

Giving or Getting?

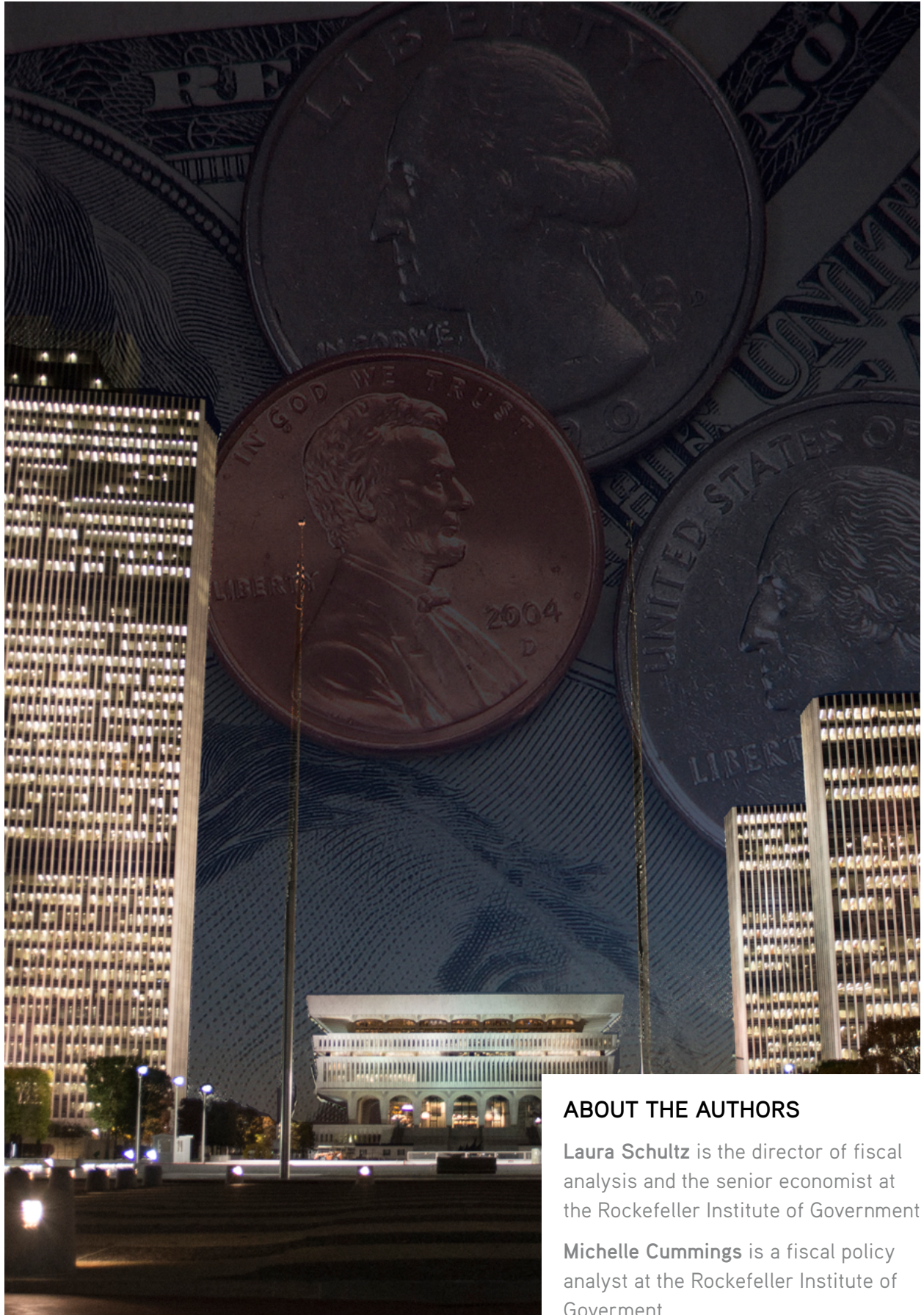
New York's Balance of Payments with the Federal Government

2019 REPORT

Laura Schultz
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Rockefeller
SUNY
Institute of Government



ABOUT THE AUTHORS

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January 2019

As a new Congress is seated, discussions of tax policy and federal spending will begin anew. Often clouded by political rhetoric or veiled by the isolated nature of a specific budget debate is the cumulative impact of all revenue and spending policies on the books.

The New York State Division of the Budget provided financial support to the Rockefeller Institute of Government for the research and publication of this report so that we may have a more holistic view. Through this analysis, policymakers have a better understanding of how much their state generates for the U.S. Treasury, and how much comes back in the form of federal spending.

Forty states have a positive balance of payments, meaning that they receive more from Washington in terms of federal dollars than they contribute in taxes, but New York is on the extreme other end of the spectrum and holds the distinction of being the top donor state to the Federal Government.

New York remains the single largest net contributor to the federal government of all the states. While New York's balance of payments improved in absolute and per capita terms since the last version of this report, it continued to move further away from the national average. Relative to other states, New York's balance of payments is getting worse and not better. Our taxpayers remain an outsized supporter of federal spending programs. Despite having significant programmatic needs, a relatively small amount returns to the State through wages, contracts, and social programs.

Our appreciation goes out to the Rockefeller Institute of Government, who has been providing rigorous and thorough analysis for nearly four decades, informing policymakers and the citizens they represent.

Deliberations in Washington may include the reformulation of grant programs or the potential for programmatic cuts to offset the growing deficit caused by the newly enacted tax cuts. The choices made by the new Congress could exacerbate or mollify the federal redistribution of New York dollars. This analysis clarifies where we stand today and informs future decisions.

Sincerely,

Robert F. Mujica, Jr.
Director of the Budget

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 is significant, with profound policy implications for the state. It is also why the Rockefeller Institute of Government has produced a second balance of payments report, and will be doing so annually. We’ve also added interactive digital data tools to allow users to explore in depth what each state gives and gets. In this time of increasing financial stress on state and local governments, we believe it is critical to continue and provide this analysis each year.

The Rockefeller Institute of Government’s 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.

I would like to thank Rockefeller Institute Director of Fiscal Analysis and Senior Economist Laura Schultz, Fiscal Policy Analyst Michelle Cummings, and Communications Director Kyle Adams for their extraordinary work on this project.

The second installment shows that New York continues to send more in taxes than it received back. In 2017, we estimate \$35.6 billion, which remains almost twice as large the next two largest states. 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,



Jim Malatras
President
Rockefeller Institute of Government



Executive Summary

In its second year of annual analysis, the Rockefeller Institute of Government has examined the distribution of Federal Budget receipts and expenditures across the United States. This report examines where Federal funds are generated and spent, the balance of payments differential that exists between states, the primary explanations for those differences, and how these gaps may change over time.

