

Where the Federal Dollar Goes

Part 1 of 3: U.S. Federal Spending in FY2025—Composition and Category Trends



INSIDE THIS REPORT

- Where the money goes in FY2025
- 12-year trend: receipts vs. spending
- Pressure points and deadlines
- Three paths to fiscal balance
- What each path means for investors
- Signposts and an investor playbook

Prepared by Uniting Wealth Partners



Data current as of October 14, 2026

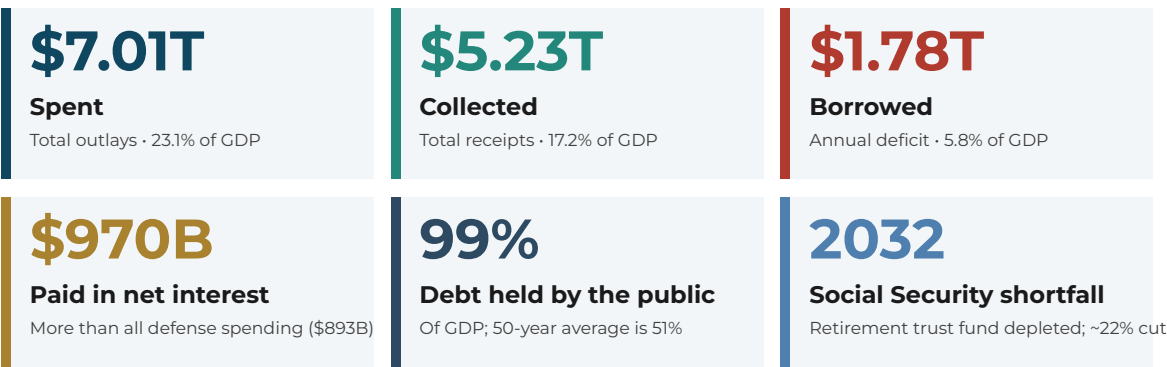
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Executive takeaway. The federal government recorded \$7.01 trillion in outlays and \$5.23 trillion in receipts in fiscal year 2025, leaving a \$1.78 trillion deficit. The center of gravity is not the annual appropriations debate: mandatory programs accounted for about \$4.2 trillion, discretionary programs for about \$1.9 trillion, and net interest for roughly \$970 billion. Social Security and Medicare alone exceeded one-third of all spending. The long-run pressure comes from population aging, health costs, and debt service; near-term volatility comes from defense, emergency measures, and policy changes. Preliminary CBO data for FY2026, which ended September 30, 2026, show the deficit widening to about \$2.0 trillion.¹

This is Part 1 of a three-part series. Part 2 examines the trend line and the paths to fiscal balance; Part 3 covers what those paths mean for investors.

THE FEDERAL BUDGET AT A GLANCE

Fiscal year 2025 (October 2024–September 2025)



EVERY DAY IN FY2025, THE FEDERAL GOVERNMENT...



Interest alone works out to about \$111 million an hour. Daily figures are annual totals divided by 365.

