

REPORT Published April 24, 2025 • 10 minute read

Irreconcilable Expectations



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There's a desperate need for government reform, efficiency, and for government living within its means. Each year, the federal government spends trillions of dollars of people's taxes and borrows at least a trillion dollars more. Voters should know that the money they're paying into the government is doing good. People should feel they get a dollar back for what they put in.

But when it comes to cutting spending, the rubber meets the road. Many claims are made about the budget—that waste is rampant and most spending is unpopular and unnecessary. The Department of Government Efficiency project by billionaire Elon Musk and President Donald Trump has fed into that thinking, highlighting specific items in the vast budget that seem beyond the pale and literally taking a chainsaw to the budget on stage. And cutting federal spending will once again be put to the test when the GOP tax package winds its way through Congress.

A chainsaw may make for a great photo-op, but what does our government actually spend money on? Who gets it? What does it accomplish?

Instead of focusing on specific government programs and categories with bureaucratic names, we divided federal spending into seven categories that would make sense to the average person not glued to every Congressional Budget Office report. As it turns out, there are irreconcilable differences on what people think the government spends money on and where the money actually goes. And there are irreconcilable differences between what President Trump and the GOP Congress want to cut and what people's expectations are about what they want to receive.

For example, more than half of what the federal government spends money on helps well over 100 million ordinary Americans afford ordinary things—groceries, rent, health care, clothes, utility bills, gas. This is the so-called “parasite class” Elon Musk highlighted in a tweet.

Specifically, close to one-third of all federal spending simply puts money in people's bank accounts. One-fourth of federal spending either pays all or part of someone's medical bill or directly helps people purchase health insurance. None of this spending includes the government staff that administers these programs or, for that matter, any government salaries. ¹

We found that 74-cents of every federal dollar fits into one of six categories:

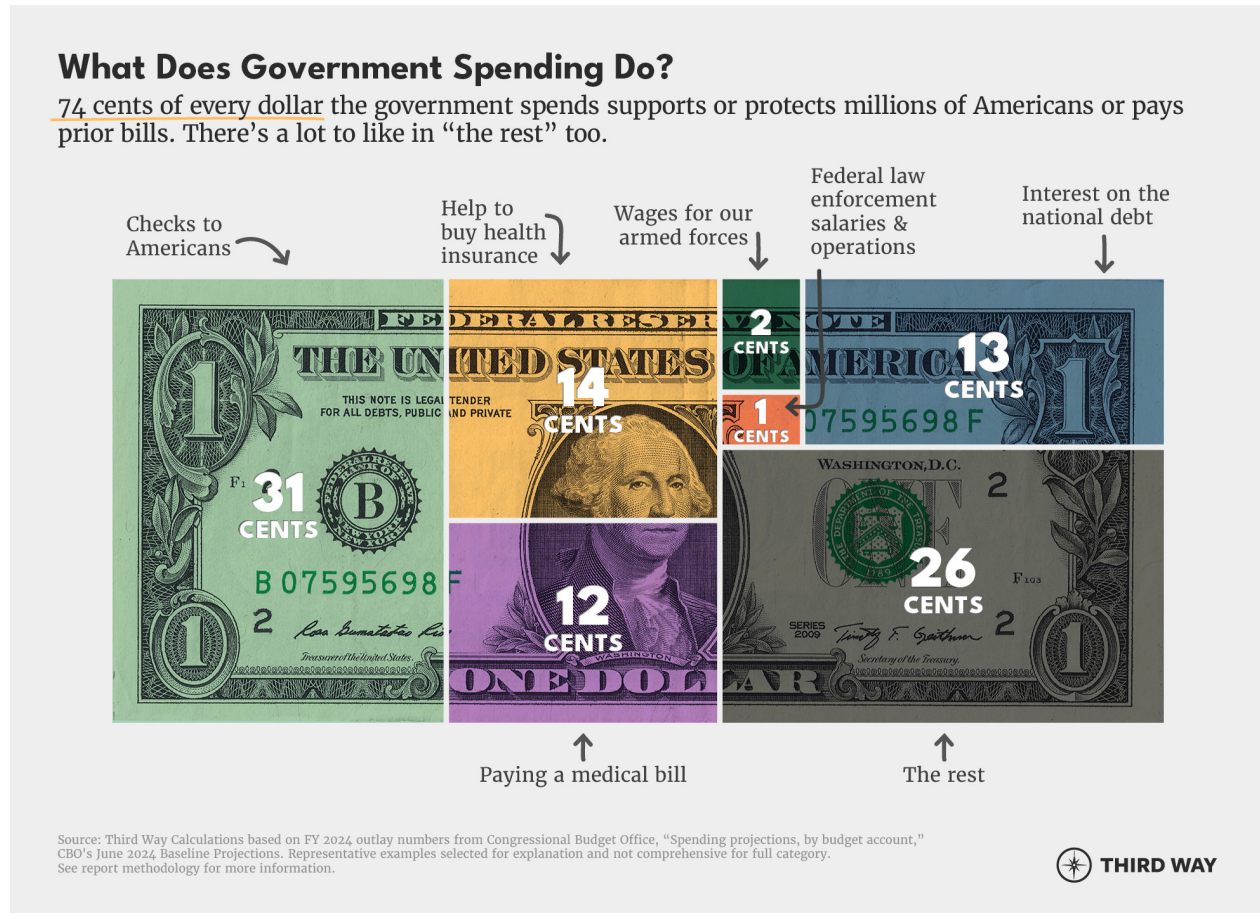
1. Direct checks to people mostly for benefits they feel they've earned: 31 cents of every dollar.
2. Money for people to help purchase their own health insurance or manage their benefits: 14 cents of every dollar.
3. Paying actual medical bills to doctors, hospitals, and other health care people receive: 12 cents of every dollar.
4. Wages for Americans serving in the military: 2 cents of every dollar.
5. Wages and support costs for federal law enforcement like agents in the FBI and border control: 1 cent of every dollar.
6. Interest on the national debt, which is an obligation that we simply must pay: 13 cents of every dollar.