Our annual analysis is designed to aid policymakers as they continue to discuss whether there is too much redistribution or too little, and the impact of those redistribution decisions on states. The Rockefeller Institute examined detailed revenue and spending data for Federal Fiscal Year (FFY) 2016 and developed a preliminary data series for FFY 2017, paying close attention to New York.

The findings are clear: New York's residents and businesses — which consistently send more revenue to the Federal government than any other state — continue to contribute more in taxes than the state receives back in Federal spending. Key findings from this year's report include:

- Preliminary analysis of 2017 data indicates that at -\$35.6 billion, New York's overall balance of payments remains the least favorable of any state in the nation. New York maintains its rank from 2016 (-\$38.6 billion).
- New York's shortfall in 2017 is nearly as large as that of second-ranked New Jersey (-\$21.3 billion) and third-ranked Massachusetts (-\$16.1 billion) combined. Connecticut and Illinois round out the list of the states with the least favorable balances.
- The state's per capita balance of payments, -\$1,792, continues to rank the state as one of the least favorable in the nation. New York's negative per capita balance of payments is less than all but three other states. This is only a very slight improvement over 2016, when New York ranked the third to last with a per capita measurement of -\$1,946.

Preliminary Analysis of New York 2017 data indicates:



NEW YORK'S
BALANCE OF PAYMENTS

-\$35.6 billion

*THE LEAST FAVORABLE
IN THE NATION*



NEW YORK'S SHORTFALL
IS NEARLY AS LARGE AS

New Jersey — \$21.3 billion

and

Massachusetts — \$16.1 billion

COMBINED



NEW YORK'S PER CAPITA
BALANCE OF PAYMENTS:

-\$1,792



NEW YORK RANKED
FOURTH TO LAST
PER CAPITA



U.S. PER CAPITA
BALANCE OF PAYMENTS:

\$1,925

NEW YORKERS PAY

\$3,717

*MORE THAN THE
NATIONAL AVERAGE*



IN 2017, NATIONAL BOP GREW BY

\$202

NY BOP GREW BY ONLY

\$155

- New Yorkers’ per capita difference between payments made to the Federal government and spending grew slightly to \$3,717 more than the national average in 2017 of a positive \$1,925.
- Since 2016, the US per capita balance of payment gap has grown by \$202, reflecting an increase in Federal spending relative to tax revenue. New York has seen an improvement of \$155.
- While New York’s balance of payments has improved, it has not kept pace with the national average. New York’s shortfall compared to the national average continues to expand.

The Federal Tax Cuts and Jobs Acts of 2017 will have a significant impact on high-income earners in New York beginning in 2018, with changes that are expected to have flow-through effects on state tax burdens in New York. What remains less clear for the impact on New York — and its balance of payment calculations — is the potential for Federal spending cuts that may be enacted to absorb expected revenue losses and the extent to which those cuts would impact New York. States will be affected very differently depending on the nature of these changes.

Even if the overall distribution of tax burdens and Federal spending does not change dramatically, understanding how the Federal Budget is distributed across the nation and how that distribution has changed over time offers critically important information when evaluating the fairness and appropriateness of proposed changes in fiscal policy.

Introduction

In FFY 2016, the Federal government spent approximately \$3.9 trillion, an increase of 4.5 percent from the prior fiscal year. This level of spending was supported by nearly \$3.3 trillion in revenue, an increase of less than 0.6 percent from 2015. FFY 2017 saw an uptick in spending to approximately \$4.0 trillion, with supporting revenues increasing by almost 1.5 percent to over \$3.3 trillion in receipts.

Revenue collected by the Federal government, Federal spending in the states, and the difference between these two in each state is the subject of this report. This “balance of payments” (BOP) analysis provides a close look at the effects of Federal economic redistribution policies on states, and offered here is a particular focus on New York and its standing relative to other states.

Some states receive far more in Federal spending than their residents and businesses pay through taxes, while other states give far more than they get. The Federal system concentrates grants and funding to states with highest poverty rates for their residents, like Federal grants to support programs of aid for the needy (Medicaid, Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, etc.). Payments to individuals under the Social Security and Medicare programs are disproportionately concentrated in states with large elderly populations. States with large defense contracting sectors and more military bases get more Federal defense spending. Federal wages are disproportionately concentrated in states with a large Federal employment presence.

On the other side, receipts are generated primarily from taxes, the most significant of which is the personal income and employment taxes, which account for almost 75 percent of allocable Federal revenue. Logically, then, this Federal revenue is raised disproportionately from residents of states with more high-income individuals who pay taxes at the highest rates under the progressive Federal income tax structure.

Our analysis provides states and policymakers with clear information about how Federal spending and revenue are distributed among the states. This information gives policymakers insight into the magnitude of gaps in each state's balance of payments, aiding in decisions about whether current and proposed distributions are fair and appropriate.

This report provides an estimate of the 2017 balance of payments based on available preliminary data. It also revises the previously released 2016 preliminary analysis, reflecting actual receipts and expenditures for that year and other updates in source data.

The analysis consists of two steps:

1. Federal receipts and expenditures from the Federal Budget are distributed into major categories and subcategories, all adding up to Federal Budget totals.
2. Subcategory totals are allocated to states and US territories based on agency data documenting geographic distributions or appropriate proxies.

Data identifying the geographic source of receipts and location of spending were collected from relevant agencies wherever possible. Where complete data on the distribution of receipts and expenditures were not available, proxies were developed based on all available data. The appendix details our full methodology and presents revisions to last year's estimates.

The results for New York State are stark: the state's massive negative balance of payments for 2017 of -\$35.6 billion ranks it the worst in the nation. In fact, New York's gap in 2017 is almost as large as that of the next two states — New Jersey (-\$21.3) and Massachusetts (-\$16.1) — *combined*. This worst-in-the-nation rank remains the same as it was in 2016.

The picture does not improve greatly controlling for population: New York's per capita negative balance of payments of -\$1,792 ranks the state as fourth-worst in the nation in 2017, only a slight improvement from its third-worst rank in 2016.

This report presents more detailed comparisons to other states and the national average, and examines factors that drive New York's negative balance of payments.

The results for New York State are stark: the state's massive negative balance of payments for 2017 of -\$35.6 billion ranks it the worst in the nation. In fact, New York's gap in 2017 is almost as large as that of the next two states — New Jersey (-\$21.3) and Massachusetts (-\$16.1) — combined. This worst-in-the-nation rank remains the same as it was in 2016.

New York's Balance of Payments: Preliminary Estimate for Federal Fiscal Year 2017

In 2017, New York taxpayers contributed approximately \$35.6 billion more in revenue to the Federal government than the state received back in Federal spending (Table 1). New York's negative balance of payments is the largest of any state in the nation.

