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Number of Federal Subsidy Programs Is Soaring

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The proliferation of special interest spending in the federal budget in recent years has created much waste and corruption. Politicians have helped special interests while helping themselves. But the main problem has not been that politicians have their hands in the cookie jar; it is that the cookie jar has grown so large.

There are 1,696 subsidy programs in the federal budget, which dispense hundreds of billions of dollars annually to state governments, businesses, nonprofit groups, and individuals. The number of subsidy programs is rising rapidly, with a 44 percent increase since 1990.

Government Expands in Size and Scope

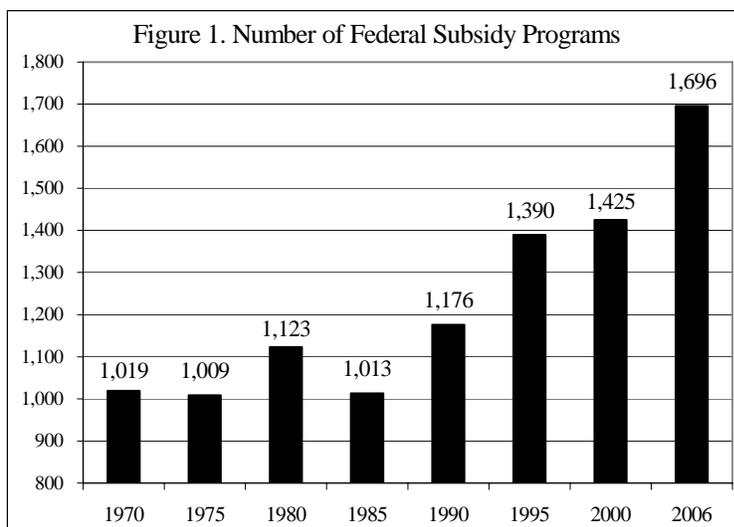
Federal spending, aside from interest, has grown 47 percent since 2001—a huge increase that has been widely critiqued.¹ A related but unexamined trend is the growth in the number of different federal programs. In recent years, the scope of federal control over society has widened as politicians of both parties have favored nationalizing many formerly state, local, and private activities.

To measure the increase in the government's scope, I examined current and prior editions of the *Catalog of Federal Domestic Assistance*.² The 2,437-page *CFDA* provides an official listing of all federal aid (or subsidy) programs, including grants, loans, insurance, scholarships, and other types of cash and noncash benefits.³

Figure 1 shows the number of programs listed in the *CFDA* since 1970. Note that most of the programs that existed in 1970 had been added during the 1960s.⁴ The number of programs increased during the late 1970s but was cut in the early 1980s under President Ronald Reagan, who tried to eliminate programs or consolidate them into block grants.

The number of subsidy programs increased rapidly during the early 1990s, was fairly stable during the late 1990s, but then soared again in recent years. A net 271 new programs have been added since 2000, which is the largest increase in programs since the 1960s.

The *CFDA* does not provide a perfect measure of the number of subsidy programs. The program count may be affected by factors such as changing judgments about what constitutes a distinct “program.” However, data from other sources confirm the general trends evident in Figure 1, including the large program increase since 1990.⁵



Source: Author's analysis of the *CFDA*, 1970 to 2006.

Growth in Subsidy Programs by Department

The number of federal subsidy programs has grown by 520, or 44 percent, since 1990. Table 1 shows that the largest recent increases have been in the Departments of Agriculture, Health and Human Services, Homeland Security, Interior, and Justice. The number of farm programs has soared partly due to the bloated 2002 farm bill. Many Homeland Security programs have been added since 9/11.⁶ That may have made political sense, but it hasn't made much economic or security sense.⁷

The number of programs has been reduced in two areas: energy and education. Interestingly, at the same time there has been a large increase in the number of subsidies

or “incentives” in the tax code in those two areas. For example, the number of energy incentives in the income tax code increased from 9 in 1990 to 26 by 2006.⁸ Also note that spending on those two activities has increased substantially despite the static number of programs—Department of Education outlays have tripled since 1990.

The data in Table 1 provide a rough guide to which government agencies are most in violation of federalism—the constitutional principle that the federal government ought not to encroach on properly state, local, and private activities. As time has passed, more farm crops are receiving federal subsidies, more local police services are being paid for with federal grants, and more cradle-to-grave health services are being created by Congress.

