



**GIVING OR GETTING?  
NEW YORK'S BALANCE OF  
PAYMENTS WITH THE FEDERAL  
GOVERNMENT**

**September 2017**

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## Giving or Getting? New York’s Balance of Payments with the Federal Government

### Contents

Foreword.....	2
Acknowledgments.....	4
Executive Summary .....	5
Introduction .....	9
New York’s Balance of Payments in Federal Fiscal Year 2015 .....	10
What Drives New York’s Negative Balance of Payments? .....	10
A Look Across the Fifty States .....	12
Box: Analysis of the Top-Five and Bottom-Five States.....	17
Overall Balance of Payments.....	17
Outlays .....	18
Receipts .....	19
Conclusions .....	20
Appendices .....	21
Selected Tables.....	21
Comparison to the Office of New York State Comptroller’s Report on FFY 2013 .....	24
Objectives, Scope, and Methodology.....	25
A Two-Step Methodology.....	26
Details of Allocation of Items to Geographic Areas (Step 2) .....	28
Comparison to Other Approaches.....	38

## Foreword

For more than two decades, former United States Senator from New York Daniel Moynihan put out a report called the “*Fisc*” to analyze what states “gave” in tax dollars versus what states “got” from the federal government. The report provided the public and policymakers with important information about the flow of tax dollars. The *Fisc* report found that New York gave billions more in tax dollars than it got back. That relationship had profound policy implications for the state and helped clear up misconceptions about how the federal government funded state programs.

In this time of increasing financial stress on state and local governments, we thought it was critical to revive and enhance Senator Moynihan’s analysis so the public and policymakers can see how the money flows. While others have issued similar reports since Senator Moynihan’s last report in 2000, the reports have been intermittent. Given the Rockefeller Institute of Government’s well-known and well-regarded research and analysis in fiscal policy and state and federal relations, we are uniquely positioned to continue and extend Senator Moynihan’s work on an annual basis.

The Rockefeller Institute of Government’s nationally recognized fiscal studies team put the report together with technical assistance and consultation from the New York State Division of the Budget, and with information and advice from experts in federal agencies and in think tanks. The effort involved exhaustive data collection, research, and analysis.

The first installment, led by the Institute’s Director of Fiscal Policy Studies Donald Boyd, shows that New York sent \$48 billion more in taxes to the federal government in federal fiscal year 2015 than it received back — a far greater “balance of payments” shortfall than any other state. When determining “winners” and “losers” in upcoming federal policy debates, we believe this report is essential reading for policymakers and advisors in Congress and the executive.

Sincerely,

A handwritten signature in blue ink that reads "Jim Malatras". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Jim Malatras  
President  
Rockefeller Institute of Government



## Division of the Budget

**ANDREW M. CUOMO**  
Governor

**ROBERT F. MUJICA JR.**  
Director of the Budget

**SANDRA L. BEATTIE**  
Deputy Director

September 8, 2017

Policymakers should have the best information available to understand the impact of a law before changes are entertained. As a national conversation on federal tax policy is underway, taxpayers deserve to know how much their state generates for the U.S. Treasury, and how much comes back in the form of federal spending.

It is no surprise that a higher-income state such as New York would contribute more than its share of federal tax revenue, but many indicators such as health care costs and poverty rates show that we also have programmatic needs. The comparison between what a state's taxpayers send to the federal government and Washington's return investment in that state is known as a balance of payments.

The New York State Division of the Budget provided financial support for the research and publication of this report so that we may fully understand how New York's balance of payments compares to other states.

The report illuminates the outsized role New York has in supporting federal spending programs, nationally, and the relatively small amount that returns through social programs, contracts, and wages.

In 2015, New York's taxpayers contributed \$48 billion more to the federal government than what was returned to the state. This negative balance of payments was by far the highest in the nation and, in contrast, 37 other states receive more than they contribute.

We hope that the information herein informs the national discussion on federal tax policy. Thank you to the Rockefeller Institute of Government, which has been providing evidence-based policy analysis since 1981. Through products such as this, citizens and governments are more informed and better prepared to make public decisions.

Sincerely,

Robert F. Mujica, Jr.  
Budget Director

## Acknowledgments

This report was prepared by the Rockefeller Institute of Government's Fiscal Studies Team led by primary author Director Donald J. Boyd, with Lucy Dadayan and Jim DeWan. Technical assistance was provided by the New York Division of Budget.

## Executive Summary

The federal government spent \$3.7 trillion in federal fiscal year 2015, affecting the lives of all Americans. This spending and the revenue raised to support it are distributed differently across the country. Because one goal of the federal system is redistribution, it is not surprising that some states “give” far more than they “get,” while the opposite is true for other states.

Before policymakers can draw conclusions about whether there is too much redistribution or too little, they need to understand what the facts are, and why. To help with this goal, the Rockefeller Institute of Government examined each state’s “balance of payments” with the federal government — the amount of revenue paid to the federal government from the state’s residents and economy, compared to federal spending in the state. We examined the data in detail for federal fiscal year 2015, paying particularly close attention to New York.

The main conclusions are clear: In 2015, New York’s residents and economy contributed approximately \$48 billion more in taxes to the federal government than New York received in federal spending. New York’s negative balance of payments was the largest of any state by far, roughly equaling the combined shortfalls of #2-ranked New Jersey and #3-ranked Illinois. California and Massachusetts rounded out the list of top five states.

New York had the third-worst balance of payments in the country per capita, after New Jersey and Connecticut. Its negative balance of payments was about \$2,425 per person. That is, New York’s people and economy paid the federal government \$2,425 more per person than they received. By contrast, the average state experienced a positive balance of payments of about \$1,305 per capita.

**“ New York’s negative balance of payments — \$48 billion more to the federal government than New York received in spending — was the largest of any state by far. ”**

New York’s negative balance of payments is driven primarily by federal taxes, rather than spending: Payments from New York to the federal government were \$12,820 per capita, or approximately \$3,401 higher than the national average. Federal spending in New York was \$329 lower than the U.S. average, adding to the revenue disparity, but the revenue difference is much larger than the spending difference. (See [Table 1](#). Note: the term “outlays” used in Table 1 and throughout this report is a formal term for federal spending.)

**Table 1. New York Had a Negative \$48 Billion Balance of Payments with the Federal Government in FFY 2015**

Receipts, outlays, and balance of payments, Federal Fiscal Year 2015 <i>(Only includes amounts deemed allocable to states)</i>			
--- Results for total BOP, millions of dollars ---			
	New York	Average state	NY minus average
Balance of payments (\$ millions)	(\$47,887)	\$8,300	(\$56,186)
Rank among 50 states	50	n.a.	
--- Per-capita receipts and outlays, dollars ---			
	New York	United States Average	NY minus average
<b>Balance of payments (dollars per person)</b>	<b>(\$2,425)</b>	<b>\$1,305</b>	<b>(\$3,730)</b>
Receipts (dollars per person)	12,820	9,419	3,401
Outlays (dollars per person)	10,395	10,724	(329)
Federal spending received per dollar of taxes paid	0.81	1.14	(0.33)

**Source:** Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2017*, from federal agencies, and other sources. See methodology appendix for details.

**Notes:** (1) Numbers are preliminary and subject to change; (2) n.a. means not applicable.

The federal individual income tax accounted for \$2,465, or more than 70 percent, of the \$3,401 difference between New York’s federal taxes per capita and the U.S. average (Table 2). While New York has above-average poverty, it ranks fourth among the fifty states in per-capita income. Furthermore, it has many high-income taxpayers who are in the highest federal tax brackets under the progressive federal income tax. As a result, although New York’s per-capita income is about 22 percent above the national average, its federal income tax per capita was more than 50 percent higher than the national average. New York’s federal employment taxes and corporate income taxes also are much higher than the national average, reflecting New York’s higher average wages and higher income from capital.

By contrast, federal spending in New York, per capita, was \$329 lower than the national average. This reflects lower federal spending on federal workers and contracts in New York, offset somewhat by the state’s higher federal grants, especially for Medicaid and other social programs. Direct payments for New Yorkers, which include programs such as Social Security and Medicare, about equaled the national average.

The net result is that per-capita payments to the federal budget from New York’s residents and economy were fourth highest in the nation, but spending was only 28th highest, making New York’s overall per-capita balance of payments third worst (forty-eighth out of fifty states).

**Table 2. New York's Per-Capita Balance of Payments with the Federal Government in FFY 2015: #48 (Third Worst) Out of Fifty States**

**Estimates of per-capita federal receipts, outlays, and balance of payments for FFY 2015**  
(Only includes amounts deemed allocable to states)

	New York	United States	New York minus U.S.	NY indexed to U.S.=100	NY rank among fifty states
<b>Balance of payments (outlays minus receipts)</b>	<b>(2,425)</b>	<b>1,305</b>	<b>(3,730)</b>	n.m.	<b>48</b>
Ratio: Outlays to receipts	0.81	1.14	(0.33)	n.m.	49
<b>Receipts</b>	<b>12,820</b>	<b>9,419</b>	<b>3,401</b>	<b>136</b>	<b>4</b>
Individual income tax	7,194	4,729	2,465	152	3
Employment taxes	3,883	3,270	612	119	11
Corporate income tax	1,349	1,059	291	127	5
Excise taxes	271	303	(32)	90	49
Estate & gift taxes	122	59	63	207	2
<b>Outlays</b>	<b>10,395</b>	<b>10,724</b>	<b>(329)</b>	<b>97</b>	<b>28</b>
Direct payments for individuals	6,636	6,717	(81)	99	33
Grants	2,782	1,898	885	147	5
Contracts and procurement	610	1,340	(730)	46	43
Wages	367	770	(403)	48	42

**Source:** Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2017*, from federal agencies, and other sources. See methodology appendix for details.  
**Note:** n.m. means not meaningful.

It is instructive to examine this relative to the size of the state's economy, as measured by its gross domestic product (GDP). New York contributes 17.5 percent of its GDP to the federal government, which is greater than the United States average of 16.8 percent. However, it ranks second from the bottom in federal spending in the state relative to GDP.

New York's balance-of-payments position has worsened considerably since the last analysis of this issue, conducted by the Office of the New York State Comptroller (OSC) in 2015 for federal fiscal year 2013.<sup>1</sup> In that analysis, New York's balance of payments was a negative \$20 billion, and its per-capita ranking was fifth worst among the fifty states. The balance of payments fell in New York and, generally, in other states primarily because federal tax receipts (the amounts states "give") increased much faster between 2013 and 2015 than did federal outlays (the amounts states "get").<sup>2</sup> For the nation as a whole, federal tax receipts increased by 17 percent (\$475 billion) but outlays increased by only 7 percent (\$234 billion). Because New York pays a disproportionately large share of federal taxes, its balance of payments declined more than the balances in other states.

1 *New York's Balance of Payments in the Federal Budget: Federal Fiscal Year 2013* (Albany: Office of the New York State Comptroller, October 2015), [https://osc.state.ny.us/reports/budget/2015/fed\\_budget\\_fy2013.pdf](https://osc.state.ny.us/reports/budget/2015/fed_budget_fy2013.pdf).

2 While there are some small methodological differences between this analysis and the OSC analysis, they did not have a significant effect on New York's balance of payments or its relative ranking.



Federal policymakers have begun to debate possible tax rate reductions and tax reforms. They may also consider sizable cuts in federal spending and reformulation of grant programs to offset some revenue lost to tax cuts. Depending on the nature of these changes, some states will be affected very differently than others. Understanding how the federal budget currently is distributed is a crucial first step in understanding whether proposed federal changes are fair and appropriate.

## Introduction

The federal government spent \$3.7 trillion in federal fiscal year 2015,<sup>3</sup> affecting the lives of all Americans. This spending and the revenue raised to support it are distributed differently across the country.

Grants to support aid for the needy are concentrated disproportionately among higher poverty states and states with high spending on programs partially matched by the federal government, such as Medicaid. Direct payments for individuals under Social Security and Medicare are disproportionately concentrated in states with large elderly populations. Federal contracts are dominated by states with large defense-contracting sectors, and federal wages are disproportionately concentrated in states with a large federal employment presence, particularly those near the District of Columbia.

