

Nine Subsidyscope Charts for Nine Economic Sectors

Subsidyscope makes data and information on federal spending and subsidies more accessible to policy makers and the public. It presents the data across nine economic sectors, including agriculture; education; energy; health; housing; national defense; natural resources and environment; science, space, and technology; and transportation. Within each sector the data are presented in four categories: grants, tax expenditures, risk transfers, and non-competed contracts.

The following charts illustrate the various forms of government spending across Subsidyscope's economic sectors and spending types, the magnitude of that spending, as well as total government exposure through loans and loan guarantees, using fiscal year (FY) 2010 data.

Grants and contracts data are primarily from USAspending.gov, tax expenditure data are from the U.S. Department of the Treasury as presented in the Budget of the U.S. Government, and data on loans and loan guarantees are from the Federal Credit Supplement.



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What is a grant?

Grants are a form of direct expenditure that fund the most visible and recognizable type of government activity. Generally, a grant can be defined as a payment from a government to a recipient organization, typically public or nonprofit, or an individual, to support or stimulate a particular activity.¹ The main types of grants that fall within Subsidyscope's sectors, as defined by the Catalog of Federal Domestic Assistance (CFDA), are formula grants (e.g., Medicaid), project grants (e.g., Head Start), and direct payments for a specified use (e.g., Section 8 Housing Assistance).² Subsidyscope's methodology does not include grants administered in a foreign capacity. Grants data are primarily from USAspending.gov.

What are tax expenditures?

Tax expenditures are government revenue losses resulting from provisions in the tax code that allow a taxpayer or business to reduce his or her tax liability by taking certain deductions, exemptions, exclusions, preferential rates, deferrals, or credits. As such they represent government spending through the tax code. The costs of tax