Briefing Paper No. 17

Appropriations for Mandatory Expenditures

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I. INTRODUCTION

In recent years, mandatory spending programs, such as Social Security and Medicare, have occupied an increasingly large fraction of the federal budget, growing from 26% in 1966 to 53% in 2007. By 2013, they are projected to reach 60% of the budget.\(^1\) The growth of these expenditures has caused significant concern because they are on course to crowd out important discretionary spending programs – such as education, national defense, transportation and funding for scientific research – with few politically viable solutions. The Congressional Budget Office has projected that if current policies hold, government spending will become an increasingly large percentage of the Gross Domestic Product.\(^2\) As tax revenue fail to keep pace, the growing national debt will force the federal government to borrow increasing amounts, crowding out private borrowers and increasing the burden of servicing the debt. In light of this problem, it is important to understand the nature of mandatory spending programs.

Perhaps one of the most poorly understood distinctions between mandatory and discretionary programs is how their funds are appropriated. Many assume that appropriations for all mandatory expenditures are uniformly automatic, precisely because they are mandatory. In fact, 62% of all mandatory spending is presently on “autopilot,” which means that it “is not under the control of Congress or the President unless specific legislative action is taken,” as Jim Nussle, the head of the Office of Management and Budget, recently put it in his testimony before Congress. Nussle recently projected that within the next four decades, this “autopilot” form of mandatory spending will swell to the entire amount currently spent on all mandatory and

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discretionary spending combined. But not all mandatory spending is on “auto-pilot,” and the existence of other mechanisms for appropriating and controlling mandatory programs highlights a potentially important path for addressing the growth of mandatory spending.

This briefing paper examines the precise mechanisms by which funds are appropriated for several large mandatory spending programs. While this paper does not discuss every mandatory spending program, it shows that the appropriations mechanisms for mandatory expenditures are highly varied, and may even affect the size of those appropriations.

The paper proceeds as follows. Section II provides a brief overview of the various mechanisms used to appropriate funds for mandatory expenditures. This overview includes budgetary procedures by which Congress can control and restrict mandatory spending: reconciliation and PAYGO. Section III examines the precise method of appropriation for several mandatory programs, including Social Security, Medicare (Parts A through D), Medicaid, federal highway construction, food stamps, child nutrition programs, foster care, federal student loans, and federal flood insurance. Section IV concludes. An appendix provides the following information for each of the programs discussed in Section III: (i) a summary of the appropriations mechanism, (ii) relevant statutory language, including authorizations and appropriations, and (iii) the amounts appropriated for the years 1995 through 2006.

II. OVERVIEW OF APPROPRIATIONS FOR MANDATORY EXPENDITURES

i. Definition of Mandatory Spending Programs

Mandatory spending programs are those where the federal government is obligated to provide funds for an expense. Perhaps the most commonly understood form of mandatory expenses is entitlement spending. Entitlement programs, such as Social Security, are mandatory because the

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government has obligated itself – through the substantive provisions of the relevant legislation –
to pay funds to any person, state, or other entity that satisfies the program’s eligibility
requirements.\(^4\) The primary entitlement programs are Social Security, Medicare, and Medicaid.
In fiscal year 2007, those three programs accounted for 79% of mandatory spending, excluding
net interest.\(^5\)

While entitlement programs are the most significant subset of mandatory spending, there
are other forms of mandatory spending that are not entitlements. Paying interest on the national
debt, for example, is a mandatory expenditure that is not the consequence of an entitlement
program. Programs that are not mandatory are considered discretionary. Discretionary programs
are beyond the focus of this briefing paper, with the exception of the federal highway program.

\(\text{ii.} \quad \text{Appropriations to Mandatory Spending Programs}\)

Mandatory programs are funded either by permanent appropriations or by annual
appropriations. Unlike discretionary programs, appropriations committees do not have control
over mandatory spending, even for annual appropriations programs, since the spending levels are
set by statute. In large part, the statutory spending levels are determined by outlays necessitated
by entitlement benefits. Major mandatory spending programs are described in detail below, and
are headlined by the three major programs: Social Security, Medicare, and Medicaid.

Despite the preset spending levels, Congress is not without means to modify mandatory
spending. Within the Congressional budget resolution, Congress may opt to include a
reconciliation bill.\(^7\) The reconciliation process was established under the umbrella of budget

\(^4\) See Congressional Budget Act § 3(9), 2 U.S.C. § 622(9) (defining “entitlement authority”).

\(^5\) See Historical Tables, supra note 1, at 143.

\(^7\) See Parliamentary Outreach Program, The Budget Reconciliation Process,
resolutions through the Congressional Budget Act of 1974. In any given year, Congress may use reconciliation to alter policy to affect desired changes in mandatory spending. By altering mandatory spending in this way, Congress can work towards overall budget goals.

The reconciliation process is initiated only if Congress decides to include a reconciliation instruction in the budget resolution. The reconciliation instruction directs committees in the House and Senate to effect changes to revenue and direct spending laws. Numerous committees can be designated, but two committees in particular, the House Ways and Means Committee and the Senate Finance Committee, are included in all reconciliation instructions due to their oversight of particularly relevant issues. Each committee is instructed to alter tax or spending policy to produce specified reductions in the budget deficit (or possibly an increase in the surplus). The recommendations of each committee are compiled by the budget committees, which in turn produce omnibus bills incorporating the various committee recommendations.

One special feature of reconciliation is that the Senate has a mere twenty hours to debate a reconciliation bill, after which a vote is taken. The Congressional Budget Act was designed specifically in this way; the limited debate time and the importance of the omnibus bills help reconciliation bills to pass more easily than other forms of legislation. In order to prevent non-budgetary policy changes from slipping in, the Congressional Budget Act includes a provision, §313(b), to exclude such changes from reconciliation bills. Known as the Byrd rule, §313(b) allows a point of order to be raised against a provision of the reconciliation bill, and if that provision is one which is intended to be excluded by the Byrd rule, it is removed from the bill unless three-fifths of Senators vote otherwise. While the exclusions of the Byrd rule mostly pertain to policy changes with no budgetary effect or budgetary effects beyond the scope of the reconciliation instructions, the Byrd rule also excludes Social Security from the reconciliation...
process. The Social Security trust funds are not to be altered through reconciliation. A listing of the Byrd rule exceptions is provided.

