

FEDERAL EXPENDITURES IN MICHIGAN
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The United States Bureau of the Census recently released estimates of the amount of Federal governmental expenditures in each state during fiscal year (FY) 1998. As has been the case in past fiscal years, the share of Federal expenditures made in Michigan falls well below Michigan's share of the total United States population. On a per-capita basis, Federal expenditures in Michigan during FY 1998 were 48th among the 50 states.

The Bureau of the Census reports Federal expenditures in each state under four major categories. These categories are: direct payment to individuals, Federal salaries and wages paid to state residents, procurement of goods and services in each state, and direct Federal grants to state and local governmental units. Table 1 provides an FY 1998 summary of the national totals in these categories plus the amount spent in Michigan.

Table 1: Distribution of Federal Funds			
Fiscal Year 1998			
(millions of dollars)			
	National Amount	Michigan Amount	Michigan as % of National Total
Direct Payments for Individuals	\$835,619	\$28,613	3.4%
Federal Salaries and Wages	170,171	2,814	1.7%
Procurement	209,260	1,871	0.9%
Grants to State and Local Governments	269,128	8,618	3.2%
Total	\$1,484,178	\$41,916	2.8%
Resident Population	270,298,524	9,817,242	3.6%

Source: United States Bureau of the Census, Federal Expenditures by State for Fiscal Year.

During FY 1998, Federal expenditures in Michigan totaled \$41.9 billion. The Michigan total of Federal expenditures equaled 2.8% of the national total. As a basis of comparison, Michigan's population during FY 1998 accounted for 3.6% of the national total. Only in the Federal expenditure category of direct payments to individuals is Michigan's share of Federal expenditures closely related to Michigan's share of the national population. In all other expenditure categories the State is receiving considerably less than an amount it would receive if Federal expenditures to the states were distributed on a per-capita basis.

Another way to analyze this Federal government expenditure data is to estimate the additional amount of Federal governmental expenditures that would be made annually in Michigan if all Federal expenditures were distributed to states on a per-capita basis. Table 2 provides the Senate Fiscal Agency estimates of the Federal funding shortfall in Michigan using this methodology for the period FY 1985 through FY 1998. During FY 1998, Federal expenditures in Michigan would have increased by almost \$12.0 billion if these expenditures were distributed on a strict per-capita basis. This represents a 28.6% increase over the actual level of Federal expenditures in Michigan, or a \$1,221 increase in Federal expenditures for each Michigan resident.

Fiscal Year	Actual Federal Expenditures in Michigan	Federal Expenditures in Michigan on a Per-Capita Basis	Michigan's Expenditure Shortfall
1985	\$22,383.6	\$29,844.4	\$(7,460.8)
1986	23,342.1	31,397.6	(8,055.5)
1987	23,283.2	31,813.6	(8,530.4)
1988	23,886.5	33,206.8	(9,320.3)
1989	26,109.2	34,734.5	(8,625.3)
1990	29,432.7	37,438.3	(8,005.6)
1991	31,968.2	41,291.6	(9,323.4)
1992	36,137.3	44,997.6	(8,860.3)
1993	37,237.8	46,845.0	(9,607.2)
1994	39,485.1	49,021.5	(9,536.4)
1995	39,568.5	49,055.0	(9,486.5)
1996	39,633.0	50,062.2	(10,429.2)
1997	40,651.0	51,440.7	(10,789.7)
1998	41,916.7	53,905.3	(11,988.6)

Source: United States Bureau of the Census, Senate Fiscal Agency calculations

The FY 1998 Census Bureau data place Michigan 48th among the 50 states in per-capita Federal expenditures. Table 3 provides a complete listing of FY 1998 per-capita Federal expenditures in each state. Federal per-capita expenditures in Michigan during FY 1998 were \$4,270, or well below the United States average of \$5,491 per capita. During FY 1998 only the states of Wisconsin and Utah had a lower level of per-capita Federal spending than Michigan.

A closer review of the Federal expenditure data reveals three factors explaining Michigan's low return on Federal expenditures. The first is the relative lack of defense facilities within the State of Michigan both from a defense employee perspective and from purchases of goods and services. Wage and salaries paid to defense employees in Michigan accounted for only 0.7% of the national total and defense purchases of goods and services in Michigan accounted for 0.8% of the national total. The second factor explaining the low return on Federal expenditures in Michigan is Michigan's share of salaries and wages paid to Federal employees excluding the Defense Department. Wages and salaries paid to nondefense employees in Michigan accounted for 2.3% of the national total. The final category of Federal expenditures where Michigan falls well below its share of the national population is in highway planning and construction. In this area of Federal expenditures, Michigan accounted for 2.7% of the national total. Therefore, in the areas of defense spending, payments to Federal employees, and grants for highway planning and construction, Michigan's share of Federal expenditures received is well below the State's 3.6% share of the national population. Based on these three factors, it is very unlikely that the State of Michigan's ranking in terms of Federal expenditures per capita will change significantly in the future.

**Table 3: Per-Capita
 Federal Expenditures by State
 FY 1998**

Rank	State	Total Expenditures
1	Virginia	\$8,221
2	Maryland	8,094
3	Alaska	7,763
4	New Mexico	7,446
5	Hawaii	7,076
6	North Dakota	6,475
7	Montana	6,210
8	Rhode Island	6,112
9	Massachusetts	6,047
10	Missouri	6,009
11	Maine	5,999
12	Connecticut	5,933
13	West Virginia	5,906
14	Kentucky	5,884
15	South Dakota	5,852
16	Alabama	5,813
17	Wyoming	5,702
18	Tennessee	5,615
19	Pennsylvania	5,612
20	Florida	5,602
21	Mississippi	5,565
22	New York	5,489
23	Washington	5,482
24	Oklahoma	5,439
25	Colorado	5,291
26	Louisiana	5,242
27	South Carolina	5,180
28	Arizona	5,155
29	Arkansas	5,128
30	Kansas	5,107
31	Iowa	5,079
32	New Jersey	4,975
33	Nebraska	4,963
34	California	4,946
35	Vermont	4,898
36	Georgia	4,861
37	Idaho	4,850
38	Delaware	4,776
39	North Carolina	4,728
40	Texas	4,657
41	Ohio	4,640
42	Oregon	4,607
43	Illinois	4,605
44	New Hampshire	4,449
45	Indiana	4,424
46	Nevada	4,331
47	Minnesota	4,317
48	Michigan	4,270
49	Wisconsin	4,189
50	Utah	4,156
	United States Average	5,491

Source: United States Bureau of the Census