Calculating the balance of payments per capita controls for a state's population. New York does not fare much better even by this measure: the state's 2017 per capita balance of payments of -\$1,792 is the fourth-worst balance of payments in the country. In sharp contrast, the national average per capita balance of payments was positive at \$1,925 per person.

TABLE 1. Receipts, Expenditures, and Balance of Payments, FFY 2017

Total Balance of Payments			
	New York	Average of All States	New York Difference from Average
Balance of payments (\$ millions)	(35,562)	12,423	(47,985)
Rank among fifty states	50		
Per Capita Balance of Payments			
Balance of payments (dollars per person)	(1,792)	1,925	(3,717)
Rank among fifty states	50		
Per Capita Receipts and Expenditures			
Receipts (dollars per person)	12,906	9,532	3,375
Expenditures (dollars per person)	11,115	11,457	(342)
Federal spending received per dollar of taxes	0.86	1.20	(0.10)

SOURCE: Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2019* (Washington, DC: Office of Management and Budget, February 2018), <https://www.gpo.gov/fdsys/pkg/BUDGET-2019-BUD/pdf/BUDGET-2019-BUD.pdf>; from Federal agencies; and other sources. See methodology appendix for details.

NOTES: Calculations are based on preliminary data and are subject to change when final data are released.

What Drives New York’s Negative Balance of Payments?

New York’s consistently negative balance of payments is driven primarily by the disproportionate amount of Federal taxes paid, rather than relatively lower Federal spending received: payments from New York residents and businesses to the Federal government were \$12,906 per capita in 2017, \$3,375 higher than the national average. While per capita Federal spending in New York was \$342 lower than the US average, increasing its negative balance-of-payment gap, the magnitude of the revenue difference is the obvious primary driver in the state’s negative balance. [Table 2](#) provides a detailed breakdown of New York’s per capita balance of payments and comparison with the national average. The table also provides details on New York’s rank compared to other states. A state-by-state analysis can be found in the next section ([Tables 3](#) and [4](#)).

TABLE 2. New York’s Per Capita Balance of Payments with the Federal Government in FFY 2017

Estimates of per capita Federal receipts, expenditures, and balance of payments
(Only includes amounts deemed allocable to states)

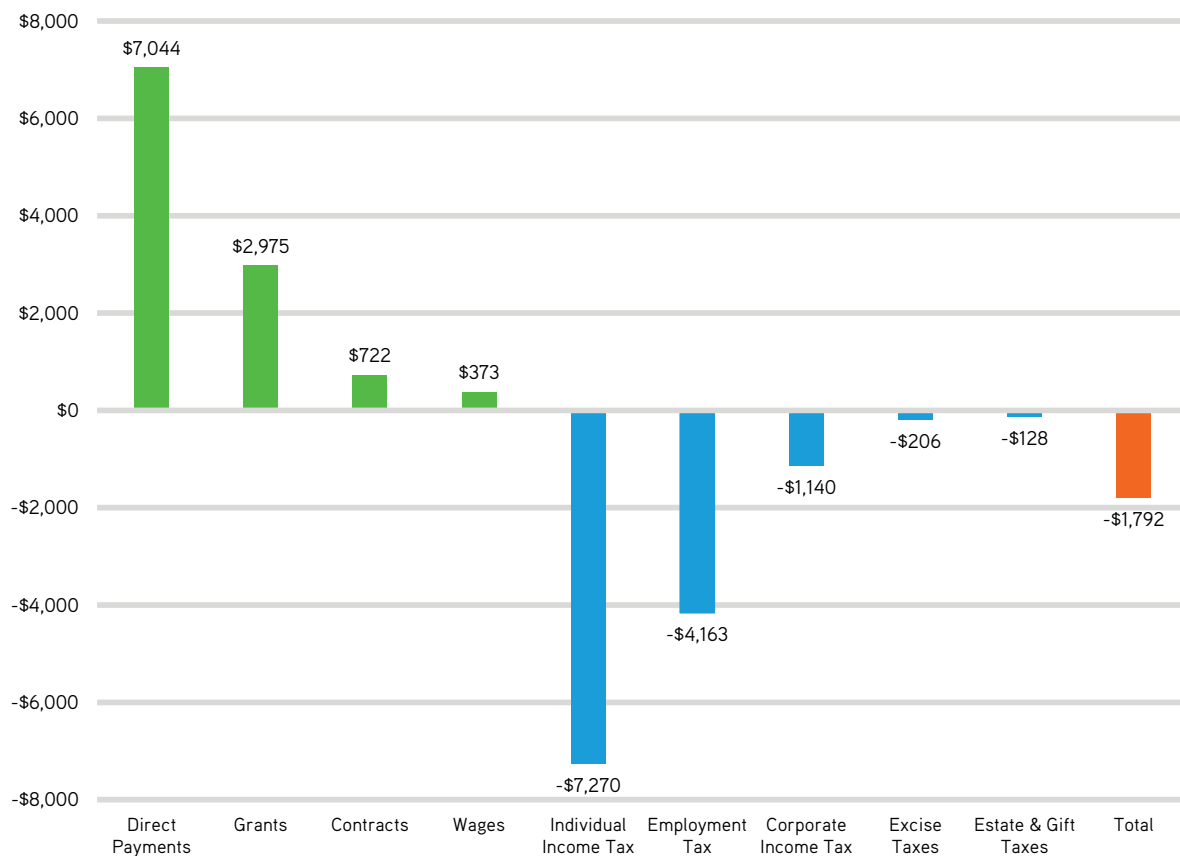
	New York	United States	New York Minus US	NY Indexed to US=100	NY Rank Among Fifty States
Balance of payments (expenditures minus receipts)	(1,792)	1,925	(3,717)		47
Ratio: Expenditures to receipts	0.86	1.20	(0.10)		
Receipts	12,906	9,532	3,375	135	4
Individual income tax	7,270	4,786	2,484	152	3
Employment taxes	4,163	3,521	642	118	8
Corporate income tax	1,140	902	238	126	4
Excise taxes	206	255	(49)	81	49
Estate and gift taxes	128	69	59	187	4
Expenditures	11,115	11,457	(342)	97	28
Direct payments for individuals	7,044	7,164	(120)	98	34
Grants	2,975	2,025	950	147	5
Contracts and procurement	722	1,480	(758)	49	33
Wages	373	788	(415)	47	42

SOURCE: Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2019*; from Federal agencies; and other sources. See methodology appendix for details.

Federal individual income taxes account for \$2,484, or more than 70 percent, of the \$3,375 difference between New York’s Federal taxes per capita and the US average. New York ranks fourth among the fifty states in per capita income, and it has many high-income taxpayers in the highest Federal tax brackets.¹ High levels of employment taxes and corporate income taxes — reflecting New York’s higher average wages and higher income from capital — plus estate and gift taxes account for another \$939 of the balance.

