Federal Spending in the States: 2015

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BACKGROUND

For almost 30 years, the U.S. Census Bureau produced an annual report called the Consolidated Federal Funds Report, or CFFR. The CFFR contained data on federal government expenditures and obligations in state, county, and sub-county areas of the U.S., including the District of Columbia and U.S. Outlying Areas, which were consolidated and tabulated in a standard format by the Census Bureau. It was the most comprehensive data set available to track federal spending by location and was a key component of federal fiscal transparency; state and local leaders used CFFR data to track and compare federal spending.

Although the CFFR was an important resource for policymakers, the U.S. Census Bureau discontinued the report in 2012, making 2010 the last fiscal year for which this information was available. In an increasingly data-driven era, the information contained in the CFFR was as important as ever to federal, state and local leaders as they strive to make evidence-based decisions.

To address this gap, The Pew Charitable Trusts used publicly available data sets to re-create and extend CFFR’s state-level analysis for fiscal year 2004 through 2014.

The methodology Pew developed to re-create the CFFR data was successful and the data published by Pew closely aligned with the CFFR data for the years that overlap. For example, Pew’s calculation of total federal spending in fiscal year 2010 was $3.2 trillion, equal to 99 percent of the $3.23 trillion in spending included in the CFFR for the same year.

The CFFR broke up federal spending across five categories: retirement benefits, non-retirement benefits, salaries and wages, grants, and contracts. Both Pew’s analysis and the CFFR covered most, but not all, federal budget outlays reported in the president’s budget. Outlays that are excluded from the analysis include loans, insurance, overseas spending, interest on the federal debt, and other expenditures that cannot be assigned to a specific state, such as spending that is classified for national security purposes.

For fiscal year 2015, The Council of State Governments took over recreating the CFFR data, using the methodology that Pew developed and with Pew’s technical assistance. For more detailed information on Pew’s methodology and analysis, visit The Pew Charitable Trusts [3].

SPENDING TRENDS
Total spending in the states and D.C. in fiscal year 2015 was $3.4 trillion, up from $3.3 trillion in 2014 and equal to $10,567 per capita. In nominal terms, spending hit a 10-year high in 2015.

Average year-over-year growth in spending over this period was 4 percent, but annual growth rates varied significantly. The largest increase was between fiscal years 2008 and 2009, when spending jumped from $2.7 billion to $3.1 billion, an increase of 16 percent. Spending declined by 1.3 percent in both 2012 and 2013.

In inflation-adjusted dollars, spending reached a 10-year peak in fiscal year 2010 and the average annual growth rate for the period was 2 percent. Spending declined in 2011, 2012 and 2013.

Money flowing into states from the federal government—either to individuals or through state and local governments—has a big impact on a state’s economy. For example, in 2015, federal spending made up 19 percent of state economic activity, or gross domestic product (GDP). In five states—Alabama, Mississippi, New Mexico, Virginia and West Virginia—federal spending was 30 percent or more of GDP in 2015.

In four states—Illinois, New York, North Dakota and Wyoming—federal spending was 15 percent or less of GDP.

Spending at the federal level varies significantly across states. Total spending was highest in California, Texas and Florida and lowest in Vermont, North Dakota and Wyoming. On a per capita basis, spending was highest in D.C. ($82,508), Virginia ($17,052) and Maryland ($17,025) and was lowest in Utah ($7,327), Illinois ($8,701) and Wisconsin ($8,839).
SPENDING CATEGORIES

Federal spending can be divided into five major categories.

Non-Retirement Benefits

Non-retirement benefits includes payments to individuals, including Medicare benefits, food assistance, unemployment insurance payments, student financial aid and other assistance payments. Medicare makes up a majority of this category.

- Non-retirement spending in the 50 states and D.C. totaled $930.1 billion in fiscal year 2015, equal to $2,898 per capita. That’s up from $900.6 billion in 2014.
- Non-retirement spending hit a 10-year peak in 2011 of $953 billion.
- Overall non-retirement spending was heavily dependent on population size: California was the highest ($107.4 billion) followed by Florida ($74.8 billion) and Texas ($71.5 billion). Non-retirement spending was the lowest in Alaska, North Dakota and Wyoming, which all had less than $2 billion in spending.
• On a per capita basis, federal non-retirement spending was highest in Florida ($3,693) and Mississippi ($3,394) and lowest in Utah ($1,848) and North Dakota ($2,134).

Retirement Benefits

Retirement benefits include payments to individuals, including Social Security retirement, survivor and disability payments; veterans’ benefits; and other federal retirement and disability payments. Social Security represents the lion’s share of this category.

• Retirement spending in the 50 states and D.C. totaled $1.15 trillion in fiscal year 2015, up from $1.1 trillion in 2014 and equal to $3,599 per capita.
• Retirement spending hit a 10-year peak in 2015.
• On a per capita basis, D.C. ($5,020), West Virginia ($4,894) and Alabama ($4,653) have the highest levels of retirement spending while Utah ($2,626), California ($2,844) and Texas ($2,913) had the lowest.
• The lowest levels of retirement spending went to the states with the smallest populations—Alaska, North Dakota, Vermont and Wyoming. Each had less than $3 billion retirement spending in 2015.
• Nearly one-third of all federal retirement spending went to four states: California, Florida, New York and Texas.

Grants

The grant category includes funding to state and local governments for programs such as health care, transportation, education and housing, as well as funding for individuals and other non-federal entities, such as research grants. Medicaid grants to states make up about half of this category.