expenditures are estimated by two government entities: the U.S. Department of the Treasury, which is in the executive branch, and the nonpartisan staff of the Joint Committee on Taxation, a congressional committee. Each uses different methods and formats for calculating and presenting its estimates (see this Subsidyscope [Methodology](#) page for more detail). Subsidyscope presents both estimates in its [Tax Expenditure Database](#). The Treasury estimates presented by the Office of Management and Budget are used for this analysis.

¹ Lester M. Salamon, *The Tools of Government: A Guide to the New Governance* (Oxford University Press, 2002), p. 341.

² Subsidyscope's definition of grants is general in nature and includes all programs designated federal assistance types "A" through "D" and types "H" through "M" in the Catalog of Federal Domestic Assistance (CFDA).

³ Subsidyscope analysis of data from the [Federal Credit Supplement \(FCS\) FY 2010](#). Congressional Budget Office (CBO), "[Subsidy Estimates for Direct and Guaranteed Student Loans](#)," (November 2005), p. 9.

What is a risk transfer?

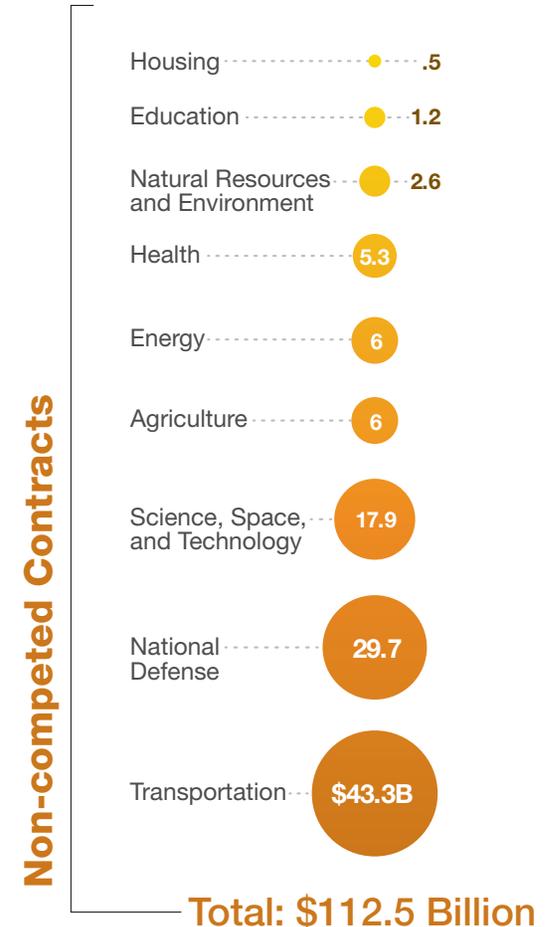
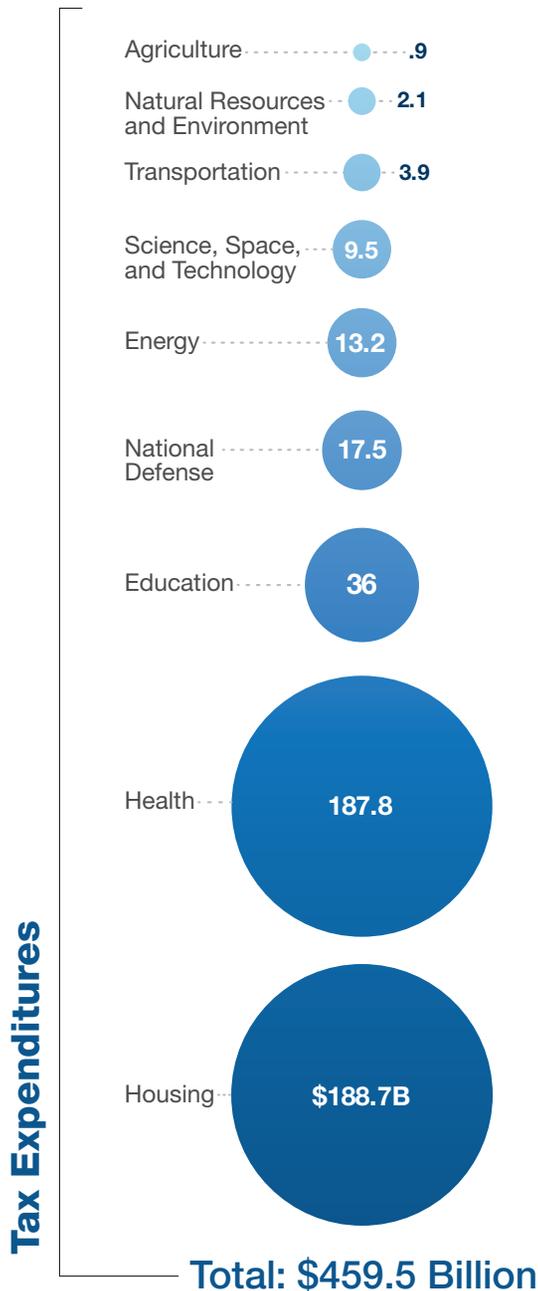
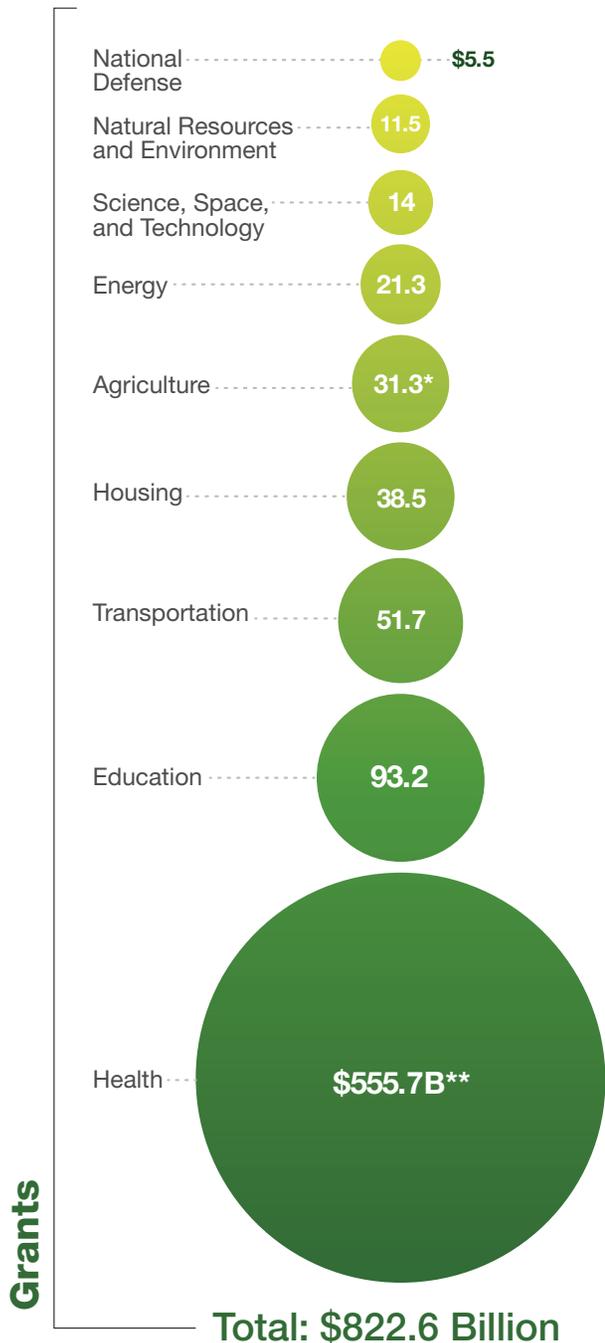
A risk transfer program transfers some or all of the financial risk of an economic activity (such as borrowing money to go to college or buying a house) from a private entity to the federal government, and thus reduces the risk of undertaking that activity. The two main forms of risk transfers analyzed by Subsidyscope are loans and loan guarantees. In the case of loans, the government lends money directly to the borrower and services the loan by collecting repayments. When the government offers direct loans at below market interest rates, or with terms more generous than what private markets would provide, this constitutes a subsidy. In the case of a government loan guarantee, a private lender disburses the loan to the borrower, and the government acts as the guarantor of the loan by agreeing to make payments should the borrower fail to do so. Such a guarantee often allows a borrower to secure a loan at a lower interest rate than could otherwise be obtained.