On the spending side, Federal grants per capita are nearly 50 percent higher than the national average in New York, driven by Medicaid and other social programs.² At the same time, however, Federal procurement and Federal wages are only about 50 percent of the national per capita average, and direct payments for programs such as Social Security and Medicare are about equal to the national average. Taken together, Federal spending in New York per capita is \$342 lower than the national average.

FIGURE 1. New York: Revenues and Expenditures



1 In 2015, 50 percent of New York’s Federal income tax liability came from individuals with an income \$500,000 or greater. 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.

2 “2017 American Community Survey Single-Year Estimates,” U.S. Census Bureau, September 13, 2018, <https://www.census.gov/newsroom/press-kits/2018/acs-1year.html>.



Per capita revenue from New Yorkers to the Federal Budget was fourth-highest in the nation in 2017, while Federal spending in New York was twenty-eighth. As noted earlier, the net result is that New York's overall per capita balance of payments was fourth worst (forty-seventh out of fifty states) and the worst in the nation in terms of absolute dollars.

The Balance of Payments across the States

The annual balance of payments in any given state is influenced by a number of factors. A state that has a disproportionately large percentage of high-income earners (such as New York) will inherently pay more in Federal personal income taxes. A state with a similar income distribution may have high tax payments, too, but could have this side of the balance-of-payment equation offset by higher Federal government spending. Such is the case in Virginia, a relatively high-income state but one with disproportionately high spending on Federal employees and DC-area agencies. Other states, such as New Mexico, have lower income levels but high levels of Federal spending due to large government or military facilities in the region. Structural issues such as these that are not subject to dramatic annual shifts serve to keep a state relatively consistent from year to year in its national ranking in a balance-of-payments analysis. Meanwhile, other issues, such as timing of Federal expenditures for large initiatives, may be large enough to impact a state's ranking for a given year even though it is temporary in nature.

Forty states have a positive balance of payments with the Federal government for 2017, each receiving more Federal spending than taxpayers remitted in Federal taxes and other Federal revenues.³ New York is one of the ten states that had a negative balance of payments in 2017. While its negative balance of payment improved by \$154 since 2016, this was a smaller improvement than the \$202 positive increase in the national average over that same time period. [Figure 1](#) illustrates the fifty-state balance of payments in Federal Fiscal Year 2017 (see [Tables 3](#) and [4](#) for state-by-state details).

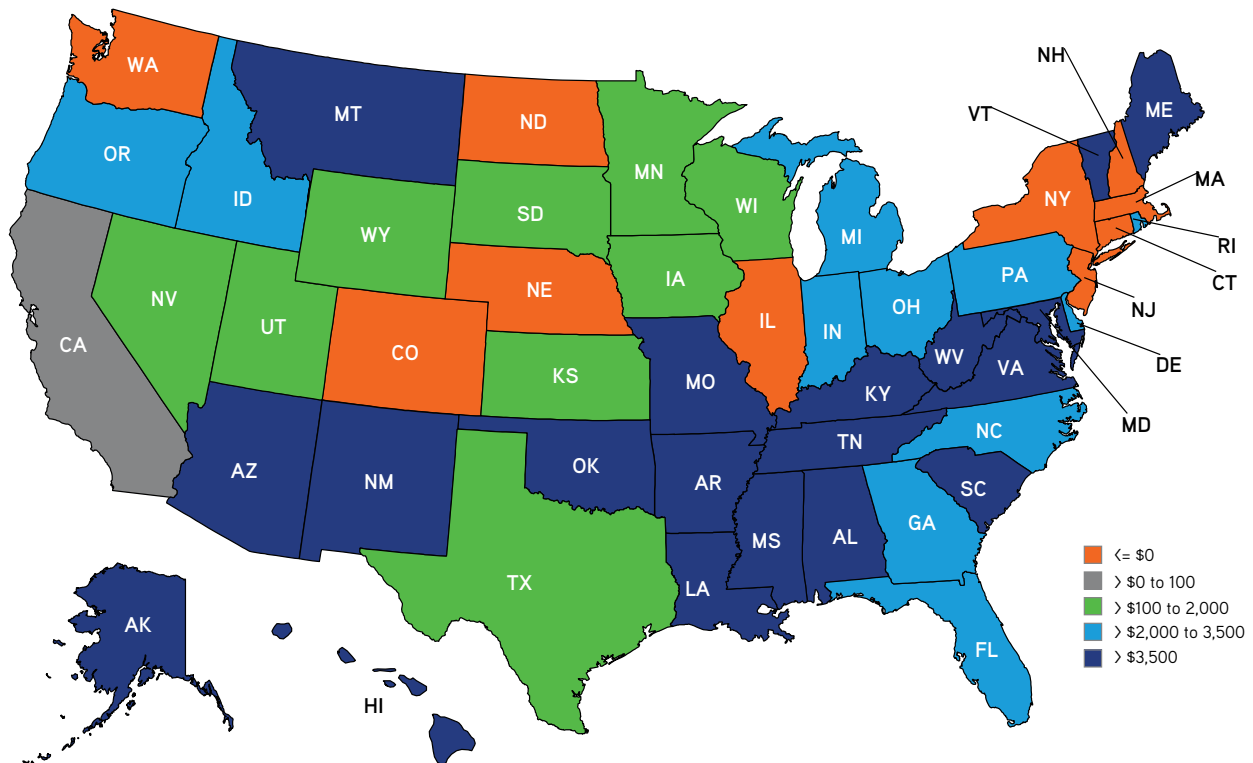
³ Because the Federal government spent more than it raised, Federal spending in the average state was greater than Federal receipts.

TABLE 3. Estimated Distribution of Federal Receipts and Expenditures by State, FFY 2017
(Millions of dollars)