Federal revenue, on the other hand, is raised disproportionately from residents of states with many high-income individuals, who pay at the highest rates under the progressive federal income tax.

The net result is that some states “receive” far more federal spending than their residents or economies pay through taxes, while others “give” far more than they get. This is not necessarily bad: the federal system redistributes income through Medicare, Medicaid, and other programs that help those in need or with limited means, and through the progressive income tax structure. Furthermore, we would not expect spending to be uniformly distributed — for example, spending on contracts and federal wages should depend at least in part on where goods and services may be most efficiently provided.

Although there may be understandable reasons why some states receive more than they give, and vice versa, it is important to understand how and why federal spending and revenue are distributed. Only then can policymakers decide whether the current distribution is fair and appropriate. Developing a baseline understanding is particularly important now, given that federal tax reform and federal budget cuts could cause significant changes in how federal spending and revenue are distributed.

The Rockefeller Institute of Government has analyzed the distribution of federal budget receipts and outlays (i.e., spending) across the states, sometimes referred to as a “Balance of Payments” (BOP) analysis. This report provides our analysis for the 2015 federal fiscal, with an emphasis on how New York is affected.

To conduct this analysis, the Institute allocated the federal budget to states in two steps:

1. We broke federal receipts and outlays down into major categories and subcategories that add to the federal budget totals.
2. We then allocated these amounts to states and other geographic areas (i.e., U.S. territories), to the extent practical using data on where receipts were actually raised and where outlays were actually spent. Where actual data on the distribution of receipts and outlays are not available, we used our professional judgment to develop the best available proxies, after reviewing available data

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<sup>3</sup> *Budget of the U.S. Government, Fiscal Year 2017, Analytical Perspectives Volume, Historical Table 1.1.*

sources and consulting with experts in the federal government, think tanks, and elsewhere.

This approach ensures that the sum of amounts allocated to individual states and other geographic areas, plus a small amount of unallocable receipts or outlays, equals the federal budget totals. Thus, all numbers allocated to states are consistent with the federal budget. We believe this analysis provides a reasonable basis for our findings and conclusions based on our report objectives. For a detailed discussion of our methodology see the “[Objectives, Scope, and Methodology](#)” Appendix.

## New York’s Balance of Payments in Federal Fiscal Year 2015

In 2015, New York’s residents and economy contributed approximately \$48 billion more in taxes to the federal government than New York received in federal spending. New York’s negative balance of payments was the largest of any state by far, roughly equaling the combined total of #2-ranked New Jersey and #3-ranked Illinois. California and Massachusetts rounded out the list of top five states.

New York had the third-worst balance of payments in the country per capita, after New Jersey and Connecticut. Its negative balance of payments was about \$2,425 per person. That is, New York’s people and economy paid the federal government \$2,425 more per person than they received. By contrast, the average state experienced a positive balance of payments of about \$1,305 per capita.

## What Drives New York’s Negative Balance of Payments?

New York’s negative balance of payments is driven primarily by federal taxes, rather than spending: Payments from New York residents and the New York economy to the federal government were \$12,820 per capita, or approximately \$3,401 higher than the national average. While federal spending in New York was \$329 lower than the U.S. average, adding to the revenue disparity, the revenue difference is much larger than the spending difference (see [Table 3](#)).

The federal individual income tax accounted for \$2,465, or more than 70 percent, of the \$3,401 difference between New York’s federal taxes per capita and the U.S. average. While New York has above-average poverty, it ranks fourth among the fifty states in per-capita income. Furthermore, it has many high-income taxpayers who are in the highest federal tax brackets under the progressive federal income tax. As a result, although New York’s per-capita income is about 22 percent above the national average, its federal income tax per capita was more than 50 percent higher than the national average. New York’s federal employment taxes and corporate income taxes are also much higher than the national average, reflecting New York’s higher average wages and higher income from capital.

**Table 3. New York's Per-Capita Balance of Payments with the Federal Government in FFY 2015: #48 (Third Worst) Out of Fifty States**

Estimates of per-capita federal receipts, outlays, and balance of payments for FFY 2015  
(Only includes amounts deemed allocable to states)

	New York	United States	New York minus U.S.	NY indexed to U.S.=100	NY rank among fifty states
<b>Balance of payments (outlays minus receipts)</b>	<b>(2,425)</b>	<b>1,305</b>	<b>(3,730)</b>	<b>n.m.</b>	<b>48</b>
Ratio: Outlays to receipts	0.81	1.14	(0.33)	n.m.	49
<b>Receipts</b>	<b>12,820</b>	<b>9,419</b>	<b>3,401</b>	<b>136</b>	<b>4</b>
Individual income tax	7,194	4,729	2,465	152	3
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Corporate income tax	1,349	1,059	291	127	5
Excise taxes	271	303	(32)	90	49
Estate & gift taxes	122	59	63	207	2
<b>Outlays</b>	<b>10,395</b>	<b>10,724</b>	<b>(329)</b>	<b>97</b>	<b>28</b>
Direct payments for individuals	6,636	6,717	(81)	99	33
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Contracts and procurement	610	1,340	(730)	46	43
Wages	367	770	(403)	48	42

**Source:** Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2017*, from federal agencies, and other sources. See methodology appendix for details.  
**Note:** n.m. means not meaningful.

By contrast, federal spending in New York, per capita, was \$329 lower than the national average (see [Table 3](#)). Federal grants per capita are nearly 50 percent higher than the national average in New York, driven by Medicaid and other social programs. However, federal procurement and wages in New York, per capita, are only about 50 percent of the national average, and direct payments for programs such as Social Security and Medicare are only about equal to the national average. New York's higher grants are more than offset by lower federal spending on contracts and wages, leaving New York with below-average federal spending per capita.

The net result is that per-capita payments to the federal budget from New York's residents and economy were fourth highest in the nation, but spending was only twenty-eighth highest, making New York's overall per-capita balance of payments third worst (forty-eighth out of fifty states). And as discussed above, New York's balance of payments in absolute dollars was worst in the nation.

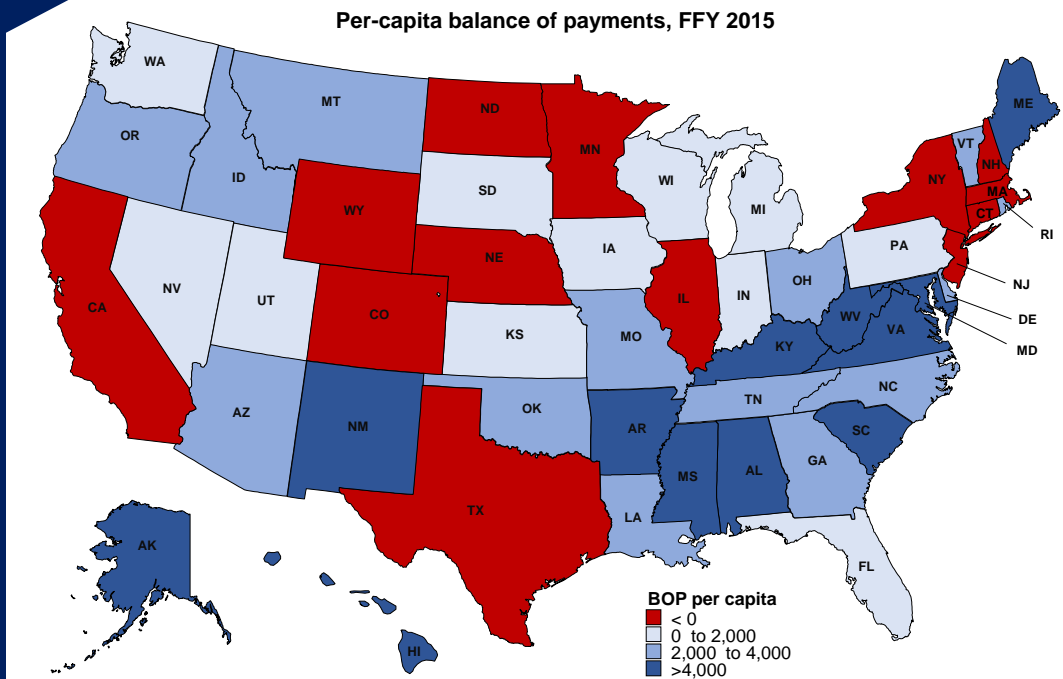
This is remarkably similar to the conclusion from Senator Moynihan's last published analysis, despite more than fifteen intervening years: New York pays more than it receives because (1) high incomes among segments of the New York population combined with a progressive federal tax system lead to greater revenue per capita from New York than from the typical state; and (2) despite higher than average federal spending in New York on assistance programs such as Medicaid, low federal spending on contracts and discretionary items means that federal spending in New York is below average.

## A Look Across the Fifty States

Thirty-seven states had a positive balance of payments with the federal government, receiving more spending than their taxpayers and economy paid for federal taxes and other federal receipts. (Because the federal government spent more than it raised, federal spending in the average state was greater than federal receipts.) New York was one of only thirteen states that had a negative balance of payments (see [Figure 1](#); see [Table 4](#) in the appendix for state-by-state details).

**Figure 1.**  
Fifty-State  
Balance of  
Payment in  
Federal  
Fiscal Year  
2015

Source:  
Rockefeller  
Institute of  
Government  
analysis of  
data from  
*Budget of the  
U.S.  
Government,  
Fiscal Year  
2017*, from  
federal  
agencies, and  
other sources.  
See  
methodology  
appendix for  
details.

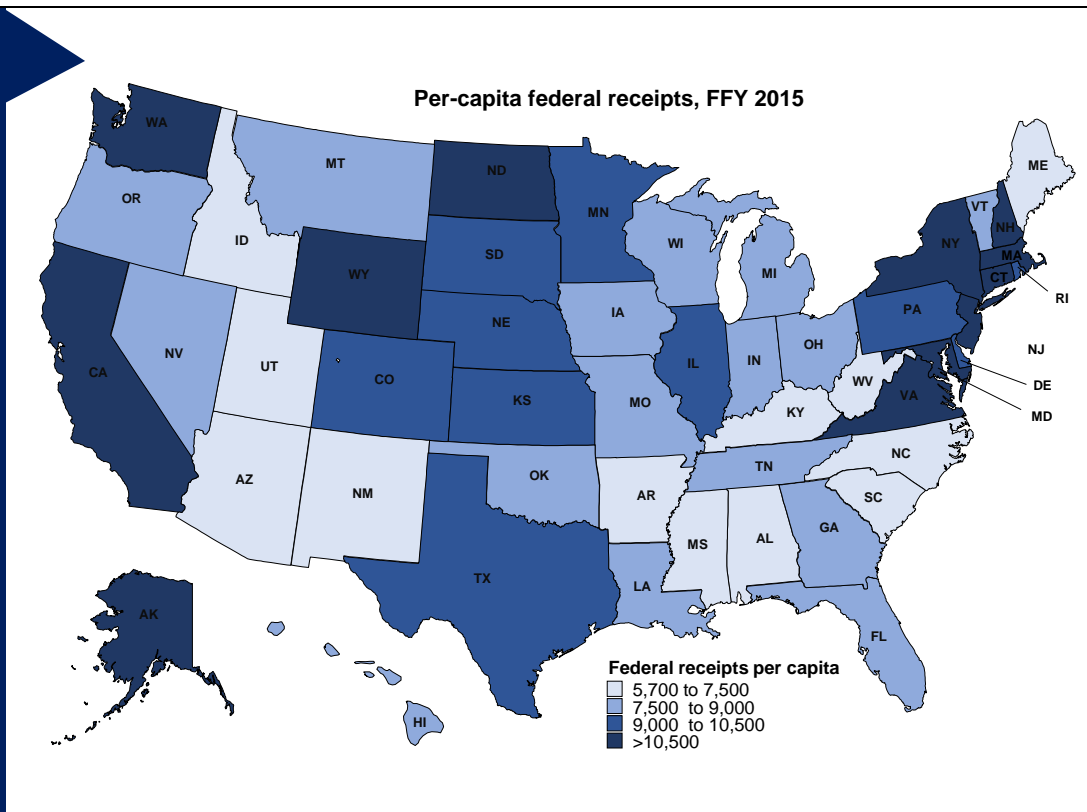


Different states have high or low balances of payments for different reasons. Some states, such as New York, pay higher taxes than other states *and* receive lower spending. Some states, such as New Mexico, pay lower taxes than other states *and* receive higher spending. In other states, there are offsetting reasons. For example, Virginia pays higher taxes but receives much higher spending than the average state, giving it a positive balance of payments. (See “[Box: Analysis of the Top-Five and Bottom-Five States](#)” for analysis of the top five and bottom five states.)