### Extraneous Provisions under the Congressional Budget Act § 313(b)(1)

A provision of a reconciliation bill or resolution is considered extraneous if the provision:

- A. Has no budgetary effect
- B. Increases the deficit and the reporting committee has failed to fulfill reconciliation instructions
- C. Is not in the jurisdiction of the reporting committee
- D. Has a budgetary effect “merely incidental” to the non-budgetary effect
- E. Could worsen the deficit during a fiscal year beyond those considered in the bill
- F. Concerns Social Security

Though use of the reconciliation process, Congress recently undertook the first cuts in mandatory spending in over a decade. In February 2006, Congress brokered a five-year reconciliation bill that contained $38.8 billion worth of cuts to mandatory spending, with the bulk of the savings coming from adjustments to Medicare, Medicaid, and the federal student loan program.\(^9\) The details of these cuts will be discussed in further detail below in the context of specific mandatory spending programs. Though the 2006 cuts were minor in comparison to overall spending levels, the bill was still a significant development. For both political and economic reasons, Congress is now considering greater use of reconciliation to achieve further cuts in mandatory spending. Democrats have gone on the record stating that they favor greater use of the reconciliation process as a way to achieve cuts without running into filibusters, given their slim majorities in Congress. The present economic downturn has also prompted renewed calls to control the rising costs of mandatory spending programs.\(^{10}\)

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iii. *Direct Appropriations, Trust Funds, and The Antideficiency Act*

As with all federal programs, expenditures for mandatory spending programs must comply with the Antideficiency Act. The Antideficiency Act prohibits federal officers and employees from making expenditures, unless the funds for those expenditures have been made available by an appropriation, or by a fund dedicated to those expenditures.\(^\text{11}\) This definition suggests the two routes through which funds may be made available for mandatory spending programs. While every year there are some violations of the Antideficiency Act, these are generally quite minor, and overall the Act is effective at ensuring expenditures are made appropriately.\(^\text{12}\)

\(^a\) *Direct Appropriations*

One way in which a mandatory spending program can avoid violating the Antideficiency Act is by paying its obligations from monies appropriated directly to the program. This method is typically associated with discretionary spending programs, which receive annual appropriations. However, many mandatory spending programs, such as the food stamp program, also rely on annual appropriations made directly to the program.

\(^b\) *Indirect Appropriations through Trust Funds*

Alternatively, mandatory spending programs can make expenditures from dedicated trust funds. Thus, once funds are appropriated to the trust fund, the program associated with that fund may use the fund’s assets (including any accumulated interest), without needing any further appropriation from Congress. Social Security is the most significant example of this funding


mechanism. Funds are appropriated to two Social Security trust funds, and Social Security
benefits are paid from those trust funds. In some cases, however, a program may need a second
set of appropriations before it can spend money from its dedicated trust fund. For example, the
federal Highway Trust Fund is dedicated for certain transportation projects, but those projects are
not permitted to use the fund until Congress has appropriated money from the trust fund.13

There are also several routes through which funds are appropriated to the trust funds.
These routes can be characterized in two ways. The first relates to the permanence of the
appropriation. A trust fund can either receive a permanent appropriation (automatically
appropriated each year, forever), a multiyear appropriation (automatically appropriated each year
for a limited period of years), or an annual appropriation (not automatically appropriated). The
second characterization is based on the source of the appropriation to the trust fund.
Appropriations to a trust fund may be made from a dedicated (“earmarked”) source, or from
general revenues. The Social Security trust funds exemplify the former, as they receive an
appropriation directly from the Social Security payroll taxes.14 Other trust funds, such as
Medicare’s Supplementary Medical Insurance Trust Fund, receive their appropriations from the
Treasury’s General Fund – not from an earmarked source of revenues.

iv. The Budget Enforcement Act of 1990 and PAYGO

In an attempt to curb the growing budget deficit of the 1980’s, Congress included a new
budgetary restriction within the Omnibus Budget Reconciliation Act of 1990.15 The omnibus

13 This requirement of a second set of appropriations (i.e., from the trust fund to the program) is a consequence of
the statutory language creating the trust fund, and is not a consequence of any provision of the Antideficiency Act.
14 Thus, each year, the Social Security trust funds receive an appropriation equal to the amount of Social Security
payroll taxes collected. While this appropriation is technically made from the Treasury’s General Fund, for
conceptual purposes, it is essentially a direct appropriation of the Social Security payroll taxes because the amount
of the appropriation is defined with reference to the amount of Social Security payroll taxes collected.
included Budget Enforcement Act of 1990, which in turn introduced pay-as-you-go (PAYGO).\textsuperscript{16} PAYGO is a budgetary restriction which governs mandatory spending and taxes; it does not apply to discretionary spending programs. The concept of PAYGO is to render legislation changing mandatory spending and taxation “deficit-neutral” by requiring that any additional mandatory spending or tax cuts be offset by reductions in other mandatory spending or increased tax revenues.\textsuperscript{17} As with the Byrd rule, a violation of PAYGO can be overcome with the support of 60 senators.

Although it is not possible to demonstrate causation, the budget deficit decreased after passage of the Budget Enforcement Act, culminating with budget surpluses in fiscal years 1998 through 2001.\textsuperscript{18} However, PAYGO, as well as the restrictions on discretionary spending created by the BEA, expired in 2002.

In 2007, Congress revisited PAYGO to help curb the projected future budget deficits, and the House adopted a pay-as-you-go point of order to this end.\textsuperscript{19} The basic concept behind the PAYGO point of order adopted by the House in 2007 is similar to that included in the Budget Enforcement Act, but there are notable differences. The statutory PAYGO provided for in the BEA requires approval from both the House and the Senate, as well as the Executive.\textsuperscript{20} Statutory PAYGO is self-enforcing and can require cuts to spending (sequestration) when PAYGO is

\begin{itemize}
  \item \textsuperscript{17}OMB Watch, \textit{Understanding PAYGO: Questions and Answers}, http://www.ombwatch.org/article/articleview/3763 (Published March 20, 2007).
  \item \textsuperscript{19}H.R. 6, 110\textsuperscript{th} Cong. §405 (2007).
  \item \textsuperscript{20}OMB Watch, \textit{Understanding PAYGO: Questions and Answers}, http://www.ombwatch.org/article/articleview/3763 (Published March 20, 2007).
\end{itemize}
violated. Historically, sequestration was never used to enforce restrictions on mandatory spending. Despite its nonuse, however, sequestration may still have had a deficit-reducing effect. Peter Orszag, the Director of the Congressional Budget Office, has recently suggested that sequestration had some effect by deterring legislators from proposing more bills that would have violated the PAYGO rules then in place.21

PAYGO has recently received increased attention due to the adoption of new PAYGO rules by the House. The PAYGO rules adopted last year by the House are not statutory; they only apply to the House and cannot require cuts to spending. Instead, the PAYGO rules allow a parliamentary point of order to be raised against a violation of PAYGO. The Senate rules are similar to those in the House. Like the House rules, mandatory spending and tax bills are supposed to be deficit-neutral in the Senate. However, the Senate also added an exemption allowing legislation to increase the deficit if the annual budget resolution is modified. Thus, the Senate rules allow for points of order to exempt various provisions from PAYGO.22 If a bill introducing new mandatory spending or tax cuts receives 60 votes in the Senate, it can surmount PAYGO objections.23