State	Receipts	Expenditures	Balance of Payments	Expenditures per Dollar of Receipts
Virginia	89,533	176,785	87,253	1.97
Florida	191,768	237,654	45,886	1.24
Kentucky	30,075	70,808	40,733	2.35
Maryland	68,531	105,055	36,524	1.53
North Carolina	78,585	113,081	34,495	1.44
Alabama	33,122	65,751	32,630	1.99
Ohio	93,627	125,689	32,062	1.34
Arizona	51,727	82,812	31,085	1.60
Pennsylvania	126,416	155,850	29,435	1.23
South Carolina	34,577	59,740	25,162	1.73
Michigan	83,711	108,359	24,648	1.29
Missouri	48,127	72,271	24,144	1.50
Tennessee	52,163	76,278	24,115	1.46
Georgia	81,039	104,541	23,501	1.29
Mississippi	17,224	37,755	20,531	2.19
New Mexico	13,520	31,669	18,149	2.34
Louisiana	34,281	52,011	17,730	1.52
Indiana	52,053	67,780	15,727	1.30
Oklahoma	29,389	45,057	15,668	1.53
Arkansas	19,867	35,129	15,263	1.77
West Virginia	11,329	24,554	13,225	2.17
Oregon	35,412	45,676	10,263	1.29
Texas	260,391	268,985	8,594	1.03
Hawaii	12,405	19,929	7,524	1.61
Maine	9,995	17,438	7,443	1.74
Idaho	11,565	17,451	5,885	1.51
Kansas	25,521	31,297	5,776	1.23
Minnesota	59,051	64,402	5,350	1.09
Alaska	7,772	12,986	5,214	1.67
Montana	8,233	12,233	4,001	1.49
Iowa	26,443	29,919	3,476	1.13
Nevada	25,252	28,671	3,419	1.14
Wisconsin	52,307	55,411	3,104	1.06
Delaware	8,764	11,546	2,782	1.32
Rhode Island	10,232	12,593	2,361	1.23
Vermont	5,643	7,976	2,333	1.41
South Dakota	8,024	9,250	1,226	1.15
Utah	22,979	23,896	917	1.04
California	435,637	436,092	455	1.00
Wyoming	6,732	7,121	388	1.06
New Hampshire	15,307	14,993	(314)	0.98
Nebraska	18,051	17,736	(314)	0.98
Colorado	57,991	57,458	(533)	0.99
North Dakota	8,433	7,889	(544)	0.94
Washington	81,890	80,524	(1,366)	0.98
Illinois	136,409	131,755	(4,654)	0.97
Connecticut	55,482	41,129	(14,353)	0.74
Massachusetts	94,805	78,730	(16,075)	0.83
New Jersey	119,009	97,682	(21,327)	0.82
New York	256,183	220,622	(35,562)	0.86

SOURCE: Rockefeller Institute of Government analysis of data from *Budget of the U.S. Government, Fiscal Year 2019*; from Federal agencies; and other sources. See methodology appendix for details.

FIGURE 2. Per Capita Balance of Payments, FFY 2017



SOURCE: Rockefeller Institute of Government.

➤ Explore this data with our interactive dashboard at rockinst.org/bop

Receipts

On one side of the balance-of-payment calculation is the amount a state pays in taxes to the Federal government. [Figure 3](#) 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.

Expenditures

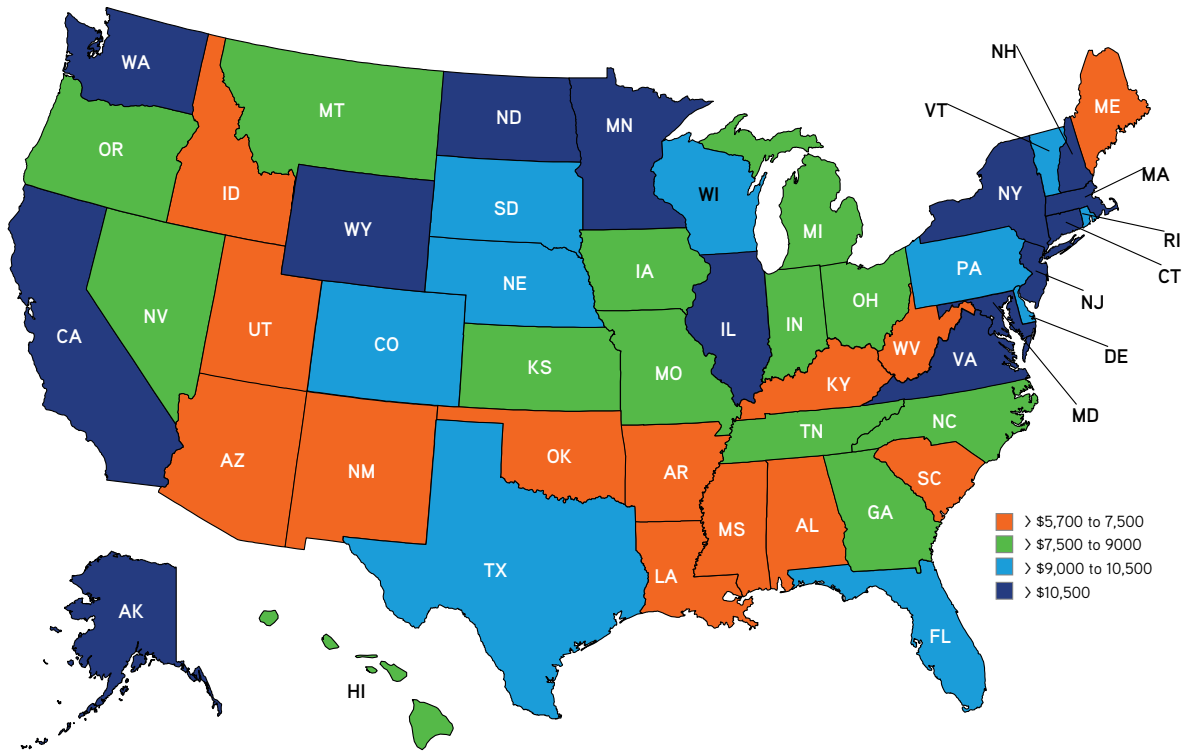
The other side of the balance-of-payments equation is Federal spending. [Figure 4](#) shows Federal expenditures per capita, by state, in FFY 2017. The darker blue states have the highest Federal spending per capita. Many of the darkest blue states are near the District of Columbia and have disproportionate amounts of Federal wages and procurement spending. The same is true for New Mexico, home to two large government research centers. 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 US average.

TABLE 4. Estimated Per Capita Distribution of Federal Receipts and Expenditures by State, FFY 2017

