

# The federal budget and the states — fiscal year 2005 and 2008

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## Executive Summary

### 1. History and Importance of the FISC Report

Former New York Senator Daniel Patrick Moynihan developed the first FISC Report in 1977 because as he observed, "you never know much about a subject until you can measure what you are speaking about, and express it in numbers." Since then, the FISC Report has become a standardized basis for discussion of the financial flows between the Federal Government and the states. In so doing, Senator Moynihan hoped that an accurate understanding of the flow of funds between the Federal Government and New York would help correct an inequitable system of resource allocation from the Federal Government to the states.

The transfer of taxes from the states to the Federal Government aggregated in the FISC Report data include: individual income tax; corporate income tax; estate and gift taxes; employment taxes; Social Security taxes; and, excise taxes. The report then examines payments from the Federal Treasury to: state and local governments; federal employee salaries and wages; individuals (Social Security retirement and disability payments); government procurement and contractors; and, grants and other distributions. The relationship between these two categories is primary to the balance of payments analysis.

The importance of understanding the financial flows, or balance of payments between the Federal Government and the states, is that balance of payments can influence a state's economy. A balance of payment deficit, as is the case between New York State and the Federal Government can stimulate an economic decline if the balance of payment deficit is continuous and persistent, as it has been between New York State and the Federal Government.

Furthermore, while most would argue that differences in tax burdens between high wealth/high tax states and low wealth/low tax states are the root cause for the balance of payment difference, the following analysis in this report indicates that it is the allocation of federal expenditures that contribute more to the regional and state balance of payment differential.

Since the first FISC Report encouraged discussion about the relationship between the Federal Government and the states, the discussion returns to the initial tenets envisioned by Senator Moynihan:

- (1) The Federal Government should know what it is doing to the economy of New York; and,
- (2) The unintended consequences of Federal Government fiscal policies should be raised to the level of consciousness and either embraced or eliminated.

### 2. Data Sources and Methodology

#### Federal Expenditure Data Sources

The Fiscal Year 2008 federal expenditure data is derived from the U.S. Department of Commerce, Bureau of the Census Annual Report: Consolidated Federal Funds Report: 2008 CFFR. The CFFR contains both obligated funds and actual expenditures. Obligated funds are represented by grants and procurement data, while salaries, wages, and direct payments represent actual expenditures.

#### Regional Tax Data and Consumer Price Index

Data compiled by the Tax Foundation, illustrating the relationship of revenue flowing between the states and the Federal Government, was used in this report. The Tax Foundation, which has been analyzing federal revenues and expenditures, adjusts the income, payroll, and corporate income tax data as reported by the Internal Revenue Service, in part, on the basis of taxpayers' places of residence.

This report focuses on the relationship between federal revenues and expenditures between Fiscal Years 1995-2005, with particular attention paid to Fiscal Year 2005, which is the most recent data available from the Tax Foundation. The presented data is further adjusted to 2005 dollars by using the Consumer Price Index (CPI) set by the U.S. Bureau of Labor and Statistics.

#### Personal Income Data and Cost of Living Index

Unadjusted personal income data was obtained from the Research Report, Regional Price Parities Comparing Price Level Differences Across Geographic Areas. The report was a joint project between the U.S. Bureau of Labor and Statistics (BLS) and the U.S. Bureau of Economic Analysis (BEA). The report issued in November 2008 employs raw personal income data obtained through the U.S. Bureau of the Census and adjusted by a cost of living index called Regional Price Parity (RPP). The RPP reflects regional price differences and that a dollar can buy more in some regions of the United States than it can in other regions.

## State Population Figures

State population numbers and estimates of residents over 65 and less than 18 years of age came from U.S. Bureau of the Census data website. The population estimates were found on Table T6-2008 in the Population Estimates and Projections program under data set, 2008 Population Estimates, and were analyzed to determine 2008 state populations and state population rankings.

## State Poverty Rates

The poverty rates for 2008 were found in the U.S. Bureau of the Census' report: Poverty: 2007 and 2008 American Community Surveys, issued September 2009. The report was one in a series produced to highlight results of the 2008 American Community Survey (ACS), focusing on changes between the 2007 and 2008 ACS.

## 3: Federal Budget and the States

### Fiscal Year 2005

In Fiscal Year 2005, the Balance of Payments (BOP) between federal spending and tax collections for each state reflects a range between large surpluses and severe deficits.

The per capita BOP national average was \$1,333, with Alaska's per capita BOP surplus of \$8,516 ranking highest among state BOP surpluses with New Mexico coming in a distant second at \$5,581. Virginia is the fourth highest per capita BOP surplus with \$4,629 and first in total BOP surplus of \$34.912 billion.

Excluding the District of Columbia, Alaska's per capita BOP ranked highest in federal spending on salary and wages, second in federal spending on grants and fourth in federal procurement, which, primarily, is federal spending for the Department of Defense.

Of 16 states reflecting BOP deficits, New Jersey has the highest per capita deficit, with \$3,162, which is \$635 greater than Nevada, the state with the next largest per capita BOP deficit. New Jersey also has the second largest total BOP of \$27.495 billion, surpassed only by California's \$47.604. New York has a per capita BOP deficit of \$1,234 and a total deficit of \$23.834 billion.

### Changes in Spending, Taxes and Balance of Payments: 1995-2005

Excluding the District of Columbia, Alaska demonstrated the most dramatic shift in their balance of payments (BOP). From 1995-2005, Alaska increased its BOP by \$4,701 from \$3,815 to \$8,516, increasing its ranking from 17th to 1st. That was nearly twice the increase experienced by the second-ranked Louisiana, which increased \$2,468 over the same period. Louisiana ranked second in BOP surplus of \$19.065 billion in 2005.

Of the states that had BOP deficits, California was the worst with \$943 while New York's per capita BOP deficit was \$353.

Alaska's change in BOP surplus resulted from a \$4,977 increase in per capita federal spending and only a \$276 increase in per capita taxes sent to Washington. Alaska's increase in federal spending nearly doubled the increase of the next closest state, South Dakota, which had a \$2,941 per capita increase in federal spending and a \$947 per capita increase in taxes sent to Washington.

By comparison, New York State's \$353 BOP deficit resulted from a per capita increase of spending of \$949, dwarfed by an increase in per capita taxes sent to Washington of \$1,302.

### Geographic Distribution of Federal Spending: Fiscal Year 2008 Spending Patterns

#### Total Per Capita Federal Government Expenditures

According to the U.S. Census Bureau, Table 1, Consolidated Federal Funds Report, July 2009, the Summary of Federal Government Expenditure by State and Outlying Area: Fiscal Year 2008 Federal, and the Per Capita Amounts of Federal Government Expenditure by Major Category by State and Outlying Area: Fiscal Year 2008 government expenditures to the states approximated \$2.75 trillion or \$9,041.50 per capita. The expenditure categories include salaries and wages, retirement and disability, procurement contracts, grant awards, and other direct payment.

In 2008, the state of Virginia had the highest per capita Federal Government expenditures of \$15,256, followed by Maryland with 13,829, and Alaska with \$13,730. Utah had the lowest per capita spending of all the states with \$6,255, followed by Nevada with \$6,638. New York had total per capita federal expenditures of \$8,931 and was below the national average of total per capita spending of \$9,041 and 22nd in the nation.

Retirement and disability expenditures, dominated by Social Security payments, represented \$818 billion, 29.3% of federal expenditures or \$2,667 per capita. Twenty-one states received per capita retirement and disability payments above the national average, while among the remaining 29 states was New York State, which received \$2,533, below the national average.

Excluding the District of Columbia, in 2008 Virginia and Maryland, the two states receiving the most per capita total federal spending at a combined \$29,084.90, are 68% above the per capita average federal expenditure of \$9,041.50. These states, Virginia and Maryland, ranked first and second, are in the same geographic region as the District of Columbia, which makes this cluster a significant concentration of per capita federal expenditures in 2008.

Adding to this federal expenditure cluster is adjacent West Virginia, which ranks first in retirement and disability per capita payments of \$3,980. Alabama follows with the second highest \$3,475 per capita retirement and disability spending.

Maine receives the third-most per capita retirement and disability spending of \$3,386, adding to the concentrations of high retirement and disability recipients located east of the Rockies. Another cluster is found in approximately one-third of the southern states.

The third of states receiving the lowest retirement and disability expenditures do not demonstrate clear clustering patterns. Utah received the lowest per capita federal expenditure, with \$1,919, followed by Alaska and California, with \$2,000 and \$2,065 respectively.

Per capita spending gaps exist between states receiving the highest per capita federal expenditures for Other Direct Payments and those states that do not. Other Direct Payments accounted for \$631 billion, 22.6% of federal expenditures, or \$2,062 per capita, and include Medicare and other social assistance programs, with recipient states found in small clusters around the country.

Excluding the District of Columbia, Kentucky received \$4,359 per capita, first in federal expenditures for Other Direct Payments. The Dakotas ranked second and third. North Dakota received \$3,882; South Dakota received \$3,721. After the top three states, there was a drop in per capita receipts of these funds by less than one-third. New York per capita expenditures was \$2,332, above the national average of \$2,062 per capita, but 46% less than Kentucky's Other Direct Payments.

