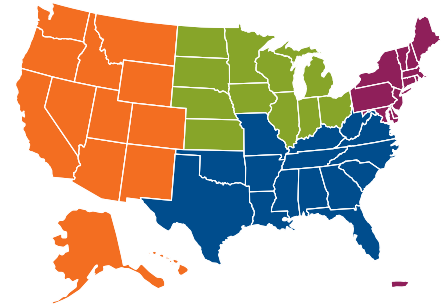


THE BOOK OF THE STATES 2012

Facts & Figures



NATIONAL ANALYSIS OF FEDERAL FUNDING IN THE STATES

States have received a significant influx in federal dollars since the Great Recession began, primarily from the American Recovery and Reinvestment Act. As a result, state spending from federal funding also has increased significantly since the 2008 fiscal year, hitting 35 percent in fiscal year 2010. The amount of federal funding received per capita varies across states due to a number of factors. State spending from federal sources likely will decrease as Recovery Act dollars run out during the next few years, contributing to fiscal stress in statehouses across the country.

Federal Funding: Increasingly Important Component of State Finance

- ▶ According to the National Association of State Budget Officers (NASBO), state spending from federal funds increased significantly in the 2009 and 2010 fiscal years, primarily due to the Recovery Act, also known as the stimulus.
- ▶ From fiscal years 2000 to 2007, the annual mean percentage of state spending from federal funds was 27 percent.
- ▶ In the 2008 fiscal year, just before stimulus funds started flowing, federal funds represented 26.3 percent of state spending. By the 2009 fiscal year, federal funds accounted for 29.5 percent of total state expenditures. An estimated 34.7 percent of state spending came from federal funds in 2010.
- ▶ According to NASBO, states spent \$41.2 billion in federal stimulus funds in the 2009 fiscal year and an estimated \$114.2 billion in fiscal 2010. Those funds helped cushion states from having to make even more drastic spending cuts than they did, especially in the areas of health care and education.
- ▶ The Congressional Budget Office reports that stimulus spending lowered the unemployment rate by as much as 1.6 percent and increased the number of people employed by nearly 3 million.

Federal Domestic Spending to States and Individuals¹

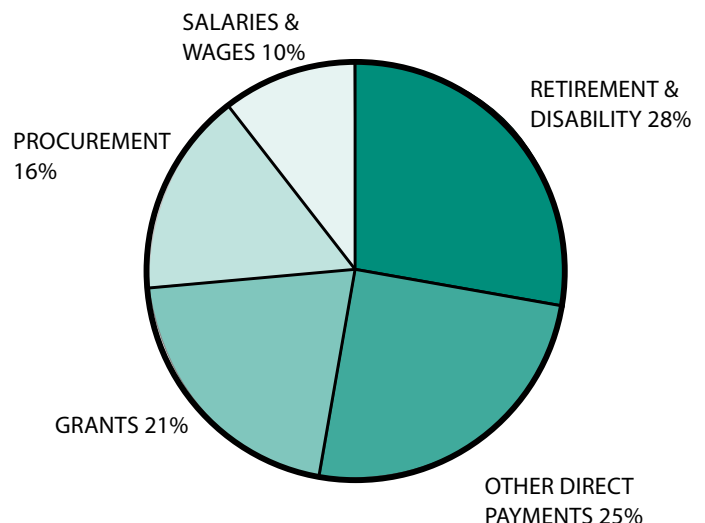
- ▶ Federal domestic spending hit \$3.3 trillion in the 2010 fiscal year, an increase of 2.4 percent over the previous year and equal to \$10,612 per person living in the U.S.
- ▶ From fiscal years 2001 to 2008, inflation-adjusted per capita federal expenditures increased regularly each year, with growth rates ranging from approximately 1 to 5 percent.
- ▶ From fiscal years 2008 to 2009, that growth rate jumped to 14 percent, in large part due to the Recovery Act and the effects of the Great Recession.