The remaining 26 cents on the dollar, labeled “the rest,” covers functions not only for what is traditionally considered the federal bureaucracy, but major public goods and services that people generally like: public safety functions such as food inspections, nuclear reactor safety and disaster response, maintaining our weapons systems and purchasing fighter jets, keeping our national parks

pristine and open to the public, granting export licenses and approving patents, medical and scientific research, road repair and construction, and yes, foreign aid, among many other things.

See below on what the federal government spends and who gets it. All data is from fiscal year 2024 where available.

What We Found

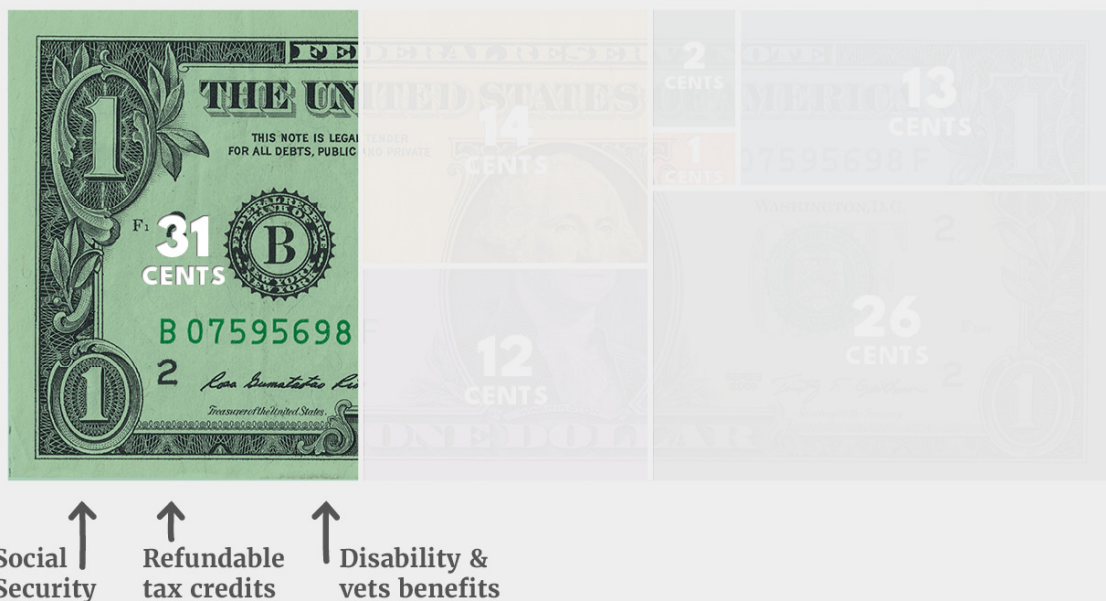


Checks to Americans

The US government deposits \$2.1 trillion directly into bank accounts of the American people. That's 31% of what the government spends. Social Security payments are by far the largest, and last year, \$1.4 trillion in checks were put into the bank accounts of 68 million elderly or disabled Americans, or roughly \$21,200 per person.² These recipients rightly believe they are owed this money. It also includes deposits to younger working families through tax measures such as the child tax credit and the earned income tax credit (22 million people for EITC and 16 million for the CTC, with some overlap between the two, at a combined cost \$86 billion).³ Safety net anti-poverty programs like unemployment insurance, Temporary Assistance for Needy Families, Section 8 housing vouchers, and food stamps cover much of the rest. There are also retirement programs for specific populations in law,

like pensions for retired federal workers (2.7 million civilian retirees and survivors), or certain communities, such as (70,000) retired coalminers, but these amounts are much smaller. ⁴ These totals do not include the administrative costs of running these programs.

Direct checks to people mostly for benefits they feel they've earned: 31 cents of every dollar.



Source: Third Way Calculations based on FY 2024 outlay numbers from Congressional Budget Office, "Spending projections, by budget account," CBO's June 2024 Baseline Projections. Representative examples selected for explanation and not comprehensive for full category. See report methodology for more information.

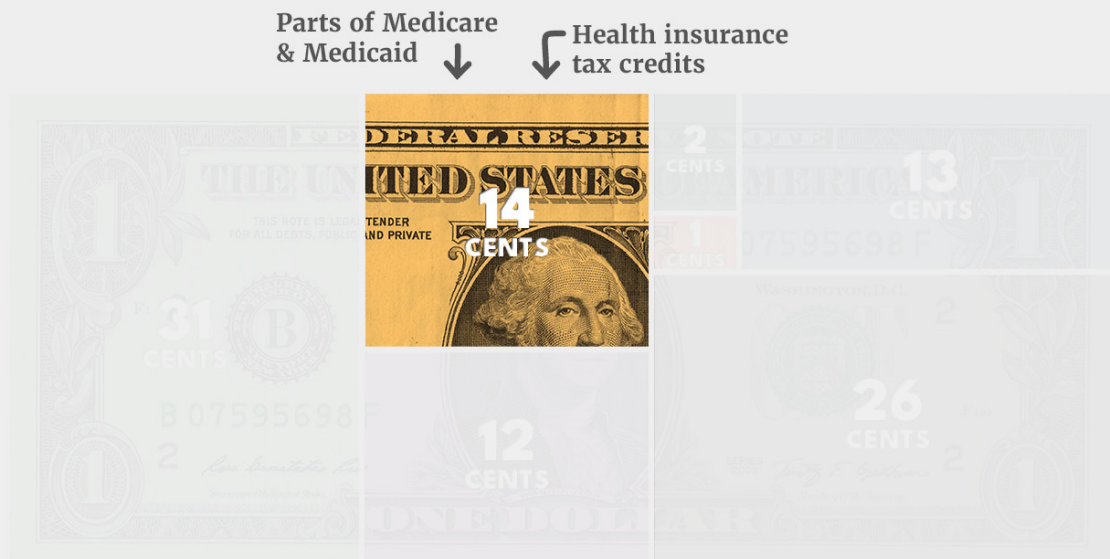


Running count: 31 cents of every dollar.