Alaska received the smallest federal expenditures for Other Direct Payments, with \$965 per capita. Utah, which received the second smallest expenditure of \$1,007, also received the smallest expenditures for retirement and disability. Half of the states placed below the 2008 national average for per capita Federal Government expenditures on Other Direct Payments of \$2,063 and half place above.

Grant awards in 2008 accounted for \$574.2 billion, 20.7% of total federal expenditures, or \$1,868 per capita. Included were expenditures by the Agency for International Development; Department of Agriculture; Appalachian Regional Commission; Department of Commerce; Corporation for National and Community Service; Corporation for Public Broadcasting; Department of Defense; and, the Delta Regional Authority.

Excluding the District of Columbia, in 2008, Wyoming received the most federal grants per capita of \$4,547, with Alaska receiving the second highest per capita grants of \$3,936. Florida received the lowest amount of per capita federal grants in 2008 with \$1,104, followed by Virginia, which received \$1,130. The average per capita federal expenditure in 2008 for grants was \$1,868. Fifty-six percent of the states were below that average. New York State received the sixth most per capita grants of \$2,792

Procurement contracts or defense spending represented \$514.1 billion, 18.4% of 2008 federal expenditures, or \$1,620 per capita. Excluding the District of Columbia, Virginia and Maryland ranked first and second with regards to procurement expenditures, with \$6,934 and \$4,544, respectively. With Virginia and Maryland geographically surrounding the District of Columbia with \$27,948 per capita procurement expenditures, this cluster receives the most per capita procurement expenditures performing in the country.

Delaware received the lowest per capita federal procurement expenditures of \$419, followed by Arkansas's \$466 per capita. They are among the 72% of the states below the \$1,620 per capita national average. Among this group is New York State, which received \$704 per capita federal procurement expenditures.

Salaries and wages in 2008 accounted for \$254 billion, 9.0% of federal expenditures, or \$823 per capita, and include expenditures for non-defense civilians and those employed by the Department of Defense.

Excluding the District of Columbia, Alaska received the highest amount of federal expenditures for salaries and wages, with \$3,214, followed by Hawaii, with \$3,208 per capita. Roughly 40% of states were above the national average of \$823. Wisconsin and Michigan were the states receiving the least per capita spending, with \$419 and \$432, respectively. Sixty percent of states received per capita salaries and wages expenditures below the national average of \$823, including New York State, with \$569 per capita, 11th from the bottom of state per capita expenditures for salaries and wages.

#### 4: Conclusion — New York State Giving More than It Gets

New York State, with 19.5 million people, is the third largest state and has consistently paid more taxes per capita to Washington, D.C. than it received in federal expenditures. New York has ranked in the bottom ten states, with a negative Balance of Payments (BOP) from 1995-2005, and was 48th in Fiscal Year 2005 BOP deficit of \$23,834 billion and 42nd in per capita BOP deficit of \$1,234.

In 2005, New York State's \$8,737 per capita taxes sent to Washington, D.C. ranked 5th in the nation, and were 20% above the national average of \$7,283 per capita taxes paid.

In 2008, New York State received total per capita federal expenditures of \$8,931, below the national average of total per capita spending of \$9,041, 22nd among the states and 2% below the national average.

In the individual federal expenditure categories New York State ranked:

- 6th in per capita grant awards of \$2,793;
- 40th in state per capita expenditures for salaries and wages, with \$569;
- 42nd in per capita federal procurement expenditures of \$704;
- 12th in per capita other direct payment federal expenditures of \$2,332; and,
- 40th in per capita retirement and disability federal expenditures of \$2,533.

Another factor to be considered is the regional cost-of-living difference between states and regions of the United States. Regional Price Parity (RPP) is an adjustment made to reflect these regional differences. When New York State's per capita income and Gross Domestic Product are adjusted for RPP, they drop from the top ten among states to 26th and 17th, respectively. These RPP-adjusted data illustrate that New York State is a state with high wealth and a high cost of living.

When combined with the low rankings in federal expenditures and high tax dollars sent to Washington, D.C., despite its wealth, New York remains a state with a high Balance of Payment Deficit (BOP) between Washington, D.C. This confirms that federal expenditures to states contribute more to BOP deficits than differences in federal tax burdens.

## II. DATA SOURCES AND METHODOLOGY

### A. Federal Expenditure Data Sources

The data for Fiscal Year 2008 federal expenditures was obtained from the U.S. Department of Commerce, Bureau of the Census, annual report: Consolidated Federal Funds Report: 2008 (CFFR). The CFFR contains both obligated funds and actual expenditures. Obligated funds are represented by grants and procurement data, while salaries, wages and direct payments represent actual expenditures.

The following chart explains the various federal expenditure categories and components of each.

Category	Spending Components of the Category
Retirement and Disability Actual Expenditure	Social Security Payments (Retirement insurance payments (SSA), Survivors insurance Payments Disability Insurance Payments (SSA), Disability insurance Payments (SSA), and Supplemental security income payments (SSA) Federal Retirement and Disability Benefits for civilians, military personnel, and service connected disability
Other Direct Payments Actual Expenditure	Medicare benefits (Hospital Insurance and Supplementary Medical Insurance) Excess Earned Income Tax Credits, Unemployment Compensation, Food Stamp Payments, Housing Assistance, Agricultural Assistance and Federal Employees Life and Health Insurance
Grants Obligated Funds	Monies for the Agency for International Development, Department of Agriculture, Appalachian Regional Commission, Department of Commerce, Corporation for National and Community Service, Corporation for Public Broadcasting, Department of Defense and Delta Regional Authority
Procurement Obligated Funds	Department of Defense Spending (Army, Navy, Air Force, Other
Salaries and wages Actual Expenditure	Money for non-defense civilians and those employed by the Department of Defense (other defense civilians, active military and inactive military personnel and civilians)

The Census Bureau's system reports all federal spending with the exception of amounts that are intentionally excluded from the CFFR. These excluded data included in items that could not be geographically distributed (e.g. interest on Federal Government debt, travel expenses when not provided under contract, and international payments and foreign aid).

Additionally, for some agencies, some categories could not be obtained. These categories include: procurement actions of the judicial and legislative sectors of the Federal Government and expenditures and salaries for certain government corporations.

When evaluating Census Bureau data, the same caveat offered by Senator Moynihan remains valid today. That, when comparing federal budget data with data reported in the CFFR, differences may occur. This happens because federal budget amounts may differ from the CFFR in accounting concepts and treatment of intergovernmental transfers.

#### B. Regional Tax Data & Consumer Price Index

Data describing the relationship of revenue flowing to and from the states and the Federal Government was obtained from the Tax Foundation.

The Tax Foundation has been analyzing these relationships for many years. In arriving at the published data, the Tax Foundation adjusts information and income, payroll and corporate tax data collected by the Internal Revenue Service. This data is adjusted further by the Tax Foundation on the basis of taxpayers' places of residence.

The focus of this report is on the relationship of state rankings of federal expenditures between Fiscal Year 1995-2005. The Fiscal Year 2005 numbers are the most recent figures released by the Tax Foundation. As such, data in this comparison data has been adjusted and restated in 2005 dollars, using the Consumer Price Index (CPI) established by the U.S. Bureau of Labor and Statistics (BLS).

Table 1 below illustrates the CPI adjustments and the indexation to 2005.

Table 1 – CPI Data (1995 – 2005)		
Year	Annual	Indexed to 2005
1995	152.4	1.28
1996	156.9	1.24
1997	160.5	1.22
1998	163	1.20
1999	166.6	1.17
2000	172.2	1.13
2001	177.1	1.10
2002	179.9	1.09
2003	184	1.06
2004	188.9	1.03
2005	195.3	1.00

Source: U.S. Bureau of Labor and Statistics, Table Containing History of CPI –U.S. All Items Indexes and Annual Percent Changes from 1913 to Present.  
<http://www.bls.gov/cpi#/tables,2009>

The CPI is a measure of inflation over time of the average change in the prices paid by urban consumers for a market basket of consumer goods and services. To the left is the CPI obtained from the BLS for the study period. Included in the table is the index used to adjust the Tax Foundation numbers to 2005 dollars.

The 2005 index was calculated by setting 2005 equal to 1.00 then dividing each year by 2005. The end result – the index relative to 2005 – was multiplied by the preceding year to obtain its value in 2005.

### C. Personal Income Data & Cost of Living Index

Unadjusted personal income data were obtained through the Research Report, Regional Price Parities Comparing Price Level Differences Across Geographic Areas. The report was a joint project between the U.S. Bureau of Labor and Statistics (BLS) and U.S. Bureau of Economic Analysis (BEA). The report issued in November 2008 used raw personal income data obtained through the U.S. Bureau of the Census and adjusted with a cost of living index called Regional Price Parity (RPP). An explanation of the RPP index and the adjusted personal income data follows in the discussion of the State Cost of Living Indexes.

#### State Cost of Living Index

Price indexes are used to measure price level differences between differing periods of time. The FISC report used a Cost of Living Index (COLI) developed by Herman (Dutch) Leonard and Monica Friar for a study comparing state and local spending across states. Senator Moynihan used this COLI adjust data so as to better compare all state tax, spending and income data. To better compare state personal income and Gross Domestic Product data in this report, adjustments were made to this data by using the Regional Price Parity (RPP). This place-to-place index was jointly developed by U.S. Bureau of Labor and Statistics (BLS) and Bureau of Economic Analysis (BEA).