State	Receipts	Expenditures	Balance of payments	Expenditures per dollar or receipts
Virginia	10,571	20,872	10,301	1.97
Kentucky	6,752	15,897	9,145	2.35
New Mexico	6,475	15,167	8,692	2.34
West Virginia	6,239	13,522	7,283	2.17
Alaska	10,506	17,554	7,048	1.67
Mississippi	5,772	12,652	6,880	2.19
Alabama	6,795	13,488	6,694	1.99
Maryland	11,323	17,358	6,035	1.53
Maine	7,482	13,054	5,572	1.74
Hawaii	8,690	13,960	5,270	1.61
Arkansas	6,613	11,693	5,080	1.77
South Carolina	6,882	11,890	5,008	1.73
Arizona	7,372	11,803	4,430	1.60
Oklahoma	7,476	11,462	3,986	1.53
Missouri	7,872	11,821	3,949	1.50
Montana	7,837	11,645	3,808	1.49
Louisiana	7,318	11,103	3,785	1.52
Vermont	9,048	12,789	3,741	1.41
Tennessee	7,767	11,358	3,591	1.46
Idaho	6,736	10,164	3,428	1.51
North Carolina	7,649	11,007	3,358	1.44
Delaware	9,111	12,003	2,892	1.32
Ohio	8,031	10,781	2,750	1.34
Oregon	8,548	11,025	2,477	1.29
Michigan	8,403	10,877	2,474	1.29
Indiana	7,808	10,167	2,359	1.30
Pennsylvania	9,872	12,171	2,299	1.23
Georgia	7,770	10,024	2,253	1.29
Rhode Island	9,656	11,884	2,228	1.23
Florida	9,139	11,325	2,187	1.24
Kansas	8,761	10,743	1,983	1.23
South Dakota	9,227	10,636	1,409	1.15
Nevada	8,423	9,563	1,140	1.14
Iowa	8,406	9,511	1,105	1.13
Minnesota	10,589	11,549	959	1.09
Wyoming	11,621	12,292	670	1.06
Wisconsin	9,026	9,561	536	1.06
Texas	9,200	9,503	304	1.03
Utah	7,408	7,704	296	1.04
California	11,019	11,030	12	1.00
Colorado	10,342	10,247	(95)	0.99
Nebraska	9,401	9,237	(164)	0.98
Washington	11,058	10,873	(184)	0.98
New Hampshire	11,399	11,165	(234)	0.98
Illinois	10,655	10,292	(364)	0.97
North Dakota	11,164	10,444	(720)	0.94
New York	12,906	11,115	(1,792)	0.86
Massachusetts	13,820	11,477	(2,343)	0.83
New Jersey	13,215	10,847	(2,368)	0.82
Connecticut	15,462	11,462	(4,000)	0.74

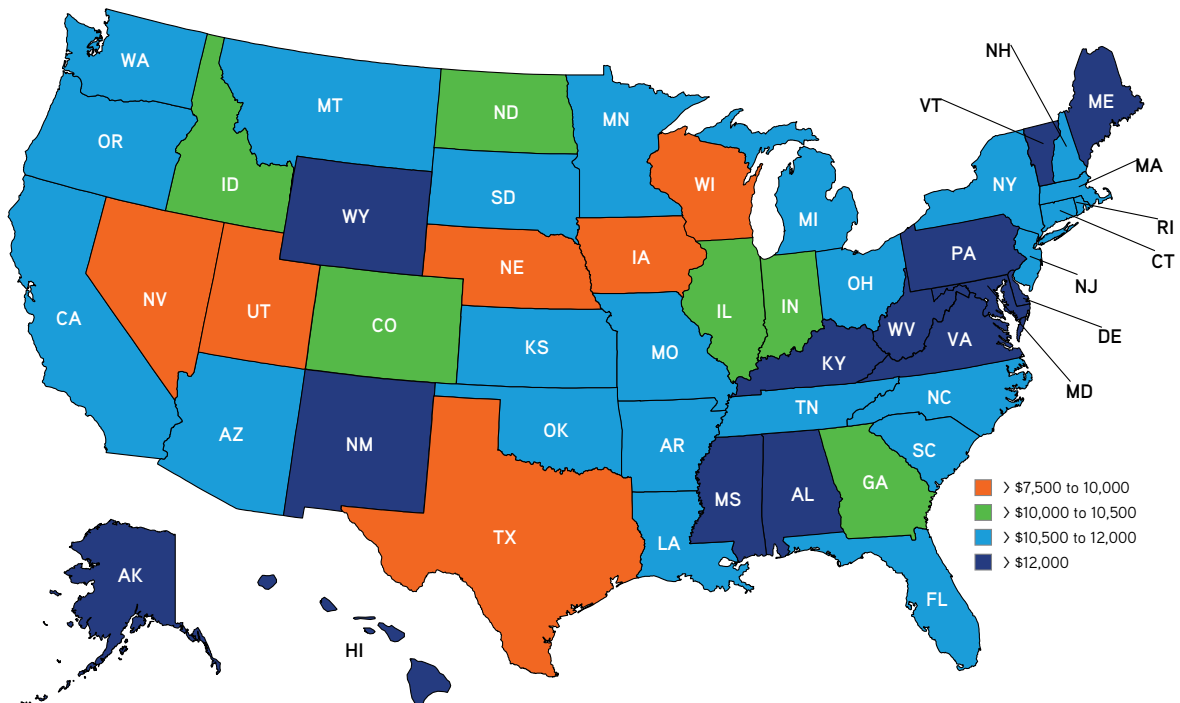
SOURCE: Rockefeller Institute of Government analysis of data from the *Budget of the U.S. Government, Fiscal Year 2019*, from Federal agencies, and other sources. See methodology appendix for details.

FIGURE 3. Per Capita Federal Receipts, FFY 2017



SOURCE: Rockefeller Institute of Government.

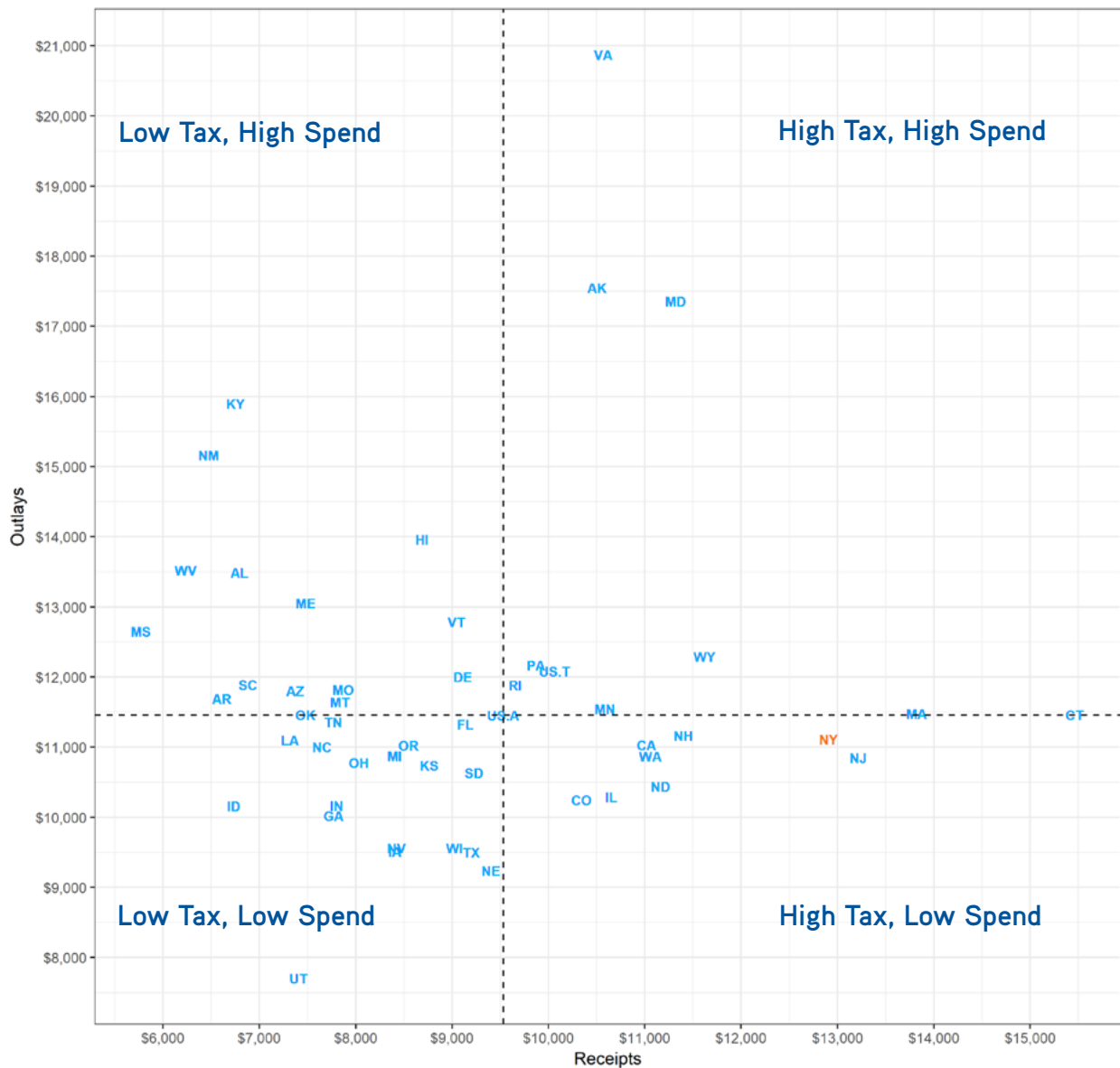
FIGURE 4. Per Capita Federal Expenditures, FFY 2017