The total amount of loans illustrates the extent of the government's role in the sector (the amount of loans disbursed or authorized), but the total does not measure the subsidy costs that ultimately will be incurred. The subsidy cost of these loan commitments is uncertain, as most are projected to be repaid by the borrowers and some federal sources project they may result in a profit to the government.³ (For more information, see [Subsidyscope's description](#) of how the costs of loans and loan guarantees are calculated.) Other forms of risk transfers, such as insurance programs, are not included in this analysis. Data on loans and loan guarantees are from the Federal Credit Supplement.

What are non-competed contracts?

Subsidyscope's definition of "non-competed contracts" includes contracts that are not subject to an open bidding process. See [Subsidyscope's methodology](#) for more information on the difference between competed and non-competed contracts. Contracts data are from USAspending.gov.

FEDERAL SPENDING TYPES AND MAGNITUDE



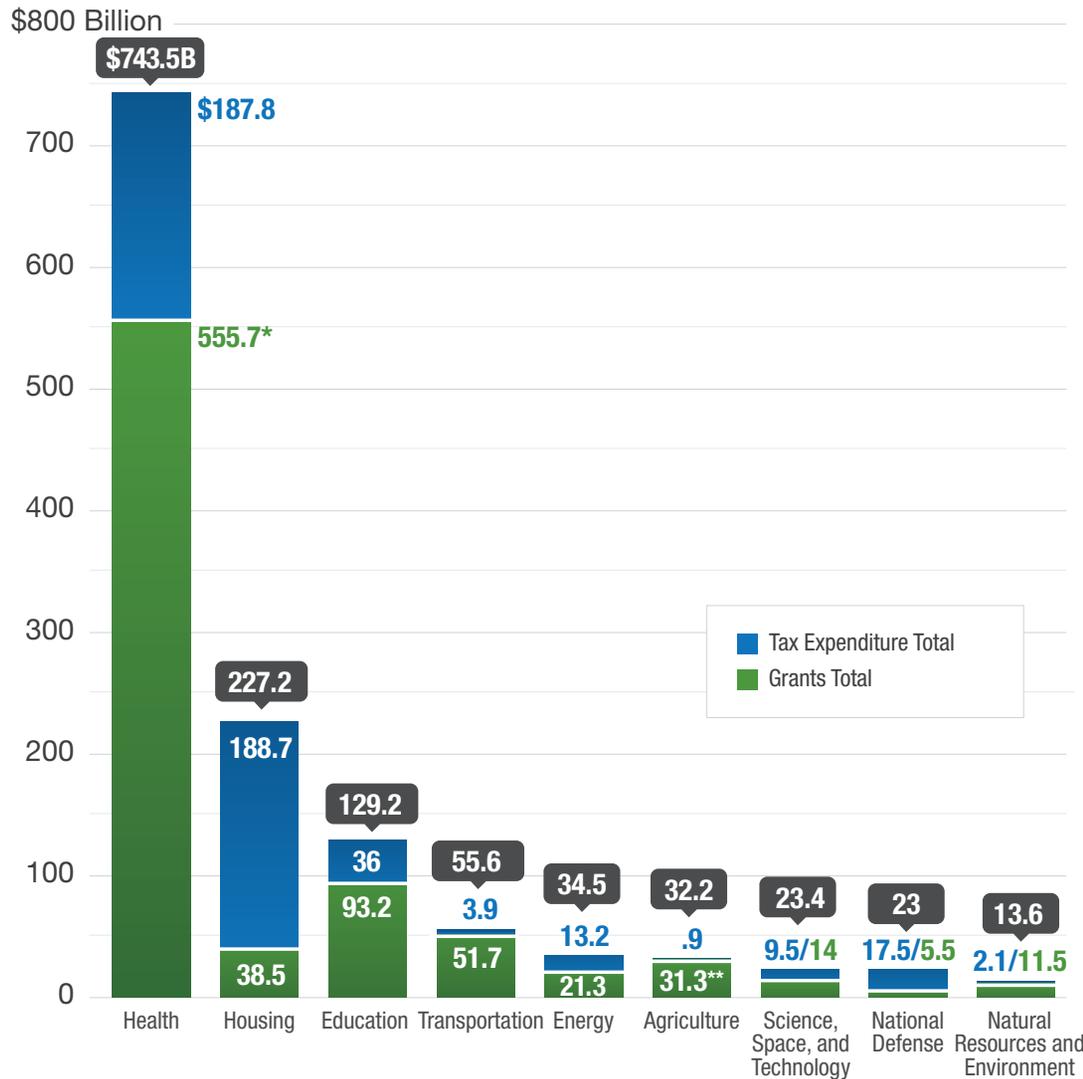
* Subsidyscope has found other data sources suggesting that the Supplemental Nutrition Assistance Program in the agriculture sector is underreported for FY2010 in USAspending.gov.

** Subsidyscope has found other data sources suggesting that several of the grant programs contributing to the health sector total are underreported for FY2010 in USAspending.gov. The health sector is still the largest sector analyzed.

NOTE: \$ in Billions. Numbers may not add up to totals because of rounding.

SOURCES: Grants and Non-competed Contracts: Pew-Subsidyscope analysis of FY2010 data from USAspending.gov. Tax Expenditures: Pew-Subsidyscope analysis of FY2010 data from the Office of Management and Budget. FY2012 Budget of the U.S. Government, Analytical Perspectives.

ADDING TAX EXPENDITURES TO GRANTS CHANGES LANDSCAPE OF FEDERAL SUPPORT



NOTE: Numbers may not add up to totals because of rounding.

SOURCES: Grants: Pew-Subsidyscope analysis of FY2010 data from USA Spending.gov. Tax Expenditures: Pew-Subsidyscope analysis of FY2010 data from the Office of Management and Budget. FY2012 Budget of the U.S. Government, Analytical Perspectives.

Some economic sectors are more heavily subsidized than others, and further, some sectors receive more support through the tax code than through grants. The health sector receives the most grants and tax expenditures, totaling \$743.5 billion in fiscal year 2010. But

while health is primarily supported through grants, housing, which receives less overall support, is primarily supported through the tax code. Housing and national defense are the only two sectors analyzed that have more tax expenditures than grants.

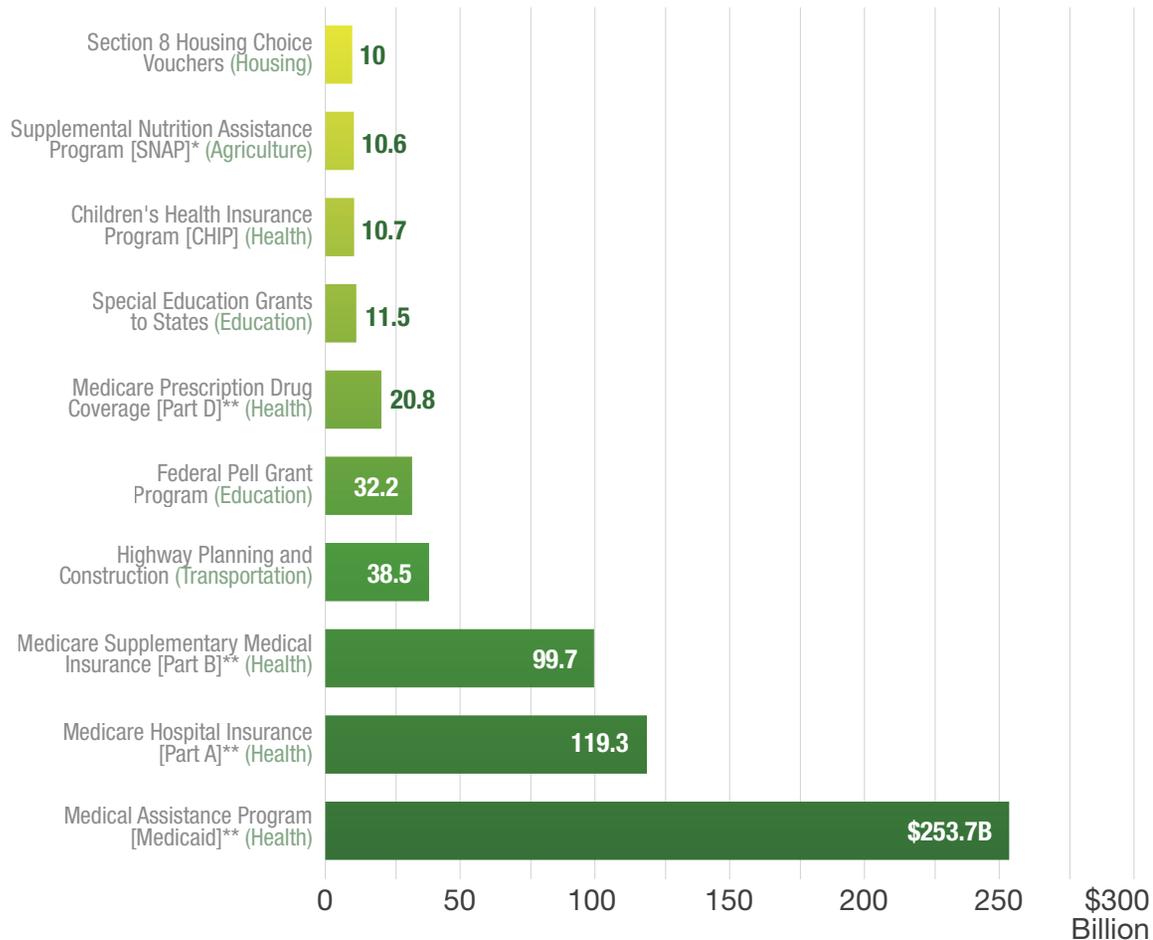
Why does Subsidyscope compare and add tax expenditures to grants?