#### Regional Price Parities

RPP is a price index used to compare relative price levels between states, metropolitan areas and geographic boundaries. RPP is analogous to the consumer price index which is produced for 38 geographic areas in addition to the national average index. While the CPI is a measure of inflation, the RPP measures price level differences between one place and another. RPP began estimating for 38 large metropolitan and non-metropolitan urban areas that conformed to the areas used by the BLS for the CPI determination. These areas account for nearly 87% of the U.S. population. The most recent RPP is employed in this report and includes portions of the United States outside of the original BLS areas and now accounts for nearly 85% of all U.S. counties.

#### RPP Methodology

RPPs began with the individual price observations used in the CPI. The CPI uses price quotes for a basket of consumer goods and services. These range from new cars to haircuts, from bread to observations on rents. With the use of a regression model, price levels are then predicted for each geographic area. These differences include packaging, unit size and where the item is sold. Price levels were then placed into major categories (ex. food and beverages) and into overall price levels for consumption.

Then, in order to extend the study beyond the 38 original areas, the BEA used the only comprehensive price measure available for all counties, the average housing costs data generated by the Census Bureau. Again, using regression analysis, the BEA was able to use the characteristics of the housing stock in each state as well as mortgage status and type of ownership to model to predict a statistical relationship between the price levels estimated from the CPI and the housing cost levels estimated from the census bureau.

What was found was that a strong positive relationship existed between price levels and housing cost levels. This relationship enabled them to predict the RPP model with some confidence.

Table 2, below, presents the per capita state and personal income tax and per capita state Gross Domestic Product adjusted by RPPs. What is clear is that there are price and cost level differences between regions and states.

Table 2: Per Capita State and Personal Income and Per Capita State Gross Domestic Product (GDP) Adjusted by Regional Price Parities

Table 2: Per Capita State and Personal Income and Per Capita State Gross Domestic Product (GDP) Adjusted by Regional Price Parities														
Area	2005							2006						
	Compensation of employees (millions of dollars)		Region Price Parity	Per capita personal Income		Per capita GDP		Compensation of employees (millions of dollars)		Region Price Parity	Per capita personal income		Per capita GDP	
	At current National Prices	At Regional Price Parities		At current National Prices	At Regional Price Parity	At current National Prices	At Regional Price Parities	At current National Prices	At Regional Price Parities		At current National Prices	At Regional Price Parities	At current National Prices	At Regional Price Parities
			Parity											
U.S.	7,009,477	7,009,477	100	34,757	34,757	41,815	41,815	7,429,024	7,429,024	100	36,714	36,714	43,915	43,915
Alabama	87,392	112,596	77.6	29,306	34,858	33,338	38,890	92,664	114,739	80.8	30,894	35,703	34,544	39,353
Alaska	17,943	17,432	102.9	36,261	35,497	58,849	58,086	19,071	17,878	106.7	38,138	36,376	63,645	61,884
Arizona	121,606	126,539	96.1	30,386	31,215	35,670	36,499	133,377	141,302	94.4	31,936	33,222	38,503	39,788
Arkans	48,083	62,179	77.3	26,989	32,074	31,385	36,470	50,493	64,569	78.2	28,473	33,483	32,346	37,357
Calif	917,796	721,712	127.2	37,462	32,013	44,911	39,463	973,687	754,156	129.1	39,626	33,570	48,060	42,004
Colorad	119,624	122,236	97.9	37,600	38,159	45,860	46,419	127,610	131,452	97.1	39,491	40,297	47,473	48,279
Conn	111,109	89,307	124.4	47,943	41,689	55,499	49,246	116,231	95,607	121.6	50,762	44,863	58,632	52,732
Delware	24,188	24,171	100.1	37,083	37,062	67,492	67,472	25,267	25,850	97.7	39,131	39,815	69,879	70,563
D.C.	61,399	57,589	106.6	54,371	47,825	141,960	135,414	64,750	60,728	106.6	57,746	50,876	150,607	143,737
Florida	369,760	378,763	97.6	34,798	35,306	37,587	38,094	395,507	395,863	99.9	36,720	36,740	39,679	39,699
Georgia	203,353	228,709	88.9	31,193	33,977	39,347	42,131	214,427	244,060	87.9	32,095	35,267	40,292	43,464
Hawaii	32,501	25,338	128.3	34,935	29,285	43,210	37,560	34,661	25,982	133.4	37,023	30,236	45,890	39,102
Idaho	25,284	30,574	82.7	28,301	32,012	32,184	35,894	27,808	33,640	82.7	29,920	33,905	33,091	37,075
Illinois	325,423	318,071	102.3	36,489	35,911	43,681	43,103	342,509	345,401	99.2	38,409	38,636	45,706	45,933
Indiana	133,518	153,109	87.2	30,900	34,032	37,774	40,905	138,391	165,787	83.5	32,288	36,635	37,872	42,219
Iowa	62,642	74,663	83.9	31,535	35,602	39,801	43,868	65,863	79,472	82.9	33,038	37,616	41,024	45,602
Kansas	59,880	71,553	83.7	32,709	36,966	38,381	42,639	64,166	76,721	83.6	34,799	39,355	40,150	44,706
Kentcky	81,634	100,433	81.3	28,387	32,894	33,233	37,741	85,752	106,178	80.8	29,729	34,587	34,824	39,682
Louisna	82,844	103,833	79.8	24,901	29,570	40,113	44,782	88,097	105,329	83.6	31,821	35,882	47,880	51,941
Maine	25,716	27,719	92.8	30,952	32,479	34,221	35,748	26,721	28,969	92.2	32,095	33,805	35,242	36,952
Maryld	148,152	140,125	105.7	41,657	40,217	43,862	42,421	155,911	146,451	106.5	43,788	42,100	45,979	44,291
Mass.	200,901	165,562	121.3	43,612	38,115	49,781	44,284	211,500	175,017	120.8	46,299	40,629	52,113	46,443
Michig	229,755	242,670	94.7	32,694	33,972	36,817	38,095	231,522	250,358	92.5	33,788	35,652	37,195	39,060
Minn.	138,440	141,997	97.5	37,256	37,952	45,257	45,953	144,306	155,866	92.6	38,859	41,101	46,967	49,210
Missipi	45,358	59,141	76.7	25,490	30,242	27,508	32,260	47,683	59,448	80.2	27,028	31,086	29,176	33,234
Missouri	126,615	153,281	82.6	31,426	36,033	37,159	41,767	132,354	162,872	81.3	32,789	38,017	37,702	42,930
Montan	16,600	20,162	82.3	29,183	32,990	31,968	35,775	17,874	21,500	83.1	30,790	34,619	33,792	37,621
Nebraska	39,330	44,797	87.8	32,882	35,999	41,186	44,303	41,382	47,393	87.3	34,440	37,848	42,687	46,095
Nevada	61,051	61,164	99.8	37,450	37,497	45,729	45,776	65,794	65,537	100.4	38,994	38,891	49,371	49,268
N .Hamp	31,896	27,839	114.6	37,557	34,443	41,530	38,417	33,591	29,727	113	39,753	36,807	42,744	39,799
N. J.	244,815	196,451	124.6	43,598	38,012	49,397	43,811	257,043	204,720	125.6	46,763	40,726	51,745	45,707
N.Mex.	35,077	42,484	82.6	28,175	32,040	36,367	40,233	37,697	45,127	83.5	29,929	33,755	37,152	40,978
N.York	551,577	421,180	131	41,016	34,247	49,910	43,140	591,424	448,662	131.8	44,027	36,624	53,331	45,927
N.Carol	185,853	209,870	88.6	30,713	33,480	40,407	43,175	198,587	228,630	86.9	32,247	35,634	42,949	46,336
N.Dakta	13,692	18,304	74.8	31,871	39,124	39,210	46,464	14,564	18,315	79.5	32,763	38,648	40,553	46,437
Ohio	256,020	289,223	88.5	31,939	34,837	38,591	41,488	264,822	303,587	87.2	33,320	36,702	39,395	42,776
Oklahm	63,610	79,435	80.1	30,107	34,583	34,378	38,853	69,657	85,346	81.6	32,391	36,777	36,364	40,749

Table 2: Per Capita State and Personal Income and Per Capita State Gross Domestic Product (GDP) Adjusted by Regional Price Parities (continued)