SOURCE: Rockefeller Institute of Government.

Figure 5 shows each state's position relative to other states for per capita expenditures and receipts combined. The dashed lines indicate the national average for FFY 2017. As illustrated, New York's per capita contribution is higher than the US average, while Federal spending is slightly below. Other states are high or low for various reasons: the outliers Maryland and Virginia, for example, both have dramatically higher Federal spending per capita than the average state, as they are near the physical headquarters for most of the Federal government and have significantly disproportionate Federal spending for procurement and Federal wages.

FIGURE 5. Federal Receipts and Expenditures Per Capita, FFY 2017



SOURCE: Rockefeller Institute of Government.

A Closer Look at the Top-Five and Bottom-Five States

Table 5 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 includes a breakdown of expenditures and receipts. In FFY 2017, Virginia's per capita balance of payments is the best in the country at \$10,031, which is \$8,376 above the national average of \$1,925 per capita, while Connecticut's is the worst, at \$5.925 per person.

All of the top-five states benefited from larger-than-average levels of Federal spending. Kentucky, New Mexico, and West Virginia also benefited from lower-than-average tax burdens. While the bottom-five states received slightly lower-than-average Federal spending, the bulk of their negative balance is driven by their significantly higher-than-average tax payments.

TABLE 5. Total Balance of Payments: Top-Five and Bottom-Five States, FFY 2017

State	Total Balance of Payments		Total Expenditures		Total Receipts	
	Per capita total	State minus US	Per capita total	State minus US	Per capita total	State minus US
Virginia	10,301	8,376	20,872	9,415	10,571	1,039
Kentucky	9,145	7,219	15,897	4,440	6,752	(2,780)
New Mexico	8,692	6,766	15,167	3,710	6,475	(3,057)
West Virginia	7,283	5,358	13,522	2,065	6,239	(3,293)
Alaska	7,048	5,123	17,554	6,097	10,506	974
United States	1,925	0	11,457	0	9,532	0
North Dakota	(720)	(2,646)	10,444	(1,013)	11,164	1,632
New York	(1,792)	(3,717)	11,115	(342)	12,906	3,375
Massachusetts	(2,343)	(4,269)	11,477	20	13,820	4,289
New Jersey	(2,368)	(4,294)	10,847	(610)	13,215	3,683
Connecticut	(4,000)	(5,925)	11,462	5	15,462	5,931

SOURCE: Rockefeller Institute of Government.

Expenditures

The four major categories of Federal spending examined and used in the balance-of-payment calculations are:

- direct payments for individuals under programs such as Social Security and Medicare;
- Federal grants to state and local governments;
- contracts and other Federal procurement; and
- wages of Federal workers.

[Table 6](#) shows per capita Federal expenditures by major category for the states with the highest and lowest per capita expenditures.

TABLE 6: Total Expenditures: Top-Five and Bottom-Five States, FFY 2017
(New York included at the bottom of the table for reference)

State	Total Spending		Direct Payments		Grants		Contracts		Wages	
	Per capita total	State minus US	Per capita total	State minus US	Per capita total	State minus US	Per capita total	State minus US	Per capita total	State minus US
Virginia	20,872	9,415	7,843	679	1,246	(779)	9,044	7,564	2,739	1,950
Alaska	17,554	6,097	6,038	(1,126)	4,250	2,225	4,035	2,555	3,230	2,442
Maryland	17,358	5,901	7,823	659	1,961	(64)	4,958	3,479	2,616	1,828
Kentucky	15,897	4,440	7,865	702	2,774	749	4,343	2,863	915	126
New Mexico	15,167	3,710	7,623	459	3,560	1,535	2,697	1,217	1,287	498
US — Average	11,457		7,164		2,025		1,480		788	
Wisconsin	9,561	(1,896)	7,032	(132)	1,624	(401)	657	(823)	248	(540)
Iowa	9,511	(1,946)	6,973	(191)	1,841	(184)	425	(1,055)	272	(516)
Texas	9,503	(1,954)	6,057	(1,107)	1,659	(366)	1,081	(399)	707	(82)
Nebraska	9,237	(2,220)	6,705	(459)	1,429	(596)	369	(1,111)	735	(54)
Utah	7,704	(3,753)	5,043	(2,121)	1,272	(753)	592	(888)	796	8
New York	11,115	(342)	7,044	(120)	2,975	950	722	(758)	369	(419)

SOURCE: Rockefeller Institute of Government.

In 2017, direct payments for individuals constituted 62.5 percent of total Federal expenditures, and thus this one category has the potential for the greatest influence on the expenditure side of the balance-of-payments calculation. Social Security and Medicare constitute nearly three-quarters of direct payments and spending under these programs is closely linked to states' elderly populations. The demographic make-ups of states are stable, insulating direct payments from annual variability. Variations in the three other expenditure categories — grants, contracts, and wages — have a significant impact on determining which states have the highest and lowest total per capita expenditures.