Help to Buy Health Insurance

The US government spent \$970 billion for the simple, but critical, task of helping Americans buy health insurance. In all, nearly 127 million Americans received at least some government help to get direct coverage or services from private health insurers, including subsidies for working families under the Affordable Care Act, enrollment in managed care plans for the poor under Medicaid and for children under CHIP, and subsidies to the elderly to purchase Medicare Advantage plans. ⁵ Elements of other health care programs, such as Tricare within the Department of Defense, also help subsidize private insurance for those who serve America in the armed forces.

Money for people to help purchase their own health insurance or manage their benefits: 14 cents of every dollar.



Source: Third Way Calculations based on FY 2024 outlay numbers from Congressional Budget Office, "Spending projections, by budget account," CBO's June 2024 Baseline Projections. Representative examples selected for explanation and not comprehensive for full category. See report methodology for more information.



Running count: 45 cents of every dollar. (+14 cents)

Paying a Medical Bill

Under many federal health care programs, the US government directly pays doctors, hospitals, and pharmacies for medical care and medication. Simply paying medical bills and prescription drugs for roughly 61 million people came to \$820 billion in 2024. ⁶ Most of that covers the medical bills of the elderly through Medicare's coverage of hospital bills (Part A), doctors' bills (Part B), and prescription drugs (Part D). Roughly half of Medicaid and CHIP spending also covers medical bills, payments for doctors, hospitals, and other health care.

Paying actual medical bills for doctors, hospitals, and other health care people receive: 12 cents of every dollar.



Source: Third Way Calculations based on FY 2024 outlay numbers from Congressional Budget Office, "Spending projections, by budget account," CBO's June 2024 Baseline Projections. Representative examples selected for explanation and not comprehensive for full category. See report methodology for more information.

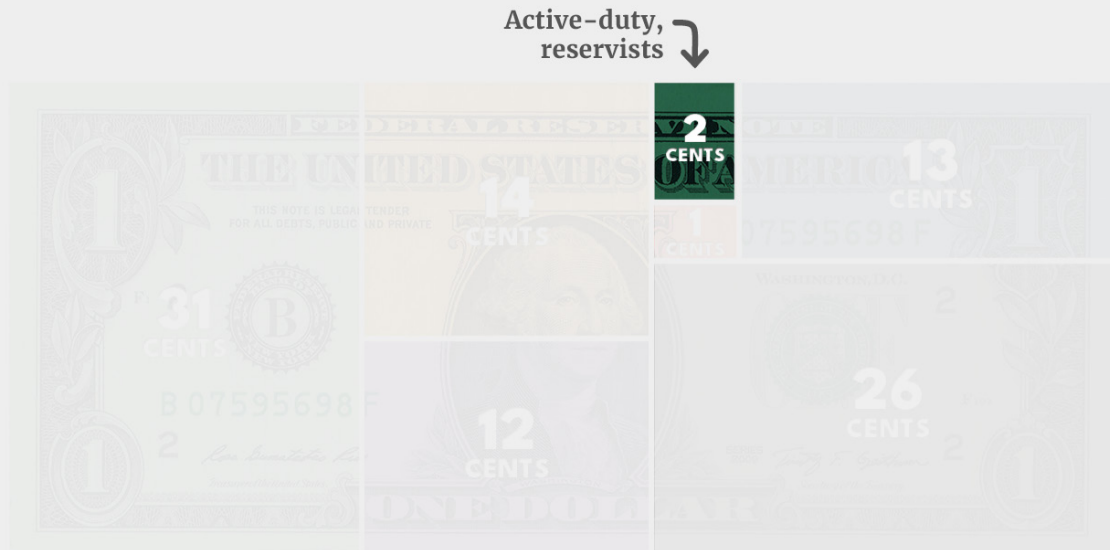


Running count: 57 cents of every dollar. (+12 cents)

Wages for Our Armed Forces

Nearly 1.3 million Americans actively serve in the US Armed Forces, and another 800,000 serve in the reserves, keeping us safe from threats abroad. ⁷ Altogether, their wages totaled about \$160 billion, and that does not include their health care, family housing benefits, or future benefits from the GI bill like tuition assistance. These amounts also do not include the costs to arm, feed, or clothe our men and women in uniform.