- ▶ In 2010, per capita federal spending ranged from a low of \$7,321 in Nevada and \$8,367 in Minnesota to a high of \$17,762 in Alaska and \$17,008 in Virginia. Federal spending per capita in Puerto Rico was \$5,668 in 2010.
- ▶ In total dollars, Wyoming (\$6.2 billion) and Vermont (\$7.4 billion) received the fewest dollars and Texas (\$225.7 billion) and California (\$338 billion) received the most.

Where the Money Goes

- ▶ Medicare, Medicaid and Social Security made up 47.4 percent of the total domestic federal funding, or about \$1.6 trillion in 2010. Social Security made up \$743.2 billion of that total.
- ▶ The primary categories for federal domestic spending are direct payments for individuals for retirement and disability (28 percent), other direct payments (25 percent), procurement contracts (16 percent), and salaries and wages (10 percent).

Categories of Federal Domestic Spending 2010



Direct Payments to Individuals for Retirement and Disability

- ▶ Twenty-eight percent (\$915 billion) of federal funding across all states fell into the category of **direct payments to individuals for retirement and disability**, more than three-quarters of which (81 percent) consists of Social Security payments (\$743 billion). Federal retirement and disability benefits (\$110 billion) and veterans' benefits (\$40 billion) rounded out the rest of the category.
- ▶ On a per capita basis, Utah (\$2,180) and Alaska (\$2,240) received the smallest payments in this category, while Alabama (\$3,761) and West Virginia (\$4,177) received the largest.

Other Direct Payments to Individuals

- ▶ **Other direct payment** categories made up 25 percent (\$819 billion) of spending and included Medicare benefits (\$512 billion), unemployment benefits (\$68 billion), Supplemental Nutritional Assistance Program—or SNAP—(\$65 billion) and student financial assistance (\$50 billion).
- ▶ On a per capita basis, Alaska (\$1,464) and Nevada (\$1,657) received the smallest payments in this category, while Kentucky (\$3,742) and Connecticut (\$6,623) received the largest.

Grants

- ▶ The federal government also paid out \$683 billion in **grants** to state agencies, more than half of which (60 percent) went to state departments of health and human services (\$407.4 billion), which in turn administer one of every state's biggest expenditure programs: Medicaid. The departments of transportation (\$64.3 billion) and education (\$58.4 billion) also took up a large chunk of this category.
- ▶ On a per capita basis, Nevada (\$1,370) and Florida (\$1,492) received the smallest payments in this category, while Wyoming (\$3,999) and Alaska (\$4,878) received the largest.

Procurement Contracts

- ▶ Expenditures on procurement contracts made up 15.8 percent of federal domestic spending, or \$516.7 billion. Two-thirds of that total (\$331.2 billion) came from contracts awarded by the Department of Defense.

- ▶ On a per capita basis, Delaware (\$404) and Oregon (\$534) received the smallest payments in this category, while Virginia (\$7,291), Maryland (\$4,593), New Mexico (\$3,641) and Alaska (\$3,469), received the largest.

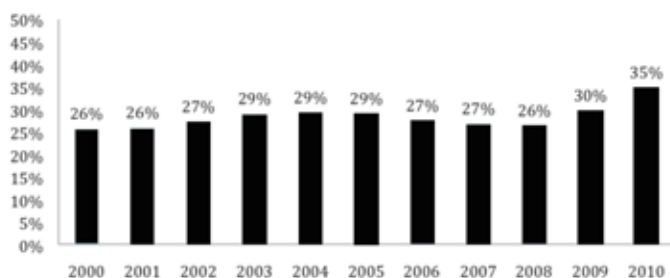
Salaries and Wages

- ▶ **Salaries and wages** for federal employees made up about one-tenth of spending, or \$343 billion. More than half (53.1 percent) of spending in this category went to Department of Defense payrolls (\$182 billion), while 29.3 percent went to federal civilian payrolls (\$101 billion) and 17.6 percent to the U.S. Postal Service (\$60 billion).
- ▶ On a per capita basis, Michigan (\$485) and Wisconsin (\$514) received the smallest payments in this category, while Hawaii (\$5,806), Alaska (\$5,709), Virginia (\$2,638) and Maryland (\$2,605) received the largest.