The AMT, or Alternative Minimum Tax, is one example of a non-deficit-neutral provision that received more than 60 votes and thus overcame the PAYGO rules. In 2008, as in 2007, Republicans in the Senate, joined by a number of Democrats, successfully resisted the application of PAYGO rules to the AMT fix, over vigorous objections by Democrats. Republican Congressmen made the argument that tax cuts pay for themselves and therefore

should not be subject to PAYGO rules, and added that tax cuts are qualitatively different from spending increases.\textsuperscript{24} These arguments prevailed, and PAYGO has not been applied to the AMT for the past two years.\textsuperscript{25} More recently, in January 2008, Congress also agreed to suspend the application of PAYGO rules to the $150 billion economic stimulus package—subject to PAYGO due to provisions dealing with mandatory spending and taxation. These exemptions have led to a number of statements from Congressmen to the effect that PAYGO is again dead as an offsetting measure.\textsuperscript{26}

\section*{III. Mandatory Spending Programs}

This section examines the appropriations mechanisms for several federal mandatory spending programs, including Social Security, Medicare (Parts A through D), Medicaid, federal highway construction, food stamps, child nutrition programs, foster care, federal student loans, and federal flood insurance. It also takes a closer look at how Congress has used the reconciliation process to achieve modest cuts to some of these programs in recent years.

\subsection*{A. Social Security}

Social Security was established in 1935, and has grown to be the largest single mandatory expenditure, accounting for $581 billion of the $1.69 trillion total mandatory expenditures in 2007.\textsuperscript{27} Social Security spending is projected to jump to $610 billion in 2008 and, if policies remain unchanged, will balloon to $842 billion by 2013.\textsuperscript{28} While Social Security encompasses many programs, it is primarily an entitlement program, providing retirement and disability

\begin{footnotesize}
\begin{enumerate}
\item See \textsc{Historical Tables, supra} note 1, at 147.
\item Id.
\end{enumerate}
\end{footnotesize}
insurance for eligible individuals. The Social Security program operates through two trust funds, the Federal Old-Age and Survivors Insurance Trust Fund (the “Old-Age Fund”), and the Federal Disability Insurance Trust Fund (the “Disability Fund,” and collectively with the Old-Age Fund, the “OASDI Trust Funds”). Thus, appropriations for Social Security can be classified as indirect appropriations.

The OASDI Trust Funds are financed almost entirely through permanent appropriations from an earmarked revenue source. The Old-Age Fund receives a permanent appropriation that is equivalent to the amount of Social Security payroll taxes collected, plus the taxes on Social Security benefit payments, less any amounts appropriated to the Disability Fund.\(^\text{29}\) The Disability Fund, in turn, receives a permanent appropriation equivalent to a specified percentage of all wages and self-employment income. This percentage is adjusted periodically, most recently in 1997, when it was reduced from 1.88\% to 1.70\%, and in 2000, when it was raised from 1.70\% to 1.80\%.\(^\text{30}\)

From a unified perspective, then, the total appropriation to the OASDI Trust Funds year is equivalent to the Social Security payroll taxes, plus taxes on benefit payments, plus numerous additional small appropriations for administrative expenses. The specific allocation of this appropriation between the two funds is determined with reference to total wages and self-employment income, and is adjusted periodically.

This appropriation mechanism has several noteworthy characteristics. First, Congress has provided for a permanent appropriation – a characteristic that is shared with the other important trust funds used for mandatory expenditures. The combination of a trust fund and a permanent appropriation allows Congress to take a hands-off approach to appropriations for


\(^{30}\) See id.
Social Security: so long as the OASDI Trust Funds provide an adequate buffer between the permanent appropriation and outlays, Social Security essentially runs itself.

The second noteworthy characteristic of the Social Security appropriations mechanism is that the specific amount of the appropriation is determined entirely by an earmarked source of revenue. Most trust fund appropriations, including those for the Hospital Insurance Trust Fund (Medicare) and the Highway Trust Fund, share this tax-linked characteristic. This tax-linked characteristic, however, can have a significant adverse consequence. In particular, it means that the size of the appropriation is almost completely independent from the program’s funding.

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33 “Medicare Basics,” from The Senior Resource Center for Medicare Information, http://www.medicare.org/content/view/17/51/
needs. Thus, without continual intervention by Congress to adjust the relevant tax rates, these trust funds are likely to grow (or shrink) beyond the appropriate amount. Indeed, the only variable that currently determines the size of the Social Security appropriation is the strength of the economy.

From a mechanical point of view, it is the combined effects of these two characteristics – a permanent appropriation that is determined by the amount of taxes collected – that has created the pending Social Security crisis. The permanent appropriation enables politicians to leave the situation alone, and the tax-linked appropriation measure fails to ensure that the appropriation is sufficient for carrying out the long-term purposes of the Act.

B. MEDICARE

Like Social Security, Medicare also qualifies as an entitlement program. Medicare is composed of four programs, each of which is available to individuals based on age, income, and health considerations. Part A provides an entitlement to basic hospital insurance for elderly persons over 65, those under age 65 with particular disabilities, and anyone with end-stage renal disease. Part B provides subsidized supplemental insurance to those who are eligible for Part A benefits and voluntarily enroll, and extends coverage to physician services and outpatient treatment. Part C, the Medicare Advantage Program, provides alternative coverage options to participants in Part B by allowing private health insurance companies to offer participants Medicare benefits in their own policies. Part D, the prescription drug benefit program, was established by the 2003 Medicare Modernization Act. As of January 1, 2006, it offers prescription drug coverage to all Medicare beneficiaries. Collectively, the Medicare programs
accounted for $371 billion in mandatory expenditures in 2007; that figure is expected to increase to $391 billion in 2008 and, if current policies hold, $500 billion by 2013.34

Appropriations for these four Medicare programs are more complex than the mechanism used for Social Security. But like Social Security, Medicare appropriations are done indirectly through two trust funds: the Federal Hospital Insurance Trust Fund (the “Hospital Fund” or “HI Fund”), and the Federal Supplementary Medical Insurance Trust Fund (the “SMI Fund”, and collectively with the Hospital Fund, the “Medicare Trust Funds”).

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34 See Historical Tables, supra note 1, at 143.
i. **Expenditures from the Medicare Trust Funds**

Part A expenses are paid from the Hospital Fund, Part B expenses are paid from the SMI Fund, and Part D expenses are paid from a Medicare Prescription Drug Account within the SMI Fund. Part C expenses are paid from each of these three sources, in proportion to the type of benefits received under Part C plans.

ii. **Appropriations to the Medicare Trust Funds**

As with OASDI Trust Funds, The Hospital Fund receives a permanent appropriation from an earmarked revenue source. In particular, it receives an appropriation equal to the total amount of Medicare payroll taxes imposed on employees, employers and self-employed individuals. In this manner, the appropriation for Part A and Part C expenses functions like that for Social Security; unless Congress continually adjusts the Medicare payroll tax rate, the size of the appropriation is independent from the programs’ funding needs.

