

Tax & Budget

BULLETIN

No. 56 • April 2009

Number of Federal Subsidy Programs Tops 1,800

by Chris Edwards, Director of Tax Policy Studies, Cato Institute

Federal spending is growing by leaps and bounds. The budget hit \$3.9 trillion this year, double the level of spending just eight years ago. The government is also increasing the *scope* of its activities, intervening in many areas that used to be left to state and local governments, businesses, charities, and individuals.

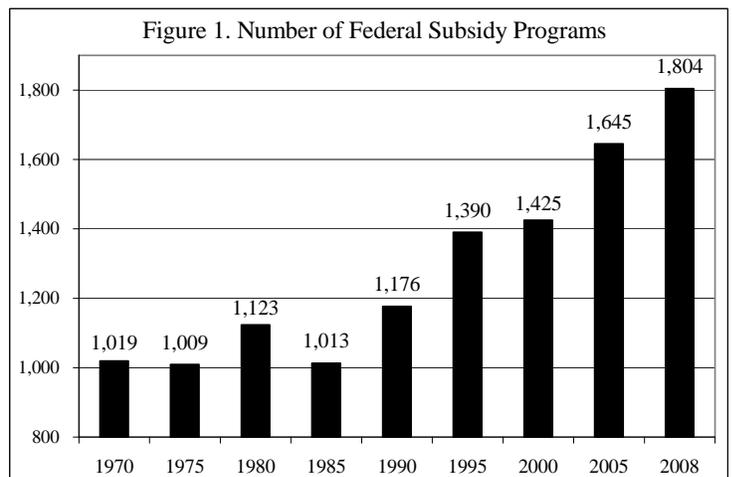
By 2008, there were 1,804 different subsidy programs in the federal budget. Hundreds of programs were added this decade—ranging from a \$62 billion prescription drug plan to a \$1 million anti-drug education grant—and the recent stimulus bill added even more. We are in the midst of the largest federal gold rush since the 1960s.

All aboard the Federal Gravy Train

In recent years, the range of federal control over society has widened as politicians of both parties have supported nationalizing many formerly state, local, and private activities. One measure of the government's rising intervention is the number of programs listed in the *Catalog of Federal Domestic Assistance*.¹ The 2,205-page *CFDA* is an official compilation of all federal aid or subsidy programs, including grants, loans, insurance, scholarships, and other types of benefits.

The *CFDA* was launched in the 1960s after members of Congress realized that they needed a guide to help their constituents access all the new Great Society hand-outs. By 1970, there were 1,019 federal subsidy programs, as shown in Figure 1.² The number of programs grew in the late-1970s, but was cut back in the early 1980s under President Ronald Reagan.

The number of subsidies started expanding again in the late-1980s, but leveled out in the late-1990s as Congress and President Bill Clinton briefly restrained the budget. Alas, all restraint vanished this decade, and the number of subsidy programs has exploded 27 percent with the passing of expansionary laws in agriculture, homeland security, transportation, and other areas.



Source: Author's analysis of the *CFDA*.

Growth in Subsidy Programs by Department

Table 1 shows the growth in subsidy programs by department. There has been a large increase in the number of agriculture programs due to bloated farm bills passed in 2002 and 2008. There have also been large increases in the number of homeland security and justice programs, which subsidize local activities such as firefighting and policing.³ While those are important activities, it would be more efficient if they were funded locally because Congress often steers such funds to projects of dubious quality and little national security relevance.

The table shows that the number of subsidy programs in the Department of Education has changed little, which is surprising because the department's spending has doubled since 2000. It appears that President George W. Bush's education policies imposed new mandates on the states, expanded existing programs, and added a few dozen new programs while also eliminating others.