Tax expenditures and grants are both types of government spending—conveyed through the tax code and the federal budget, respectively. Many government purposes can be achieved equally well by grants, which count as spending, and by tax expenditures, which are foregone revenues, and both have similar effects on the federal deficit. Moreover, these two approaches can be nearly indistinguishable to private recipients. For instance, if the government wants to encourage people to buy solar panels for their homes, it can either send checks or offer tax breaks to those who buy the panels. Because tax expenditures are similar to grants both in their budgetary cost and in their economic effects, they can fairly be compared and added together.

* Subsidyscope has found other data sources suggesting that several of the grant programs contributing to the health sector total are underreported for FY2010 in USA Spending.gov. The health sector is still the largest sector analyzed.

** Subsidyscope has found other data sources suggesting that the Supplemental Nutrition Assistance Program in the agriculture sector is underreported for FY2010 in USA Spending.gov.

FIVE OF 10 LARGEST GRANTS ARE IN HEALTH SECTOR



NOTE: Numbers may not add up to totals because of rounding. Does not include grants administered in a foreign capacity.

SOURCE: Pew-Subsidyscope analysis of FY2010 data from USAspending.gov.

* Subsidyscope has found other data sources suggesting that the Supplemental Nutrition Assistance Program in the agriculture sector is underreported for FY2010 in USAspending.gov.

** Subsidyscope has found other data sources suggesting that several of the grant programs contributing to the health sector total are underreported for FY2010 in USAspending.gov. The health sector is still the largest sector analyzed.

Analyzing the largest grant programs across all of Subsidyscope's nine sectors reveals further detail about the size and scope of federal grants spending by sector. First, grant programs in the health sector comprise five of the top 10 grant programs analyzed. Medicaid spending was, by far, the largest of all grant programs, totaling \$253.7 billion in FY2010.

Second, looking across specific programs, Subsidyscope found that different data sources provide different spending estimates. For example, the second largest grant program, Medicare Hospital Insurance (Part A), is reported to be \$119.3 billion in USAspending.gov for FY2010, while the Catalog for Federal Domestic Assistance (CFDA) provides an estimate for the same year of \$245.3 billion, or a difference of \$126 billion. Although these estimates differ greatly; the rankings of the largest grant programs do not change. For example, Medicaid is still the single largest federal grant program in both data sets.⁴ Likewise Medicare Part A and Medicare Part B, the second and third largest programs, respectively, remain ranked in the same order using both data sources.⁵ Using the CFDA estimate for the Supplemental Nutrition Assistance Program (SNAP) in

the agriculture sector, however, would make it the fifth largest grant program studied by Subsidyscope, rather than the ninth largest, as presented in this chart.⁶

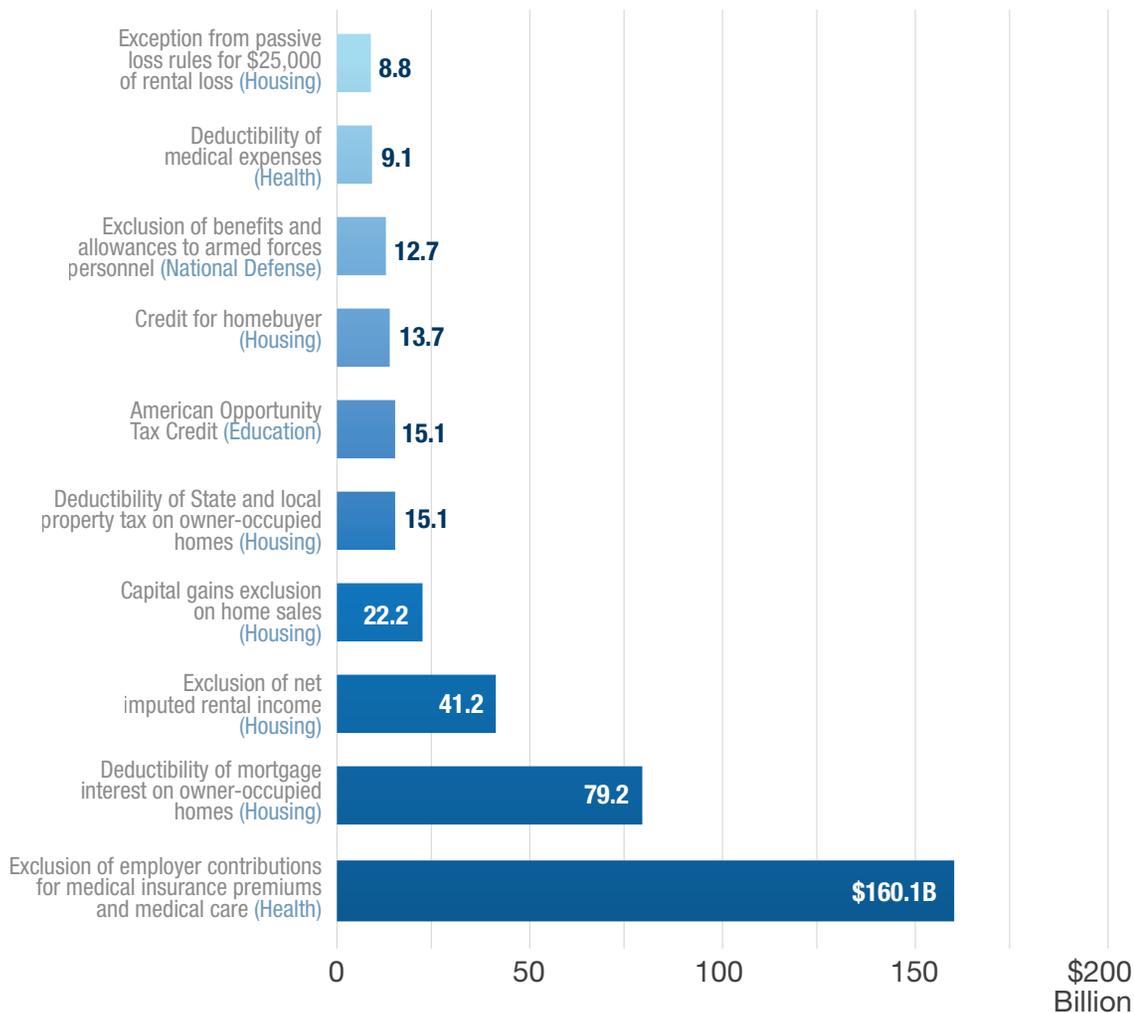
Further, the largest grants in four of the nine sectors studied do not make it onto the list of the top 10 grants. These are the Low-Income Home Energy Assistance Program in the energy sector, reported by USAspending.gov to be \$5.1 billion in FY 2010; the Broadband Technology Opportunities Program (BTOP) in the science, space, and technology sector, is reported to be \$4.0 billion in FY2010; the Conservation Reserve Program in the natural resources and the environment sector, is reported to be \$2.1 billion in FY2010; and the National Guard Military Operations and Maintenance (O&M) Projects in the defense sector, is reported to be \$1.4 billion in FY2010.