[Figure 2](#) shows payment of federal taxes and receipts per person, by state. The darker blue states have the highest federal tax payments and the lighter blue states have the lowest payments (New York is in the darkest-blue group). States paying the highest federal taxes per capita tend to have high per-capita incomes and highly industrialized economies.

**Figure 2.**  
**New York's**  
**Per-Capita**  
**Federal**  
**Receipts**  
**Were**  
**Among the**  
**Highest in**  
**the Nation**

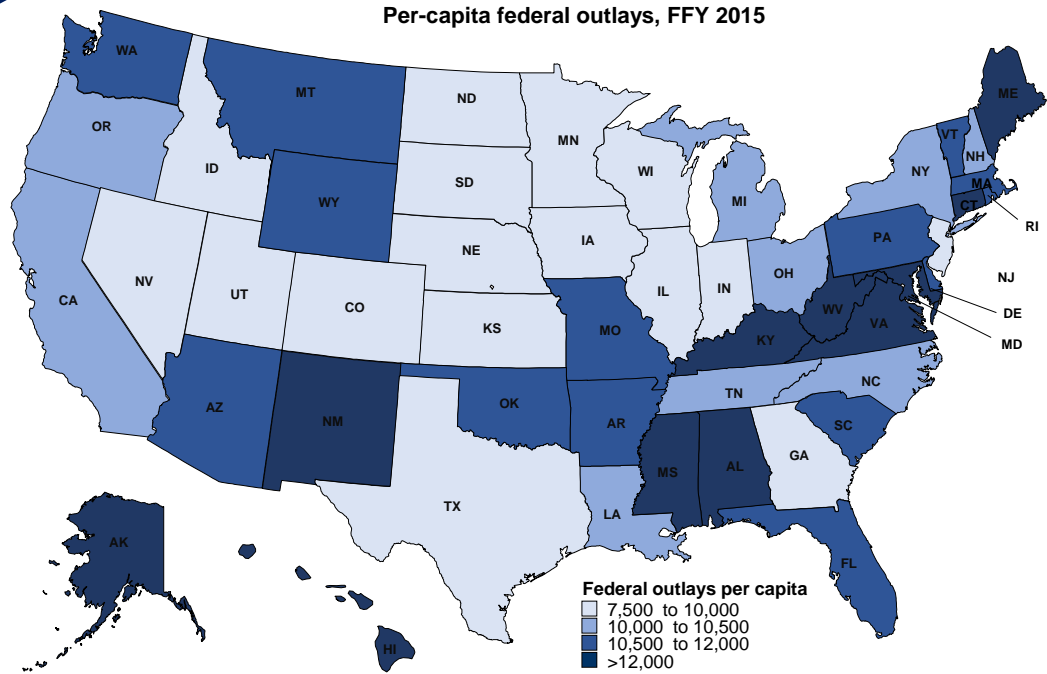
Source:  
 Rockefeller  
 Institute of  
 Government  
 analysis of  
 data from  
*Budget of the*  
*U.S.*  
*Government,*  
*Fiscal Year*  
*2017,* from  
 federal  
 agencies, and  
 other sources.  
 See  
 methodology  
 appendix for  
 details.



[Figure 3](#) shows federal outlays (spending) per capita, by state. The darker blue states have the highest federal spending per capita. Many of the darkest blue states are near the District of Columbia and have disproportionate amounts of federal wages and procurement spending; other dark blue states have relatively high poverty and receive considerable federal spending under Medicaid and other social welfare programs. New York is a lighter blue, slightly below the U.S. average.

**Figure 3.**  
Federal  
Per-Capita  
Outlays in  
New York  
Are  
Slightly  
Below  
Average

Source:  
Rockefeller  
Institute of  
Government  
analysis of  
data from  
*Budget of  
the U.S.  
Government,  
Fiscal Year  
2017*, from  
federal  
agencies,  
and other  
sources. See  
methodology  
appendix for  
details.



[Figure 4](#) shows each state’s position relative to other states for per-capita outlays and receipts. The dashed lines show national averages. The figure shows that federal receipts per capita are far higher in New York than in the average states, while federal spending per capita in New York is moderately lower. Other states are high or low for different reasons. Maryland and Virginia both have dramatically higher federal spending per capita than the average state. Analysis of the detailed results shows that in both cases the higher outlays are driven by federal procurement and wages, which are much higher than in the average state.

**Figure 4.**  
**New York's**  
**Per-Capita**  
**Contribution**  
**to Federal**  
**Receipts Is**  
**Much**  
**Higher Than**  
**the U.S.**  
**Average,**  
**While**  
**Federal**  
**Spending in**  
**New York Is**  
**Slightly**  
**Below**  
**Average**

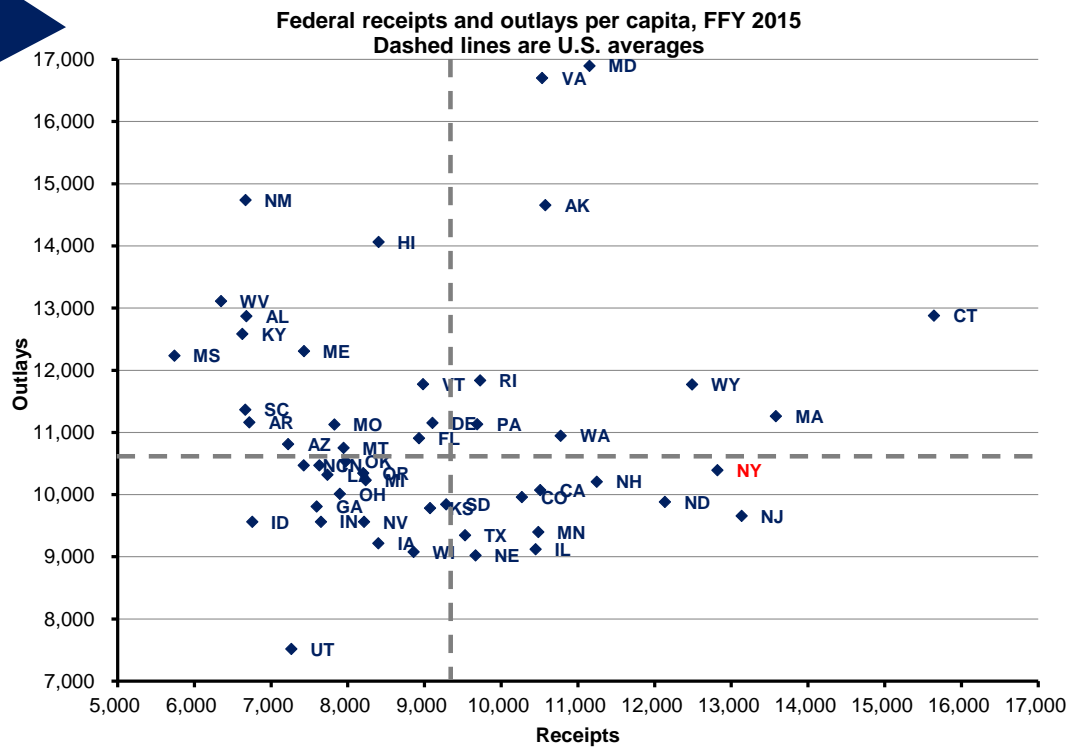
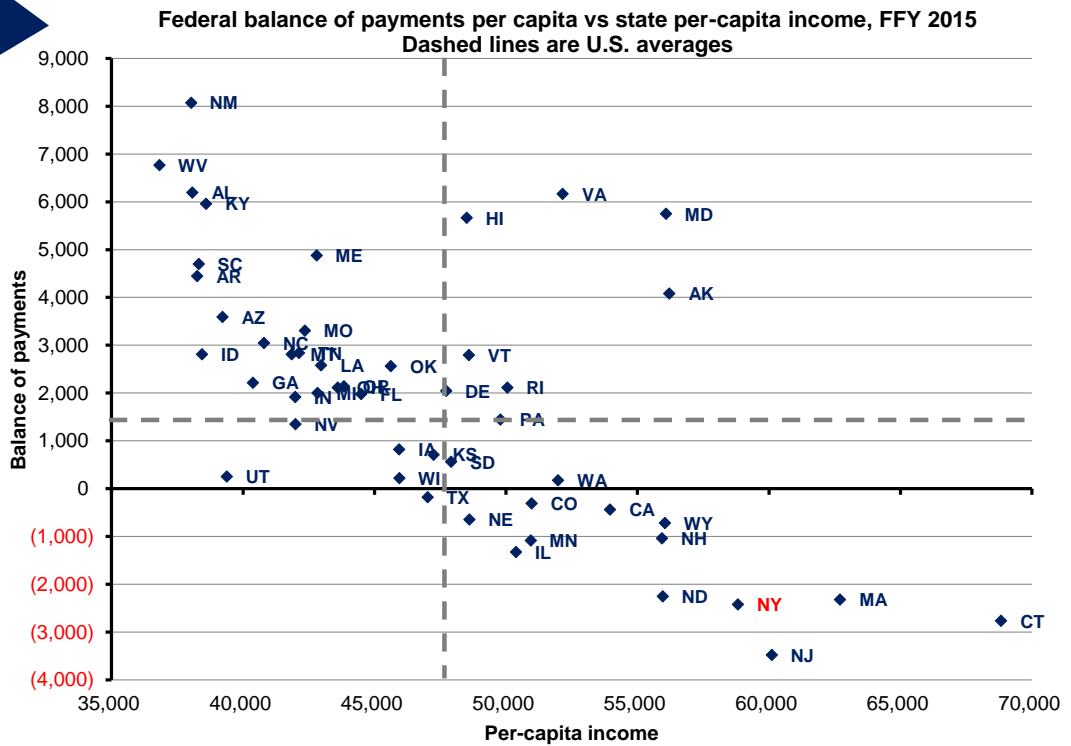


Figure 5 shows the per-capita balance of payments relative to state per-capita income. Lower-income states generally do better than average and higher-income states generally fare worse than average, but with some very notable differences, such as Maryland and Virginia for the reasons just mentioned.



**Figure 5. Higher-Income States Tend to Have a More-Negative Balance of Payments Than Lower-Income States, with Notable Exceptions (e.g., MD, VA)**



It is instructive to view federal receipts and outlays relative to the size of the state's economy, as measured by its gross domestic product (GDP). New York contributes 17.5 percent of its GDP to the federal government, which is greater than the United States average of 17.0 percent. Thus, even relative to the size of its large and diverse economy, New York pays in more than average. However, it ranks second from the bottom in federal spending as a percentage of GDP — it receives far less spending than the average state, relative to its economy. The net result is that New York's balance of payments as a percentage of GDP ranks third from the bottom among the fifty states (see [Table 7](#)) for state-by-state numbers).

## Box: Analysis of the Top-Five and Bottom-Five States

### Overall Balance of Payments

[Table A-1](#) shows the per-capita balance of payments for the top-five and bottom-five states, and each state's difference from the United States average. It also breaks the balance of payments down into spending ("outlays") and receipts. For example, the first row shows that New Mexico's balance of payments per capita is \$8,072, which is \$6,767 above the national average of \$1,305 per capita. Moving to the right, \$4,015 of this per-person difference is attributable to higher federal spending in New Mexico than the U.S. average and the remaining \$2,753 is attributable to lower federal receipts (taxes) per capita than the U.S. average.