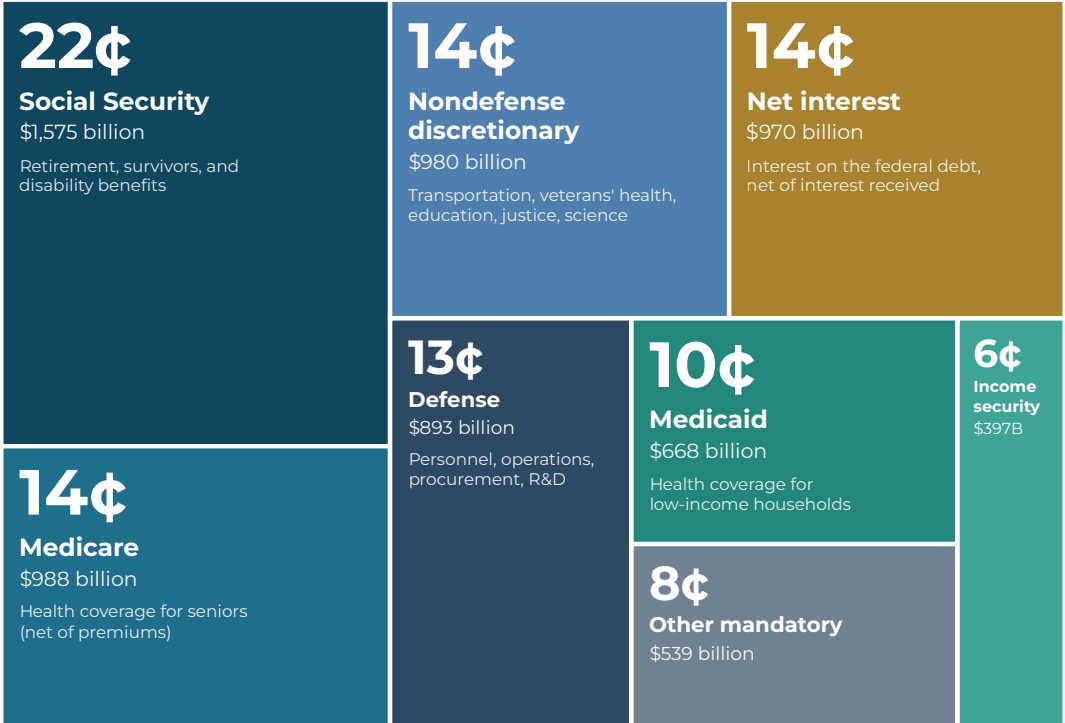
Sources: CBO, The Federal Budget in Fiscal Year 2025 (March 2026); U.S. Treasury, Final MTS, FY2025; 2026 Trustees Report.

¹ Sources: [Treasury Fiscal Data, FY2025 deficit](#); CBO, FY2025 budget infographics; [CBO, Monthly Budget Review: September 2026](#).

1. The FY2025 Spending Map

WHERE THE FEDERAL DOLLAR WENT

U.S. federal outlays, fiscal year 2025: \$7.01 trillion • Box size = share of total spending



BY BUDGET TYPE



HOW EACH DOLLAR WAS PAID FOR



Gray: customs duties (3¢) and other receipts (3¢). Receipts totaled \$5.23 trillion; the \$1.78 trillion gap was borrowed.

Sources: CBO, The Federal Budget in Fiscal Year 2025: An Infographic (March 2026); U.S. Treasury, Final Monthly Treasury Statement, FY2025. Cents are rounded shares of total outlays; components may not sum to totals because of rounding.

Federal outlays by budget type, FY2025			
Budget type	Approx. outlays	Share of total	What it covers
Mandatory	\$4.2T	~59%	Social Security, Medicare, Medicaid, income support, federal retirement, veterans' income security, and other benefit programs
Discretionary	\$1.9T	~27%	Defense plus annually appropriated domestic and international programs
Net interest	\$970B	~14%	Interest on federal debt, net of interest received
Total	\$7.01T	100%	Components may not sum because of rounding and classification adjustments

Sources: [Treasury Fiscal Data, Federal Spending](#); [CBO, FY2025 mandatory and discretionary totals](#).

How to read the numbers. “Outlays” are cash payments made during the fiscal year, not budget authority granted or obligations incurred. That distinction matters for multi-year appropriations—especially defense procurement, disaster relief, infrastructure, and immigration enforcement—because funding may be enacted in one year and spent over several.

2. Category-by-Category Trends and Outlook

Social Security

What it funds. Old-Age and Survivors Insurance and Disability Insurance. CBO’s FY2025 detail shows roughly \$1.42 trillion for old-age and survivors benefits and \$158 billion for disability benefits. **Trend.** Spending rises with the number of beneficiaries and automatic cost-of-living adjustments. **Outlook.** Under current law, Social Security remains one of the largest and fastest-growing dollar commitments; trust-fund financing constraints make benefit or revenue policy a central medium-term issue. ²For high earners, the most-discussed levers—raising or eliminating the cap on taxable wages and slowing benefit growth at the top of the benefit formula—would raise their payroll taxes or trim their benefits.²

² Sources: [CBO, Mandatory Spending in FY2025](#); [CBO, 2026–2036 outlook](#).

