



CRC NOTES



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FEDERAL EXPENDITURES IN MICHIGAN, 2007

In September, 2008, in a report titled *Federal Aid to Michigan, 2006*, Citizens Research Council reported that Michigan ranked 44th of the 50 states in the per capita amount of federal funds that flowed to all Michigan recipients, and 40th in the per capita amount of federal funds that flowed to Michigan state and local governments. That report recommended that various federal programs be reviewed to insure that they do not inadvertently disadvantage potential Michigan recipients and that individual, businesses, non-profits, and governments in Michigan must become more aware of, and more successful in competing for, federal grants and contracts. The federal government has now released reports for 2007 that reveal that Michigan has declined to 45th of the 50 states in the per capita amount of federal payments to all recipients, and has improved to 36th in the per capita amount of

federal funds flowing to Michigan state and local governments. This update is based on information published in the Consolidated Federal Funds Reports for Fiscal Year 2007 and Federal Aid to States for Fiscal Year 2007.

All Federal Payments. In 2007, \$2.6 trillion dollars were paid by the U.S. government for retirement and disability, other direct payments, grants, procurement contracts, and federal salaries and wages, and \$71.7 billion of those federal payments came to Michigan. The federal government also provided \$22.3 billion in direct loans (\$1.1 billion came to Michigan), \$172.7 billion in guaranteed loans (\$5.0 billion came to Michigan), and \$1.2 trillion in insurance liability (\$5.2 billion came to Michigan). These amounts exclude payments on the federal debt, international payments, and foreign aid.

Table I
Difference between Actual Receipts and Amounts Based on Percent of Population
(billions of dollars)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>3-Year Total</u>
Shortfall in Direct Payments	\$14	\$15	\$13	\$42
Shortfall in Payments, Loans, & Insurance	\$48	\$47	\$39	\$134

Source: Consolidated Federal Funds Reports for 2007, 2006, 2005; CRC Calculations

If Michigan had received the same proportion of all federal payments to states as the proportion of its population to total U.S. population, an additional \$14 billion in direct payments would have been made to Michigan recipients in 2007. If Michigan had received the same proportion of all direct payments, loans, and insurance as its percent of the total population, an additional \$48 billion in value would have flowed to this state.

As Michigan's auto-based economy continues to erode, federal support becomes increasingly important as a source of income, contracts, grants, loans, and insur-

ance. Unfortunately, in 2007 Michigan slipped to 45th of the 50 states in the total amount of federal government payments received on a per capita basis. This in-

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Table 2
Michigan Ranking* for Per Capita Amounts of Federal Expenditures

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Retirement and Disability	26	27	28
Other Direct Payments	27	21	24
Grants	41	42	39
Procurement	38	42	40
Salaries and Wages	49	49	49
Total	45	44	43

*1 is highest, 50 is lowest

Source: Consolidated Federal Funds Reports for 2007, 2006, 2005; CRC Calculations

cludes payment to individuals, businesses, non-profits, and governments through retirement and disability payments; other direct payments; grants; procurement contracts; and salaries and wages.

With 3.3 percent of the U.S. population and 2.8 percent of federal expenditures, Michigan was one of 21 states that received a propor-

tion of federal expenditures that was less than its proportion of the U. S. population in 2007. Among the 10 most populous states, Ohio and Pennsylvania received a percentage of federal expenditures greater than their percentage of population.

Using Michigan's 3.3 percent of the nation's population as a standard,

this state does very well in certain categories of federal expenditures: Social Security benefits; Medicare; unemployment compensation; and food stamps.

In the broader categories of "Retirement and Disability," which includes the Social Security payments included above as well as other payments, Michigan receives

Table 3
Select Categories of Federal Expenditures

	<u>Michigan Receipts</u> <u>(\$ in 1,000s)</u>	<u>Percent of Total</u> <u>Federal Expenditure</u>
Social Security Payments		
Retirement Insurance	\$14,322,043	3.9%
Survivors Insurance	4,553,989	4.0
Disability Insurance	4,227,393	4.0
Supplemental Security Insurance	1,243,271	3.4
Other Direct Payments		
Medicare Hospital Insurance	6,724,394	3.6
Medicare Supplemental Medical Insurance	6,278,104	3.9
Unemployment Compensation	1,798,452	6.1
Food Stamps	1,367,631	4.5

Source: Consolidated Federal Funds Reports for 2007; CRC Calculations

Table 4
Federal Government Expenditures for the Department of Defense

	<u>U. S.</u>	<u>Dollars</u>	<u>Michigan</u> <u>Percent</u>
Federal Expenditures (\$ in Millions)			
Defense Department	\$430,466	\$6,352	1.5%
All Other Federal Agencies	2,125,748	65,299	3.1
Per Capita Expenditures			
Defense Department	\$1,394.82	\$630.72	45.2%
All Other Federal Agencies	6,944.36	6,483.34	93.4

Source: Consolidated Federal Funds Reports for 2007; CRC Calculations

3.5 percent of all payments, and in the complete category of “Other Direct Payments,” which also includes programs in addition to those listed above, Michigan receives 3.2 percent of all payments. Unfortunately, Michigan continues to do very poorly in the competition for other types of federal payments, receiving only 2.8 percent of grants, 1.8 percent of procurement contracts, and 1.6 percent of federal salaries and wages in 2007.

Department of Defense expenditures were 16.8 percent of all federal expenditures in 2007 (again excluding payments on the federal debt, international payments, and foreign aid). Michigan received only 1.5 percent of Defense Department expenditures.

The state lacks military bases and has relatively few federal retirees, but does have a Defense Contract

Coordination Center and 13 Procurement Technical Assistance Centers intended to increase the number of Defense Department contracts awarded to Michigan businesses.

Michigan received less than \$6.1 billion in federal direct loans and federal liability for guaranteed loans in 2007; this was 3.1 percent of the total \$195.0 billion of federal loans nationwide. The federal government assumed \$3.9 trillion of contingent liability for various kinds of federal insurance provided nationwide, but only \$5.2 billion, or 0.4 percent of the total, was for Michigan.

Federal Aid to Michigan State and Local Governments. Federal payments to Michigan state and local governments increased from \$11.6 billion in 2006 to \$12.8 billion in 2007, and the state per capita rank-

ing improved from 40th to 36th of the 50 states. Major funding increases occurred through two Department of Health and Human Services programs: Temporary Assistance to Needy Families (\$630 million increase) and the Centers for Medicare and Medicaid Services (\$558 million increase). Because of Michigan’s poor economic performance in recent years, federal matching funds for Medicaid have been rising as a proportion of Michigan Medicaid spending.

The 2007 payments to Michigan governmental units constituted 2.9 percent of all federal payments made to state and local governments. If Michigan had received payments equal to its proportion of population, an additional \$1.9 billion would have supported Michigan governments.

As this report was being finalized, the federal government was in the process of investing \$700 billion in the financial sector, had approved \$25 billion for a loan program to assist auto companies to retool, was considering a \$25 billion request by the “Detroit Three” auto companies for emergency loans, and was also considering further economic stimulus programs. It is expected that, as a result of these federal efforts to address a deepening recession, the Consolidated Federal Funds Report for Fiscal 2009 will reflect a very different pattern of federal payments and promises.