Table 2: Per Capita State and Personal Income and Per Capita State Gross Domestic Product (GDP) Adjusted by Regional Price Parities														
Area	2005							2006						
	Compensation of employees (millions of dollars)		Region Price	Per capita personal Income		Per capita GDP		Compensation of employees (millions of dollars)		Region Price Parity	Per capita personal income		Per capita GDP	
	At current National Prices	At Regional Price Parities	Parity	At current National Prices Parity	At Regional Price Parity	At current National Prices	At Regional Price Parities	At current National Prices	At Regional Price Parities	Parity	At current National Prices	At Regional Price Parities	At current National Prices	At Regional Price Parities
Oregon	78,860	81,718	96.5	31,599	32,386	39,072	39,860	84,062	88,150	95.4	33,299	34,407	40,905	42,013
Pennsylv	285,348	305,700	93.3	34,927	36,573	39,308	40,954	299,563	317,895	94.2	36,825	38,303	41,020	42,499
Rhde Isl	24,257	21,204	114.4	35,987	33,124	40,895	38,032	25,387	22,335	113.7	37,523	34,648	43,078	40,203
S.Carol	80,766	97,202	83.1	28,460	32,323	32,923	36,786	85,601	102,861	83.2	29,767	33,753	33,766	37,752
S.Dakta	14,823	18,694	79.3	31,557	36,520	39,153	44,116	15,662	19,030	82.3	32,030	36,301	40,596	44,867
Tennes	125,557	151,113	83.1	30,827	35,094	37,566	41,833	132,929	156,868	84.7	32,172	36,112	38,808	42,748
Texas	501,893	550,704	91.1	33,253	35,389	43,308	45,445	546,802	596,352	91.7	35,166	37,283	45,631	47,748
Utah	50,248	57,027	88.1	27,992	30,699	35,275	37,981	55,162	63,793	86.5	29,406	32,752	37,977	41,323
Vrmt	13,454	13,218	101.8	32,833	32,453	37,202	36,821	14,038	14,106	99.5	34,871	34,981	38,062	38,172
Virgna	208,313	203,927	102.2	37,968	37,386	46,403	45,820	220,072	215,590	102.1	39,540	38,952	48,245	47,657
Wshngt	157,176	151,713	103.6	35,838	34,967	43,277	42,406	169,787	165,064	102.9	38,212	37,471	45,694	44,954
W.Virg	30,098	45,323	66.4	26,523	34,954	29,403	37,835	31,751	45,177	70.3	28,206	35,629	30,970	38,393
Wisc.	126,818	138,460	91.6	32,829	34,930	39,164	41,265	132,394	144,636	91.5	34,405	36,602	40,087	42,284
Wymg	11,431	13,263	86.2	37,316	40,931	53,789	57,405	13,055	14,930	87.4	40,655	44,312	58,320	61,977

Source: U.S. Bureau of Economic Analysis, Aten and D'Souza, Regional Price Parities Comparing Price Level Differences Across Geographic Areas, November 2008. Description of Compensation of Employees at the state level can be found at [www.bea.gov/regional/gsp](http://www.bea.gov/regional/gsp)

#### D. State Population Figures

State population figures and estimates of the number of residents over 65 and under 18 years old were taken from the U.S. Bureau of the Census website. These population estimates were found on Table T6-2008 in the Population Estimates and Projections program under data set, 2008 Population Estimates. The numbers were aggregated to determine 2008 state populations and state ranks.

#### E. State Poverty Rates

The poverty rates for 2008 were taken from the U.S. Bureau of the Census' report: Poverty: 2007 and 2008 American Community Surveys, issued September 2009. The report was one in a series produced to highlight results from the 2008 American Community Survey (ACS), focusing on changes between the 2007 and 2008 ACS.

### III: FEDERAL BUDGET AND THE STATES FISCAL YEAR 2005, 2006 and 2008.

#### A. Per Capita Balance of Payments-Fiscal Years 2005, 2006 and 2008

Figure 1.1 below demonstrates the wide disparity in per capita financial flows between the Federal Government and the states, and illustrates a continuing and consistent characteristic of U.S. fiscal policy delineated by Senator Moynihan in his FISC reports.

Illustrated in Figure 1.1 was that in Fiscal Year 2005, the Balance of Payments (BOP) between federal expenditures and tax collections for each state ranged between those demonstrating large surpluses and those reporting large deficits.

Alaska, the 3rd smallest population in the country with the 4th highest Regional Price Parities (RPP) adjusted per capita Gross Domestic Product (GDP) in 2006 ranks first among states with the largest per capita BOP surplus of \$8,516. New Mexico is second, more than 35% less than Alaska at \$5,581. Interesting is that Alaska's 2008 poverty rate of 8.4%, 49th out of all 50 states, is below the 13.2% national average for those living in poverty.

Furthermore, Alaska's 2006 per capita personal income, adjusted by the Regional Price Parity of \$36,376, is near the per capita national average of \$36,714 and ranks 28th in the country. In federal expenditures, Alaska is ranked third in total expenditures, first in salary and wages, second in grant awards and fourth in procurement contracts. Procurement is federal spending for the Department of Defense.

Of the states with the largest 2005 BOP per capita deficits, New Jersey ranks 50th at \$3,162 per capita and 49th with a total BOP deficit of \$27,495 billion. In 2006, New Jersey residents had the 3rd highest per capita personal income and the 6th highest RPP adjusted per capita income. Additionally, New Jersey's poverty rate for 2008 of 8.7% was well below the national average of 13.2%.

In total federal expenditures, New Jersey ranked 32nd among the states, 37th in retirement and disability expenditures, 18th in Other Direct Payments, 22nd in grant awards, 29th in procurement, and 39th in salaries and wages.

In 2008, New York State received total per capita federal expenditures of \$8,931, below the national average of total per capita spending of \$9,041, 22nd among the states and 2% below the national average. In the individual federal expenditure categories, New York State ranked: 6th in per capita grant awards of \$2,793; 40th in state per capita expenditures for salaries and wages with \$569; 42nd in per capita federal procurement expenditures of \$704; 12th in per capita other direct payment federal expenditures of \$2,332; and 40th in per capita retirement and disability federal expenditures of \$2,533.

New York's 2005 BOP deficit of \$23,834 billion was 48th among the states and the per capita BOP deficit of \$1,234 was 42nd. In 2006, New York had the 5th highest per capita personal income and, when adjusted for RPP, per capita personal income dropped to 26th, reflecting New York's high cost of living.

Figure 1.1 - Balance of Payments (Per Capita), FY 2005  
Federal Taxes Paid vs Federal Spending Received (See Notes 1 and 2)

Figure 1.1 Balance of Payments (Per Capita), FY 2005 Federal Taxes Paid -vs- Federal Spending Received (See Notes 1 and 2)			
State	Per Capita	State Rank	Total Million
Alaska	\$8,516	1	\$4,400
New Mexico	5,581	2	10,713
Mississippi	4,733	3	13,747
Virginia	4,629	4	34,912
No. Dakota	4,377	5	2,779
Louisiana	4,232	6	19,065
W. Virginia	4,010	7	7,272
Alabama	3,829	8	17,386
So. Dakota	3,413	9	2,641
Hawaii	3,292	10	4,180
Maryland	3,143	11	17,542
Kentucky	3,037	12	12,650
Montana	2,773	13	2,586
Maine	2,761	14	3,637
Arkansas	2,334	15	6,461
Oklahoma	2,279	16	8,065
Missouri	2,264	17	13,102
So Carolina	2,204	18	9,333
Tennessee	2,091	19	12,416
Arizona	1,466	20	8,651
Idaho	1,316	21	1,870
Wyoming	1,128	22	573
Kansas	1,114	23	3,058
Pennsylvania	933	24	11,563
Vermont	900	25	560
Nebraska	868	26	1,524
Iowa	\$848	27	\$2,515
No. Carolina	766	28	6,615
Utah	683	29	1,689
Indiana	682	30	4,266
Ohio	661	31	7,577
Georgia	429	32	3,894
Rhode Island	422	33	454
Texas	77	34	1,751
Florida	-34	35	-602
Michigan	-152	36	-1,539
Oregon	-218	37	-791
Washington	-533	38	-3,344
Wisconsin	-582	39	-3,212
Colorado	-1,013	40	-4,707
Massachusetts	-1,115	41	-7,173
New York	-1,234	42	-23,834
California	-1,320	43	-47,604
Delaware	-1,344	44	-1,127
Illinois	-1,490	45	-18,998
Minnesota	-1,512	46	-9,511
N. Hampshire	-1,777	47	-2,318
Nevada	-2,527	48	-6,046
Connecticut	-2,727	49	-9,540
New Jersey	-3,162	50	-27,495
Dist Columbia	53,527	--	31,124

Note 1: Source is Tax Foundation Special Report No. 158, "Federal Tax Burdens and Spending by State," and U. S. Census Bureau 2005 Consolidated Federal Funds Report.

Note 2: Fiscal years in which the federal government runs deficits some spending is financed through borrowing. This creates implicit tax liabilities for states that must be repaid eventually. To incorporate these implicit tax liabilities into the analysis, the following adjustment was made to state tax burdens: First, the total federal tax burden is increased by the size of the federal deficit. Next, this total burden is allocated among states based on each state's proportion of the actual federal tax burden. Finally, adjusted spending-per-dollar-of-tax ratios are calculated by dividing actual expenditures by the adjusted tax figure, effectively making figures deficit neutral.

In terms of GDP, New Jersey's 2006 per capita GDP of \$45,707 was 8th among the states, 18th when adjusted for RPP. Likewise, New York's 2006 per capita GDP of \$45,927 was 6th in the nation, and, when adjusted for RPP, New York's ranking dropped to 17th. Both reflect the high cost of living. Additionally, New York State had a poverty rate of 13.6% in 2008, above the national average of 13.2%.

B. Total Balance of Payments-Fiscal Years 2005, 2006 and 2008

Figure 1.2 below presents the total 2005 financial flow between the states and the Federal Government and the respective BOP rankings for each state.