The SMI Fund, which funds Part B benefits, does not share this characteristic. The SMI Fund is financed through premiums paid by Part B enrollees, and through an annual appropriation. Individual enrollees are charged a premium that is generally equal to half of the actuarially-determined rate necessary to meet total expenditures from the SMI Fund. Congress, in turn, is authorized to appropriate the difference between this amount, and twice the actuarially required amount, meaning that individual beneficiaries and the federal government essentially

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40 It is this shared-contribution that makes Part B benefits *subsidized* supplemental insurance.
42 See Social Security Act, § 1844, 42 U.S.C.A. 1395w. Thus, the government effectively funds three-quarters of the total costs of Part B benefits.
split the cost of Plan B benefits 25% / 75%. Because the size of the authorization is determined actuarially, this mechanism ensures that the SMI Fund’s revenues will be sufficient to meet its accrued liabilities,43 making it superior from a solvency perspective to those employed by Social Security and Medicare Part A. However, because the SMI Fund authorization is not limited by the amount of taxes collected, it is more likely to crowd out discretionary spending, which must compete for the same funds.

iii. Cuts to Medicare Spending

Congress has recently used the reconciliation process to cut spending in various Medicare programs. Though net Medicare savings from the 2006 reconciliation bill amounted to only $6.4 billion, the ways in which Congress changed very specific cost formulae and changed benefits availability bears further examination. Moreover, the 2006 reconciliation bill illuminates the ways in which the reconciliation process allowed Congress to increase spending in various areas of Medicare even as it achieved net savings in overall Medicare costs.44 This section also describes the various “trigger provisions” in recent Medicare legislation, which offer another avenue for attempted cost control of the Medicare program.

For Medicare Part A, the 2006 reconciliation law achieved cuts by specifying that hospitals that failed to submit quality data would not be eligible for Medicare payment increases. This will produce an estimated $300 million in savings in the next five years. The law also enacted a minor change to the Medicare hospital stay formula, lowered Medicare payments for uncollected debts held by skilled nursing facilities, and phased in a rule requiring that 75% of

43 Assuming that Congress appropriates the entire authorized amount.
patients in all “inpatient rehabilitation facilities” must be there for particular medical conditions. Finally, it limited specialty hospital enrollment in Medicare.\textsuperscript{45}

For Medicare Part B, the 2006 reconciliation law achieved cuts by changing the ownership rules on durable medical equipment for beneficiaries, producing an estimated $700 million cut in costs in five years. It also lowered hospital and physical office reimbursements for imaging services, at a savings of $2.8 billion. Moreover, it changed the Medicare payment structure to ambulatory surgical centers, and phased in increased premiums for higher-income beneficiaries, producing an additional $1.6 billion in savings in five years. Finally, as part of the Medicare Advantage program, Congress implemented a new formula to change payment calculations by taking beneficiaries’ health conditions into account, for a projected $6.5 billion savings. However, amidst overall cuts in spending, Congress also introduced a significant increased cost in Medicare Part B by deferring a planned cut in doctors’ Medicare payments and instead holding payments at the 2005 level, at a cost of $7.3 billion.\textsuperscript{46}

Beyond the annual reconciliation process, Medicare also contains “trigger provisions” designed to force cuts if payments swell to a certain proportion of the government’s general fund. For instance, one provision in place for the last several years requires Congress to cut Medicare payments across the board by 0.4% if, in a given year, the government’s general fund is used for more than 45% of Medicare costs. A related provision contained in the 2003 Medicare Modernization Act compels the president to propose similar cuts if Medicare trustees project that “general revenue contributions are projected to pay more than 45 percent of total Medicare expenditures for two consecutive years.”\textsuperscript{47}

\textsuperscript{45} Id.
\textsuperscript{46} Id.
All signs point to the increasing relevancy of these trigger provisions in coming months. The trigger has been activated for the past several years, but Congress is not required by the legislation to pass the president’s proposed remedy, and in recent years it has failed to do so. However, one outgoing Medicare trustee has projected that in the next few years, the trustees will almost certainly activate the trigger every year, putting pressure on Congress to eventually pass more substantial cuts.48

It is important to note that despite recent efforts to cut Medicare spending, it has nonetheless increased significantly in recent years. A recently released Medicare report showed that Medicare spending rose 18.7% in 2006, largely due to the effect of the Medicare prescription drug benefit program. Thus, despite Congress’ recent use of reconciliation tools, Congress has also authorized the largest rise in Medicare spending in the last twenty-five years.49

C. MEDICAID

Established in 1965, Medicaid is a conditional spending program that awards grants to states with qualified Medicaid programs for certain needy individuals. As a result, Medicaid spending shifts in response to changes in state spending patterns.50 Federal appropriations for Medicaid were $191 billion in 2007; the figure is estimated to be $204 billion for 2008 and climb to $287 billion by 2013, assuming current policies hold.51

51 See HISTORICAL TABLES, supra note 1, at 143.
Medicaid legislation permanently authorizes Congress to appropriate “a sum sufficient to carry out the purposes of [the program].” These amounts are determined, then, by the total cost of Medicaid benefits. For example, Medicaid is required to fund between 50% and 83% (determined by formula) of each state’s expenditures on medical assistance, 90% of state expenditures on “mechanized claims processing and information retrieval systems,” and 90% of state expenditures attributable to family planning services.

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53 See id.
Congress has typically appropriated these sums in a multi-part fashion, appropriating a sum for the current fiscal year, and a smaller sum for the first quarter of the next fiscal year. For example, in the 2005 appropriations bill, Congress appropriated $58.5 billion for the first quarter of 2006.\(^{57}\) And in the 2006 appropriations bill, it appropriated $157 billion more, plus “such sums as may be necessary” for unanticipated costs, and an additional $62.8 billion for the first quarter of 2007.\(^ {58}\) Presumably, it has divided the appropriations in this manner because grants to states under the Medicaid program are to be estimated in advance, and paid prior to the beginning of each quarter.\(^ {59}\)

Congress has also used reconciliation to achieve very modest cuts to Medicare. The recent 2006 reconciliation bill includes a mix of penalties, changed time horizons for various calculations, and changes to pharmacy reimbursement formulae to achieve an estimated $6.4 billion in savings over five years. Nearly half of this estimate comes from a provision that lets states decide on higher premia and cost-sharing payments for certain Medicaid beneficiaries. However, as in Medicare Part B, the reconciliation bill also included increased spending in other Medicaid categories, notwithstanding the overall cut in costs. In particular, provisions granting Medicaid eligibility to disabled children whose families currently fall outside the defined poverty eligibility level are predicted to contribute significantly to a total $3.6 billion increase in certain categories of Medicaid spending in the next five years.\(^ {60}\)


D. **HIGHWAY TRANSPORTATION**

Trust funds have also been used for discretionary spending measures. For example, the Highway Trust Fund was established to meet the obligations of the United States incurred under various discretionary transportation programs. The fund contains a Mass Transit Account and a Highway Account.\(^{61}\) Total outlays for highway, urban mass-transportation programs, and airports were $47 billion in 2007 and are estimated to be $52 billion in 2008.\(^{62}\) Airport-related expenditures account for only a small fraction of those figures.