**Table A-1. Total Balance of Payments: Top-Five and Bottom-Five States**

State	Total Balance of Payments		Total Outlays		Total Receipts	
	Per capita total	State minus U.S.	Per capita total	State minus U.S.	Per capita total	State minus U.S.
New Mexico	8,072	6,767	14,739	4,015	6,667	(2,753)
West Virginia	6,765	5,461	13,115	2,391	6,349	(3,070)
Mississippi	6,495	5,190	12,234	1,510	5,740	(3,680)
Alabama	6,193	4,889	12,872	2,147	6,678	(2,741)
Virginia	6,166	4,861	16,701	5,976	10,535	1,116
<b>U.S. Average</b>	<b>1,305</b>		<b>10,724</b>		<b>9,419</b>	
North Dakota	(2,253)	(3,558)	9,884	(841)	12,136	2,717
Massachusetts	(2,321)	(3,626)	11,262	538	13,582	4,163
New York	(2,425)	(3,730)	10,395	(329)	12,820	3,401
Connecticut	(2,763)	(4,068)	12,880	2,156	15,643	6,223
New Jersey	(3,478)	(4,783)	9,659	(1,065)	13,137	3,717

For most of the top-five and bottom-five states, variances in taxes paid (Total Receipts) were larger than variances in federal spending (Total Outlays). The difference in taxes paid (receipts) accounted for more than half of the difference in balance of payments in eight of these ten states. The exceptions were New Mexico and Virginia, which are outliers discussed in more detail below.

Of the five states with the highest (most favorable) balance of payments — New Mexico, West Virginia, Mississippi, Alabama, and Virginia — all but high-income Virginia paid lower than average per-capita taxes (Total Receipts). All five had higher than average per-capita federal spending (outlays). New Mexico had the highest balance of payments; its higher than average outlays comprised nearly 60 percent of this total balance. West Virginia, Mississippi, and Alabama had the next highest balance of payments; lower than average taxes paid contributed to more than half of the total balance for each of these states. Virginia had the fifth highest total balance of payments; despite paying higher than average taxes, its second-largest spending (outlays) per capita led to this result.

All five states with the lowest (least favorable) per-capita balance of payments — New Jersey, Connecticut, New York, Massachusetts, and North Dakota — paid higher than average taxes. In New Jersey, New York, and North Dakota, higher than average taxes paid accounted for more than 75 percent of the balance of payments difference from the United States average.

## Outlays

The four major categories of federal spending that we analyze are direct payments for individuals under programs such as Social Security and Medicare, grants to state and local governments, contracts and procurement, and wages of federal workers.

[Table A-2](#) shows per-capita federal outlays by major category for the states with the highest and lowest per-capita outlays.

State	Total Spending		Direct Payments		Grants		Contracts		Wages	
	Per capita total	State minus U.S.	Per capita total	State minus U.S.	Per capita total	State minus U.S.	Per capita total	State minus U.S.	Per capita total	State minus U.S.
Maryland	16,899	6,175	7,336	619	1,759	(138)	5,295	3,956	2,508	1,739
Virginia	16,701	5,976	7,193	476	1,165	(733)	5,649	4,309	2,694	1,924
New Mexico	14,739	4,015	7,063	346	3,263	1,365	3,189	1,850	1,224	454
Alaska	14,656	3,931	5,445	(1,273)	3,528	1,630	2,498	1,158	3,185	2,416
Hawaii	14,066	3,342	6,955	238	1,861	(37)	1,429	89	3,822	3,052
<b>U.S. Average</b>	<b>10,724</b>		<b>6,717</b>		<b>1,898</b>		<b>1,340</b>		<b>770</b>	
Iowa	9,219	(1,505)	6,514	(203)	1,739	(158)	706	(634)	260	(510)
Illinois	9,122	(1,603)	6,229	(488)	1,676	(222)	792	(547)	424	(346)
Wisconsin	9,079	(1,646)	6,590	(127)	1,582	(315)	672	(668)	234	(536)
Nebraska	9,022	(1,702)	6,260	(457)	1,351	(547)	715	(625)	697	(73)
Utah	7,519	(3,205)	4,720	(1,998)	1,264	(633)	763	(577)	772	2
New York	\$10,395	(\$329)	\$6,636	(\$81)	\$2,782	\$885	\$610	(\$730)	\$367	(\$403)

Although direct payments for individuals constituted 59.3 percent of total federal outlays, variations in the three other categories — grants, contracts, and wages — had a greater impact in determining which states had the highest and lowest total per-capita outlays. This is not surprising given that Social Security and Medicare, which constitute nearly three-quarters of direct payments spending, are closely linked to states' elderly populations and vary less than grants, contracts, or wages. To the extent there is variation in this category, it is largely correlated with each state's population makeup. Indeed, the two states with the lowest per-capita direct payments outlays, Utah and Alaska, have the lowest proportion of residents age sixty-five or older.\*

Grants to state and local governments is the next largest category of federal outlays, the biggest component of which was Medicaid. Other components include federal highway spending; antipoverty programs, such as the Supplemental Nutrition Assistance Program; and federal Department of Education grants. Four of the five states with the lowest per-capita outlays in this category have not opted into the Medicaid expansion program made available through the Affordable Care Act; Illinois is the only exception. By not opting into the Medicaid expansion, these states have foregone substantial federal grants compared to states that have elected this expansion.

\* "Population Distribution by Age," Timeframe: 2015, Kaiser Family Foundation State Health Facts, n.d., <http://www.kff.org/other/state-indicator/distribution-by-age/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

The next two categories, contracts and wages, showed significant variation and were an important factor determining which states had the highest and lowest per-capita outlays. Virginia had the highest per-capita contracts total, driven by Department of Defense (DOD) contracts. Maryland was next highest, although nonmilitary contracts such as those awarded by the Department of Health and Human Services, Social Security Administration, and other agencies exceeded its total for DOD contracts.

The high concentration of federal employees in Maryland, Virginia, New Mexico, Alaska, and Hawaii greatly contributed to each state's high per-capita federal wage totals. Nonmilitary wages contributed more to Maryland and New Mexico's per-capita totals. Virginia's total was more evenly split between military and nonmilitary. In Alaska and Hawaii, wages for military employees were the main factor in the high per-capita totals.

New York is also included at the bottom of the table for reference. As noted elsewhere in the report, New York is slightly below the national average for outlays, ranking twenty-eighth in the nation. Due to high Medicaid spending, outlays for grant spending were well above the national average. This was offset, however, by lower per-capita spending for contracts and wages.

## Receipts

[Table A-3](#) shows per-capita federal receipts by major category for the states with the highest and lowest per-capita receipts.

State	Total Receipts		Individual Income Taxes		Payroll Taxes		Corporate Income Taxes		Excise and Other Taxes	
	Per capita total	State minus U.S.	Per capita total	State minus U.S.	Per capita total	State minus U.S.	Per capita total	State minus U.S.	Per capita total	State minus U.S.
Connecticut	15,643	6,223	9,075	4,346	4,527	1,257	1,661	603	379	17
Massachusetts	13,582	4,163	7,723	2,994	4,121	851	1,386	328	352	(10)
New Jersey	13,137	3,717	6,994	2,265	4,509	1,239	1,268	209	366	5
New York	12,820	3,401	7,194	2,465	3,883	612	1,349	291	394	32
Wyoming	12,490	3,070	6,440	1,711	3,684	414	1,604	545	761	400
<b>U.S. Average</b>	<b>9,419</b>		<b>4,729</b>		<b>3,270</b>		<b>1,059</b>		<b>362</b>	
New Mexico	6,667	(2,753)	2,897	(1,831)	2,627	(643)	745	(314)	397	35
South Carolina	6,665	(2,755)	2,909	(1,820)	2,688	(582)	730	(329)	338	(24)
Kentucky	6,626	(2,794)	2,827	(1,902)	2,714	(556)	708	(351)	377	16
West Virginia	6,349	(3,070)	2,669	(2,059)	2,725	(545)	627	(431)	328	(34)
Mississippi	5,740	(3,680)	2,302	(2,427)	2,435	(835)	648	(410)	354	(8)

Individual income taxes are the largest source of receipts paid to the federal government and had the greatest impact in determining which states have the highest and lowest per-capita receipts paid to the federal government. This impact is accentuated because while individual income taxes accounted for 47.4 percent of total federal revenues, the federal income tax accounted for over two-thirds of the per-capita receipts difference from the United States average in nine of the ten states shown above, including New York. (Wyoming was the exception, but the income tax still accounted for 55.7 percent of the total difference in receipts.)

## Conclusions

In 2015, New York's residents and economy contributed approximately \$48 billion more in taxes to the federal government than New York received in federal spending. By contrast, thirty-seven states had a positive balance of payments with the federal government, receiving more spending than their taxpayers and economy paid for federal taxes and other federal receipts. New York had the greatest negative balance of payments, in dollars, of all states in the nation. New York had the third-worst balance of payments in the country per capita, after New Jersey and Connecticut.

New York's negative balance of payments is driven primarily by federal taxes from the state's residents and economy that are higher than the U.S. average: These payments to the federal government were \$12,820 per capita, or \$3,401 higher than the national average. Federal spending in New York was \$10,395, \$329 lower than the U.S. average, adding to the disparity, but the revenue difference is much larger than the spending difference. The net result is that payments to the federal budget from New York's residents and economy were fourth highest in the nation, but spending was only twenty-eighth highest, making New York's overall per-capita balance of payments third worst (forty-eighth out of fifty states).

It is instructive to examine federal receipts and outlays relative to the size of the state's economy, as measured by its gross domestic product (GDP). New York contributes 17.5 percent of its GDP to the federal government, which is greater than the United States average of 16.8 percent. However, it ranks second from the bottom in federal spending as a percentage of GDP. New York's balance of payments as a percentage of GDP ranks third from the bottom.

New York's balance-of-payments position has worsened considerably since the last analysis of this issue, conducted by the Office of the New York State Comptroller in 2015 for federal fiscal year 2013, primarily because federal revenue increased by 17 percent and New Yorkers paid a disproportionate share of the increase.

Federal policymakers have begun to debate possible tax rate reductions and tax reforms. They may also consider sizable cuts in federal spending and reformulation of grant programs to offset some revenue lost to tax cuts. Depending on the nature of these changes, some states will be affected very differently than others. Understanding how the federal budget currently is distributed across the nation is a crucial first step in understanding whether proposed federal changes are fair and appropriate.