Virginia ranks first among all states with a \$34,912 BOP surplus that is 83% greater than Louisiana, which has the second highest BOP surplus of \$19,065. Virginia also ranks 4th among all 50 states in per capita BOP; 10th and 11th place in the country for 2006 per capita personal income and RPP adjusted per capita personal income respectively; and also ranks 10th among states in 2006 GDP and 11th in RPP adjusted GDP. Virginia also has a 10.2% poverty rate ranking 40th in the country, 3 points below the national average.

Virginia also ranks 1st in the country in per capita federal expenditures; 4th in per capita retirement and disability federal expenditures; 28th in Other Direct Payments; 49th in grant awards; 1st in procurement; and 4th in salaries and wages. That wide a disparity between Virginia and Louisiana is also demonstrated between the two states posting the highest deficits, New Jersey ranked 49th and California ranked 50th. California and New Jersey are separated by nearly \$20 billion. California ranked 48th in retirement and disability benefits; 31st in Other Direct Payments; 13th in grant awards; 21st in procurement; and 37th in salaries and wages.

Figure 1.2- Balance of Payments (Total), FY 2005

Figure 1.2 Balance of Payments (Total), FY 2005					
State	Total (In Millions)	Rank	State	Total (In Millions)	Rank
Virginia	\$34,912	1	Montana	\$2,586	26
Louisiana	19,065	2	Iowa	2,515	27
Maryland	17,542	3	Idaho	1,870	28
Alabama	17,386	4	Texas	1,751	29
Mississippi	13,747	5	Utah	1,689	30
Missouri	13,102	6	Nebraska	1,524	31
Kentucky	12,650	7	Wyoming	573	32
Tennessee	12,416	8	Vermont	560	33
Pennsylvania	11,563	9	Rhode Island	454	34
New Mexico	10,713	10	Florida	-602	35
So. Carolina	9,333	11	Oregon	-791	36
Arizona	8,651	12	Delaware	-1,127	37
Oklahoma	8,065	13	Michigan	-1,539	38
Ohio	7,577	14	N. Hampshire	-2,318	39
W. Virginia	7,272	15	Wisconsin	-3,212	40
No. Carolina	6,615	16	Washington	-3,344	41
Arkansas	6,461	17	Colorado	-4,707	42
Alaska	4,400	18	Nevada	-6,046	43
Indiana	4,266	19	Massachusetts	-7,173	44
Hawaii	4,180	20	Minnesota	-9,511	45
Georgia	3,894	21	Connecticut	-9,540	46
Maine	3,637	22	Illinois	-18,998	47
Kansas	3,058	23	New ork	-23,834	48
No. Dakota	2,779	24	New Jersey	-27,495	49
So. Dakota	2,641	25	California	-47,604	50
			Dist. Columbia	31,124	--



Figure 1.5 shows the aggregate changes for each state in per capita BOP, total federal spending, and federal tax payments between 1995-2005. During this period federal per capita expenditures and tax payments to the Federal Government increased for all states, except for three states, Mississippi, Michigan, and Louisiana, that actually paid less in taxes.

By 2005, 12 states or 24% of all states reported negative changes in their per capita BOP. Thirty-eight percent or 19 states had positive per capita changes in BOP of less than \$914, and the balance of 19 states had positive per capita BOP greater than \$1,078.

Excluding the District of Columbia, Alaska demonstrated the greatest increase in its BOP of \$4,701 to \$8,516. That was nearly twice the increase reported by Louisiana, that had a per capita BOP increase of \$2,468 between 1995 and 2005.

Confirming conclusions drawn in earlier FISC's, this analysis indicates that BOPs are influenced more by changes in federal expenditures than by changes in taxes. Such was the case in Alaska's change in BOP, that resulted from significant increases in per capita federal expenditures, offset only by lesser increases in per capita taxes sent to Washington. As with Alaska's per capita change in BOP of \$4,701, as compared to Louisiana's \$2,468, Alaska's \$4,977 increase in per capita federal expenditures was nearly double South Dakota's per capita increase in federal expenditure of \$2,941, the second largest increase among the states.

Figure 1.5 - Per Capita Changes in Expenditures, Taxes and Balance of Payments 1995 – 2005 (expressed in 2005 dollars)

Figure 1.5					
Per Capita Changes in Expenditures, Taxes and Balance of Payments 1995 – 2005					
(expressed in 2005 Dollars)					
Change in Federal Expenditures		Change in Taxes Payments		Change in Balance of Payments	
Alaska	\$4,977	Wyoming	\$2,044	Alaska	\$4,701
South Dakota	2,941	Connecticut	1,902	Louisiana	2,468
North Dakota	2,924	Massachusetts	1,876	Mississippi	2,311
Wyoming	2,815	Maryland	1,481	Alabama	2,174
Virginia	2,690	California	1,421	North Dakota	2,053
Maryland	2,560	Virginia	1,421	South Dakota	1,974
Alabama	2,450	New Jersey	1,372	Hawaii	1,672
Mississippi	2,285	New York	1,302	Kentucky	1,573
Louisiana	2,193	Minnesota	1,171	Indiana	1,571
Connecticut	2,043	Florida	1,120	New Mexico	1,512
Hawaii	2,008	Rhode Island	1,082	Tennessee	1,453
Kentucky	1,899	N. Hampshire	1,064	West Virginia	1,323
New Mexico	1,875	Washington	1,063	Virginia	1,269
No. Carolina	1,466	Delaware	997	Michigan	1,243
Maine	1,775	Colorado	996	Arkansas	1,209
Indiana	1,714	South Dakota	967	Maine	1,171
Tennessee	1,701	Nevada	952	South Carolina	1,142
West Virginia	1,695	North Dakota	871	Maryland	1,079
Vermont	1,659	Vermont	840	North Carolina	1,035
Oklahoma	1,549	Oklahoma	701	Nebraska	913
Nebraska	1,497	Pennsylvania	660	Ohio	872
Arizona	1,456	Arizona	644	Kansas	856
So. Carolina	1,452	Montana	629	Oklahoma	848
Arkansas	1,392	Texas	607	Vermont	819
Kansas	1,307	Maine	604	Arizona	812
Montana	1,288	Nebraska	584	Wyoming	771
Pennsylvania	1,234	Wisconsin	568	Montana	659
Wisconsin	1,198	Illinois	542	Idaho	634
Massachusetts	1,188	Oregon	473	Wisconsin	630
Michigan	1,164	Iowa	468	Missouri	603
Minnesota	1,164	Kansas	451	Iowa	577
Iowa	1,045	No. Carolina	431	Pennsylvania	574
Ohio	1,006	West Virginia	372	Georgia	484
Florida	970	Utah	365	Illinois	351
N. Hampshire	955	New Mexico	363	Oregon	295
New York	949	Hawaii	336	Texas	209
Idaho	946	Kentucky	326	Utah	194
Illinois	893	Idaho	312	Connecticut	141
Texas	816	So. Carolina	310	Minnesota	-7
Missouri	808	Alabama	276	New Hampshire	-109
Oregon	768	Alaska	276	Florida	-150
Delaware	716	Tennessee	248	Delaware	-281
New Jersey	716	Georgia	228	New York	-353
Georgia	712	Missouri	205	Washington	-446
Washington	617	Arkansas	183	Nevada	-534
Utah	559	Indiana	143	Rhode Island	-542
Rhode Island	540	Ohio	134	New Jersey	-656
California	479	Mississippi	-26	Massachusetts	-688
Nevada	418	Michigan	-79	Colorado	-715
Colorado	281	Louisiana	-275	California	-943
District of Columbia	\$16,920	District of Columbia	\$2,655	District of Columbia	\$14,265

#### IV: GEOGRAPHIC DISTRIBUTION: FISCAL YEAR 2008 FEDERAL EXPENDITURES

There are many factors affecting where the Federal Government directs expenditures. Driving policy decisions are demographic factors. Proportion of elderly residents in a state determines the distribution of Social Security Retirement and Disability expenditures; rates of poverty and municipalities with high concentrations of poverty drive family, health, and education assistance monies; states lower education achievement rates receive needed dollars; and states with the high concentrations of farmland benefit from agricultural subsidies. These are but a few of the larger categories, but there are examples of how policy decisions are funded.

#### A. FISCAL YEAR 2008 MAJOR FEDERAL EXPENDITURES

In FY 2008, spending in the United States reached approximated \$2.8 trillion, with a total per capita federal expenditure of \$9,041.

As Figure 1.5.1 demonstrates, retirement and disability expenditures, dominated by social security payments, represent 29.3% of all federal expenditures, \$2,667 in per capita spending, with 92% of these expenditures directed to non-military recipients.

Defense spending (procurement and contracts) accounted for \$514.1 billion or 18.4 cents on every dollar expended by the Federal Government. Retirement and disability expenditures also represent 36% of all non-procurement federal expenditures.

