

LIMIT AUTOPILOT FEDERAL SPENDING

Federal agency spending is not limited to the annual appropriations process. With multiple types of budgetary authority, Congress must reassert its budget authority and oversight over all aspects of federal spending.

BACKGROUND

Federal spending is on an unsustainable fiscal path. As of February 21, 2020, the current U.S. national debt outstanding is more than \$23.4 trillion.¹ Interest payments on the national debt exceeded \$574 billion in Fiscal Year (FY) 2019, and the U.S. has paid more than \$194 billion in interest payments through the first four months of FY2020.² Absent significant reforms, the Congressional Budget Office (CBO) estimates spending will reach almost \$7.5 trillion by 2030,³ which would represent almost 24 percent of U.S. gross domestic product (GDP).⁴ Conversely, CBO estimates federal revenues will only increase to \$5.2 trillion (about 18.5 percent of GDP) in the same time period.

Under the Constitution, budget authority originates with Congress. Congress generally sets the terms of federal expenditures through the annual appropriations process.⁵ Prior Congresses have chosen to cede some of this authority by passing laws allowing federal agencies and programs to incur expenditures “without further congressional action.”⁶ As a result, federal agencies currently spend trillions of dollars outside of the annual appropriations process.

Congressional oversight is necessary to ensure that federal financial decisions align with the priorities of the electorate. Spending outside of the appropriations process, sometimes referred to as “backdoor” spending,⁷ undermines congressional oversight by allowing agencies to fund operations and unappropriated programs on “autopilot” without annual approval by Congress.

On December 11, 2018, the Government Accountability Office (GAO) issued a report examining federal agency use of backdoor spending.⁸ According to GAO:

- Federal agencies reported \$3.2 trillion in backdoor spending outside of the annual appropriations process in 2015, an 88 percent increase since 1994, adjusted for inflation.⁹
 - Permanent appropriations and offsetting collections make up most of this spending.
 - Backdoor spending is growing faster than total federal spending. The Federal Government reported \$3.7 trillion in 2015, a 69 percent increase from 1994, adjusted for inflation.¹⁰

Quick Take

Federal spending is on an unsustainable trajectory with current national debt exceeding \$22 trillion.

Currently, federal agencies spend trillions of dollars outside the annual appropriations process.

Congress should reassert its budget authority over all federal spending.

- Permanent appropriations are budget authorities to incur obligations and make payments permanently available in law without further congressional action.¹¹ This accounts for the majority of spending outside the appropriations process:
 - Permanent appropriations account for \$2.6 trillion of backdoor spending.¹²
 - Permanent appropriations generally fund mandatory spending on entitlement programs such as Medicare, Social Security, and the Treasury Department’s interest payments on federal debt.
- Offsetting collections are monies (such as fines, fees, penalties, and other collections) Congress permits to be credited to agency accounts that can be obligated without further congressional action.¹³
 - Offsetting collections account for the second-largest portion of backdoor spending. Federal agencies reported \$421 billion in offsetting collections in 2015.

The remaining portion of backdoor spending consists of \$165 billion in contracting authority¹⁴ and \$13 billion in borrowing authority.¹⁵

Table 1: Amount of Reported Spending Authority and Permanent Appropriations, by Budget Authority Type, Fiscal Years 1994 and 2015

Type of authority	1994 actual budget authority (in billions) ^a	1994 adjusted budget authority (2015 dollars in billions) ^b	2015 actual budget authority (in billions)	Percent change from 1994 to 2015 (inflation adjusted)
Permanent appropriations	\$ 982	\$1,467	\$2,648	81
Offsetting collections	124	186	421	126
Contract authority	42	62	165	166
Borrowing authority	16	24	13	-46
Monetary credits or bartering ^c	N/A	N/A	0	N/A
Total	1,165	1,739	3,247	87

Source: GAO analysis of Office of Management and Budget data and information from federal agencies. | GAO-19-38

CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

The Constitution grants spending authority to Congress.¹⁶ Congress must be accountable for federal spending rather than allowing certain federal agencies and programs to spend on autopilot.

POLICY SOLUTIONS

As a starting point, Congress should enact H.R. 850, the Agency Accountability Act (AAA) of 2019. The bill would direct certain fines, fees, penalties, and settlements collected by federal agencies into the General Fund. Congress, not the agencies, would decide whether to appropriate those collections to the respective agencies or make different spending decisions. In the 115th Congress, H.R. 850 amassed over 158 cosponsors.

Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.

¹TreasuryDirect, *The Debt to the Penny and Who Holds It* (Feb. 21, 2020), <https://treasurydirect.gov/NP/debt/current>.

²TreasuryDirect, *Interest Expense on the Debt Outstanding* (2020), https://www.treasurydirect.gov/govt/reports/ir/ir_expense.htm.

³Cong. Budget Office, 56020, *The Budget and Economic Outlook: 2020 to 2030*, Table 1-1 (2020).

⁴Grant Driessen, Cong. Research Serv., R45202, *The Federal Budget: Overview and Issues for FY2019 and Beyond* (2018).

⁵U.S. Gov't. Accountability Office, GAO-19-36, *Federal Budget: Government-Wide Inventory of Accounts with Spending Authority and Permanent Appropriations, Fiscal Years 1995 to 2015* (2018).

⁶*Id.*

⁷GAO defines backdoor spending as: “Backdoor authority and backdoor spending are [similar but not identical] colloquial phrases for budget authority that Congress has provided in laws other than appropriations acts...The terms backdoor authority and backdoor spending refer to the process by which federal money ‘goes out the door.’ Annual appropriations are said to go out the ‘front door’...where Congress may exercise oversight over spending. Other appropriations are said to go out the ‘back door’ as they do not go through the annual appropriations process.”

⁸GAO-19-36, *supra* note 6.

⁹As a comparison, the federal government spent \$3.7 trillion in total in 2015, according to the Congressional Budget Office.

¹⁰GAO-19-36, *supra* note 6.

¹¹*Id.*

¹²*Id.*

¹³*Id.*

¹⁴Contract authority is authority to commit to spending funds before receiving appropriations.

¹⁵Borrowing authority is authority permitting agencies to borrow and then spend funds.

¹⁶U.S. Const. art. I, § 9.