\(i\). **Appropriations to the Highway Trust Fund**

The Highway Trust Fund receives a periodic appropriation (i.e., an automatic appropriation each year, for a limited number of years) from an earmarked revenue source. In particular, certain transportation taxes are automatically appropriated to the Fund, subject to redistribution among other transportation trust funds. In particular, the Highway Trust Fund derives most of its funds from receipts from the 18.3 cent per gallon federal tax on gasoline. As of November 2007, these taxes raised an average $30 billion to $40 billion per year and accounted for over 90% of appropriations to the Highway Trust Fund.\(^{63}\) The remainder of the Fund’s revenues come from retail sales taxes levied on certain kinds of trucks, heavy vehicles, and truck tires.\(^{64}\) This appropriation was set to expire in 2005, but it was recently extended to last through 2011.\(^{65}\)

\(ii\). **Appropriations from the Highway Trust Fund**

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\(^{62}\) See **HISTORICAL TABLES**, supra note 1, at 184.


The Highway Trust Fund, which is established in the tax code, provides that no funds may be spent from the Fund unless (i) those amounts are authorized by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”), and (ii) Congress specifically appropriates funds from the Highway Trust Fund for the purposes set forth in SAFETEA-LU. Thus, money must be appropriated twice before it is spent on federal highway programs: it is automatically appropriated to the Highway Trust Fund, and then Congress must appropriate it from that fund for use in building highways.

Arguably, discretionary programs that have their own trust funds have greater stability in their funding levels than other discretionary spending programs. However, trust funds that are held for discretionary programs appear more likely to be utilized for other purposes. For example, portions of the Highway Trust Fund were redirected toward mass transportation projects in the 1980s. Moreover, recent estimates have suggested that in fiscal year 2009, the Highway Trust Fund’s highway account will incur a $3.2 billion deficit, leading to calls for the implementation of greater use of tolling and congestion taxes to control rising costs. Alternate proposals include borrowing from the mass transit fund, which currently has a $4.4 billion surplus. By statute, the highway account is unable to operate at a deficit, and thus Congress must find a means of coming up with the shortfall. Regardless of the methods chosen for fiscal year 2009, the current deficit in the Highway Trust Fund is prompting renewed calls to increase its revenue sources beyond the fuel tax. The Highway Trust Fund’s current shortfalls are projected to continue into the future because substantial ongoing obligations from multiyear state projects on highway construction and maintenance are not yet fully paid for out of current

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66 See 26 U.S.C.A. § 9503(c).
revenues.\textsuperscript{69} Thus, the presence of a trust fund may not provide the level of stability enjoyed by mandatory spending programs.

E. \textbf{FOOD STAMPS}

The Food Stamp Act was enacted in 1977, and with an appropriation of $41 billion in 2006, it is one of the smaller mandatory spending programs.\textsuperscript{70} The program relies on a multiyear authorization, which currently authorizes the appropriation of “such sums as are necessary” through the 2007 fiscal year.\textsuperscript{71}

Prior to 1990, the nature of this authorization was to specify the exact sum that could be appropriated in each fiscal year. In 1990, however, the Act was amended to authorize appropriations of “sums as are necessary.” This shift brought the food stamp appropriations process closer to that of other mandatory spending programs, which typically authorize a formulaic sum for appropriation. Before this change, the food stamp authorization was more like those of discretionary spending programs, where a specified amount is authorized.

Funds for the Food Stamp Act are appropriated directly to the program (i.e., no trust fund) on an annual basis. Notably, appropriations for the food stamp program have been used to alter substantive provisions of the Food Stamp Act itself. For example, the 2006 appropriation provides that “not less than $3,000,000 of the appropriated funds shall be used to purchase bison meat.”\textsuperscript{72} The 2006 appropriations also expand the scope of the program by excluding certain income earned by members of the military deployed in combat zones when determining

\begin{footnotesize}
\begin{enumerate}
\item See 7 U.S.C.A. § 2027.
\item See id.
\end{enumerate}
\end{footnotesize}
eligibility for the program.\textsuperscript{73} This substantive modification through the appropriations process does not appear to be characteristic of other appropriations for mandatory spending.

One final noteworthy characteristic of the food stamp program is that if a given year’s appropriation is insufficient for carrying out the substantive provisions of the Act, then the promised benefits are to be reduced so that the appropriation is sufficient.\textsuperscript{74} In this way, one might question how “mandatory” the food stamp program actually is.

F. CHILD NUTRITION

The federal child nutrition programs provide financial assistance to schools administering lunch programs for financially eligible children. There are two main federal laws establishing these programs: the Richard B. Russell National School Lunch Act, enacted in 1946, and the Child Nutrition Act, enacted in 1966. These programs, along with several smaller programs, are administered by the Food and Nutrition Service at the U.S. Department of Agriculture. Child nutrition programs are typically reauthorized every four years, most recently by the Child Nutrition and WIC Reauthorization Act of 2004.

Appropriations for these programs are made annually by Congress. Several Congressional committees have jurisdiction over the child nutrition programs, including the Senate Agriculture, Nutrition, and Forestry Committee and the House Agriculture Committee.

\textsuperscript{73} See id.

\textsuperscript{74} See 7 U.S.C.A. § 2027(b) (providing that, “Notwithstanding any other provision of this chapter, if in any fiscal year the Secretary finds that the requirements of participating States will exceed the appropriation, the Secretary shall direct State agencies to reduce the value of such allotments … to the extent necessary to comply with the provisions of this subsection.”)
G. FOSTER CARE

The federal Foster Care and Adoption Assistance programs operate as conditional spending, giving states funding for programs that have been federally approved. These programs constitute one of the smaller mandatory spending programs, with $6.6 billion spent in 2007 and $6.7 billion estimated for fiscal year 2008. Currently, states that operate these programs may seek federal matching funds for the administrative costs of running these programs, including social worker salaries. These programs have permanent budget authority, for “such sums as may be necessary.” Funds are appropriated annually.

H. STUDENT LOANS

There are two student loan programs on the mandatory side of the budget; the Federal Family Education Loan Program (“FFEL”) and the William D. Ford Direct Student Loan Program (“FDSLP”). Both loan programs are authorized by the Higher Education Act of 1965 (“HEA”). The FFEL program was first authorized in 1965 and the FDSLP in 1992 Amendments to the HEA. The HEA is statutorily required to be reauthorized every five years, though it contains a provision for an automatic one-year extension. Extensions of the HEA beyond a six-year period must be authorized by Congress.