Wages for Americans serving in the military: 2 cents of every dollar.



Source: Third Way Calculations based on FY 2024 outlay numbers from Congressional Budget Office, "Spending projections, by budget account," CBO's June 2024 Baseline Projections. Representative examples selected for explanation and not comprehensive for full category. See report methodology for more information.

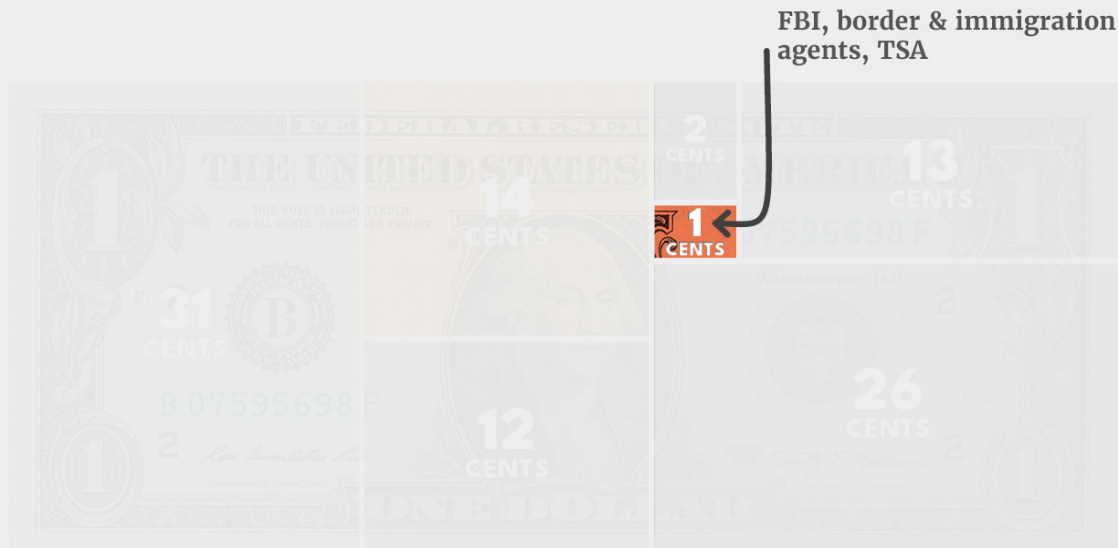


Running count: 59 cents of every dollar. (+2 cents)

Federal Law Enforcement Salaries and Operations

Nearly one-in-ten federal employees serve in law enforcement—dressing in uniform, wearing a badge, carrying a firearm.⁸ They work on the border, in federal prisons, at security lines in airports, in the most dangerous and life-threatening situations imaginable, and all for modest pay. In 2024, we spent around \$90 billion on wages and support costs for those on the front lines keeping Americans safe at home.

Wages and support costs for federal law enforcement: 1 cent of every dollar.



Source: Third Way Calculations based on FY 2024 outlay numbers from Congressional Budget Office, "Spending projections, by budget account," CBO's June 2024 Baseline Projections. Representative examples selected for explanation and not comprehensive for full category. See report methodology for more information.