# Appendices

## Selected Tables

<b>Table 4. New York Has the Largest Negative Balance of Payments of Any State</b>				
<b>Estimated distribution of federal receipts and outlays by state, Federal Fiscal Year 2015</b>				
<i>Millions of dollars</i>				
<b>State</b>	<b>Receipts</b>	<b>Outlays</b>	<b>Balance of payments</b>	<b>Outlays per dollar of receipts</b>
Virginia	88,153	139,745	51,592	1.59
Florida	180,749	220,841	40,093	1.22
Maryland	66,845	101,310	34,465	1.52
North Carolina	74,524	105,100	30,576	1.41
Alabama	32,416	62,478	30,062	1.93
Kentucky	29,316	55,690	26,374	1.90
Ohio	91,653	116,188	24,536	1.27
Arizona	49,246	73,732	24,487	1.50
South Carolina	32,622	55,635	23,013	1.71
Georgia	77,455	100,065	22,610	1.29
Missouri	47,552	67,631	20,079	1.42
Michigan	81,675	101,508	19,834	1.24
Mississippi	17,158	36,573	19,415	2.13
Tennessee	50,322	69,062	18,739	1.37
Pennsylvania	123,924	142,412	18,488	1.15
New Mexico	13,869	30,662	16,793	2.21
Arkansas	19,998	33,247	13,248	1.66
Indiana	50,591	63,254	12,662	1.25
West Virginia	11,690	24,145	12,456	2.07
Louisiana	36,122	48,181	12,059	1.33
Oklahoma	31,159	41,173	10,014	1.32
Oregon	33,013	41,634	8,621	1.26
Hawaii	11,972	20,047	8,074	1.67
Maine	9,878	16,363	6,485	1.66
Idaho	11,164	15,809	4,645	1.42
Nevada	23,688	27,583	3,894	1.16
Alaska	7,801	10,812	3,011	1.39
Montana	8,201	11,099	2,899	1.35
Iowa	26,218	28,782	2,564	1.10
Rhode Island	10,267	12,495	2,229	1.22
Kansas	26,371	28,437	2,066	1.08
Delaware	8,597	10,529	1,932	1.22
Vermont	5,623	7,374	1,750	1.31
Wisconsin	51,106	52,365	1,259	1.02
Washington	77,149	78,396	1,247	1.02
Utah	21,722	22,487	765	1.04
South Dakota	7,966	8,446	481	1.06
Wyoming	7,326	6,905	(421)	0.94
Nebraska	18,305	17,085	(1,220)	0.93
New Hampshire	14,960	13,579	(1,380)	0.91
Colorado	55,952	54,267	(1,685)	0.97
North Dakota	9,185	7,480	(1,705)	0.81
Texas	261,346	256,456	(4,890)	0.98
Minnesota	57,478	51,543	(5,935)	0.90
Connecticut	56,075	46,171	(9,904)	0.82
Massachusetts	92,147	76,403	(15,743)	0.83
California	409,825	392,824	(17,001)	0.96
Illinois	134,174	117,114	(17,060)	0.87
New Jersey	117,384	86,308	(31,076)	0.74
<b>New York</b>	<b>253,159</b>	<b>205,272</b>	<b>(47,887)</b>	<b>0.81</b>

**Source:** Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2017*, from federal agencies, and other sources. See methodology appendix for details.

**Table 5. New York Has the Third-Lowest (Worst) Per-Capita Balance of Payments Among the States**

Estimated per-capita federal receipts and outlays by state, Federal Fiscal Year 2015

State	Receipts	Outlays	Balance of payments	Outlays per dollar of receipts
New Mexico	6,667	14,739	8,072	2.21
West Virginia	6,349	13,115	6,765	2.07
Mississippi	5,740	12,234	6,495	2.13
Alabama	6,678	12,872	6,193	1.93
Virginia	10,535	16,701	6,166	1.59
Kentucky	6,626	12,587	5,961	1.90
Maryland	11,150	16,899	5,749	1.52
Hawaii	8,401	14,066	5,666	1.67
Maine	7,430	12,308	4,878	1.66
South Carolina	6,665	11,366	4,702	1.71
Arkansas	6,716	11,165	4,449	1.66
Alaska	10,574	14,656	4,081	1.39
Arizona	7,223	10,815	3,592	1.50
Missouri	7,826	11,130	3,305	1.42
North Carolina	7,426	10,473	3,047	1.41
Tennessee	7,630	10,472	2,841	1.37
Idaho	6,754	9,565	2,810	1.42
Montana	7,946	10,754	2,809	1.35
Vermont	8,982	11,777	2,795	1.31
Louisiana	7,737	10,319	2,583	1.33
Oklahoma	7,974	10,537	2,563	1.32
Georgia	7,594	9,811	2,217	1.29
Oregon	8,203	10,345	2,142	1.26
Ohio	7,898	10,012	2,114	1.27
Rhode Island	9,726	11,837	2,111	1.22
Delaware	9,106	11,153	2,047	1.22
Michigan	8,235	10,235	2,000	1.24
Florida	8,928	10,908	1,980	1.22
Indiana	7,651	9,565	1,915	1.25
Pennsylvania	9,688	11,133	1,445	1.15
Nevada	8,214	9,565	1,350	1.16
Iowa	8,398	9,219	821	1.10
Kansas	9,072	9,783	711	1.08
South Dakota	9,285	9,845	560	1.06
Utah	7,263	7,519	256	1.04
Wisconsin	8,860	9,079	218	1.02
Washington	10,775	10,949	174	1.02
Texas	9,528	9,350	(178)	0.98
Colorado	10,269	9,959	(309)	0.97
California	10,510	10,074	(436)	0.96
Nebraska	9,666	9,022	(644)	0.93
Wyoming	12,490	11,772	(717)	0.94
New Hampshire	11,247	10,209	(1,038)	0.91
Minnesota	10,484	9,401	(1,083)	0.90
Illinois	10,450	9,122	(1,329)	0.87
North Dakota	12,136	9,884	(2,253)	0.81
Massachusetts	13,582	11,262	(2,321)	0.83
New York	12,820	10,395	(2,425)	0.81
Connecticut	15,643	12,880	(2,763)	0.82
New Jersey	13,137	9,659	(3,478)	0.74

**Source:** Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2017*, from federal agencies, and other sources. See methodology appendix for details.

**Table 6. Federal Receipts and Outlays as a Percentage of State Gross Domestic Product**

Estimated distribution of federal receipts and outlays as percentage of state gross domestic product, Federal Fiscal Year 2015

State	Receipts	Outlays	Balance of payments
Mississippi	16.2%	34.5%	18.3%
New Mexico	14.9%	32.9%	18.0%
West Virginia	15.9%	32.9%	17.0%
Alabama	16.2%	31.2%	15.0%
Kentucky	15.3%	29.0%	13.7%
South Carolina	16.2%	27.6%	11.4%
Maine	17.2%	28.5%	11.3%
Arkansas	16.9%	28.0%	11.2%
Virginia	18.3%	29.0%	10.7%
Hawaii	14.9%	24.9%	10.0%
Maryland	18.3%	27.7%	9.4%
Arizona	16.9%	25.3%	8.4%
Idaho	17.1%	24.2%	7.1%
Missouri	16.2%	23.1%	6.9%
Montana	17.9%	24.2%	6.3%
North Carolina	14.9%	21.0%	6.1%
Tennessee	15.9%	21.8%	5.9%
Vermont	18.6%	24.3%	5.8%
Alaska	14.6%	20.3%	5.6%
Oklahoma	16.6%	21.9%	5.3%
Louisiana	15.2%	20.2%	5.1%
Florida	20.4%	25.0%	4.5%
Georgia	15.4%	20.0%	4.5%
Michigan	17.4%	21.6%	4.2%
Ohio	15.1%	19.1%	4.0%
Rhode Island	18.4%	22.5%	4.0%
Oregon	15.2%	19.2%	4.0%
Indiana	15.2%	19.0%	3.8%
Delaware	12.5%	15.3%	2.8%
Nevada	16.8%	19.6%	2.8%
Pennsylvania	17.5%	20.1%	2.6%
Iowa	14.9%	16.4%	1.5%
Kansas	17.4%	18.7%	1.4%
South Dakota	16.9%	17.9%	1.0%
Utah	14.6%	15.1%	0.5%
Wisconsin	16.9%	17.4%	0.4%
Washington	17.3%	17.6%	0.3%
Texas	16.2%	15.9%	-0.3%
Colorado	17.9%	17.3%	-0.5%
California	16.4%	15.8%	-0.7%
Wyoming	18.6%	17.5%	-1.1%
Nebraska	16.1%	15.1%	-1.1%
Minnesota	17.6%	15.8%	-1.8%
New Hampshire	20.1%	18.3%	-1.9%
Illinois	17.4%	15.2%	-2.2%
North Dakota	16.4%	13.4%	-3.0%
Massachusetts	18.9%	15.7%	-3.2%
New York	17.5%	14.2%	-3.3%
Connecticut	21.9%	18.0%	-3.9%
New Jersey	20.8%	15.3%	-5.5%

**Source:** Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2017*, from federal agencies, and other sources. See methodology appendix for details.



## Comparison to the Office of New York State Comptroller's Report on FFY 2013

In most states the balance of payments in 2015 worsened relative to the Office of New York State Comptroller (OSC) report on 2013. This is particularly true for New York (see [Table 7](#)<sup>4</sup>). The main reasons for the widespread declines were that federal receipts were up 17 percent between 2013 and 2015 while outlays grew only 7 percent (not shown in [Table 7](#) below). Methodological differences between our analysis and the OSC analysis are minor and have little impact on the difference in results.

<b>Table 7. Rapid Receipts Growth Between 2013 and 2015 Made the Balance of Payment Worsen for States in General, and Made It Worsen Considerably for New York</b>				
<b>Estimates of per-capita federal receipts, outlays, and balance of payments, Rockefeller Institute of Government (RIG) 2015 compared to OSC 2013</b>				
<i>(Only includes amounts deemed allocable to geographic areas)</i>				
	<b>OSC 2013</b>	<b>RIG 2015</b>	<b>Change</b>	<b>% change</b>
<b>— Results for Total Balance of Payments (millions of dollars) —</b>				
<b>New York balance of payments</b>	<b>(19,861)</b>	<b>(47,887)</b>	<b>(28,026)</b>	<b>n.m.</b>
NY rank among fifty states	49	50		n.m.
NY ratio: Outlays to receipts	0.91	0.81	(0.10)	n.m.
<b>— Per-Capita Receipts and Outlays —</b>				
<b>U.S. per-capita summary (allocated amounts only)</b>				
<b>Balance of payments</b>	<b>1,802</b>	<b>1,260</b>	<b>(542)</b>	<b>n.m.</b>
Receipts	8,319	9,495	1,176	12.4%
Outlays	10,121	10,755	634	5.9%
<b>New York per-capita amounts</b>				
<b>Balance of payments</b>	<b>(1,011)</b>	<b>(2,425)</b>	<b>(1,414)</b>	<b>n.m.</b>
NY rank among fifty states	46	48	2	n.m.
<b>Receipts</b>	<b>10,896</b>	<b>12,820</b>	<b>1,924</b>	<b>15.0%</b>
<b>Outlays</b>	<b>9,886</b>	<b>10,395</b>	<b>509</b>	<b>4.9%</b>
Direct payments for individuals	6,266	6,636	370	5.6%
Grants	2,703	2,782	79	2.8%
Contracts and procurement	560	610	50	8.2%
Wages	357	367	10	2.6%
<b>Source:</b> Rockefeller Institute of Government analysis of data from <i>Budget of the U.S. Government, Fiscal Year 2017</i> , from federal agencies, and other sources. See methodology appendix for details.				
<b>Notes:</b> n.m. means not meaningful; U.S. totals are based on the fifty states plus DC; rankings are based only upon the fifty states.				

Thus, states were “giving” much more in 2015 than in 2013, but only “getting” a bit more. Because much of the growth in receipts was in income taxes and corporate income taxes, of which New York pays a disproportionate share, New York’s position worsened relative to other states. It will move a bit further toward the bottom than in the OSC report: In that report, it ranked fifth-worst out of fifty states on a per-capita basis

4 There are minor rounding differences between several numbers in this table and summary numbers in the OSC report, because we produced this table using detailed tables from the appendix of the OSC report. There were minor differences between numbers in summary tables of the OSC report and numbers in the OSC appendix. These differences do not alter any conclusions drawn from the table.

(forty-sixth out of fifty); our analysis for 2015 put New York at third-worst (forty-eighth out of fifty).

## Objectives, Scope, and Methodology

This report addresses questions of how federal revenue and spending are distributed across states and selected other geographies — where does the revenue come from, and where does it go to? The purpose is to understand how much individual states, through their residents and economies, contribute to the federal budget through payment of federal taxes and other receipts, and how much individuals, governments, and other actors in state economies receive in federal spending. We refer to spending in a state minus revenue from a state as the state’s “balance of payments.” A negative balance means that a state’s residents and economy pay more than they receive.

Our primary data source for nationwide federal spending and receipts was the *Budget of the U.S. Government, Fiscal Year 2017*, which was the latest such budget available at the time we began the analysis. We drew particularly heavily on the Analytical Perspectives volume and associated tables, and the federal budget database that accompanies the federal budget. (See <https://www.gpo.gov/fdsys/browse/collection.action?collectionCode=BUDGET&browsePath=Fiscal+Year+2017&isCollapse=true&leafLevelBrowse=false&isDocumentResults=true&yord=0> for links to these documents.)