Both Direct and FFEL loans are low-interest loans for students and parents to help pay for the cost of higher education. While both loan programs are mandatory, the federal government assumes different liabilities. In the Direct Loan program the lender is the U.S.

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75 See Historical Tables, supra note 1, at 143.
77 See id.
Department of Education and in the FFEL program loans are guaranteed by the federal government but made with private capital from banks or other financial institutions. The statutes of the two programs authorize the Secretary of Education to spend such sums as may be necessary to satisfy the federal obligations of the programs. Administrative funds for both programs are appropriated annually. In 2008, the FFEL program accounts for 79.9% of new student loan volume and the FDSLSP accounts for 20.1% of new student loan volume.79

Congress also used the 2006 reconciliation bill to achieve modest cuts to the federal student loan program. It did so by adjusting borrower costs and by mandating that lenders who make more than fair market returns on student loans must rebate the difference to the federal government. In total, the 2006 reconciliation bill is projected to reduce mandatory spending on federal student loans by almost $12 billion in the next five years.80 More recently, a 2007 bill reducing lender subsidies passed Congress by relying on the reconciliation procedure to bypass a possible filibuster.81

I. FLOOD INSURANCE

In 1968, Congress created the National Flood Insurance Program (“NFIP”) (P.L. 90-448, 82 Stat 573) in response to the trend of development and redevelopment in flood-prone areas, the increasing damages caused by floods, and rising cost of taxpayer funded disaster relief for flood victims. The Act established a comprehensive risk management program to: (1) reduce suffering and economic losses due to floods through the purchase of flood insurance; (2) promote state and

80
local land-use controls to guide development away from flood prone areas; and (3) reduce federal expenditures for disaster assistance and flood control. The NFIP involves a partnership among FEMA specialists and contractors, thousands of insurance agents and claims adjusters, private insurance companies, floodplain managers, and other public officials, lenders, and real estate agents. Federal flood insurance is currently offered to homeowners, renters, and business owners in participating communities that adopt and enforce NFIP floodplain management regulations.\textsuperscript{82}

Congress created the National Flood Insurance Program ("NFIP") in 1968 in response to the rising cost of taxpayer funded disaster relief for flood victims and the increasing amount of damage caused by floods. The NFIP is managed by the Mitigation Division of the Federal Emergency Management Agency ("FEMA"). Nearly 20,000\textsuperscript{83} communities across the United States and its territories participate in the NFIP by adopting and enforcing flood plain management ordinances to reduce future flood damage. In exchange, the NFIP makes federally backed flood insurance available to homeowners, renters, and business owners in these communities. Over 5.5 million NFIP policies are in effect throughout the country.\textsuperscript{84}

Flood Insurance is required to obtain secured financing to buy, build, or improve structures in Special Flood Hazard Areas ("SFHAs"). Federally-regulated and/or insured lending institutions determine whether a structure is located in a SFHA and are responsible for providing written notice of federal flood insurance requirements. Flood insurance is available to any property owner located in a community participating in the NFIP.


The NFIP is considered self-supporting for the average historical loss year. Its operating expenses and flood insurance claims are funded through premiums collected for flood insurance policies. The Program has borrowing authority from the U.S. Treasury for times when losses are extraordinary; however, such loans are repaid with interest. While funding is mandatory for the federal Flood Insurance Program, federal dollars for the Flood Insurance Fund are appropriated annually by Congress. NFIP salaries and expenses, flood hazard mitigation, operating expenses, agents’ commissions and taxes, and interest on Treasury borrowings are also appropriated annually.

Though the NFIP is normally a self-supporting program, it has received greater attention since the devastation created by Hurricane Katrina in August 2005. Hurricane Katrina resulted in more than $15 billion in payouts by the NFIP, easily the highest payout for any single disaster on record.\textsuperscript{85} In fact, the payouts from Katrina victims are greater than the combined historical payouts from the NFIP.\textsuperscript{86} In response to Katrina, Congress quickly passed the NFIP Further Enhanced Borrowing Authority Act of 2005,\textsuperscript{87} which authorized an estimated $15 billion increase in direct spending in fiscal years 2006 and 2007.\textsuperscript{88} While the increased direct spending resulting from Hurricane Katrina is an understandable aberration from historical norms, it also demonstrates how estimates of future expenditures can be drastically altered by new circumstances.


\textsuperscript{86} Id. Since its creation, the NFIP has paid out $11,743,649,922 in non-Katrina incidents.


IV. CONCLUSION

This briefing paper has examined the funding mechanisms for several of the largest mandatory spending programs on the federal budget. Clearly, no standard mechanism exists. Indeed, while these spending programs promise certain substantive benefits, simply categorizing the program as “mandatory” does not mean that funding for that program is automatic – or sufficient, for that matter. As this review has demonstrated, some programs rely on annual appropriations, while others rely on trust funds, which themselves are funded in numerous ways. Given the significant nature of these differences, it is plausible that the funding mechanism for these programs may be an important determinant of how “mandatory” that program is.
APPENDIX: ANALYSIS OF EXPENDITURE STABILITY FOR MAJOR PROGRAMS

Summary

This appendix offers a basic statistical analysis of expenditures from Social Security, Medicare, and Medicaid since 1977. All expenditures figures were gathered from the President’s Budget produced by the Office of Management and Budget.89 The Gross Domestic Product figures were gathered from the Bureau of Economic Analysis.90

This analysis consists of basic linear regressions on the three major programs’ expenditures. The regressions were performed on each program three times, using three different normalizations of the data. First, the data was normalized for inflation by fixing all figures at the FY 2000 dollar value. Secondly, the data was normalized as a percentage of total government expenditures in that fiscal year. Finally, the data was normalized as a percentage of the Gross Domestic Product for that year, as calculated by the BEA. Although only the first regression explicitly accounts for the inflation, the other two regressions indirectly absorb inflation.

The purpose of this analysis is to evaluate the relative stability of the expenditures in the major mandatory spending programs. The statistical evidence, while illuminating, cannot be accepted on its face, as the linear regression is simply an attempt to evaluate relative stability; indeed, there is no underlying reason the program expenditures should track linearly. However, it is notable that non-linear regressions were analyzed but are excluded from this appendix, as they yielded no valuable results beyond those presented here.

The graphs below present linear regressions, with the grey areas denoting 95% confidence intervals for the regression. Each graph is accompanied by summary statistics on the spending within that time period. Each graph presents data from 1977 through 2007. Data from 2008 could not be confirmed in time for this analysis.