⁴ As currently reported by USAspending.gov, Medicaid totals \$254 billion in FY2010, while the CFDA reports \$290 billion for that same year.

⁵ As currently reported in USAspending.gov, Medicare Part B totals \$99.7 billion and Medicare Part D totals \$20.8 billion in FY 2010. However, the CFDA reports Medicare spending for Part B at \$209.8 billion and Part D at \$59.3 billion in FY 2010.

⁶ As currently reported by USAspending.gov, SNAP totals \$10.6 billion in FY 2010, while the CFDA reports \$54.4 billion for that same year.

SIX OF 10 LARGEST TAX EXPENDITURES ARE FOUND IN HOUSING SECTOR; SINGLE LARGEST IN HEALTH



NOTE: This chart does not include tax expenditures in the tax code that were not captured in Subsidyscope's nine economic sectors (for example, the tax-preferred contributions to 401(k) plans).

SOURCE: Pew-Subsidyscope analysis of FY2010 data from the Office of Management and Budget. FY2012 Budget of the U.S. Government, Analytical Perspectives.

Analyzing the largest tax expenditures across all of Subsidyscope's sectors reveals details about the size and scope of federal spending through the tax code.⁷ The health sector tax expenditure for the Exclusion for employer-paid health insurance premiums and other medical expenses is the largest tax expenditure; its estimated revenue loss in FY2010 is more than double the next largest tax expenditure. The housing sector holds the second largest tax expenditure, the Mortgage interest deduction. Tax expenditures in this sector comprise six of the top 10 tax expenditures studied by Subsidyscope.

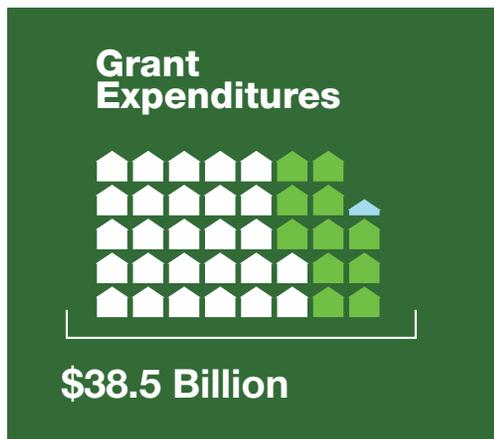
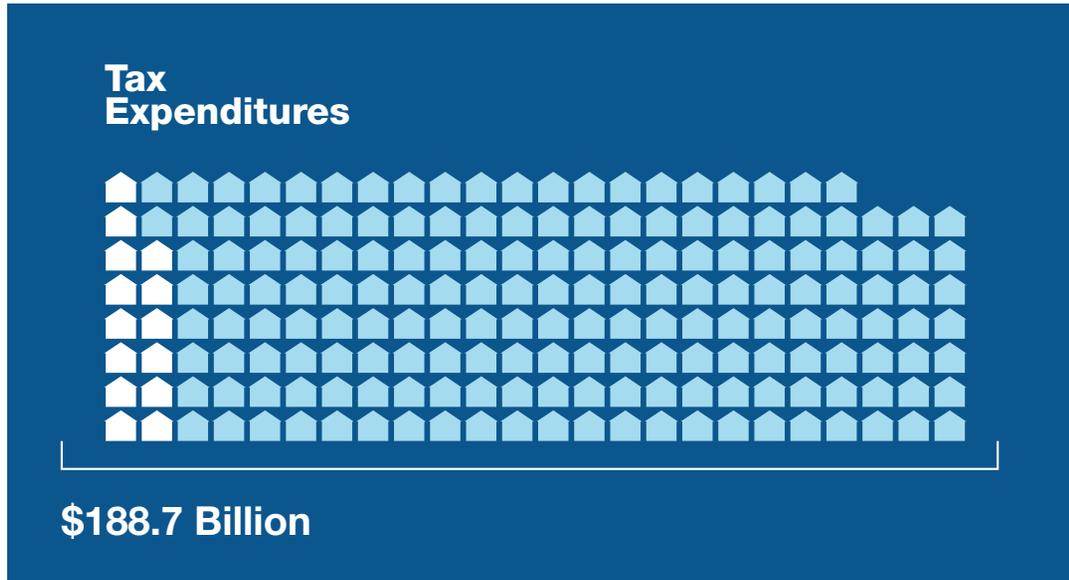
Further, the largest tax expenditures in five of Subsidyscope's sectors did not make it into the list of the top 10 tax expenditures studied. These tax expenditures include: the Credit for increasing research activities in the science, space, and technology sector, with an estimated revenue loss of \$5.9 billion in FY2010; Payments for specified energy property in lieu of tax credits⁸ in the energy sector, estimated at \$4.2 billion

in FY2010; the Exclusion of reimbursed employee parking expenses in the transportation sector, with an estimated revenue loss of \$3 billion in FY2010; the Excess percentage over cost depletion of nonfuel minerals in the natural resources and environment sector, estimated to result in a revenue loss of \$0.8 billion in FY2010; and finally, the Capital gains treatment of certain income in the agriculture sector, with an estimated revenue loss of \$0.5 billion in FY2010.

⁷ This analysis does not include tax expenditures in the tax code that were not captured in our nine economic sectors (for example, the tax-preferred contributions to 401(k) plans).

⁸ This program is not a typical tax expenditure but is estimated in a footnote of the Tax Expenditure Budget in [Analytical Perspectives](#) (see p. 245).