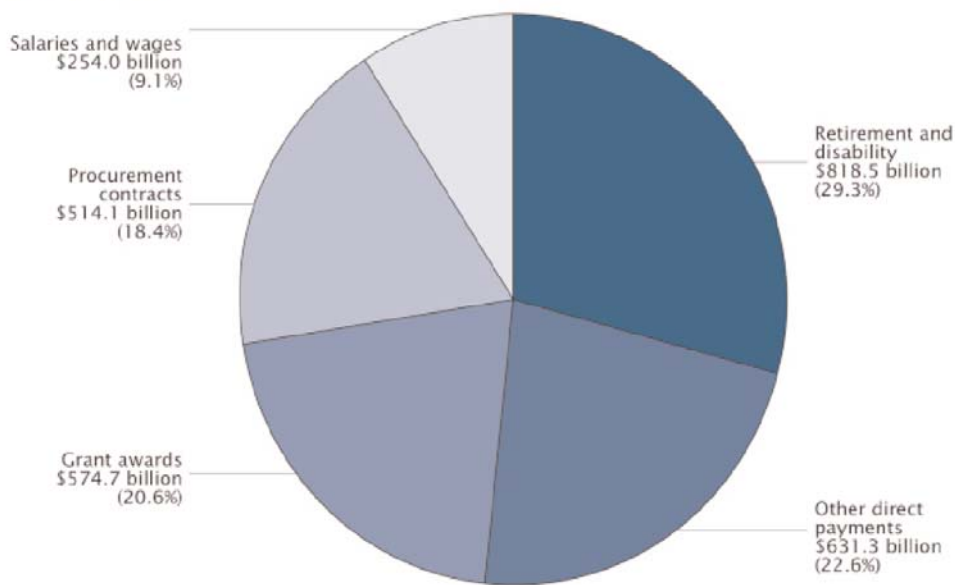
Salaries and wages include non-defense civilians and those employed by the Department of Defense, and represent \$254 billion or 9.2 cents of every dollar expended by the Federal Government.

Grant awards include federal expenditures to the Agency for International Development, Department of Agriculture, Appalachian Regional Commission, Department of Commerce, Corporation for National and Community Service, Corporation for Public Broadcasting, Department of Defense and the Delta Regional Authority. Grant awards totaled \$564.7 billion of federal expenditures of \$564.7 billion and represent 20.6% of Federal Government expenditures.

Other Direct Payments include Medicare benefits, excess earned income tax credits, unemployment compensation, food stamp payments, housing assistance, agricultural assistance and federal employee's life and health insurance. These federal expenditures represented 22.6 cents of every dollar spent by the Federal Government or \$631.3 billion.

Figure 1.5.1 - Major Federal Expenditure Categories

#### Federal Government Expenditure, Amounts and Percentages by Major Object Category: Fiscal Year 2008



Source: Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2008

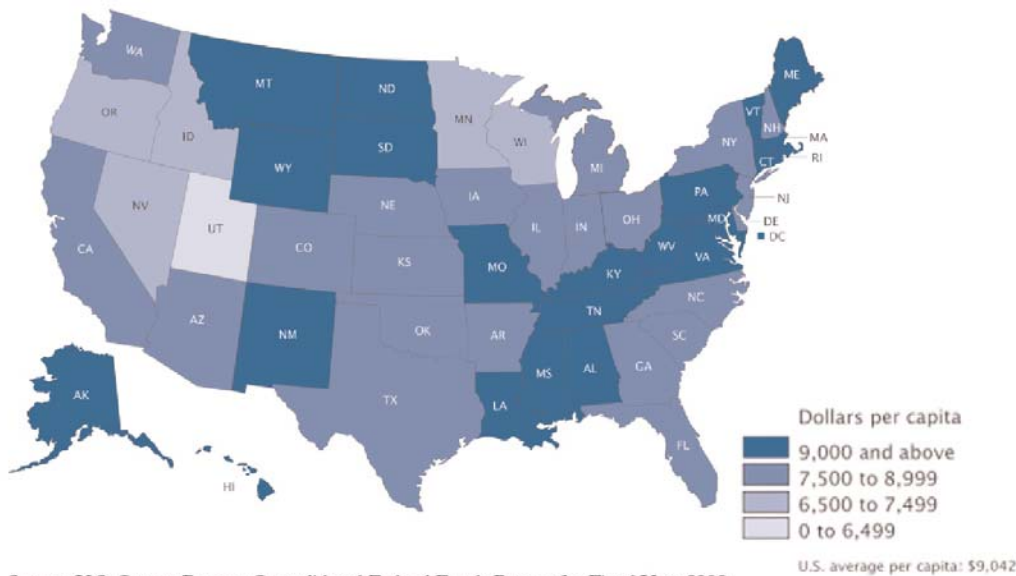
Figure 1.6 illustrates the geographic distribution of Fiscal Year 2008 federal expenditures across the fifty states. Found, were that clusters of states receiving the highest dollars per capita expended by the Federal Government were also the states reflecting the higher BOP surpluses.

Conversely, states with the highest deficits are also the states receiving lower per capita federal spending. These states include a cluster of states west of the Rocky Mountains and the states of New York, New Jersey, California and Delaware.

This situation seems unchanged from 1999 when Moynihan observed that federal spending also tended to be below the per capita national average west of the Rocky Mountains.<sup>1</sup>

Figure 1.6

**Federal Government Expenditure,  
Per Capita Ranges by State: FY 2008**

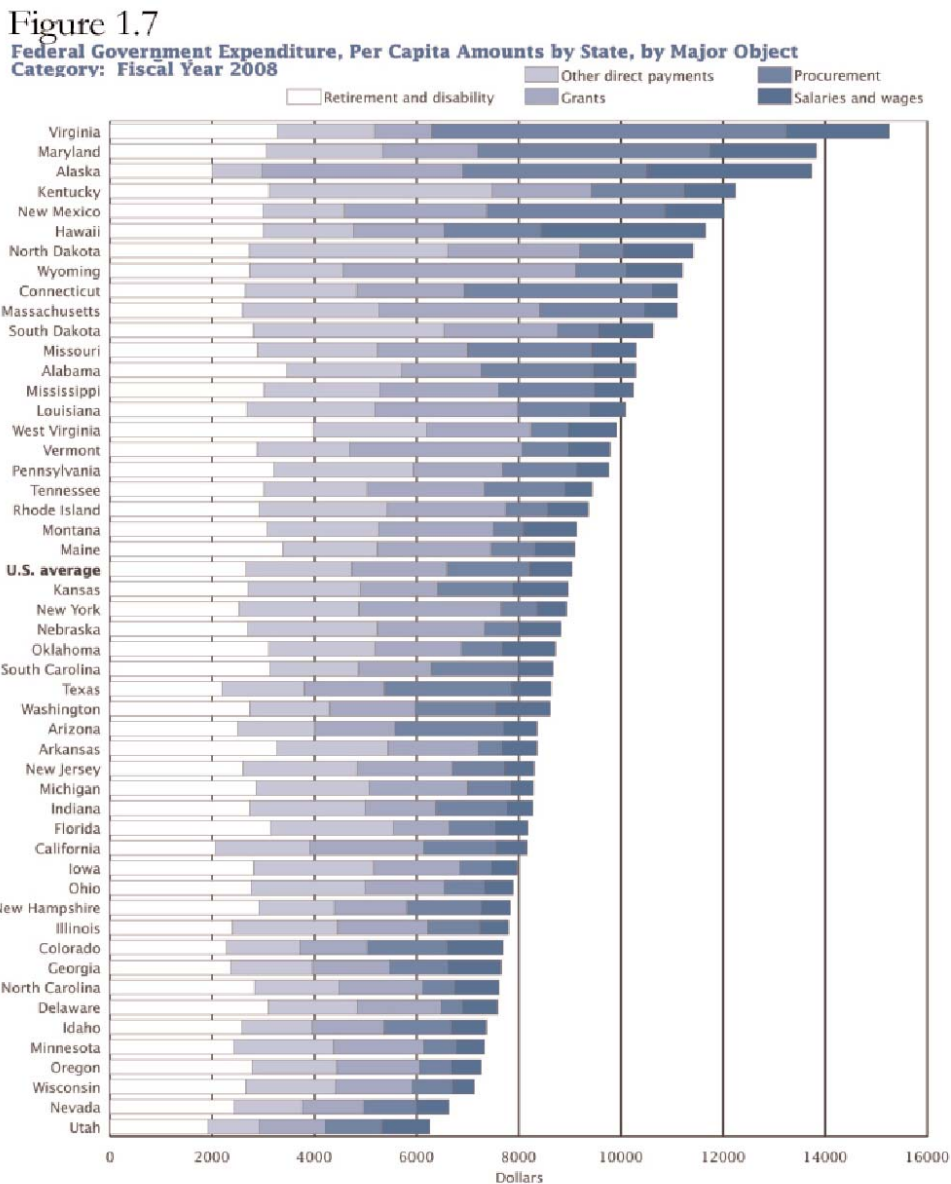


Source: U.S. Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2008

<sup>1</sup> 1999 FISC Report, Senator Daniel Patrick Moynihan.

Figure 1.7 indicates a total of 22 states received per capita federal expenditures exceeding the national average. Of those states, Alaska and New Mexico ranked atop the states with the highest federal expenditure per capita BOP surpluses (see Figure 1.1). Alaska is ranked first among per capita BOP surpluses and third among per capita Federal Government expenditures. New Mexico ranks second among per capita BOP surpluses and ranks fifth below Kentucky per capita Federal Government expenditures.