Moving Forward

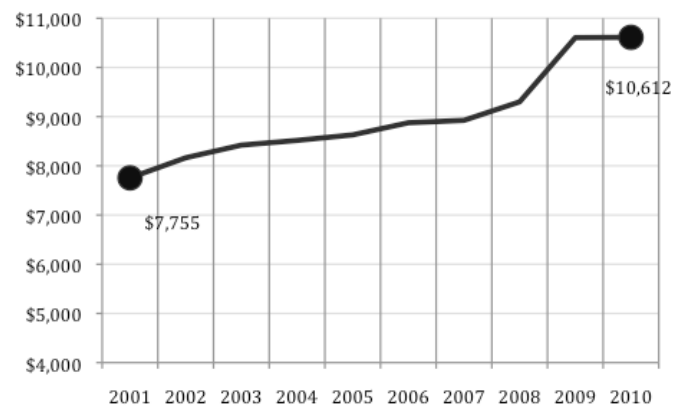
- ▶ According to the Center on Budget and Policy Priorities, states are reporting shortfalls for the 2012 fiscal year that total \$103 billion, primarily due to declining federal assistance and a weak recovery in revenues. The 2012 fiscal year likely will prove to be nearly as difficult a budget year as 2010, when state budget shortfalls reached their peak, and a more difficult budget year than 2011.
- ▶ The impact of big shortfalls and declining federal assistance is clear: State leaders already have made some of deepest spending cuts in their 2012 budgets since the recession began.
- ▶ While federal assistance from the stimulus is dwindling, it isn't entirely exhausted. Although nearly 85 percent of stimulus dollars have been paid out and almost all of the remaining funds have been obligated for projects, the 15 percent left to be spent adds up to a hefty sum: \$66 billion as of Nov. 4, 2011. States likely will be placing more scrutiny on how they can utilize these limited remaining funds, making it a hot topic during oversight hearings in many state capitols in 2012.

Share of State Spending From Federal Funds, FY2000-FY2010



Source: Historical analysis of annual state expenditure reports (2000-10) from the National Association of State Budget Officers, <http://www.nasbo.org/Publications/StateExpenditureReport/StateExpenditureReportArchives/tabid/107/Default.aspx>

Domestic Federal Expenditures Per Capita²



REFERENCES

¹Based on analysis of data from the U.S. Census Bureau's Consolidated Federal Funds Report, <http://www.census.gov/govs/cffr/> and The Council of State Governments, The Book of the States, Tables 2.6-2.11, <http://knowledgecenter.csg.org/kc/view-content-type/1219>
²Inflation adjusted in 2010 dollars using the U.S. Bureau of Labor Statistics Consumer Price Index. Per capita calculations are based on American Community Survey estimates for years 2001-09 and Census 2010 data.

SUMMARY OF FEDERAL GOVERNMENT DOMESTIC EXPENDITURES, BY STATE: FISCAL YEAR 2010 (IN BILLIONS OF DOLLARS) »