GRANTS LARGELY SUPPORT RENTAL ASSISTANCE; TAX EXPENDITURES PRIMARILY SUPPORT HOMEOWNERSHIP



(🏠 = \$1 Billion)

- 🏠 Rental
- 🏠 Homeownership
- 🏠 Mix of Rental and Homeownership

Through its use of subsidies, the federal government aims to reduce the cost of producing, purchasing, or renting housing. When grants and tax expenditures are added together, the housing sector is the second largest sector.

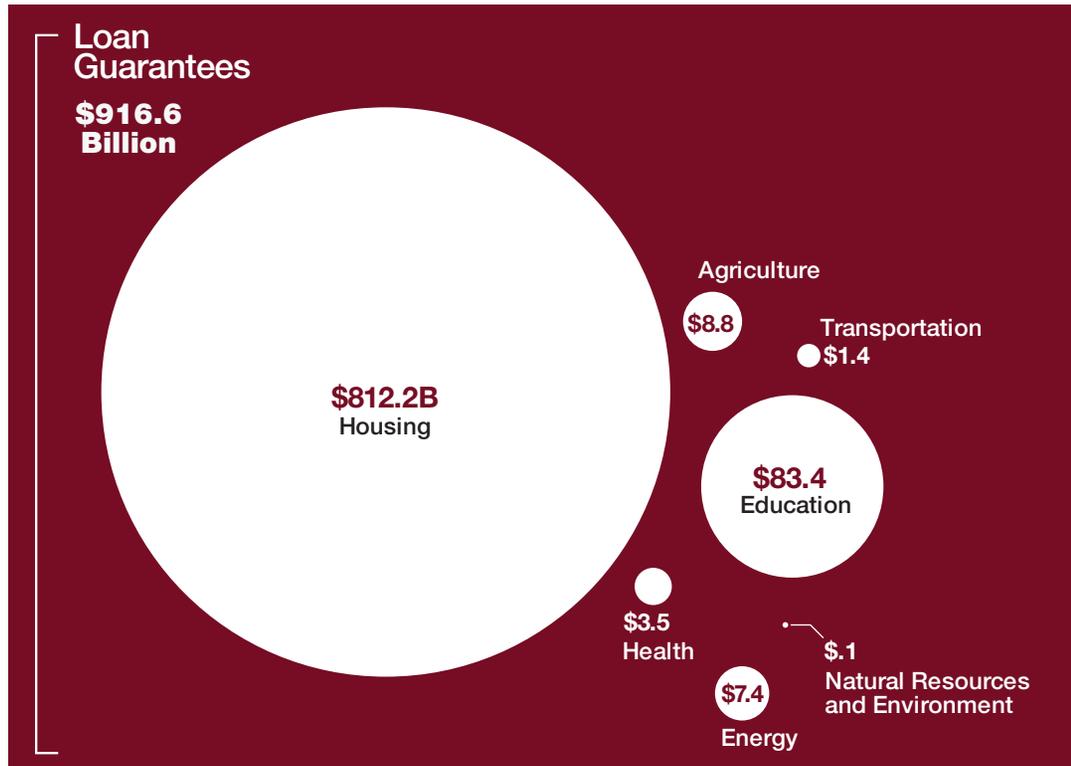
The government's housing activities can be further categorized into those that support rental housing and those that support homeownership. Federal support for rental activities is conveyed primarily through grant programs, while support for homeownership is conveyed largely through the tax code and other avenues (such as loans and loan guarantees; see Chart vi).

Of the \$188.7 billion in housing tax expenditures in FY 2010, about 7 percent (\$14 billion) were for rental activities. By contrast, about 70 percent (\$27.0 billion) of the \$38.5 billion in housing grants were for rental activities. The remaining funding for housing grants was for programs that support homeownership, or a mix of homeownership and rental

activities. Overall, most of the federal government's support for housing is directed toward homeownership activities; 77 percent of the \$227.1 billion in combined grants and tax expenditures supported these activities in FY2010—primarily through the Mortgage interest deduction.

SOURCES: Grants: Pew-Subsidyscope analysis of FY2010 data from USAspending.gov. Tax Expenditures: Pew-Subsidyscope analysis of FY2010 data from the Office of Management and Budget. FY2012 Budget of the U.S. Government, Analytical Perspectives.

FEDERAL LOANS AND LOAN GUARANTEES PREDOMINANTLY SUPPORT HOUSING AND EDUCATION



The majority of loan guarantees is in the housing sector, with a total value almost 10 times greater than that of the next largest sector, education. The education sector, however, has the largest

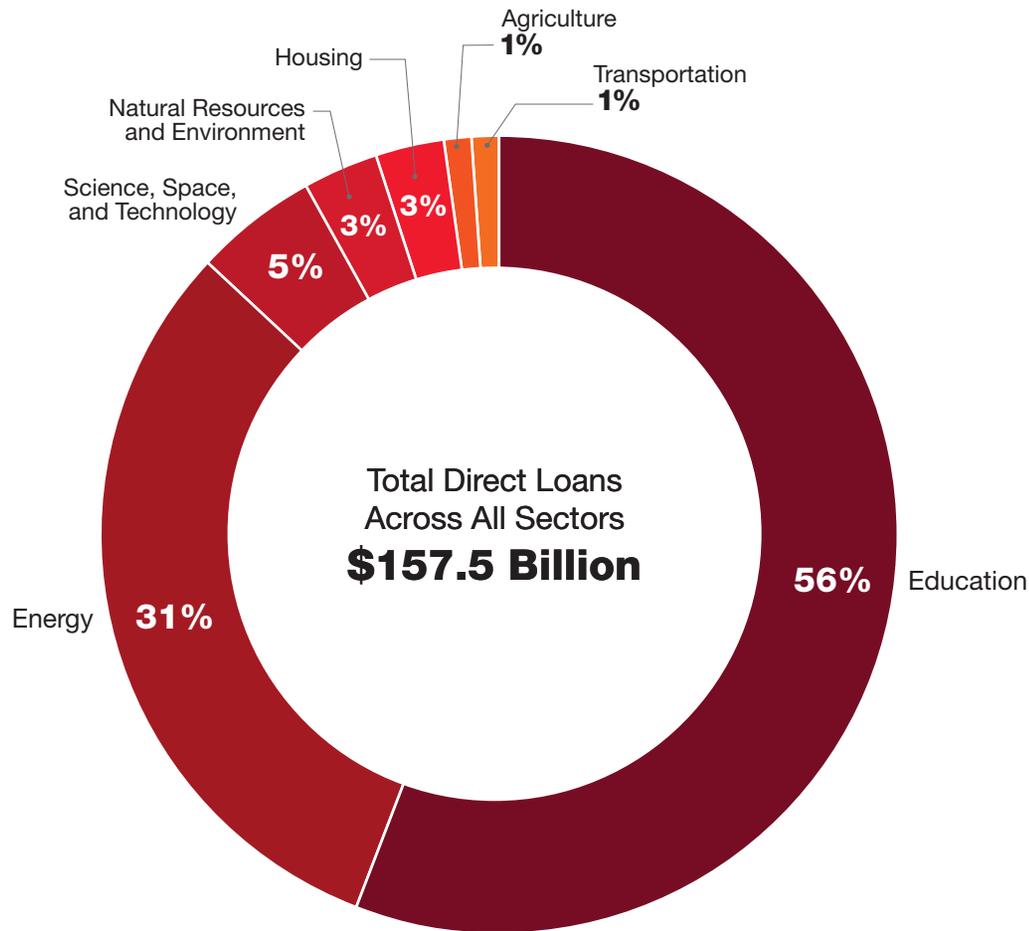
total of direct loans, with \$87.8 billion obligated in FY2010. The total amount of loan guarantees backed by the government is more than five times the amount of funds obligated in direct loans.