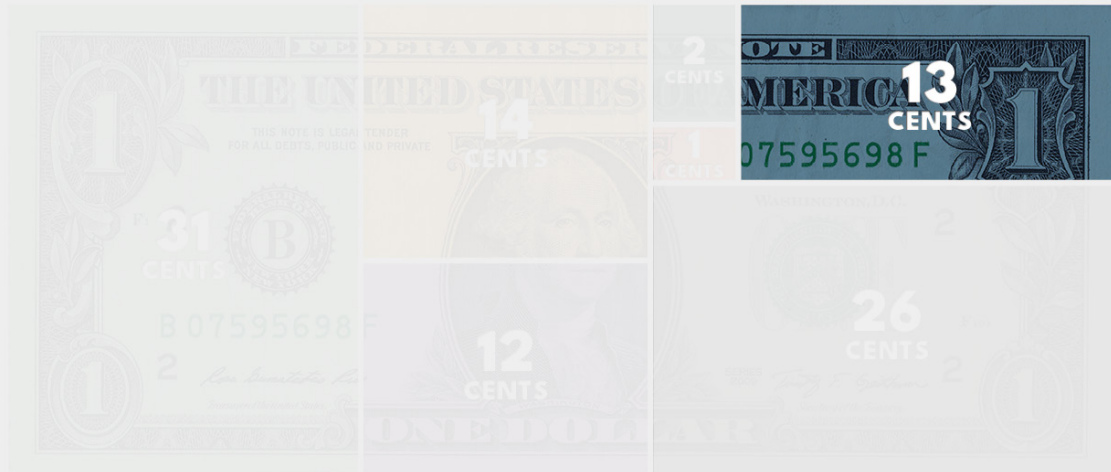
Running count: 60 cents of every dollar. (+1 cent)

Interest on the National Debt

America habitually spends more than what it takes in from taxes. As a result, our national debt currently exceeds \$36.2 trillion.⁹ To service that debt, the federal government issues new bonds that pay an interest rate of 4.3%.¹⁰ In 2024, the US government paid more than \$880 billion just on interest for our federal debt.¹¹ Not paying these bonds would mean defaulting on our debt, triggering an economic catastrophe.

Interest on the national debt, which is an obligation that we simply must pay: 13 cents of every dollar.

Paying bond holders inside
& outside of the US ↓



Source: Third Way Calculations based on FY 2024 outlay numbers from Congressional Budget Office, "Spending projections, by budget account," CBO's June 2024 Baseline Projections. Representative examples selected for explanation and not comprehensive for full category. See report methodology for more information.



Running count: 74 cents of every dollar. (+13 cents)

The Rest

The rest totals \$1.8 trillion. It covers any federal program or service not shown above plus administrative costs for the programs listed above.

Notably, the cost of maintaining our military outside of personnel costs makes up more than a third of this category. Most of that is two big categories. What we spend on ships, guns, planes, and tanks (a category known as procurement) is 9% of the rest (\$150 billion). And what it costs to make sure those weapons of war work and that soldiers are deployed where the Armed Services need them (a category known as operations and maintenance) is another 16% of the rest (\$290 billion).

Some other funds of this category go to programs that Americans universally revere, like scientific and medical research, the space program, hazardous waste cleanup, food inspection, the National Park Service, and the Smithsonian Museums. Some of it goes to programs that are important but less popular, like AIDS mitigation and river blindness prevention in Africa or mining permits on public lands. And some fall into the category of things the government does, but people don't much think about it until a particular moment arrives—getting your passport or help dealing with a natural disaster.

Conclusion

In all of these programs and categories, there can be greater efforts at government efficiency and elimination of waste and fraud. But far more government money goes to people for benefits they feel they are entitled to than people think. That's what separates the promise of efforts like DOGE and the reality.

Appendix: Methodology

We examined an expanded version of the dataset “[Spending Projections, by Budget Account](#),” from the Congressional Budget Office’s June 2024 baseline. Outlays for FY 2024 for nearly 3,500 budget accounts became the basis for the seven budget categories we created for our project: direct payments to people, help for Americans to buy health insurance and related services, payment of medical bills, wages for the Armed Forces, wages and major operational expenses for federal law enforcement, interest on the national debt, and the rest. This dataset includes labels for budget accounts by their taxpayer identification number, also known as TIDs.