Social Security Data:

Table 1-A

<table>
<thead>
<tr>
<th>Linear Regression of Social Security Spending since 1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear equation:</td>
</tr>
<tr>
<td>y = 9.13815x – 17863.4</td>
</tr>
<tr>
<td>95% CI:</td>
</tr>
<tr>
<td>For coefficient: [8.81797 9.45831]</td>
</tr>
<tr>
<td>For constant: [-18501.2 -17225.6]</td>
</tr>
<tr>
<td>R-squared: 0.9916</td>
</tr>
<tr>
<td>Adjusted R-squared: 0.9913</td>
</tr>
</tbody>
</table>

Social Security Discussion:

As Table 1-A indicates, the inflation adjusted growth of Social Security has been extremely predictable in the last thirty years. With an R-squared value approaching a perfect regression and extremely tight 95% confidence interval, Social Security spending has grown at a steady and linear rate.

The other two graphs are misleading, as they indicate unpredictably where there in fact is none. The linear regression maps very poorly onto both % of total spending and % of GDP, as the R-squared values approach zero. However, the standard deviations of both variables are quite low, and the 95% confidence intervals is quite small. Therefore, while the linear regression appears inapt, the reality is that differences between the values have been very small, meaning that as compared to total government spending and GDP, Social Security spending has been quite stable.
Medicare Data:

**Table 2-A**

Linear Regression of Medicare Spending since 1977

Linear equation:
\[ y = 8.05218x - 15890.89 \]

95% CI:
- For coefficient: [7.4401, 8.66429]
- For constant: [-17110.2, -14671.5]

R-squared: 0.9615
Adjusted R-squared: 0.9602

**Table 2-B**

Medicare Spending as % of Total Spending

Linear equation:
\[ y = .167639x - 328.168 \]

95% CI:
- For coefficient: [0.152752, 0.182527]
- For constant: [-357.824, -298.512]

R-squared: 0.9482
Adjusted R-squared: 0.9464

Mean Percentage:
5.76943%

Standard Deviation:
1.5653%

95% CI:
[5.195268, 6.343588]
Medicare Discussion:

The inflation adjusted linear regression in Table 2-A is not quite as strongly linear as the Social Security regression, but with R-squared values ~.96, the difference is barely in the range of statistical significance.

As Tables 2-B and 2-C indicate, Medicare spending has grown as a percentage of both total spending and GDP, distinguishing it from Social Security. However, the growth patterns as compared to both total spending and GDP are quite linear, as both regressions have R-squared values ~.94. The confidence intervals are also quite tight, even as compared against Table 2-A. As a result, while Medicare spending has been growing at a rate faster than all the normalization factors, the growth trend is still predictable. The stability of the growth trend may be due to equally stable increases in the program’s costs.

Medicaid Data:

Medicaid Data:
Table 3-A shows that Medicare has the weakest linear regression of all three programs for the inflation adjusted data. While the R-squared value is still strong, the confidence interval is relatively wide. That weakness is borne out in the other two regressions, as the R-squared values are low as compared to the Medicare regression models.

What is notable about both the Medicare and Medicaid models is that the peaks and valleys of the regression residuals are actually more pronounced when normalized for total spending or GDP, as compared to normalizing only for inflation. While this may be evidence of shifts in healthcare costs, such shifts would likely also affect the economy as a whole. It may be the case that these shifts in healthcare costs have only a minimal effect on the economy; it may also indicate other factors, such as adherence to rising healthcare entitlements at the expense of discretionary spending.
**SUPPLEMENTAL APPENDIX: ANALYSIS OF EXPENDITURES FOR OTHER PROGRAMS**

**Summary**

This appendix offers a basic statistical analysis of expenditures from Food Assistance, Federal Employee Pensions, and Payments to States for Foster Care since 1977. All expenditures figures were gathered from the President’s Budget produced by the Office of Management and Budget.91

This analysis consists of basic linear regressions on the three programs’ expenditures. The regressions were performed on each program twice, using two different normalizations of the data. First, the data was normalized for inflation by fixing all figures at the FY 2000 dollar value. Secondly, the data was normalized as a percentage of total government expenditures in that fiscal year. Although only the first regression explicitly accounts for the inflation, the both regressions indirectly absorb inflation.

This supplement provides data for comparison against the expenditures in the major mandatory spending programs (Social Security, Medicare, Medicaid).

The graphs below present linear regressions, with the grey areas denoting 95% confidence intervals for the regression. Each graph is accompanied by summary statistics on the spending within that time period. Each graph presents data from 1977 through 2007. Data from 2008 could not be confirmed in time for this analysis. The foster care analysis begins in 1981, as that is the first year the federal government supported state foster care programs.

**Food & Nutrition Assistance Data:**

<table>
<thead>
<tr>
<th>Years</th>
<th>Food Assistance Spending (Inflation Adjusted for FY 2000 dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>20</td>
</tr>
<tr>
<td>1982</td>
<td>25</td>
</tr>
<tr>
<td>1987</td>
<td>30</td>
</tr>
<tr>
<td>1992</td>
<td>35</td>
</tr>
<tr>
<td>1997</td>
<td>40</td>
</tr>
<tr>
<td>2002</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
</tr>
</tbody>
</table>

**Table 1-A**

**Linear equation:**

\[ y = 0.584476x - 1134.29 \]

95% CI:

- For coefficient: [.439751, .729201]
- For constant: [-1422.59, -845.997]

**R-squared:** 0.7017

**Adjusted R-squared:** 0.6914

---

Food & Nutrition Assistance Discussion:

Both tables demonstrate a somewhat predictable, but non linear, relationship between time and food assistance spending. Non linear regressions were attempted, but ultimately abandoned. While food assistance spending has increased in real terms, it has decreased very slightly as a percentage of total spending. Therefore, time alone is not a strong predictor of trends in food assistance expenditures. As food assistance expenditure (mostly food stamps) are adjusted to meet needs, it is not surprising to find that this area of spending fluctuates in a non-linear fashion.

Federal Employee Pension Data:
Federal Employee Pension Discussion:

Table 2-A demonstrates that the pension program spending has been extremely linear, when inflation adjusted. There have been periodic benefits increases, but this data seems to indicate that those increases have not been greater than inflation. Popular concerns regarding the increased funds required to fund the retirement of the Baby Boomer generation aside, retirement payment programs such as Social Security and pensions seem to be highly predictable, and the more dramatic increases seem limited to the healthcare programs, where the rise in per-person costs is as much to blame as increasing number of claimants.