We allocated federal spending using a broad array of data sources, detailed below. When high-quality data were available that indicated directly where federal receipts originated, or where federal outlays occurred, we used those sources except when the sources did not measure what we needed to measure. (For example, some Internal Revenue Service (IRS) data on federal tax receipts by state measure where the taxes were collected rather than where the associated activity took place.) We relied most heavily on federal agency data when available. These data were particularly important for allocation of large federal direct payments programs such as Social Security and Medicare, and for Medicaid, the largest federal grant. In the case of other federal grants, we relied heavily on data from a highly regarded outside provider, [Federal Funds Information for States](#). We used data from [USAspending.gov](#) to allocate federal contractual payments to states and other areas. We used data from the Office of Personnel Management and from the U.S. Bureau of Economic Analysis to allocate federal wages to states and other areas.

The primary focus of our analysis was the fifty states and the District of Columbia. We made adjustments for Puerto Rico, other territories, and other areas to take into account receipts and outlays that occur outside of our focus area, but estimates for these other areas are not the focus of our work and we do not consider them reliable.

We allocated as much of the federal budget to geographic areas as we considered practical. However, we treated several items in the budget, detailed below, as inherently unallocable to any geographic area, including Federal Reserve receipts and interest payments on the federal debt.

During the course of our analysis we consulted with individuals in federal agencies including the Internal Revenue Service, the U.S. Department of Labor, the U.S. Bureau of Economic Analysis, and the Office of Personnel Management. We also consulted with individuals at think tanks and other organizations that had done similar work before

or who were experts on specific data sources such as data on federal Medicaid spending.

## A Two-Step Methodology

The Institute allocated the federal budget to states in two steps:

1. We broke federal receipts and outlays down into major categories and subcategories that add to the federal budget totals.
2. We then allocated these amounts to states and other geographic areas, to the extent practical using data on where receipts were actually raised and where outlays were actually spent. Where actual data on the distribution of receipts and outlays are not available, our goal was to use the best available proxies.

This approach ensures that the sum of amounts allocated to individual states and other geographic areas, plus a small amount of unallocable receipts or outlays, equals the federal budget totals. Thus, all numbers allocated to states are consistent with the federal budget.

### *Step 1: Categorizing the Federal Budget*

*Receipts:* The Institute broke federal receipts down into the following major categories:

- Personal income tax;
- Employment taxes, such as those for Social Security and Medicare;
- Corporate income tax;
- Excise taxes, such as those on motor fuel, tobacco, and alcohol; and
- Other taxes, consisting primarily of estate and gift taxes.

*Outlays:* The Institute broke federal spending down into four major categories:

- Direct payments for individuals, such as Social Security and Medicare;
- Grants, such as Medicaid and grants from the Federal Highway Trust Fund;
- Contractual and procurement spending; and
- Wages and salaries of federal workers.

To the extent practical, we broke receipts and outlays categories down further into large subcategories.

We treated small amounts of receipts and outlays as unallocable, such as deposits of earnings by the Federal Reserve System (earnings beyond those needed to fund operations and certain other requirements) and net interest payments (interest on the federal debt, less interest earned). Others before us have treated these items similarly.

We treated tax expenditures as outlays when they are specifically enumerated in the federal budget, but otherwise they are simply embedded in federal tax receipts, which we consider to be the appropriate treatment. Under this treatment, the portion of tax credits that are direct payments in the federal budget, such as refundable Earned Income Tax Credits and the refundable child credit, are allocated to the states using information based upon IRS summaries of income tax returns. By contrast, tax expenditures that are embedded in the overall tax system, such as the mortgage interest deduction, are part of the overall tax that is allocated to the states. Thus, the

entire income tax is allocated to the states, rather than trying to allocate the mortgage interest deduction to states in one fashion and an artificial construct of taxes before this deduction in yet another way.

### *Step 2: Allocating the Federal Budget to States and Other Geographic Areas*

After breaking the federal budget down into categories and subcategories as described above, the Institute allocated federal budget items to the fifty states and other geographic areas. The goal was to use well-founded and supportable methodologies, and data sources appropriate to the task.

We allocated each detailed item within these broad categories to the states in proportion to the best available related state-specific information. Where possible, we used direct information on the item if available. For example, to allocate Medicaid expenditures to the states we used data from the Centers for Medicare and Medicaid Services (CMS) Form 64, and for most other large grants we used information from Federal Funds Information for States (FFIS). For direct payments for individuals, we relied heavily on data obtained directly from many federal agencies. Where specific information was not available, we used the best available proxy that we could find.

In concept, we were seeking to attribute receipts to a state if the economy or people of the state generated those receipts, and to allocate outlays to a state if the money was spent in the state or provided to its residents.

In federal fiscal year 2015, the federal government had receipts of \$3.250 trillion and outlays of \$3.388 trillion, for a deficit of \$438 billion (see Historical Table 1.1). Using categories generally used in the federal budget, we broke federal receipts down into the major categories shown in [Table 8](#), and broke those categories down further as discussed in the sections below. The tables show the amounts for FFY 2015, which we used in this report, and the preliminary numbers for 2016 that were available at the time we prepared our analysis. The preliminary numbers for 2016 have since been revised.

<b>Table 8. Federal Receipts and Outlays by Major Category</b>		
	<b>\$ millions</b>	<b>\$ millions</b>
	<b>FFY 2015</b>	<b>FFY 2016</b>
<b>Receipts</b>	<b>3,249,886</b>	<b>3,335,502</b>
<b>Allocable receipts</b>	<b>3,067,367</b>	<b>3,139,106</b>
Income and employment taxes	2,606,059	2,728,630
Individual income tax	1,540,802	1,627,834
Social insurance and retirement receipts	1,065,257	1,100,796
Corporate income tax	343,797	292,561
Excise taxes	98,279	96,821
Other allocable receipts	19,232	21,094
<b>Unallocable receipts</b>	<b>182,519</b>	<b>196,396</b>
<b>Outlays</b>	<b>3,688,292</b>	<b>3,951,307</b>
<b>Allocable outlays</b>	<b>3,526,923</b>	<b>3,713,995</b>
Direct payments to individuals	2,187,436	2,319,135
Grants	624,354	666,651
Contracts	465,153	471,454
Wages	249,980	256,755
<b>Unallocable outlays</b>	<b>161,369</b>	<b>237,312</b>
Deficit	(438,406)	(615,805)
Deficit reflected in allocable numbers	(459,556)	(574,889)

## Allocable and Unallocable Receipts and Outlays

We allocated as much of the federal budget as appeared practical. However, we considered the following receipts to be unallocable to individual states, amounting to 5.9 percent of total receipts. This is consistent with treatment by the Office of the New York State Comptroller (OSC) and by the Kennedy School of Government (KSG).

### Receipts Details

Table 9, Table 10, and Table 11 show a breakdown of federal budget items by major category and subcategory. The rightmost column indicates the source of the data. Most of the data came directly from what are known as “Historical Tables” contained in the *Analytical Perspectives* volume of the federal budget for federal fiscal year 2017, with the table number indicated (e.g., “hist2.1” is Historical Table 2.1) or with the word “calculated” to indicate that the number is calculated from other numbers in the table.

Table 9. Unallocable Federal Receipts			
	\$ millions FFY 2015	\$ millions FFY 2016	Source
<b>Unallocable receipts</b>	<b>182,519</b>	<b>196,396</b>	<b>calculated</b>
Customs duties and fees	35,041	36,721	hist2.5
Federal Reserve deposits	96,468	116,445	hist2.5
All other miscellaneous receipts	51,010	43,230	hist2.5

We also considered the following outlay categories to be unallocable, amounting to 4.4 percent of total outlays.

Table 10. Unallocable Federal Outlays			
	\$ millions FFY 2015	\$ millions FFY 2016	Source
<b>Unallocable outlays</b>	<b>161,369</b>	<b>237,312</b>	<b>calculated</b>
Net interest outlays	223,181	240,003	hist3.1
International assistance programs	41,806	45,069	objclass.tab2
Undistributed offsetting receipts	(115,803)	(101,156)	hist3.1
Unexplained (s/b obligations/outlays difference)	12,185	53,396	calc

## Details of Allocation of Items to Geographic Areas (Step 2)

### Treatment of Puerto Rico and Other Territorial Areas

Where we had specific data for Puerto Rico and other territories, we used it to allocate a share of federal spending and receipts to these areas. Where federal agencies explicitly treated some federal spending as not allocable to specific geographic areas, we treated the spending the same way. In cases where data were only available for the fifty states and the District of Columbia, but where we considered it highly likely that a specific revenue source or outlay category was attributable to such an area, we allocated using the area’s proportionate share of total population.

**Table 11. Detailed Breakdown of Federal Receipts**

	\$ millions FFY 2015	\$ millions FFY 2016	Source
<b>Receipts</b>	<b>3,249,886</b>	<b>3,335,502</b>	<b>calculated</b>
<b>Income and employment taxes</b>	<b>2,606,059</b>	<b>2,728,630</b>	<b>calculated</b>
Individual income tax	1,540,802	1,627,834	hist2.1
Social insurance and retirement receipts	1,065,257	1,100,796	hist2.1
Employment and general retirement:	1,010,427	1,047,106	hist2.4
Old-age, survivors insurance, and disability insurance	770,372	797,657	calculated
Old-age and survivors insurance (Off-Budget)	658,543	655,145	hist2.4
Disability insurance (Off-Budget)	111,829	142,512	hist2.4
Hospital insurance	234,189	243,546	hist2.4
Railroad retirement (summed)	5,866	5,903	hist2.4
Unemployment insurance (Trust Funds)	51,178	49,874	hist2.4
Other retirement (federal employees and nonfederal employees)	3,652	3,816	hist2.4
<b>Corporate income tax</b>	<b>343,797</b>	<b>292,561</b>	<b>hist2.1</b>
<b>Excise taxes</b>	<b>98,279</b>	<b>96,821</b>	<b>hist2.1</b>
Transportation (trust fund)	40,813	41,323	hist2.4
Tobacco	14,453	14,368	hist2.4
Airport and airway	14,268	14,351	hist2.4
Health insurance providers	11,261	11,295	hist2.4
Alcohol	9,639	9,583	hist2.4
Other excises	7,845	5,901	calculated
<b>Other allocable receipts</b>	<b>19,232</b>	<b>21,094</b>	<b>calculated</b>
Estate and Gift Taxes	19,232	21,094	hist2.5
<b>Unallocable receipts</b>	<b>182,519</b>	<b>196,396</b>	<b>hist2.5</b>
Customs Duties and Fees	35,041	36,721	hist2.5
Federal Reserve deposits	96,468	116,445	hist2.5
All other miscellaneous receipts	51,010	43,230	hist2.5

### Individual Income Tax

We allocated income tax receipts using income tax liability from the Statistics of Income branch of the Internal Revenue Service, for the latest tax liability year, 2014. Data came from <https://www.irs.gov/uac/soi-tax-stats-historic-table-2> (<https://www.irs.gov/pub/irs-soi/14in54cmcsv.csv>).

For total liability, we used the sum of variables:

- A06500 Income tax amount
- A85530 Additional Medicare tax
- A85300 Net investment income tax

This is total income tax liability, excluding the Federal Insurance Contributions Act (FICA) tax and the Self-Employment Contributions Act (SECA) employment taxes, which are addressed elsewhere.

### **Social Insurance and Retirement Receipts**

Old-Age, Survivors' Insurance, and Disability Insurance receipts and Hospital Insurance were allocated using Table 2 and Table 4, respectively, from the Social Security Administration: "Earnings and Employment Data for Workers Covered Under Social Security and Medicare, by State and County, 2013" ([https://www.ssa.gov/policy/docs/statcomps/eedata\\_sc/2013/index.html](https://www.ssa.gov/policy/docs/statcomps/eedata_sc/2013/index.html)).

Unemployment insurance receipts were allocated using data from the U.S. Department of Labor's UI Financial Transaction Summary ETA 2112 data file (<https://oui.doleta.gov/unemploy/csv/ar2112.csv>). We used variable c10, net unemployment insurance contributions.