The *CFDA* does not provide a perfect measure of the number of subsidy programs. For example, a few dozen

Table 1. Subsidy Programs by Department

Department	2000	2008	Change
Agriculture	133	207	74
Commerce	91	89	-2
Defense	40	44	4
Education	151	146	-5
Energy	28	27	-1
Health and Human Services	308	335	27
Homeland Security	36	100	64
Housing and Urban Dev.	104	108	4
Interior	98	186	88
Justice	88	103	15
Labor	45	51	6
State	26	25	-1
Transportation	45	78	33
Treasury	8	6	-2
Veterans Affairs	41	39	-2
All other agencies	183	260	77
Total	1,425	1,804	379

Source: Author's analysis of the *CFDA* .

Department of Interior programs created before 2000 were only added to the *CFDA* this decade, perhaps because of sloppy bookkeeping. However, the program counts for the other departments appear to make sense, and the overall trends are confirmed by other data sources.⁴

Table 1 is a rough guide to where the government is violating federalism—the constitutional principle that the federal government ought not to encroach on activities that are properly state, local, and private concerns. There is little room in the Constitution for the federal government to subsidize state governments, private organizations, or individuals, yet there are large numbers of programs that do just that in areas such as agriculture, education, health, and housing. As a result, state governments are becoming regional divisions of the federal government, businesses and nonprofit groups are becoming tools of the state, and Americans are becoming European in their desire for cradle-to-grave hand-outs.

Table 2 illustrates the broad advance of the welfare state with a sampling of 15 programs added to the *CFDA* since 2000. Each new program costs taxpayers money and spawns bigger bureaucracies. Armies of federal, state, and local administrators are needed to handle program applications, to police eligibility, to calculate funding formulas, and to write stacks of reports that nobody reads. Each program generates fraud and abuse as scam artists claim unjustified benefits, and each program spurs the creation of lobby groups to push for higher spending.

Table 2. Sampling of Subsidies Added since 2000

	Program and <i>CFDA</i> Number	Cost in 2009
1.	Medicare prescription drug benefit (93.770)	\$62,000,000,000
2.	Homeland security grants (97.067)	\$1,040,000,000
3.	Local firefighter staffing grants (97.083)	\$180,500,000
4.	Clean diesel funding assistance (66.039)	\$156,000,000
5.	Healthy marriage promotion (93.086)	\$150,000,000
6.	Community abstinence education (93.010)	\$117,054,000
7.	Education data systems grants (84.372)	\$100,000,000
8.	Small shipyard grants (20.814)	\$98,000,000
9.	Bioenergy fuels grants (10.078)	\$80,000,000
10.	Anti-gang state grants (16.744)	\$45,000,000
11.	Laura Bush librarian program (45.313)	\$26,500,000
12.	Specialty crop block grant (10.170)	\$49,000,000
13.	Senior farmers market program (10.576)	\$22,000,000
14.	EPA community action grants (66.035)	\$2,400,000
15.	Drug-free workplace grants (59.070)	\$990,000

Source: Author, based on the *CFDA*. In some cases, the cost is for 2008.

Weaning Americans from Subsidies

It is very sad that the nation founded on individualism and limited government has more people than ever suckling at the federal subsidy teat. President Barack Obama has proposed a wide range of new subsidies in energy, health care, and other areas. If enacted, they would take America further away from the individual reliance, voluntary charity, and entrepreneurialism that made it so prosperous in the first place.

Americans need to wake up and fight back before the addictive drug of subsidies puts individualism in a permanent coma. People should start using new Internet tools, such as www.usaspending.gov, to research recipients of all these subsidies and complain to Congress about the abuse of their tax dollars.⁵ There is no time to lose for taxpayers to make their voices heard in Washington because the spending increases envisioned by President Obama are truly frightening.

¹ *Catalog of Federal Domestic Assistance* (Washington: Government Printing Office, 2008), www.cfda.gov.

² Most subsidy programs that existed in 1970 were created in the 1960s. Consider, for example, that the Government Accountability Office found that the number of subsidy programs for state and local governments quintupled from 106 in 1960 to 530 by 1970.

³ Note that the 2000 figure for homeland security in Table 1 includes programs that were in predecessor agencies.

⁴ Official data on the number of grants for state and local governments show similar trends as the *CFDA* data.

⁵ Cato is developing www.downsizinggovernment.org as a guide to the unneeded spending in each federal department.