Major Health Programs

What they fund. Medicare, Medicaid, premium tax credits, the Children's Health Insurance Program, and related programs. CBO reports FY2025 mandatory outlays of about \$988 billion for Medicare net of offsetting receipts and \$668 billion for Medicaid. **Trend.** Major health programs produced the largest mandatory-spending increases over the past two decades. **Outlook.** Aging, enrollment, service intensity, and medical prices push costs upward; policy can materially change the path through payment rates, eligibility, drug pricing, and delivery reform. Higher-income beneficiaries already pay income-related surcharges on Medicare Part B and Part D premiums, and raising those premiums is a recurring deficit-reduction option.³

Income Security and Other Mandatory Programs

What they fund. Federal civilian and military retirement, nutrition assistance, Supplemental Security Income, unemployment compensation, refundable tax credits, student loans, family support, and agricultural programs. **Trend.** These programs are more cyclical and policy-sensitive than Social Security and Medicare; unusually large pandemic-era payments have receded, while veterans' income security and retirement costs have grown. **Outlook.** Baseline growth is generally slower than for major health and retirement programs, but recessions, emergencies, credit re-estimates, or new legislation can create sharp year-to-year swings.

Defense and National Security

What it funds. Military personnel, operations and maintenance, procurement, research and development, military construction, nuclear security, and other defense activities. CBO reports FY2025 defense discretionary outlays of \$893 billion (2.9% of GDP), led by operation and maintenance (\$341 billion), military personnel (\$184 billion), and procurement (\$162 billion). **Trend.** Defense outlays remain the largest discretionary category, but their share of GDP is well below Cold War peaks. Nominal growth has accelerated with pay, readiness, procurement, munitions, and global commitments. **Outlook.** The path depends primarily on annual appropriations and security conditions; force structure, shipbuilding, nuclear modernization, space, cyber, and replenishment needs create persistent upward pressure.⁴

³ Source: [CBO, Mandatory Spending in FY2025](#).

⁴ Source: [CBO, Discretionary Spending in FY2025](#).

Military spending: operations, veterans, and war-related costs are different buckets		
Bucket	FY2025 reference point	Interpretation
Department of Defense and related defense activities	Largest share of defense discretionary outlays	Current force, readiness, procurement, R&D, construction, and defense-wide programs
Department of Veterans Affairs	\$369.3B FY2025 budget request: \$134.0B discretionary and \$235.3B mandatory	Health care, disability compensation, pensions, education, housing, insurance, cemeteries, and administration for veterans
Cost of War Toxic Exposures Fund	\$24.5B included in the FY2025 VA request	Veterans' health and benefit costs linked to toxic exposures; not current combat operations
"Actual war expenses"	No single clean FY2025 line	Combat-related costs are embedded across operations, procurement, personnel, intelligence, aid, and supplementals; they should not be inferred by subtracting VA from defense

Key distinction. Veterans' benefits are deferred compensation and care for prior service; they are not expenditures for fighting current wars. Conversely, "war cost" is not synonymous with the entire defense budget. A defensible estimate requires a theater- and mission-specific accounting of incremental costs, including supplemental appropriations and replacement of equipment. The VA request is used here as a transparent reference point, not as FY2025 final outlays.⁵

Nondefense Discretionary Programs

What they fund. Transportation, education and training, justice, housing, science, environment, diplomacy, public health, and agency operations. CBO

⁵ Source: [VA, FY2025 Budget in Brief](#).