In FY2010, the federal government committed \$812.2 billion in loan guarantees through 28 housing sector programs; this volume includes guarantees of securities backed by mortgages on single- and multi-family homes already carrying a federal guarantee. Estimates of loan guarantees in the housing sector have increased dramatically over the past few years, due to the unprecedented steps taken by the federal government in the wake of the housing crisis. For more information on specific actions that contribute to this total, see Subsidyscope's analysis of risk transfers in the housing sector [here](#).

NOTES: There are no loan guarantee programs identified in the Supplement (FCS) for the science, space, and technology or national defense sectors for FY2010. There also are no loan programs identified in the FCS for the health or national defense sectors for FY2010.

SOURCE: Pew-Subsidyscope analysis of data from the FCS. FY2010 loan figures are from the FCS FY2011, Table 1. FY2010 loan guarantee figures are from the FCS FY2011, Table 2.

MOST FEDERAL LOANS IN EDUCATION AND ENERGY SECTORS



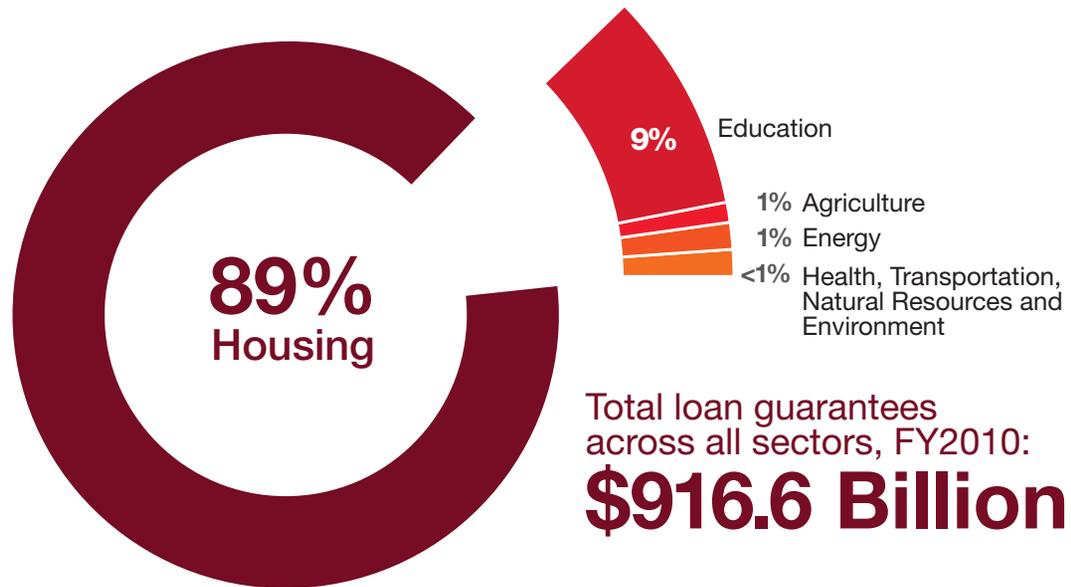
More loans are provided through the education sector than any other. Loans in that sector totaled \$87.8 billion, approximately 56 percent of the \$157.5 billion in loans provided across all nine economic sectors. These loans covered various types of student loans, such as Stafford loans, which broaden access to credit markets for students.

The energy sector contained the second largest number of loans, with \$48.4 billion in loans, about half of the amount of education loans. These loans were administered by the U.S. Department of Energy to promote advanced technology vehicles and energy efficiency through innovative technologies and by the U.S. Department of Agriculture, for the purpose of improving electricity transmission in rural areas. The energy sector's loans made up 31 percent of all loans in the nine sectors in FY2010.

NOTE: There are no loan programs identified in the Federal Credit Supplement (FCS) for the health or national defense sectors for FY2010.

SOURCE: Pew-Subsidyscope analysis of data from the FCS. FY2010 loan figures are from the FCS FY2011, Table 1.