The states receiving federal expenditures below the per capita national average also include the states with the largest BOP deficits (New Jersey, Nevada, New Hampshire, Minnesota, Illinois, Delaware, California and New York) are among the twenty-eight states receiving per capita federal expenditures below the national average. Figure 1.8 below presents the above information in tabular form.



Source: U.S. Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2008

Figure 1.8 - Per Capita Amounts of Federal Government Expenditure, by Major Category, by State and Outlying Area: Fiscal Year 2008

Figure 1.8  
Per Capita Amounts of Federal Government Expenditure, by Major Category, by State and Outlying Area: Fiscal Year 2008

State and outlying area	Total	Retirement and Disability	Other direct payments	Grants	Procurement	Salaries and wages
District of Columbia	\$79,757.02	\$3,833.05	\$5,413.30	\$10,412.94	\$27,948.22	\$32,149.51
Virginia	15,256.19	3,274.62	1,897.54	1,129.63	6,933.70	2,020.70
Maryland	13,828.71	3,060.80	2,270.91	1,868.73	4,544.44	2,083.82
Alaska	13,729.86	2,000.05	965.93	3,936.58	3,613.52	3,213.79
Kentucky	12,242.03	3,118.35	4,359.09	1,946.97	1,810.40	1,007.20
New Mexico	12,017.05	2,993.96	1,599.27	2,787.18	3,484.13	1,152.51
Hawaii	11,651.37	3,006.35	1,758.16	1,772.16	1,906.50	3,208.20
North Dakota	11,415.11	2,724.15	3,882.35	2,587.88	860.68	1,360.05
Wyoming	11,206.77	2,731.66	1,831.58	4,547.15	992.66	1,103.72
Connecticut	11,104.18	2,645.28	2,187.88	2,107.22	3,671.70	492.11
Massachusetts	11,098.08	2,594.69	2,670.51	3,143.67	2,054.48	634.73
South Dakota	10,634.48	2,805.68	3,721.55	2,231.40	812.4	1,063.45
Missouri	10,289.77	2,892.34	2,351.11	1,754.54	2,444.26	847.52
Alabama	10,288.89	3,475.05	2,235.80	1,553.39	2,199.41	825.24
Mississippi	10,242.11	3,012.91	2,276.88	2,310.74	1,884.75	756.83
Louisiana	10,088.02	2,675.53	2,506.46	2,796.93	1,414.78	694.31
West Virginia	9,921.61	3,979.85	2,216.53	2,045.41	732.14	947.67
Vermont	9,786.55	2,882.91	1,802.52	3,385.03	908.52	807.57
Pennsylvania	9,764.48	3,204.65	2,729.23	1,741.41	1,469.56	619.62
Tennessee	9,440.60	3,011.65	2,027.96	2,282.93	1,589.01	529.04
Rhode Island	9,365.41	2,922.22	2,504.11	2,323.06	823.65	792.37
Montana	9,140.58	3,078.82	2,174.76	2,258.03	591.43	1,037.53
Maine	9,095.91	3,386.31	1,848.46	2,225.77	858.25	777.11
<b>United States Total</b>	<b>9,041.50</b>	<b>2,667.33</b>	<b>2,062.78</b>	<b>1,868.49</b>	<b>1,619.90</b>	<b>823.01</b>
Kansas	8,967.80	2,699.85	2,186.65	1,527.41	1,464.06	1,089.84
New York	8,931.16	2,533.10	2,332.55	2,792.20	704.54	568.77
Nebraska	8,824.98	2,691.20	2,545.14	2,092.91	677.46	818.26
Oklahoma	8,718.97	3,115.19	2,063.16	1,706.55	783.24	1,050.83
South Carolina	8,668.16	3,132.80	1,725.45	1,433.44	1,701.11	675.36
Texas	8,632.58	2,186.99	1,611.46	1,574.37	2,495.29	764.48
Washington	8,617.14	2,738.24	1,552.01	1,683.02	1,585.86	1,058.00
Arizona	8,355.77	2,498.78	1,499.75	1,588.42	2,127.93	640.89
Arkansas	8,355.00	3,262.58	2,179.79	1,768.67	466.02	677.94
New Jersey	8,302.19	2,609.64	2,224.64	1,866.29	1,032.00	569.62
Michigan	8,290.48	2,867.82	2,209.90	1,919.81	860.86	432.1
Indiana	8,282.01	2,741.05	2,252.71	1,389.00	1,399.21	500.04
Florida	8,177.07	3,146.24	2,393.56	1,103.56	907.04	626.67
California	8,159.68	2,065.05	1,842.44	2,236.83	1,415.94	599.42
Iowa	7,969.03	2,815.35	2,351.04	1,684.09	622.93	495.61
Ohio	7,887.23	2,764.49	2,226.83	1,547.03	791.95	556.94
New Hampshire	7,836.62	2,919.42	1,472.57	1,426.31	1,454.45	563.88
Illinois	7,803.05	2,397.66	2,062.73	1,762.34	1,022.90	557.42
Colorado	7,696.15	2,280.14	1,441.38	1,320.74	1,560.80	1,093.09
Georgia	7,657.09	2,366.28	1,604.76	1,504.12	1,142.78	1,039.15
North Carolina	7,612.22	2,833.24	1,646.01	1,644.32	628.31	860.34
Delaware	7,585.36	3,103.74	1,734.34	1,643.25	419.05	684.99
Idaho	7,367.81	2,587.72	1,379.03	1,399.51	1,314.22	687.33
Minnesota	7,326.22	2,424.81	1,952.07	1,768.04	644.12	537.18
Oregon	7,263.78	2,783.74	1,658.34	1,617.97	626.56	577.16
Wisconsin	7,131.65	2,661.41	1,755.77	1,498.08	797.33	419.06
Nevada	6,637.98	2,431.81	1,337.59	1,194.90	1,038.69	634.99
Utah	6,255.31	1,918.90	1,007.24	1,292.19	1,107.15	929.82

Source: 2008 Consolidated Federal Funds Report, U.S. Census

Figures 1.9 through 1.13 illustrate the geographic distribution of the five broad-spending categories detailed in Figure 1.8.

<b>Figure 1.9 Per Capita Amounts of Federal Government Expenditure, by Major Category, by State and Outlying Area: Fiscal Year 2008</b>				<b>Figure 1.10 Per Capita Amounts of Federal Government Expenditure, by Major Category, by State and Outlying Area: Fiscal Year 2008</b>			
State and outlying area	Retirement and Disability	State and outlying area	Retirement and Disability	State and outlying area	Other direct payments	State and outlying area	Other direct payments
West Virginia	\$3,979.85	Oregon	\$2,783.74	District of Columbia	\$5,413.30	United States Total	\$2,062.78
		Ohio	2,764.49	Kentucky	4,359.09	Illinois	2,062.73
Alabama	3,475.05	Indiana	2,741.05	North Dakota	3,882.35	Tennessee	2,027.96
Maine	3,386.31	Washington	2,738.24	South Dakota	3,721.55	Minnesota	1,952.07
Virginia	3,274.62	Wyoming	2,731.66	Pennsylvania	2,729.23	Virginia	1,897.54
Arkansas	3,262.58	North Dakota	2,724.15	Massachusetts	2,670.51	Maine	1,848.46
Pennsylvania	3,204.65	Kansas	2,699.85	Nebraska	2,545.14	California	1,842.44
Florida	3,146.24	Nebraska	2,691.20	Louisiana	2,506.46	Wyoming	1,831.58
South Carolina	3,132.80	Louisiana	2,675.53	Rhode Island	2,504.11	Vermont	1,802.52
Kentucky	3,118.35	United States Total	2,667.33	Florida	2,393.56	Hawaii	1,758.16
Oklahoma	3,115.19	Total	2,667.33	Missouri	2,351.11	Wisconsin	1,755.77
Delaware	3,103.74	Wisconsin	2,661.41	Iowa	2,351.04	Delaware	1,734.34
Montana	3,078.82	Connecticut	2,645.28	New York	2,332.55	South Carolina	1,725.45
Maryland	3,060.80	New Jersey	2,609.64	Mississippi	2,276.88	Oregon	1,658.34
Mississippi	3,012.91	Massachusetts	2,594.69	Maryland	2,270.91	North Carolina	1,646.01
Tennessee	3,011.65	Idaho	2,587.72	Indiana	2,252.71	Texas	1,611.46
Hawaii	3,006.35	New York	2,533.10	Alabama	2,235.80	Georgia	1,604.76
New Mexico	2,993.96	Arizona	2,498.78	Ohio	2,226.83	New Mexico	1,599.27
Rhode Island	2,922.22	Nevada	2,431.81	New Jersey	2,224.64	Washington	1,552.01
New Hampshire	2,919.42	Minnesota	2,424.81	West Virginia	2,216.53	Arizona	1,499.75
Missouri	2,892.34	Illinois	2,397.66	Michigan	2,209.90	New Hampshire	1,472.57
Vermont	2,882.91	Georgia	2,366.28	Connecticut	2,187.88	Colorado	1,441.38
Michigan	2,867.82	Colorado	2,280.14	Kansas	2,186.65	Idaho	1,379.03
North Carolina	2,833.24	Texas	2,186.99	Arkansas	2,179.79	Nevada	1,337.59
Iowa	2,815.35	California	2,065.05	Montana	2,174.76	Utah	1,007.24
South Dakota	2,805.68	Alaska	2,000.05	Oklahoma	2,063.16	Alaska	965.93
		Utah	1,918.90				

The analysis of per capita federal expenditures on Retirement and Disability finds West Virginia first in retirement and disability, which is dominated by social security payments.

