

Pew Study: Federal Government Spends More on Housing Sector Than Energy, Transportation and Nonprofit Sectors Combined

\$244 Billion Spent on Grants & Tax Expenditures, Equaling \$2,085 per U.S. Household in FY 2009

WASHINGTON – The federal government spent about \$244 billion on housing-related grants and tax expenditures in fiscal year 2009, or roughly \$2,085 per household, according to a new study by Pew’s Subsidyscope project. By contrast, the government devoted a per household average of \$212 to the energy sector (FY 2009), \$400 to the transportation sector (FY 2008) and \$429 to the nonprofit sector (FY 2008).

These figures do not include subsidy cost estimates for housing loans and guarantee programs because they are uncertain and likely underestimates. Nor do they include substantial liabilities the government assumed when it took over Fannie Mae and Freddie Mac because of the wide range of estimates measuring the total cost to the taxpayer.

“Not surprisingly, housing subsidies are a key component of the federal debate on how to reduce the debt and the deficit,” said Subsidyscope project manager, Lori Metcalf. “With billions of dollars going to this sector, it is important that legislators have data to understand this spending.”

Subsidyscope illuminates the budgetary implications of these programs; however, any use of these data for policy evaluation must weigh those costs against the benefits they provide.

The new Pew study illustrates Washington’s extensive involvement in the housing sector and provides details that are not compiled anywhere else. Seventy percent (\$171 billion) of the total spending of \$244 billion went to programs that support homeownership. Twenty-four percent (\$58 billion) went to rental housing programs and 6 percent went to programs that support both.

The federal government funds homeownership primarily through the tax code, while rental housing is mostly supported through grants. The study shows that the largest tax subsidy for homeownership is the mortgage interest deduction, which totaled \$79.4 billion in FY 2009. By contrast, the largest federal program for rental housing is the Section 8 voucher program, which cost \$16.3 billion in FY 2009.

Subsidyscope uses federal data to populate searchable databases that enable users to query grant or contract information within each sector, including the housing sector. The databases include information going back to FY 2000 and contain some stimulus funding data. However, due to significant gaps in federal data, the estimated size and scope of the total federal subsidy to the sector may be conservative.

The project releases spending and subsidy information as each sector is analyzed. Over the next several months, the project plans to release additional sectors, including health care, agriculture and defense. The housing, energy, transportation and nonprofit databases, as well the Tax Expenditure Database that presents estimates from the Department of Treasury and the Joint Committee on Taxation, are available at www.subsidyscope.org.

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