Table 1. Number of Subsidy Programs by Agency

Department or Agency	1990	2000	2006	Change 1990 to 2006
Agriculture	120	133	198	78
Commerce	53	91	86	33
Defense	23	40	40	17
Education	152	151	146	-6
Energy	38	28	27	-11
Health and Human Svcs.	257	308	334	77
Homeland Security	33	36	88	55
Housing and Urban Dev.	81	104	109	28
Interior	46	98	134	88
Justice	41	88	104	63
Labor	37	45	48	11
State	4	26	25	21
Transportation	34	45	64	30
Treasury	5	8	6	1
Veterans Affairs	38	41	39	1
EPA	40	49	94	54
Small Business Admin.	20	16	22	2
All other agencies	154	118	132	-22
Total subsidy programs	1,176	1,425	1,696	520

Source: Author's analysis of the *CFDA*, 1990, 2000, and 2006.

Table 2 provides a sampling of 10 new programs added to the *CFDA* in the past year.⁹ The programs are relatively modest in size but are illustrative of the broad advance of the welfare state under the current Congress and administration.¹⁰ Each new subsidy program comes with complex rules regarding eligibility, funding formulas, reporting requirements, auditing, and other types of paperwork. And each new program spawns interest groups that favor program expansion and politicians who battle to keep the subsidies flowing.

Table 2. A Sampling of New Federal Subsidy Programs

	Program and <i>CFDA</i> Number	Cost in 2006
1.	Healthy marriage promotion (93.086)	\$150,000,000
2.	Safety belt performance grants (20.609)	\$124,500,000
3.	Incentive fund to raise teachers' pay (84.374)	\$99,000,000
4.	Prisoner reentry job search help (17.270)	\$21,000,000
5.	Clean fuels program for city buses (20.529)	\$17,600,000
6.	Specialty crop block grant (10.169)	\$7,000,000
7.	Motorcycle safety education grants (20.612)	\$6,000,000
8.	Environmental justice training grants (66.307)	\$1,000,000
9.	Museum professionals training grants (45.307)	\$982,000
10.	Steps to healthier girls (93.014)	\$60,000

Source: Author, based on the September 2006 *CFDA*, www.cfda.gov.

Conclusions

Most proposals for federal budget reform focus on cutting the growth in overall spending. But reformers also need to focus on eliminating subsidy programs and preventing the creation of new ones—even small programs because they often become big programs over time. The *CFDA* provides hundreds of good targets for policymakers to include in plans to downsize the government and reverse the subsidy explosion of recent years.

¹ Federal outlays without interest increased from \$1.657 trillion in fiscal 2001 to \$2.429 trillion in fiscal 2006.

² *CFDA* data for 2006 is based on a September analysis of the online edition at www.cfda.gov. Older editions are available in hardcopy at selected libraries. Research assistance was provided by Emmanuel Caudillo.

³ Note that the *CFDA* does not include federal procurement.

⁴ The *CFDA* listed 263 programs when first published in 1965 and 459 in the second edition of 1967. Since the *CFDA* had just been established, those editions may have undercounted the number of programs. However, it is clear that subsidy programs were added at an explosive rate during the 1960s. The Governmental Accountability Office has reported, for example, that the number of federal grant programs for state and local governments roughly quintupled from 106 in 1960 to 530 in 1970. See GAO, GGD-75-75, August 19, 1975, p. 4.

⁵ Office of Management and Budget data on the number of grant programs for state and local governments show cuts in the early 1980s and rapid growth in the early 1990s and 2000s.

⁶ The 1990 and 2000 totals for homeland security in Table 1 include the programs that were in predecessor agencies.

⁷ Many of the new security grant programs have become vehicles for pork spending in areas with low security risks. Because of the bureaucracy and misallocation that occur with all federal grants, it is better to let each state fund its own security projects.

⁸ According to OMB's listing of “tax expenditures.”

⁹ Note that there can be lags of a number of years between when a new program is enacted and when it appears in the *CFDA*.

¹⁰ The largest subsidy program added recently is the Medicare drug benefit, which will cost about \$70 billion in fiscal 2007.