Again as with food assistance, although spending has increased in real terms, it has decreased slightly as a percentage of total spending, particularly in the last five years.
Foster Care Data:

Table 3-A

<table>
<thead>
<tr>
<th>Years</th>
<th>Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>2</td>
</tr>
<tr>
<td>1991</td>
<td>4</td>
</tr>
<tr>
<td>1996</td>
<td>6</td>
</tr>
<tr>
<td>2001</td>
<td>8</td>
</tr>
<tr>
<td>2006</td>
<td>10</td>
</tr>
</tbody>
</table>

Inflation Adjusted for FY 2000 dollars

**Linear equation:**

\[ y = 0.238034x - 471.303 \]

**95% CI:**

For coefficient:

\[ 0.217143 \quad 0.258925 \]

For constant:

\[ -512.960 \quad -429.65 \]

**R-squared:**

0.9566

**Adjusted R-squared:**

0.9548

Table 3-B

<table>
<thead>
<tr>
<th>Years</th>
<th>% of Total Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>0.001</td>
</tr>
<tr>
<td>1986</td>
<td>0.002</td>
</tr>
<tr>
<td>1991</td>
<td>0.003</td>
</tr>
<tr>
<td>1996</td>
<td>0.004</td>
</tr>
<tr>
<td>2001</td>
<td>0.003</td>
</tr>
<tr>
<td>2006</td>
<td>0.004</td>
</tr>
</tbody>
</table>

**Linear equation:**

\[ y = 0.0001039x - 0.20536 \]

**95% CI:**

For coefficient:

\[ 0.000087 \quad 0.000121 \]

For constant:

\[ -0.238849 \quad -0.171871 \]

**R-squared:**

0.8666

**Adjusted R-squared:**

0.8613

Foster Care Discussion:

This more recent program (begun in 1981) also appears to be quite linear, growing linearly both in inflation adjusted terms and as percentage of total spending. This is the only one of the three analyzed programs which exhibits linear spending growth when normalized as percentage of total spending. Since this program is a grant to states based on state spending/needs, this linearity is not altogether surprising.
## Comparison of Mandatory Expenditures

<table>
<thead>
<tr>
<th>Program</th>
<th>Appropriations Mechanism</th>
<th>Frequency of Authorization</th>
<th>Size of Appropriation</th>
<th>Source of Revenues</th>
<th>Nature of Expenses</th>
<th>Earmarked Revenues Linked to Expenses?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Old-Age</td>
<td>Appropriations made to the Old-Age Trust Fund. Benefits paid from that fund.</td>
<td>n/a</td>
<td>Social Security taxes (12.4% of wages), plus taxes on benefits, less amounts directed to the Disability Trust Fund (see below).</td>
<td>Social Security taxes; General revenues if trust fund insufficient</td>
<td>Entitlement (age)</td>
<td>No</td>
</tr>
<tr>
<td>Social Security Disability</td>
<td>Appropriations made to the Disability Trust Fund. Benefits paid from that fund.</td>
<td>n/a</td>
<td>Currently 1.8% of wages, but adjusted periodically.</td>
<td>Social Security taxes; General revenues if trust fund insufficient</td>
<td>Entitlement (disability)</td>
<td>No</td>
</tr>
<tr>
<td>Medicare Part A</td>
<td>Appropriations made to the HI Trust Fund. Benefits paid from that fund.</td>
<td>n/a</td>
<td>Medicare taxes (2.9% of wages).</td>
<td>Medicare taxes; General revenues if trust fund insufficient</td>
<td>Entitlement (age or end-stage renal disease)</td>
<td>No</td>
</tr>
<tr>
<td>Medicare Part B</td>
<td>Appropriations made to the SMI Trust Fund. Benefits paid from that fund.</td>
<td>Permanent</td>
<td>Up to the authorized amount. Authorized amount is determined by formula, and is roughly 75% of the actuarially determined cost of Part B benefits. (Enrollees pay remaining amount as premiums).</td>
<td>General revenues; partially funded by premium payments from enrollees.</td>
<td>Entitlement (age and voluntary enrollment).</td>
<td>No earmarked revenues, but authorized amount is linked to expenses.</td>
</tr>
<tr>
<td>Medicare Part C</td>
<td>Appropriations made to HI, SMI, and Prescription Drug Account. Benefits paid from these funds.</td>
<td>See Parts A, B and D. (Part C is a combination of Parts A, B and D).</td>
<td>See Parts A, B, and D.</td>
<td>See Parts A, B, and D.</td>
<td>See Parts A, B and D.</td>
<td></td>
</tr>
<tr>
<td>Medicaid</td>
<td>Annual appropriations bills.</td>
<td>Permanent</td>
<td>Up to the authorized amount. Authorized amount is &quot;a sum sufficient to carry out the [program].”</td>
<td>General revenues</td>
<td>Conditional Spending – grants to states that establish qualifying programs.</td>
<td>No earmarked revenues, but authorized amount is linked to expenses.</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>Annual appropriations bills.</td>
<td>Periodic, currently through 2007</td>
<td>Annual Up to the authorized amount. The authorized amount is &quot;such sums as are necessary.&quot;</td>
<td>General revenues</td>
<td>Entitlement (income)</td>
<td>No earmarked revenues, but authorized amount is linked to expenses.</td>
</tr>
<tr>
<td>Child Nutrition</td>
<td>Annual Appropriations</td>
<td>Periodic</td>
<td>Sums as necessary</td>
<td>General revenues; receipts from customs duties.</td>
<td>Entitlement (income)</td>
<td>No</td>
</tr>
<tr>
<td>Foster Care</td>
<td>Annual Appropriations</td>
<td>Permanent</td>
<td>Sums as necessary</td>
<td>General revenues</td>
<td>Conditional Spending</td>
<td>No earmarked revenues, but authorized amount is not linked to expenses.</td>
</tr>
<tr>
<td>Student Loans</td>
<td>Annual Appropriations</td>
<td>Periodic</td>
<td>Annual (for administration only)</td>
<td>General revenues</td>
<td>Entitlement (demonstrated financial need)</td>
<td>No earmarked revenues, but authorized amount is linked to expenses.</td>
</tr>
<tr>
<td>Flood Insurance</td>
<td>Annual Appropriations</td>
<td>Periodic</td>
<td>Sums as necessary, subject to restrictions</td>
<td>General revenues; Premium payments from enrollees.</td>
<td>Contingent liabilities for enrollees.</td>
<td>No earmarked revenues, but authorized amount is linked to expenses.</td>
</tr>
<tr>
<td>Highway Projects</td>
<td>Projects are funded with annual appropriations from the Highway Trust Fund.</td>
<td>Periodic (SAFETEA-LU)</td>
<td>Up to the authorized amount. Authorized amounts for each year are set forth in SAFETEA-LU:</td>
<td>Highway Trust Fund</td>
<td>Discretionary expenditures.</td>
<td>No</td>
</tr>
<tr>
<td>Highway Trust Fund</td>
<td>The Highway Trust Fund receives a multiyear appropriation.</td>
<td>n/a</td>
<td>Various transportation taxes, less amounts transferred to other transportation trust funds.</td>
<td>Transportation taxes</td>
<td></td>
<td>No</td>
</tr>
</tbody>
</table>