The "other retirement" category was allocated according to the population data from the U.S. Bureau of the Census.

### **Corporate Income Tax**

We allocated the corporate income tax on the assumption that 75 percent of the burden falls on the owners of capital, and 25 percent falls on wage earners. This is consistent with some assessments of the economic literature, but not others.<sup>5</sup> Sensitivity analysis using alternative plausible assumptions did not have a significant impact on conclusions for New York.

### **Excise Taxes**

Receipts for transportation trust fund receipts — primarily gasoline excise taxes — were allocated based on information published by the Federal Highway Administration (FHWA): "Federal Highway Trust Fund Receipts Attributable to Highway Users in Each State" (<https://www.fhwa.dot.gov/policyinformation/statistics/2015/fe9.cfm>). (See FHWA payments into the Federal Highway Trust Fund (FHTF) Highway Account, file: fe221b.xls, <https://www.fhwa.dot.gov/policyinformation/statistics/2015/>.)

Receipts for the health insurance provider excise tax were allocated using a November 2012 study completed by the consulting firm Oliver Wyman, *Annual Tax on Insurers Allocated by State* ([https://www.ahip.org/wp-content/uploads/2015/04/Insurer\\_Taxes\\_State\\_Analysis.pdf](https://www.ahip.org/wp-content/uploads/2015/04/Insurer_Taxes_State_Analysis.pdf)). Exhibit 3, Scenario 2, contains the percentages used to allocate these amounts to each state.

Alcoholic beverage excise taxes were allocated based on analysis of consumption data from the National Institute on Alcohol Abuse and Alcoholism (NIAAA).

Other excise taxes, including tobacco taxes, airport and airway taxes, and a small amount of miscellaneous excise taxes were allocated to states in proportion to population. (While data are available on tobacco sales by state that are subject to state cigarette taxes, we did not allocate tobacco taxes using these data because they are

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5 See, for example: Jennifer C. Gravelle, "Corporate Tax Incidence: A Review of Empirical Estimates and Analysis" (Washington, DC: Congressional Budget Office, 2011), <https://pdfs.semanticscholar.org/3c0f/90e648ce5dd04fa378bea0a576fb3f581b10.pdf>.

skewed by interstate avoidance and evasion and do not represent actual tobacco consumption. This is an area for potential improvement in the future.)

### Outlays Details

<b>Table 12. Detailed Breakdown of Federal Direct Payments Outlays</b>			
	<b>\$ millions FFY 2015</b>	<b>\$ millions FFY 2016</b>	<b>Source</b>
<b>Direct payments for individuals</b>	<b>2,187,436</b>	<b>2,319,135</b>	<b>calculated</b>
<b>Social security and railroad retirement:</b>	<b>890,219</b>	<b>933,231</b>	<b>hist11.3</b>
Social security: old age and survivors insurance	737,955	776,232	hist11.3
Social security: disability insurance	143,410	146,912	hist11.3
Railroad retirement (excluding social security)	8,854	10,087	hist11.3
<b>Federal employees retirement and insurance:</b>	<b>211,978</b>	<b>228,220</b>	<b>hist11.3</b>
Civil service retirement	81,800	82,721	hist11.3
Veterans service-connected compensation	69,725	80,246	hist11.3
Military retirement	56,788	61,561	hist11.3
Other	3,665	3,692	hist11.3
<b>Unemployment Assistance</b>	<b>32,671</b>	<b>33,137</b>	<b>hist11.3</b>
<b>Medical care:</b>	<b>744,647</b>	<b>817,459</b>	<b>hist11.3</b>
Medicare: SMI plus HI	622,084	677,244	calculated
Medicare: supplementary medical insurance	348,612	390,656	hist11.3
Medicare: hospital insurance	273,472	286,588	hist11.3
Hospital and medical care for veterans	61,890	65,525	hist11.3
Refundable Premium Tax Credit and Cost Sharing Reductions	27,213	39,285	hist11.3
Uniformed Services retiree health care fund (TRICARE)	9,963	10,232	hist11.3
Medical care — other	23,497	25,173	calculated
<b>Assistance to students:</b>	<b>74,676</b>	<b>60,788</b>	<b>hist11.3</b>
Student assistance — Department of Education and other	61,071	45,659	hist11.3
Veterans education benefits	13,605	15,129	hist11.3
<b>Housing assistance</b>	<b>18,215</b>	<b>19,780</b>	<b>hist11.3</b>
<b>Food and nutrition assistance:</b>	<b>71,104</b>	<b>71,570</b>	<b>hist11.3</b>
SNAP (formerly Food stamps) (including Puerto Rico)	71,041	71,477	hist11.3
Food and nutrition assistance — other	63	93	calculated
<b>Public assistance and related programs:</b>	<b>138,689</b>	<b>146,935</b>	<b>hist11.3</b>
Earned income tax credit	60,084	61,381	hist11.3
Supplemental security income program	52,276	57,426	hist11.3
Payment where child credit exceeds tax liability	20,592	21,627	hist11.3
Public assistance — other	5,737	6,501	calculated
<b>All other payments for individuals:</b>	<b>5,237</b>	<b>8,015</b>	<b>hist11.3</b>



## Direct Payments

### *Social Security and railroad retirement*

Social Security old age and survivors insurance, and disability insurance, were allocated to states in accordance with the corresponding direct payment amounts included in [USAspending.gov](http://USAspending.gov). Railroad Retirement and disability benefits were allocated to states in proportion to the corresponding component of personal income from the Bureau of Economic Analysis (Table SA35, Line 2121).

### *Federal Employees Retirement and Insurance*

Civil service retirement outlays were allocated to states using “Exhibit R14: Fiscal Year 2016 Annuity on the Retirement Roll” from the *Statistical Abstracts, Fiscal Year 2016, Federal Employee Benefit Programs*, published by the Office of Personnel Management. Obtained by email from M. Shakil Khandoker on Thursday, April 27, 2017.

Veterans service-connected compensation was allocated to states using Compensation & Pension data from the “General Description of Geographic Distribution of the Department of Veterans Affairs Expenditures (GDX)” published by Department of Veterans Affairs, Office of Policy, Planning and Preparedness, March 2015 (<https://www.va.gov/vetdata/Expenditures.asp>).

Military Retirement state shares were estimated using (1) number of retired, and (2) monthly payment information collected from “Statistical Report on the Military Retirement System — Fiscal Year 2015” published by Department of Defense, Office of the Actuary, September 2015 ([http://actuary.defense.gov/Portals/15/Documents/MRS\\_StatRpt\\_2015%20Final%20v2.pdf?ver=2016-07-26-162207-987](http://actuary.defense.gov/Portals/15/Documents/MRS_StatRpt_2015%20Final%20v2.pdf?ver=2016-07-26-162207-987)).

State shares for other federal employees’ retirement outlays were allocated using population share.

### *Unemployment Assistance*

Key data files and links:

- ar2112.csv (<https://oui.doleta.gov/unemploy/csv/ar2112.csv>);
- ETHand401\_4th\_s02.pdf — documentation, describes data: ([http://wdr.doleta.gov/directives/attach/ETAH/ETHand401\\_4th\\_s02.pdf](http://wdr.doleta.gov/directives/attach/ETAH/ETHand401_4th_s02.pdf));
- 4024c6ar2112.pdf — maps variable names to data elements; and
- links are at <https://oui.doleta.gov/unemploy/DataDownloads.asp>.

We used variable c52 from Line 31. Net UI Benefits. Enter in columns C and F the amount of regular unemployment benefits paid to claimants during the month, including the net state portion of benefits paid former federal employees, and ex-military personnel. Include benefit checks issued and cash benefits paid to all regular claimants eligible under state law. In computing the net amount of regular unemployment benefits paid, reduce the total benefits paid by the amount of benefit refunds received from claimants during the month. Also, adjustment for credit or recharge of checks by banks, or for cancellation or reissuance of benefit checks previously issued. *NOTE:* Amounts withheld from benefits and transferred to the IRS are not netted. Report in column F all

benefits paid, including amounts transferred to the IRS for federal income tax withholding, regardless whether paid from the state account in the Unemployed Trust Fund (UTF) of the state benefit payment account.

#### *Medical Care*

Medicare Supplementary Medical Insurance (SMI) plus Hospital Insurance (HI) was allocated using Medicare Benefits data from “BEA Table SA35,” Line 2210. Allocations for Puerto Rico and “Unallocated” were estimated using population share.

Hospital and Medical Care for Veterans state shares were allocated using Medical Care data from the “General Description of Geographic Distribution of the Department of Veterans Affairs Expenditures (GDX),” published by the Department of Veterans Affairs, Office of Policy, Planning and Preparedness, March 2015 (<https://www.va.gov/vetdata/Expenditures.asp>).

We used a combination of sources to allocate the ACA Refundable Premium Tax Credit and Cost-Sharing Reductions. For Cost Sharing Reductions (CSRs), we used an analysis conducted by the consulting firm Milliman that allocated CSRs to each state by examining insurers’ Minimum Loss Ratio data for Calendar Years 2014 and 2015 (<http://www.communityplans.net/wp-content/uploads/2017/02/CSR-Funding-White-Paper.pdf>). Refundable premium tax credits were allocated based on March 2015 CMS Effectuated Enrollment Data (<https://www.cms.gov/newsroom/mediareleasedatabase/fact-sheets/2015-fact-sheets-items/2015-06-02.html>). These sources were used to create a weighted state-by-state distribution that was then used to allocate the total in the federal budget.

We allocated the Uniformed Services Retiree Health Care Fund, also known as the Department of Defense Medicare-Eligible Retiree Health Care Fund, or “TRICARE for Life,” using the number of TRICARE beneficiaries by state (<https://tricare.mil/About/Facts/BeneNumbers/States>). Even though this total includes other TRICARE programs, we deemed this a more appropriate source than the overall Census populations.

Other medical care outlays were small and we did not find specific information for allocation. As a result, we allocated this amount using state population data from the Bureau of the Census.

#### *Assistance to Students*

State shares for Department of Education outlays were allocated using “Education and training assistance” from BEA Table SA35. Allocations for Puerto Rico and “Unallocated” were estimated using population share.

State shares for Veterans Education Benefits were allocated using Education & Vocational Rehabilitation/ Employment data from the “General Description of Geographic Distribution of the Department of Veterans Affairs Expenditures (GDX+)” published by Department of Veterans Affairs, Office of Policy, Planning and Preparedness, March 2015 (<https://www.va.gov/vetdata/Expenditures.asp>).

#### *Housing Assistance*

We allocated housing assistance outlays based upon data on Section 8 vouchers prepared by the Center on Budget and Policy Priorities and included in the data file 2016-2017\_cbpp\_factsheets\_data\_web.xlsx.

### *Food and Nutrition Assistance*

Food and nutrition assistance was allocated to states using FFIS grant data for CFDA code 10.551, the Supplemental Nutrition Assistance Program.

### *Public Assistance and Related Programs*

The Earned income tax credit was allocated using data from line item *A59720* in the “SOI Tax Stats” provided by the Statistics of Income branch of the Internal Revenue Service, 2014 (<https://www.irs.gov/pub/irs-soi/14in54cmcsv.csv>).

Supplemental Security Income Program outlays were allocated using federal SSI data from “Table 7.B7—Total federally administered payments, by state or other area, 2015” published by Social Security Administration, Office of Financial Policy and Operations; and Social Security Administration (<https://www.ssa.gov/policy/docs/statcomps/supplement/2016/>).

Refundable child care credits were allocated to states using line item *A07220* from the “SOI Tax Stats” provided by the Statistics of Income branch of the Internal Revenue Service, 2014 (<https://www.irs.gov/pub/irs-soi/14in54cmcsv.csv>).

State shares for all other payments for individuals were allocated using population.

### **Grants**

We broke federal grants outlays down into detailed categories based upon categorizations of grants in the public federal budget database that accompanies the federal budget. (See [Table 13](#); “fedbud.db” indicates that we summarized data from the federal budget database.)