The Federal Government spends \$3,980 per capita on retirement and disability in West Virginia, with the state receiving the second highest federal expenditures – Alabama - collecting over \$400 less than West Virginia.

The top third of states receiving the most per capita federal spending on retirement and disability are concentrated east of the Rockies and in the southern states.

The third of states receiving the lowest expenditures for retirement and disability do not demonstrate clear clustering patterns. Utah received the lowest per capita federal expenditure with \$1,919, followed by Alaska and California with \$2,000 and 2,065, respectively.

Sixteen or 32% of all states fell below the national average of \$2,667 per capita federal expenditures for retirement and disability.

As demonstrated by Figure 1.10, there is a large spending gap between the states receiving the highest per capita federal Other Direct Payments and states receiving the least. Other Direct Payments include Medicare and other social assistance programs and are in small clusters around the country.

Excluding the District of Columbia, Kentucky received the largest amount of per capita federal expenditures for Other Direct Payments. North Dakota was second with \$3,882 and South Dakota third with \$3,272.

Alaska received the least federal Other Direct Payments with \$966 per capita. Utah, which received the second smallest expenditure with \$1,007 was also the state which received the smallest expenditures for retirement and disability.

Half of the states were below the \$2,062 per capita national average of Federal Government expenditures for Other Direct Payments.

Figure 1.11 examines the per capita amounts of federal expenditures for grants awards.

**Figure 1.11**  
**Per Capita Amounts of Federal Government Expenditure, by Major Category, by State and Outlying Area: Fiscal Year 2008**

State and outlying area	Grants	State and outlying area	Grants
District of Columbia	\$10,412.94	Minnesota.	\$1,768.04
Wyoming	4,547.15	Illinois.	1,762.34
Alaska	3,936.58	Missouri	1,754.54
Vermont	3,385.03	Pennsylvania	1,741.41
Massachusetts	3,143.67	Oklahoma	1,706.55
Louisiana	2,796.93	Iowa	1,684.09
New York	2,792.20	Washington.	1,683.02
		North Carolina	1,644.32
New Mexico	2,787.18	Delaware	1,643.25
North Dakota	2,587.88	Oregon	1,617.97
Rhode Island	2,323.06	Arizona.	1,588.42
Mississippi	2,310.74	Texas	1,574.37
Tennessee	2,282.93	Alabama	1,553.39
Montana	2,258.03	Ohio	1,547.03
California	2,236.83	Kansas	1,527.41
South Dakota	2,231.40	Georgia	1,504.12
Maine	2,225.77	Wisconsin	1,498.08
Connecticut	2,107.22	South Carolina	1,433.44
Nebraska	2,092.91	New Hampshire	1,426.31
West Virginia	2,045.41	Idaho	1,399.51
Kentucky	1,946.97	Indiana	1,389.00
Michigan.	1,919.81	Colorado	1,320.74
Maryland	1,868.73	Utah	1,292.19
United States Total	1,868.49	Nevada	1,194.90
New Jersey	1,866.29	Virginia	1,129.63
Hawaii	1,772.16	Florida	1,103.56
Arkansas	1,768.67		

Grant awards go to the Agency for International Development, Agriculture department, Appalachian Regional Commission, Department of Commerce, Corporation for National and Community Service, Corporation for Public Broadcasting, Department of Defense and the Delta Regional Authority.

The average per capita federal expenditure in 2008 for grant awards was \$1,868. More than half of the states were below that average. Wyoming was the state receiving the most per capita grant award federal expenditures in 2008 with \$4,547. Alaska was second receiving \$3,936 per capita federal expenditures.

As was the case with Other Direct Payments, the states in the top third of per capita federal expenditures for grant awards are scattered throughout the country.

The bottom-third was also dispersed throughout the United States. Florida received the lowest amount of Per Capita federal expenditures for grants in 2008 with \$1,104. It was followed by Virginia, which received \$1,130. Ironically, Virginia received the highest total per capita federal expenditures in 2008.

Figure 1.12 displays the per capita amounts of Federal Government expenditures for procurement or contract defense spending and accounts for \$514.1 billion or nearly 18.4 cents on every dollar sent to the states by the Federal Government in 2008.

**Figure 1.12**  
**Per Capita Amounts of Federal Government Expenditure, by Major Category, by State and Outlying Area: Fiscal Year 2008**

State and outlying area	Procurement	State and outlying area	Procurement
District of Columbia	\$27,948.22	Georgia	\$1,142.78
Virginia	6,933.70	Utah	1,107.15
Maryland	4,544.44	Nevada	1,038.69
Connecticut	3,671.70	New Jersey	1,032.00
Alaska	3,613.52	Illinois.	1,022.90
New Mexico	3,484.13	Wyoming	992.66
Texas	2,495.29	Vermont	908.52
Missouri	2,444.26	Florida	907.04
Alabama	2,199.41	Michigan.	860.86
Arizona	2,127.93	North Dakota	860.68
Massachusetts	2,054.48	Maine	858.25
Hawaii	1,906.50	Rhode Island	823.65
Mississippi	1,884.75	South Dakota	812.4
Kentucky	1,810.40	Wisconsin	797.33
South Carolina	1,701.11	Ohio	791.95
United States Total	1,619.90	Oklahoma	783.24
Tennessee	1,589.01	West Virginia	732.14
Washington.	1,585.86	New York	704.54
Colorado	1,560.80	Nebraska	677.46
Pennsylvania	1,469.56	Minnesota.	644.12
Kansas	1,464.06	North Carolina	628.31
New Hampshire	1,454.45	Oregon	626.56
California	1,415.94	Iowa	622.93
Louisiana	1,414.78	Montana	591.43
Indiana	1,399.21	Arkansas	466.02
Idaho	1,314.22	Delaware	419.05

The District of Columbia received the highest amount of 2008 per capita federal spending with \$27,948. This isn't unusual for the District of Columbia for all major expenditure categories except retirement and disability. And, the District ranked highest in overall per capita spending.

Excluding the District of Columbia, Virginia and Maryland ranked first and second in per capita procurement expenditures. Virginia received \$6,934 and Maryland received more than one third less per capita spending with \$4,544. As previously noted, Virginia and Maryland geographically surround the District of Columbia, which makes this cluster the highest federal expenditure cluster per capita, in the country.

Twenty-eight percent of the states received expenditures above the national average and are dispersed throughout the country. The third ranked state Connecticut is the only state in this group located in the Northeast. The fourth and fifth states are Alaska and New Mexico respectively, both of which are in different geographic regions.

Delaware received the lowest per capita federal expenditures for procurement, followed by Arkansas which received \$466 per capita. They are among the 36 or 72% of the states receiving below the \$1,620 per capita national average. This indicates that fewer states receive the majority of the per capita defense spending.

Figure 1.13 depicts salaries and wages, the fifth broad category of federal expenditures to the states.

**Figure 1.13**  
**Per Capita Amounts of Federal Government Expenditure, by Major Category, by State and Outlying Area: Fiscal Year 2008**

State and outlying area	Salaries and wages	State and outlying area	Salaries and wages
District of Columbia	\$32,149.51	Texas	764.48
Alaska	3,213.79	Mississippi	756.83
Hawaii	3,208.20	Louisiana	694.31
Maryland	2,083.82	Idaho	687.33
Virginia	2,020.70	Delaware	684.99
North Dakota	1,360.05	Arkansas	677.94
New Mexico	1,152.51	South Carolina	675.36
Wyoming	1,103.72	Arizona	640.89
Colorado	1,093.09	Nevada	634.99
Kansas	1,089.84	Massachusetts	634.73
South Dakota	1,063.45	Florida	626.67
Washington	1,058.00	Pennsylvania	619.62
Oklahoma	1,050.83	California	599.42
Georgia	1,039.15	Oregon	577.16
Montana	1,037.53	New Jersey	569.62
Kentucky	1,007.20	New York	568.77
West Virginia	947.67	New Hampshire	563.88
Utah	929.82	Illinois	557.42
North Carolina	860.34	Ohio	556.94
Missouri	847.52	Minnesota	537.18
Alabama	825.24	Tennessee	529.04
United States Total	823.01	Indiana	500.04
Nebraska	818.26	Iowa	495.61
Vermont	807.57	Connecticut	492.11
Rhode Island	792.37	Michigan	432.1
Maine	777.11	Wisconsin	419.06

Salaries and wages are for non-defense civilians and those employed by the Department of Defense. This category represented \$254 billion or 9.1 cents on every dollar expended by the Federal Government in 2008.

The District of Columbia received the highest per capita federal spending with \$32,150.

Excluding the District of Columbia Alaska received the highest amount of federal spending with \$3,214. It was closely followed by Hawaii, which received only \$6 less per capita at \$3,208.

Forty percent of states received per capita salaries and wages federal expenditures exceeding the national average of \$823. Wisconsin and Michigan were the states receiving the least per capita spending of \$419 and \$432, respectively.

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