MAJORITY OF FEDERAL LOAN GUARANTEES ARE IN HOUSING SECTOR



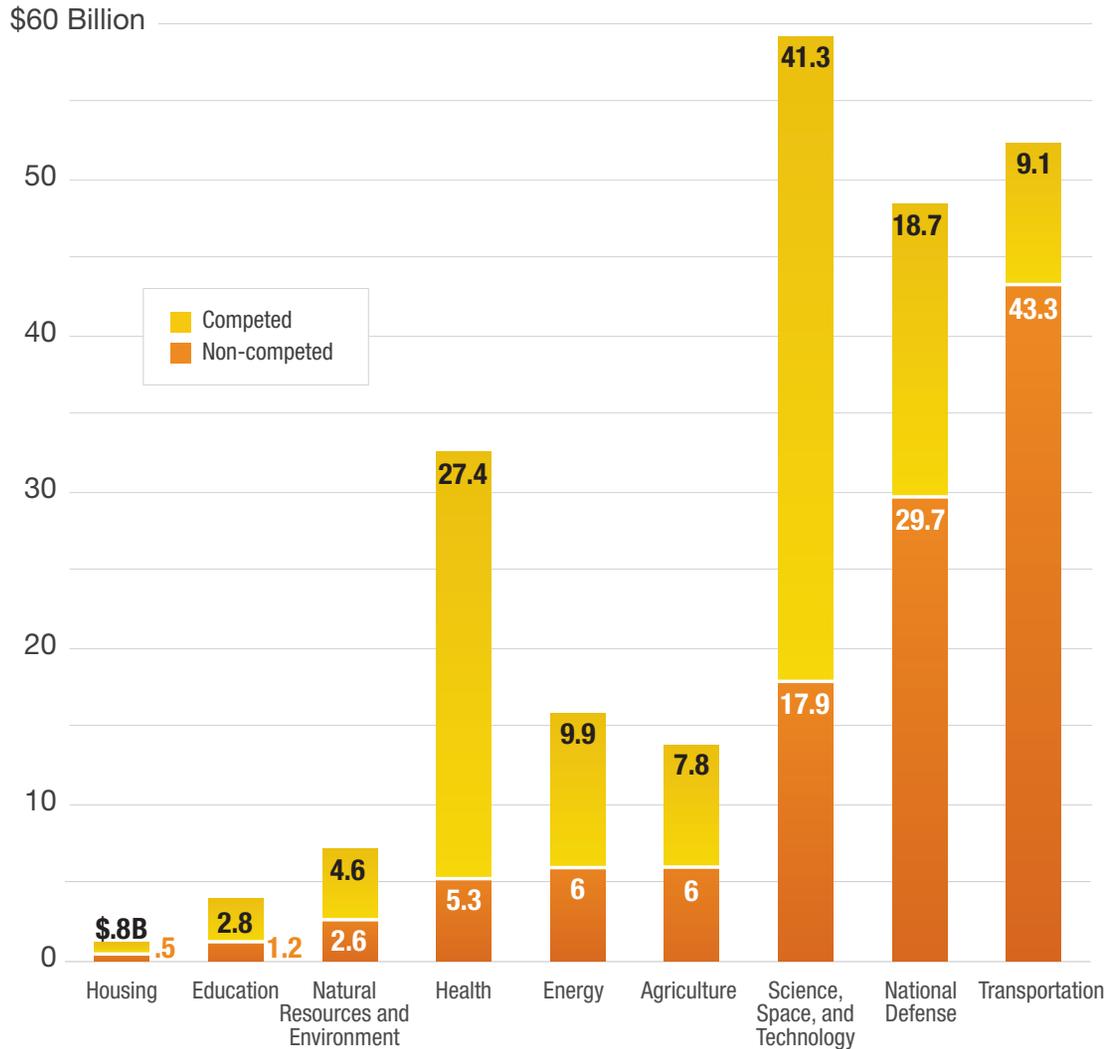
Across Subsidyscope's nine sectors, the sector with the largest total of loan guarantees is housing. In fact, 89 percent of all loan guarantees are in that sector. Housing-related activities in the United States are supported by federal government programs that, directly or indirectly, facilitate and broaden access to mortgage markets. Through such risk transfers, the government has made a large financial commitment to housing. In FY2010, federal agencies issued guarantees totaling \$812.2 billion in loans for housing-related activities; in some cases this includes guarantees of securities backed by mortgages already carrying a federal guarantee.

The sector with the second largest amount of loan guarantees is the education sector, though this sector's total loan guarantees were nearly 10 times smaller than the housing sector's total. In FY 2010, \$83.4 billion worth of loans in this sector were backed by the government. As with direct loans in the sector, these loan guarantees covered various types of student loans, such as Stafford loans.

NOTE: There are no loan guarantee programs identified in the Federal Credit Supplement (FCS) for the science, space, and technology or national defense sectors for FY2010. In FY2010, the federal government committed \$812.2 billion in loan guarantees through 28 housing sector programs; this volume includes guarantees of securities backed by mortgages on single- and multi-family homes already carrying a federal guarantee. Estimates of loan guarantees in the housing sector have increased dramatically over the past few years, due to the unprecedented steps taken by the federal government in the wake of the housing crisis. For more information on specific actions that contribute to this total, see Subsidyscope's analysis of risk transfers in the housing sector [here](#).

SOURCE: Pew-Subsidyscope analysis of data from the FCS. FY2010 loan guarantee figures are from the FCS FY2011, Table 2.

TRANSPORTATION AND DEFENSE SECTORS USE NON-COMPETED CONTRACTS MORE THAN OTHER SECTORS



SOURCE: Pew-Subsidyscope analysis of FY2010 data from USAspending.gov.

Subsidyscope found that the transportation and national defense sectors had the highest percentage of non-competed contracts relative to competed contracts, with transportation totaling \$43.3 billion in non-competed contracts and national defense totaling \$29.7 billion in FY2010.

The federal government relies on contracts to supply a wide range of goods and services for a variety of purposes. Contracts differ from other direct expenditures, such as grants, because the government receives a direct benefit from fulfillment of the contract.

A subsidy generally occurs when the government pays more than fair market value for a good or service. Subsidyscope does not attempt to determine which contracts have a subsidy component or measure what that component may be. Subsidyscope does presume, however, that competed contracts—contracts that are subject to an open bidding

process—generally do not have a large subsidy component, even though the bidding process may include certain preferences. For example, federal procurement rules explicitly favor certain types of goods, such as recycled paper, and certain types of businesses, such as minority-owned businesses.

Thus, the focus is on contracts that are not competed. This does not mean non-competed contracts necessarily contain a significant subsidy, but they are more likely to do so. Under federal contracting law, non-competed contracts are allowed in a variety of cases. For example, in cases where there is a national interest in maintaining a specific industrial base, the government may enter into a non-competed contract with a supplier of a specific good to ensure that good is available for production in the case of a national emergency.⁹

⁹ Kate M. Manuel, "Competition in Federal Contracting: An Overview of the Legal Requirements," (Congressional Research Service, June 30, 2011), p. 11.

Subsidyscope's national defense sector contains spending on explicit defense-related materiel, but not overall U.S. Department of Defense (DOD) spending. DOD spending tends to cut across multiple economic sectors, making Subsidyscope's definition of the defense sector a unique subset of spending on likely subsidies through defense contracts. For example, a contract for jet fuel will have been captured under the energy sector, even when the fuel was procured by DOD. Additionally, several DOD agencies generally are exempt from reporting procurement data. For more information, see Subsidyscope's analysis of direct expenditures in the defense sector [here](#).



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