• Grants in fiscal year 2015 to the 50 states and D.C. totaled $602.8 billion, equal to $1,878 per capita. That’s up from $586.8 billion in 2014.
• Grants hit a 10-year peak in 2009 at $661.2 billion.
• On a per capita basis, the District of Columbia received the most through grants in fiscal year 2015 ($12,872) followed by Alaska ($4,497) and Vermont ($3,308). Florida ($1,125) and Georgia ($1,184) received the least in grants per capita.
• Three states—North Dakota, South Dakota and Wyoming—received less than $2 billion in grants for the year.
• Four states—California, New York, Pennsylvania and Texas—collectively received more than 30
percent of all federal grants ($210.6 billion or 35 percent).

Contracts

This category includes contracts for the purchase of goods and services, including military spending. Defense purchases make up a majority of this category.

- Contracts in fiscal year 2015 to the 50 states and D.C. totaled $392.8 billion, equal to $1,224 per capita. That’s down from $404.4 billion in 2014.
- Contracts hit a 10-year peak in 2008 at $486 billion.
- Five states—Delaware, North Dakota, South Dakota, Vermont and Wyoming—each received $500 million or less in contracts in 2015.
- On a per capita basis, contract spending ranged from a low of $337 in Delaware and $355 in Oregon and Arkansas to a high of $28,980 in D.C., $5,819 in Virginia and $4,787 in Maryland.
- Two states—California and Virginia— together received more than one quarter of all federal contracts ($96 billion).

Salaries and Wages

This category includes all salaries and wages for federal employees. A majority of spending in this category is for civilians (about two-thirds) with the rest going to military personnel.

- Salaries and wages in fiscal year 2015 to the 50 states and D.C. totaled $310.5 billion, equal to $968 per capita. That’s up from $304.8 billion in 2014.
- Salaries and wages hit a 10-year peak of $312.7 billion in 2011.
- Three states have salaries and wages above $20 billion in 2015—California, Texas and Virginia. The District of Columbia also had outlays above $20 billion.
- Four states—Delaware, New Hampshire, South Dakota and Vermont—had less than $1 billion in salaries and wages.
- On a per capita basis, federal salaries and wages ranged from a low of $380 in Wisconsin and $429 in Iowa to a high of $32,755 in D.C., $4,160 in Hawaii and $3,482 in Alaska.
Across these five categories, the biggest spending category was retirement (34 percent) followed by non-retirement (27 percent), grants (18 percent), contracts (12 percent), and salaries and wages (9 percent).

**METHODOLOGY**

This analysis pulls from a number of publicly available data sources:

- Grants: USASpending.gov
- Contracts: USASpending.gov
- Salaries and Wages: Bureau of Economic Analysis
- Non-Retirement Benefits: Bureau of Economic Analysis, Alaska Department of Revenue, U.S. Census Bureau

When necessary, all data are converted to conform to the federal fiscal year (Oct. 1–Sept. 30). Note that data for U.S. Territories were not available for all categories and are thus excluded from this analysis.

**Retirement and Non-Retirement Benefits**

Retirement and non-retirement benefit data come primarily from the Bureau of Economic Analysis State Personal Income and Employment report and include direct payments from state and local governments as well as payments from some federal grant programs. The data are adjusted to isolate federal direct payments and to remove any double spending of grant spending that may be captured elsewhere.

The retirement and non-retirement benefit categorizes exclude federal grants to states, such as Medicaid, the Children’s Health Insurance Program, and Temporary Assistance for Needy Families (which are included in the grants spending category). This analysis also excludes benefits that are entirely state-funded, such as state retirement and disability insurance.

**Retirement Benefits**

The retirement benefits category combines BEA data with federal pension data from the Office of Personnel Management and the Department of Defense Office of the Actuary. This provides a comprehensive picture of retirement benefits flowing into states.

**Non-Retirement Benefits**

The non-retirement benefits category starts with the BEA data and includes some modifications to remove any state or local spending:
• Alaska’s Permanent Fund payments are removed from the state and national totals.
• BEA’s “Other Income Maintenance Benefits; Excluding Family Assistance” category includes “general assistance” from state and local governments. This non-federal spending component was removed.
• BEA’s “Education and Training Assistance” category includes some state educational assistance. This non-federal spending component was removed.

Grants

This spending category includes federal funding for grants to state and local governments and other non-federal entities. All data for grants were downloaded from USAspending.gov, which was developed in response to the Federal Funding Accountability and Transparency Act of 2006, or FFATA. The legislation required that federal contract, grant, loan, and other financial assistance awards of more than $25,000 be displayed on a searchable, publicly accessible website, USAspending.gov.

Federal spending in the grant category is aggregated up to the state level and uses the location reported as the prime recipients’ place of performance.

Contracts

This spending category includes all federal contract awards. All data for contracts were downloaded from USAspending.gov, which gathers procurement data from the General Services Administration’s Federal Procurement Data System—Next Generation, a central repository for federal agencies’ reports on all contracts above $3,000.

Federal spending in the contracts category is aggregated up to the state level and uses the location reported as the prime recipients’ place of performance.

Salaries and Wages

The salaries and wages category includes all salaries and wages for federal employees across the 50 states and D.C. These data come from the Bureau of Economic Analysis, or BEA, and include both federal civilian and military salaries and wages. The raw data set—Quarterly State Personal Income: Wages and Salaries by Industry—was downloaded using the BEA’s regional data interactive database (https://www.bea.gov/itable/). Data from government and government enterprises were included—both federal civilian and military.

BEA’s civilian data come from the Bureau of Labor Statistics’ Quarterly Census of Employment and Wages. BEA’s military salary and wage data are estimated using data from the Department of Defense. The BEA reports salaries and wages by place of employment and includes basic pay and overtime, but excludes supplements to wages and salaries, such as employer contributions for employee pension and insurance funds, and government social insurance programs such as Social Security and Medicare.

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