**Table 13. Detailed Breakdown of Federal Grants Outlays**

	\$ millions FFY 2015	\$ millions FFY 2016	Source
<b>Grants</b>	<b>624,354</b>	<b>666,651</b>	<b>calculated</b>
HHS_Centers for Medicare and Medicaid Services_Grants to States for Medicaid_Health care services	349,762	367,229	fedbud.db
DOT_Federal Highway Administration_Federal-aid Highways_Ground transportation	41,205	41,400	fedbud.db
USDA_Food and Nutrition Service_Child Nutrition Programs_Food and nutrition assistance	20,999	22,124	fedbud.db
HUD_Public and Indian Housing Programs_Tenant Based Rental Assistance_Housing assistance	18,479	19,465	fedbud.db
HHS_Administration for Children and Families_Temporary Assistance for Needy Families_Other income security	15,940	16,393	fedbud.db
ED_Office of Elementary and Secondary Education_Education for the Disadvantaged_Elementary, secondary, and vocational education	15,199	16,960	fedbud.db
ED_Office of Special Education and Rehabilitative Services_Special Education_Elementary, secondary, and vocational education	12,077	12,173	fedbud.db
HHS_Administration for Children and Families_Children and Families Services Programs_Social services	9,608	10,619	fedbud.db
HHS_Centers for Medicare and Medicaid Services_Children's Health Insurance Fund_Health care services	9,233	14,426	fedbud.db
DOT_Federal Transit Administration_Transit Formula Grants_Ground transportation	8,864	9,017	fedbud.db
HHS_other	7,586	7,226	fedbud.db
HHS_Administration for Children and Families_Payments for Foster Care and Permanency_Other income security	7,314	7,478	fedbud.db
HUD_Community Planning and Development_Community Development Fund_Community development	6,548	7,178	fedbud.db
USDA_Food and Nutrition Service_Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)_Food and nutrition assistance	6,349	6,388	fedbud.db
HUD_other	5,931	5,282	fedbud.db
ED_other	5,532	4,540	fedbud.db
USDA_Food and Nutrition Service_Supplemental Nutrition Assistance Program_Food and nutrition assistance	5,100	6,406	fedbud.db
DOI_other	4,887	4,210	fedbud.db
HUD_Public and Indian Housing Programs_Public Housing Operating Fund_Housing assistance	4,404	4,365	fedbud.db
DOT_other	4,344	4,582	fedbud.db
EPA_Environmental Protection Agency_State and Tribal Assistance Grants_Pollution control and abatement	4,292	3,768	fedbud.db
ED_Office of Elementary and Secondary Education_School Improvement Programs_Elementary, secondary, and vocational education	4,138	4,200	fedbud.db
HHS_Administration for Children and Families_Payments to States for Child Support Enforcement and Family Support Programs_Other income security	4,040	4,167	fedbud.db
USDA_other	3,469	3,626	fedbud.db

**Table 13. Detailed Breakdown of Federal Grants Outlays**

	\$ millions FFY 2015	\$ millions FFY 2016	Source
other_agency_other	3,458	4,052	fedbud.db
HHS_Administration for Children and Families_Low Income Home Energy Assistance_Other income security	3,437	3,213	fedbud.db
ED_Office of Special Education and Rehabilitative Services_Rehabilitation Services_Social services	3,177	3,471	fedbud.db
DOT_Federal Aviation Administration_Grants-in-aid for Airports (Airport and Airway Trust Fund)_Air transportation	2,988	3,261	fedbud.db
DHS_Federal Emergency Management Agency_Disaster Relief Fund_Disaster relief and insurance	2,919	5,492	fedbud.db
DHS_Federal Emergency Management Agency_State and Local Programs_Disaster relief and insurance	2,918	2,730	fedbud.db
HHS_Administration for Children and Families_Child Care Entitlement to States_Other income security	2,821	2,950	fedbud.db
HHS_Substance Abuse and Mental Health Services Administration_Substance Abuse and Mental Health Services Administration_Health care services	2,671	3,239	fedbud.db
DOL_Employment and Training Administration_Training and Employment Services_Training and employment	2,639	2,844	fedbud.db
HHS_Health Resources and Services Administration_Health Resources and Services_Health care services	2,494	3,885	fedbud.db
DOJ_other	2,475	3,003	fedbud.db
HHS_Administration for Children and Families_Payments to States for the Child Care and Development Block Grant_Other income security	2,301	2,780	fedbud.db
DOT_Federal Transit Administration_Capital Investment Grants_Ground transportation	2,239	1,780	fedbud.db
VA_other	1,821	1,870	fedbud.db
DOL_other	1,798	1,925	fedbud.db
FCC_Federal Communications Commission_Universal Service Fund_Other advancement of commerce	1,739	2,314	fedbud.db
HHS_Administration for Community Living_Aging and Disability Services Programs_Social services	1,651	2,182	fedbud.db
DOL_Employment and Training Administration_Unemployment Trust Fund_Unemployment compensation	1,591	3,698	fedbud.db
ED_Office of Innovation and Improvement_Innovation and Improvement_Elementary, secondary, and vocational education	1,316	2,182	fedbud.db
DOT_Federal Railroad Administration_Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service_Ground transportation	1,091	2,065	fedbud.db
DOJ_Office of Justice Programs_Crime Victims Fund_Criminal justice assistance	702	3,732	fedbud.db
DHS_other	529	471	fedbud.db
EPA_other	279	290	fedbud.db

### Medicaid

We allocated Medicaid to the states based upon the federal share of total Medicaid expenditures reported by the states for FFY 2015 on Centers for Medicare & Medicaid Services Form 64, which reflects all state expenditures. We used the sum of programmatic expenditures, known as “total computable” spending, plus administrative reimbursement.

### Federal Highway Grants

We allocated federal highway grants using data from Federal Funds Information for States for the National Highway Performance Program. CFDA 20.205.

### Other Grants

We allocated most other grants on the basis of the most-closely corresponding FFIS grant, or where no single grant appeared to correspond closely, we allocated grants based upon the average allocation of grants for the federal agency as a whole.

### Contracts and Procurement

<b>Table 14. Detailed Breakdown of Federal Contracts and Procurements</b>			
	<b>\$ millions FFY 2015</b>	<b>\$ millions FFY 2016</b>	<b>Source</b>
<b>Contracts (obligations)</b>	<b>465,153</b>	<b>471,454</b>	<b>calculated</b>
Department of Defense — Military Programs	265,792	259,426	objclass.tab2
Department of Veterans Affairs	31,231	36,950	objclass.tab2
Department of Energy	22,154	23,526	objclass.tab2
Department of Health and Human Services	21,583	23,092	objclass.tab2
Department of Homeland Security	19,358	19,326	objclass.tab2
Social Security Administration	15,479	15,273	objclass.tab2
National Aeronautics and Space Administration	14,065	15,103	objclass.tab2
Department of Justice	13,123	13,918	objclass.tab2
Department of Agriculture	12,023	11,938	objclass.tab2
Other (does not include International Assistance)	50,345	52,902	calculated

We used data on federal obligations for contracts and procurement from object class data accompanying the federal budget to estimate total federal outlays for contracts and procurement by agency. We then allocated these amounts according to agency procurement data from [USA Spending.gov](http://USA Spending.gov).

### Wages

We used data on federal obligations for wages and salaries from object class data accompanying the federal budget to estimate total military and nonmilitary wages.

<b>Table 15. Breakdown of Federal Wages</b>			
	<b>\$ millions FFY 2015</b>	<b>\$ millions FFY 2016</b>	<b>Source</b>
<b>Wages (obligations)</b>	<b>249,980</b>	<b>256,755</b>	<b>calculated</b>
Military	98,258	98,271	objclass.tab1
Nonmilitary	151,722	158,484	objclass.tab1

### Military Wages

We allocated military wages to the states based on each state’s share of military wages as reported by the U.S. Bureau of Economic Analysis in Table SA7N. We

estimated the share for Puerto Rico based upon its population as reported by the U.S. Bureau of the Census.

### *Civilian Wages*

Civilian wages in the federal budget exclude wages of the U.S. Postal Service. We allocated these wages to the states based upon data on Non-Seasonal Full-Time Personnel (NSFTP) in data files obtained directly from the Office of Personnel Management by email:

- "Sum of Salary by State for NSFTP Sep 2015.xlsx." This spreadsheet was provided via email on Monday, April 17, 2017, from David Wiesman at the Office of Personnel Management.
- "SFTP Salary and State 2016.xlsx" This spreadsheet was provided via email on Wednesday, April 19, 2017, from David Wiesman at the Office of Personnel Management.

## **Comparison to Other Approaches**

Several organizations have allocated federal receipts, or outlays, or both to the states. Most recently, in 2015 the OSC allocated federal fiscal year 2013 receipts and outlays to the states, and computed a balance of payments for each state. The Pew Charitable Trusts has analyzed federal spending in the states for fiscal years 2005-14, but did not analyze federal receipts in the same way and did not compute a balance of payments. Much earlier, the Kennedy School of Government (KSG) allocated federal receipts and outlays to the states, and computed a balance of payments, for federal fiscal year 1999.

Our approach is very similar to the methodology used by the OSC for federal fiscal year 2013, with some small refinements.<sup>6</sup> One difference is that we used data from the federal Office of Personnel Management (OPM) to allocate federal civilian wages to the states instead of data from the Bureau of Labor Statistics, which OSC used. (The change does not have a material impact on results, but the OPM data appear to be a little bit more appropriate to the task.)

The Pew Charitable Trusts has published information on federal spending in the states by major category.<sup>7</sup> Our methodology differs in some ways from Pew's, primarily because many of their spending items differ from amounts in the federal budget, both conceptually and quantitatively.

There are several significant differences between our methodology and the methodology used by the KSG in its reports, entitled *The Federal Budget and the States*, the latest of which was estimated for 1999.<sup>8</sup>

The most important differences include:

- KSG had available a data source known as the Consolidated Federal Funds Report (CFFR), produced by the Census Bureau, that categorized and allocated most federal spending to the states. The Census Bureau discontinued that data

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7 "Federal Spending in the States, 2005 to 2014," The Pew Charitable Trusts, March 3, 2016), <http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/03/federal-spending-in-the-states-2005-to-2014>.

8 Herman B. Leonard and Jay H. Walder, "The Federal Budget and the States, Fiscal Year 1999; Retrospective Issue 1983-1999 24th Edition," December 15, 2000.

source after 2010 because of federal budget cuts. As a result, we have relied heavily on federal agency data sources, many of which are the same as those the Census Bureau relied upon.

- We have data available from [USAspending.gov](https://www.usaspending.gov), a source that was not available at the time of the KSG reports. These data allocate federal spending for direct payments, contracts, grants, and certain other items to states and other geographic areas. However, [USAspending.gov](https://www.usaspending.gov) data are of notoriously poor quality, except in the case of contracts and some direct payments and some grants. As a result, we rely upon sources other than [USAspending.gov](https://www.usaspending.gov) except in instances in which we believe it is the best available alternative.
- KSG adjusted data for each state to take into account estimated differences in the cost of living. We have not done that. Doing so raises important methodological issues that are beyond the scope of this analysis.
- KSG adjusted taxes upward to equal spending (to make the federal budget deficit go away), in order to reflect the idea that someone will, or may have to, pay for the deficit, eventually, through higher taxes. While the federal budget deficit does present problems with interpretation, we do not believe treating it as if it will be paid for now, by the same people who are paying taxes, is the best solution. First, spending cuts are possible, too. Second, it could be many, many years before the federal deficit is reduced substantially. We think it is best to show the numbers as they are, and perhaps also show what would happen if the budget were eliminated either through higher taxes or lower spending. When such exercises were conducted in the past, they suggested that the relative ranking of states would not change much.

Despite these substantial differences from the KSG approach, and more than fifteen intervening years, the broad conclusions are similar: New York pays more than it receives, because (1) high incomes and wealth among segments of the New York population, combined with a progressive federal tax system, lead to greater revenue per capita from New York than from the typical state; and (2) despite higher than average federal spending in New York on assistance programs such as Medicaid, low federal spending on contracts and discretionary items means that federal spending in New York is below average.