Product, FY1977-FY2031**

Figure is interactive in HTML report version.



**Source:** CRS calculations based on [OMB](#) and [BEA](#) data.

**Notes:** Outlay data are for fiscal years. Acts are shown in the calendar year when enacted. FY2026 values are estimated. Later years reflect Administration proposals and projections.

## FY2027 Administration Budget

The Administration's [FY2027 budget](#) proposes increases in [defense](#) and Department of Homeland Security (DHS) spending and a 10% reduction in nondefense discretionary spending, among [other priorities](#). The Administration notes the use of [reconciliation procedures](#) to fund defense and DHS operations, each of which received extra mandatory funding of about 0.6% of GDP in the [2025 reconciliation act](#).

The Administration asks for \$1,115 billion in National Defense (budget function 050) in FY2027 discretionary funding. It also asks for \$388 billion in mandatory funding, including \$101 billion for Defense-wide Research, Development, Test and Evaluation and another \$45 billion for Defense-wide Procurement. Before FY2025, mandatory funding was a small proportion of the national defense budget. For instance, such funding was \$34 billion in FY2024. The request does not include [costs of the war with Iran](#).

Requested FY2027 discretionary funding for International Affairs (budget function 150; \$35 billion) is about 40% of its FY2024 level (\$87 billion). FY2027 discretionary funding for Natural Resources and Environment (budget function 300; \$35 billion) would be 55% of its FY2024 level (\$65 billion). Discretionary funding for science, energy, transportation, and education would also decrease.

Requested FY2027 discretionary funding for Veterans benefits and services (budget function 700; \$145 billion) would be about \$10 billion (7%) above its FY2024 level (\$135 billion). Requested mandatory funding (\$338 billion) would be 77% above its FY2024 level (\$191 billion).

Total mandatory spending, according to [Administration projections](#), will be below pandemic-era levels but above prepandemic levels, largely due to rising Social Security, Medicare, and other health outlays, although other mandatory spending (see [Figure 2](#)) would decrease.

## Author Information

D. Andrew Austin  
Analyst in Economic Policy

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.