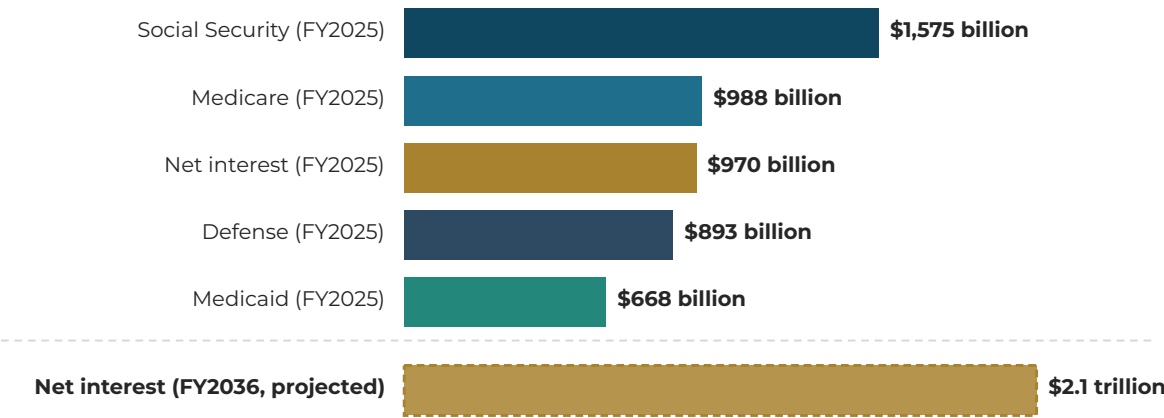
identifies FY2025 outlays of roughly \$145 billion for transportation, \$126 billion for most veterans’ health benefits, \$124 billion for education/training/employment/social services, \$112 billion for housing and other income security, and \$80 billion for administration of justice. **Trend.** Nondefense discretionary outlays exceeded half of the FY2025 discretionary total but have generally been constrained as a share of GDP. **Outlook.** They are highly exposed to annual caps, appropriations choices, and emergency designations; infrastructure laws can lift outlays with a lag.⁶

Net Interest

What it funds. The cost of servicing federal debt after netting interest receipts. FY2025 net interest reached about \$970 billion, or 3.2% of GDP—more than twice its 2021 share. **Trend.** Debt accumulation and refinancing at higher rates have made interest one of the budget’s fastest-growing components. **Outlook.** CBO projects deficits rising from \$1.9 trillion in 2026 to \$3.1 trillion in 2036 and debt held by the public reaching 120% of GDP; rising interest costs drive much of the increase. ^{For investors, the same arithmetic has another side: higher interest costs mean higher income for bondholders, and Treasury interest is exempt from state and local income tax, which adds to its after-tax value for residents of high-tax states.⁷}

INTEREST NOW RIVALS MEDICARE—AND IS ON TRACK TO DOUBLE

Federal outlays for selected categories, billions of dollars



Net interest more than doubles from about \$1.0 trillion in FY2026 to \$2.1 trillion in FY2036, totaling \$16.2 trillion over the decade.

Sources: CBO, The Federal Budget in Fiscal Year 2025 (March 2026); CBO, The Budget and Economic Outlook: 2026 to 2036 (February 2026).

⁶ Source: [CBO, Discretionary Spending in FY2025](#).

⁷ Sources: [CBO, FY2025 budget overview](#); [CBO, 2026–2036 outlook](#).

3. ICE Spending: A Focused Sidebar

Historical baseline. ICE reported total FY2006 enacted and supplemental resources of about \$4.21 billion including the then-attached Federal Protective Service and fee-funded accounts (about \$3.48 billion in appropriated accounts alone); its FY2007 total on the same basis was \$4.73 billion. These older totals are not perfectly comparable with today because organizational scope and account structure changed. For FY2025, DHS received full-year continuing appropriations through September 30, 2025 (P.L. 119-4) rather than a traditionally structured annual DHS appropriations act. Separately, the 2025 reconciliation act (P.L. 119-21, enacted July 4, 2025) provided ICE more than \$75 billion in multi-year funding available through September 30, 2029—including \$45 billion for detention capacity and \$29.9 billion for enforcement and removal operations—an amount several times ICE’s recent annual appropriations. Accordingly, a defensible comparison distinguishes enacted budget authority, transfers and supplementals, and actual outlays.⁸

ICE: selected historical and current funding markers		
Period	Marker	What it shows
FY2006	\$4.21B enacted and supplemental, including Federal Protective Service and fee accounts	Early post-creation operating scale
FY2007	\$4.73B total including Federal Protective Service and fee accounts	Rapid early expansion; scope differs from modern ICE
FY2014–FY2023	\$1.8B planned transfers within DHS to support ICE, plus \$365M in supplementals during FY2016–FY2023	Recurring mismatch between enacted annual resources and operational demand
FY2025	DHS operated under continuing appropriations through September 30, 2025, rather than a traditionally structured annual DHS appropriations act	Comparisons should use enacted authority by component and distinguish annual authority from actual outlays

⁸ Sources: [ICE, FY2006 budget](#); [ICE, FY2007 budget](#); CRS, FY2025 DHS appropriations status; [H.R. 1 \(P.L. 119-21\), Congress.gov](#).