THE COUNCIL OF STATE GOVERNMENTS

State and outlying area	Total	Retirement and disability	Other direct payments	Grants	Procurement	Salaries and wages
United States	\$3,276	\$915	\$819	\$683	\$517	\$343
EAST REGION						
Connecticut	55.98	10.15	23.67	8.30	11.96	1.90
Delaware	8.08	3.06	1.90	2.06	0.36	0.71
Maine	14.64	4.89	3.09	3.79	1.74	1.13
Maryland	96.26	19.12	21.14	14.44	26.52	15.04
Massachusetts	82.45	18.41	21.20	22.35	15.99	4.51
New Hampshire	11.34	4.30	2.41	2.31	1.44	0.88
New Jersey	80.99	24.82	24.90	15.46	10.24	5.58
New York	202.27	53.81	57.53	63.10	13.88	13.94
Pennsylvania	145.93	43.46	44.91	29.41	19.35	8.80
Rhode Island	11.76	3.33	3.28	3.15	1.00	1.00
Vermont	7.41	2.01	1.36	2.38	0.93	0.72
Puerto Rico	21.12	7.95	4.96	6.31	1.04	0.85
REGIONAL TOTAL w/ P.R.	738.22	195.32	210.33	173.06	104.45	55.06
REGIONAL TOTAL w/o P.R.	717.10	187.36	205.37	166.75	103.40	54.21
MIDWEST REGION						
Illinois	109.97	33.84	32.51	24.06	11.60	7.95
Indiana	58.60	19.68	17.10	11.97	5.50	4.36
Iowa	28.38	9.46	8.25	6.39	2.37	1.90
Kansas	29.05	8.59	6.85	4.74	3.06	5.82
Michigan	90.92	32.40	26.68	20.58	6.47	4.80
Minnesota	44.38	14.27	13.26	10.53	2.95	3.37
Nebraska	16.53	5.46	4.48	3.51	1.31	1.78
North Dakota	8.70	2.21	2.49	2.24	0.69	1.08
Ohio	106.45	35.14	31.11	24.40	8.83	6.98
South Dakota	9.51	2.63	2.69	2.25	0.91	1.03
Wisconsin	54.87	16.83	13.31	11.99	9.81	2.93
REGIONAL TOTAL	557.34	180.51	158.70	122.65	53.49	41.99
SOUTH REGION						
Alabama	56.50	17.98	13.15	9.27	10.48	5.61
Arkansas	28.90	10.36	7.53	6.84	1.75	2.42
Florida	186.70	64.38	63.32	28.07	17.98	12.96
Georgia	92.39	26.06	19.74	16.75	12.46	17.37
Kentucky	57.27	14.84	16.24	9.50	7.49	9.21
Louisiana	53.21	13.03	13.10	15.09	7.29	4.70
Mississippi	31.42	9.78	8.08	7.87	2.67	3.02
Missouri	70.35	19.22	16.80	14.00	13.00	7.32
North Carolina	90.74	29.61	19.59	20.10	6.09	15.35
Oklahoma	38.48	12.57	9.10	7.86	3.38	5.58
South Carolina	46.58	15.93	9.65	8.21	8.17	4.62
Tennessee	68.87	21.12	19.68	14.09	10.14	3.84
Texas	225.73	60.42	50.16	44.62	40.59	29.93
Virginia	136.08	28.30	16.10	12.23	58.34	21.11
West Virginia	21.51	7.74	5.08	4.97	1.78	1.94
REGIONAL TOTAL	1,204.72	351.34	287.32	219.48	201.61	144.97
WEST REGION						
Alaska	12.62	1.59	1.04	3.47	2.46	4.06
Arizona	64.43	18.54	13.74	14.36	12.81	4.98
California	333.81	84.84	87.98	78.87	57.54	24.59
Colorado	49.69	12.84	9.17	8.79	10.37	8.52
Hawaii	20.86	4.37	2.82	3.03	2.75	7.90
Idaho	14.25	4.56	2.84	2.98	2.63	1.25
Montana	10.76	3.40	2.40	2.94	0.82	1.20
Nevada	19.77	7.25	4.48	3.70	2.41	1.94
New Mexico	27.96	6.63	4.34	6.72	7.50	2.77
Oregon	33.97	12.08	8.59	8.69	2.05	2.57
Utah	23.55	6.03	5.58	4.99	3.76	3.20
Washington	70.44	20.48	13.65	14.73	10.04	11.54
Wyoming	6.21	1.64	1.03	2.25	0.57	0.71
REGIONAL TOTAL	688.30	184.24	157.65	155.52	115.70	75.20

Source: U.S. Census Bureau, Consolidated Federal Funds Report for Fiscal Year 2010. Released September 2011.

Data are rounded to millions of dollars and individual state totals may not add up to national totals due to rounding. National totals include all state territories and D.C., including those not listed here (No. Mariana Islands, Palau, American Samoa, Fed. States of Micronesia, Guam, Marshall Islands and the U.S. Virgin Islands). Does not include data on contingent liabilities (loans and insurance).

For additional information, see the complete report at <http://www.census.gov/govs/cffr/>