Although the June 2024 baseline was released more than three months before the end of FY 2024, it offered one of the best detailed sources of federal agency spending by budget account. The Budget Appendix accompanying the annual President’s budget provides complete, final numbers for the previous fiscal year’s spending by each federal agency and budget account, but those numbers will not become publicly available until the release of the complete President’s FY 2026 budget.

The federal budget is conventionally broken up into 20 budget categories, which often organize agencies by related policy objectives, such as national defense or administration of justice, and further arranged by subcategories. We examined each budget category and subcategory and made determinations for whether individual budget accounts constituted a direct payment to individual, a health insurance subsidy, a payment for a health care service, compensation for a member of the military or federal law enforcement, or something else—administrative funding for running a federal program, a grant to a state or local government, or a public good like air traffic control.

In some cases, we had to consult sources beyond CBO’s “[Spending Projects, by Budget Account](#).” To determine administrative funding for major safety net programs like Social Security, SNAP, and Medicaid, we used CBO’s [Details About Baseline Projections for Selected Programs](#). For more information on how much of Medicaid and CHIP funding goes to managed care plans versus fee-for-service, we relied on data from [KFF](#). Medicare Advantage funding, which acts like a private insurer for Medicare beneficiaries, was determined through the [CBO’s specific baseline for Medicare](#).

ENDNOTES

1. See methodology section for complete information.
2. Social Security Administration. “Monthly Statistical Snapshot, February 2025.” Social Security Administration, March 2025, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/. Accessed 25 March 2025.

The \$1.4 trillion spent on Social Security benefits in FY 2024 omits administrative funding. Beneficiary totals include both those who receive only Social Security and those who receive both Social Security and Supplemental Security Income.

3. Internal Revenue Service. “Returns filed, taxes collected and refunds issued.” Internal Revenue Service, 21 March 2025, <https://www.irs.gov/statistics/returns-filed-taxes-collected-and-refunds-issued> Accessed 25 March 2025.
4. Congressional Research Service. “Federal Employees’ Retirement System: Summary of Recent Trends.” Congressional Research Service, 12 December 2023, <https://www.congress.gov/crs-product/98-972>. Accessed 25 March 2025. And; United Mine Workers of America Health and Retirement Funds. “Overview.” United Mine Workers of America Health and Retirement Funds, 2025, <https://www.umwafunds.org/about-us-overview/>. Accessed 25 March 2025.

5. Authors' calculations based on Congressional Budget Office. "Health Insurance and Its Federal Subsidies: CBO and JCT's June 2024 Baseline Projections." Congressional Budget Office, June 2024, <https://www.cbo.gov/system/files/2024-06/51298-2024-06-healthinsurance.pdf>. Accessed 25 March 2025. And; Freed, Meredith, Fuglesten Biniek, Jeannie, Damico, Anthony, and Neuman, Tricia. "Medicare Advantage in 2024: Enrollment Update and Key Trends." KFF, 8 August 2024, <https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2024-enrollment-update-and-key-trends/>. Accessed 25 March 2025. And; KFF. "Total Medicaid MCO Enrollment." KFF, 2025, <https://www.kff.org/other/state-indicator/total-medicaid-mco-enrollment/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Comprehensive%20Risk-Based%20Managed%20Care%20Enrollees%22,%22sort%22:%22desc%22%7D>. Accessed 25 March 2025. And; Defense Health Agency. "Evaluation of the TRICARE Program: Fiscal Year 2024 Report." Defense Health Agency, 29 February 2024, <https://www.health.mil/Reference-Center/Reports/2024/09/23/Annual-Evaluation-of-the-TRICARE-Program-FY24>. Accessed 25 March 2025. And; United Mine Workers of America Health and Retirement Funds. "Overview." United Mine Workers of America Health and Retirement Funds, 2025, <https://www.umwafunds.org/about-us-overview/>. Accessed 25 March 2025. And; Government Accountability Office. "Postal Retiree Health Benefits: Unsustainable Finances Need to Be Addressed." Government Accountability Office, 31 August 2028, <https://www.gao.gov/products/gao-18-602>. Accessed 25 March 2025. And; Office of Personnel Management. "Federal Employees Health Benefits (FEHB) Program Carriers." Office of Personnel Management, 2025, <https://www.opm.gov/healthcare-insurance/carriers/fehb>. Accessed 25 March 2025.