ICE: selected historical and current funding markers		
Period	Marker	What it shows
FY2025– FY2029	More than \$75B in multi-year reconciliation funding (P.L. 119-21): \$45B for detention capacity and \$29.9B for enforcement and removal operations	Multi-year authority far above annual appropriations; outlays will occur over several years

Interpretation. The durable trend is upward, but comparisons require consistent scope. ICE’s modern portfolio includes Enforcement and Removal Operations, Homeland Security Investigations, legal proceedings, technology, and support. GAO found that ICE repeatedly needed transfers and supplemental funding and that its budget models and spend-plan practices needed improvement. The most useful current metric is therefore three-part: annual enacted authority, supplemental or mandatory multi-year authority, and actual outlays in the period being analyzed.⁹

4. Method and Source Notes

This paper uses FY2025 outlays as the common baseline because FY2025 is the most recent fiscal year with final, category-level results. FY2026 ended on September 30, 2026; CBO’s preliminary estimate shows outlays of \$7.4 trillion, receipts of \$5.4 trillion, and a deficit of \$2.0 trillion. Those preliminary figures appear only in the executive takeaway until final detail is published. Treasury supplies the government-wide cash totals; CBO supplies consistent categories, trend context, and projections; VA, DHS, ICE, CRS, and GAO provide agency-level detail. Dollar amounts are nominal unless stated otherwise. Requests, enacted budget authority, obligations, and outlays are identified separately when the distinction is material. Totals may differ because of rounding, offsetting receipts, intragovernmental transactions, and classification.

⁹ Source: [GAO, ICE financial management](#).

5. Verified Source Register

Primary-source verification completed October 14, 2026		
Source	Verified claims	Source status
U.S. Treasury Fiscal Data: National Deficit	FY2025 outlays of \$7.01T, receipts of \$5.23T, and deficit of \$1.78T	Official Treasury data; completed fiscal year
CBO: Federal Budget in FY2025	Mandatory, discretionary, and net-interest totals; net interest as a share of GDP	Official congressional budget analysis
CBO: Mandatory Spending in FY2025	Social Security, Medicare, and Medicaid outlays	Official CBO FY2025 detail
CBO: Discretionary Spending in FY2025	Transportation, veterans' health, education, housing/income security, and justice outlays	Official CBO FY2025 detail
VA: FY2025 Budget in Brief	\$369.3B request; \$134.0B discretionary; \$235.3B mandatory; \$24.5B toxic-exposures fund	Official budget request, not final outlays
CRS: DHS Appropriations FY2025	Full-year continuing appropriations through September 30, 2025	Nonpartisan congressional research
GAO-24-106550	\$1.8B in planned DHS fund movements in FY2014–FY2023; \$365M in FY2016–FY2023 supplementals; budget-model findings	Official audit report
ICE FY2006 budget and ICE FY2007 budget	Historical ICE resource totals and scope caveats	Official agency fact sheets; scope differs by year
CBO: Federal Budget in FY2025 (infographic)	Category totals in the spending-map infographic: Social Security \$1,575B; Medicare \$988B; Medicaid \$668B; defense \$893B; nondefense \$980B; net interest \$970B	Official CBO FY2025 detail

Primary-source verification completed October 14, 2026		
Source	Verified claims	Source status
<u>CBO: Monthly Budget Review, September 2026</u>	FY2026 receipts of \$5.40T, outlays of \$7.40T, and deficit of \$1.99T	Preliminary CBO estimate; final Treasury figures pending
<u>H.R. 1 (P.L. 119-21), 2025 reconciliation act</u>	ICE funding of more than \$75B through FY2029, including \$45B for detention and \$29.9B for enforcement and removal	Enacted law
<u>CBO: The Budget and Economic Outlook: 2026 to 2036</u>	Cumulative FY2027–FY2036 deficits of \$24.4T; 2036 deficit of \$3.1T (6.7% of GDP); debt of 120% of GDP in 2036; outlays and revenues as shares of GDP	Official CBO baseline projections

Your Next Step

If you would like to talk through what these fiscal paths mean for your own plan, schedule a free 20-minute introductory call with Rick Hadrava. Scan the QR code below or visit calendly.com/rick-unitingwealth/introduction-call.



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