- 6.** Authors' calculations based on Congressional Budget Office. "Health Insurance and Its Federal Subsidies: CBO and JCT's June 2024 Baseline Projections." Congressional Budget Office, June 2024, <https://www.cbo.gov/system/files/2024-06/51298-2024-06-healthinsurance.pdf>. Accessed 25 March 2025. And; Freed, Meredith, Fuglesten Biniek, Jeannie, Damico, Anthony, and Neuman, Tricia. "Medicare Advantage in 2024: Enrollment Update and Key Trends." KFF, 8 August 2024, <https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2024-enrollment-update-and-key-trends/>. Accessed 25 March 2025. And; KFF. "Total Medicaid MCO Enrollment." KFF, 2025, <https://www.kff.org/other/state-indicator/total-medicaid-mco-enrollment/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Comprehensive%20Risk-Based%20Managed%20Care%20Enrollees%22,%22sort%22:%22desc%22%7D>. Accessed 25 March 2025. And; Defense Health Agency. "Evaluation of the TRICARE Program: Fiscal Year 2024 Report." Defense Health Agency, 29 February 2024, <https://www.health.mil/Reference-Center/Reports/2024/09/23/Annual-Evaluation-of-the-TRICARE-Program-FY24>. Accessed 25 March 2025. And; Indian Health Service. "IHS Profile." Indian Health Service, 2025, <https://www.ihs.gov/newsroom/factsheets/ihsprofile/>. Accessed 25 March 2025. And; Veterans Health Administration. "About VHA." Veterans Health Administration, 2025, <https://www.va.gov/health/aboutvha.asp>. Accessed 25 March 2025. And; Congressional Budget Office. "Congressional Budget Office Baseline Projections, Department of Defense-Medicare Eligible Retiree Health Care Fund." Congressional Budget Office, February 2024, <https://www.cbo.gov/system/files/2024-02/54946-2024-02-dodmedicare.pdf>. Accessed 25 March 2025.
- 7.** Congressional Research Service. "FY2025 NDAA: Active Component EndStrength." Congressional Research Service, 21 October 2024, <https://www.congress.gov/crs-product/IN12449>. Accessed 25 March 2025.
- 8.** Kessler, Jim, and Murdock, Kylie. "GOP's Proposed Assault on Federal Law Enforcement." Third Way, 18 April 2022, <https://www.thirdway.org/memo/gops-proposed-assault-on-federal-law-enforcement>. Accessed 25 March 2025.

9. Department of Treasury. “Debt to the Penny.” Department of Treasury, 24 March 2025, <https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/debt-to-the-penny>. Accessed 25 March 2025.
10. Department of Treasury. “Daily Treasury Par Yield Curve Rates.” Department of Treasury, 25 March 2025, https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value_month=202503. Accessed 26 March 2025.

According to the CBO, the average interest rate across all current debt held by the public is 3.3%.

Congressional Budget Office. “The Budget and Economic Outlook: 2025 to 2035.” Congressional Budget Office, 17 January 2025, www.cbo.gov/publication/60870. Accessed 25 March 2025.

11. Congressional Budget Office. “The Budget and Economic Outlook: 2025 to 2035.” Congressional Budget Office, 17 January 2025, www.cbo.gov/publication/60870. Accessed 25 March 2025.

Under our methodology of using the June 2024 CBO baseline for detailed FY 2024 federal outlays, interest payments on the debt totaled \$892 billion. When CBO released final numbers for FY 2024 spending in January 2025, revised interest payments totaled \$881 billion.