Grants to state and local governments is the second-largest category of Federal expenditures next to direct payments. The biggest component of these grants is for Medicaid. Other significant components include Federal highway spending, antipoverty programs such as Temporary Assistance for Needy Families, and Federal education grants. Participation — or not — in the Medicaid expansion program appears to have a significant impact on the per capita total Federal spending in this category.

The final two expenditure categories, contracts and wages, show significant variation and are an important factor in determining which states end up with the highest or lowest per capita spending totals. Virginia and Maryland had the highest per capita contracts total due to their proximity to Washington, DC.

Proximity to Washington also contributes to the high concentration of Federal employees in Maryland and Virginia. New Mexico and Alaska, with large military and Federal research installations, also had 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, wages for military employees were the main factor in the high per capita totals.

Receipts

[Table 7](#) shows per capita Federal receipts in 2017 by major category for the states with the five highest and five lowest per capita receipts.

Individual income taxes are the largest source of receipts paid to the Federal government. These taxes account for 50 percent of total Federal revenues in 2017. A state's individual income tax obligation has the greatest impact in determining which have relatively high or low per capita receipts. Payroll taxes are the next most significant determinant. Together these two categories account for more than two-thirds of the per capita receipts difference from the United States average in nine of the ten states featured above. Corporate income and excise taxes account for 9 percent, on average, of the US total and do not greatly affect a state's balance of payments.

TABLE 7. Total Receipts: Top-Five and Bottom-Five States, FFY 2017

State	Total Receipts		Individual Income Taxes		Payroll Taxes		Corporate Income Taxes		Excise and Other Taxes	
	Per capita total	State minus US	Per capita total	State minus US	Per capita total	State minus US	Per capita total	State minus US	Per capita total	State minus US
Connecticut	15,462	5,931	8,914	4,128	4,775	1,254	1,375	473	399	75
Massachusetts	13,820	4,289	7,868	3,082	4,475	954	1,189	287	288	(36)
New Jersey	13,215	3,683	7,076	2,290	4,748	1,227	1,091	190	300	(24)
New York	12,906	3,375	7,270	2,484	4,163	642	1,140	238	333	9
Wyoming	11,621	2,090	5,986	1,200	3,808	287	1,346	444	481	157
US — Average	9,532		4,786		3,521		902		324	
Idaho	6,736	(2,796)	2,867	(1,919)	2,809	(712)	787	(115)	274	(50)
Arkansas	6,613	(2,919)	2,885	(1,901)	2,713	(808)	726	(176)	289	(35)
New Mexico	6,475	(3,057)	2,795	(1,991)	2,735	(786)	631	(271)	315	(9)
West Virginia	6,239	(3,293)	2,614	(2,172)	2,833	(688)	521	(380)	270	(54)
Mississippi	5,772	(3,760)	2,298	(2,488)	2,608	(913)	549	(353)	317	(7)

SOURCE: Rockefeller Institute of Government.

New York's Balance of Payments: Emerging Trends

This report provides two years of estimates for New York's balance of payments, from Federal Fiscal Years 2016 and 2017. New York's position as last in the country in terms of total balance of payments remains unchanged, and for each of the two years, New York's negative balance of payments is almost equal to the sum of the next two (forty-eight and forty-ninth) lowest-ranked states.

While the dollar value of New York's balance of payments has improved since 2016, a comparison with national averages shows that New York's position has worsened. [Table 8](#) shows the balance of payments, receipts, and expenditures since 2016.

Federal spending in New York has kept pace with national trends. Federal spending grew by \$368 per capita. New York received an additional \$429 per capita over that same time period, suggesting that New York has lessened its expenditure gap with the US average. New York's Federal tax burden has grown by 65 percent more than the national average over the last year. The Federal government collected \$166 more per person in 2017 than it did in 2016, and over the same period New York's tax payments grew by \$274.

TABLE 8. New York's Balance of Payments, 2016-17

	2016 Revised	2017 Preliminary	Growth
New York's Balance of Payments (\$ millions)			
Balance of Payments	(38,610)	(35,562)	3,048
Receipts	250,573	256,183	5,610
Expenditures	211,963	220,622	8,658
Per Capita			
New York			
Balance of Payments	(1,946)	(1,792)	155
Receipts	12,632	12,906	274
Expenditures	10,686	11,115	429
United States			
Balance of Payments	1,723	1,925	202
Receipts	9,366	9,532	166
Expenditures	11,089	11,457	368
New York's Excess Burden	3,669	3,717	

SOURCE: Rockefeller Institute of Government.

The result is that New York's excess burden, the difference between New York's per capita balance of payments and the Federal average, has increase by \$48 since last year. On average, the US returned \$2.20 back for every new dollar collected; New York received only \$1.57 back for each dollar generated in revenue. While New York's balance of payments is improving in absolute and per capita terms, it continues to move further below from the national average.

Recent tax reforms and increases in Federal spending have resulted in a growing Federal Budget deficit. According to the 2019 President's Budget, the deficit was \$584 billion in 2016, \$665 in 2017, and \$779 billion in 2018. Despite the expansion of Federal spending, New York continues to fall further behind the national average.

Conclusion

In FFY 2017, New York continued to have the greatest negative balance of payments of all states in the nation in absolute dollar terms. New York's residents and businesses contributed \$35.6 billion more in taxes to the Federal government than it received in Federal spending. Controlling for population, New York had the fourth-worst balance of payments in the country per capita.

In contrast, forty states had a positive balance of payments with the Federal government in 2017, receiving more spending than their taxpayers and economy paid for Federal taxes and other Federal receipts. On average, between and 2016 and 2017 the per capita US balance of payments improved by \$202. New York saw an improvement of only \$154.

New York's negative balance of payments is driven primarily by Federal taxes on individual income. Total revenue paid to the Federal government in 2017 was \$12,906 per capita, \$3,374 higher than the national average. Individual income taxes accounted for 56 percent (\$7,270) of the total per capita revenue paid, followed by payroll taxes, which constituted another 22 percent (\$4,163 per capita). As a result, approximately 88 percent of the total per capita revenue New York sends to the Federal government comes from individuals through the combined impact of these two types of taxes. New York residents spending per capita was \$11,115 in 2017, \$342 lower than the US average.

Former New York Senator Daniel Patrick Moynihan, who highlighted balance-of-payment inequities throughout the 1980s and 1990s, pointed to structural issues in New York that fueled the Empire State's imbalance between revenue sent to the Federal government and spending received. Senator Moynihan noted very high incomes among segments of the resident population combined with a progressive Federal tax system that resulted in above-average revenue generated per capita, and low Federal spending in New York on contracts, Federal employees, and discretionary spending that more than outweighed the slightly higher-than-average spending on assistance programs such as Medicaid. These structural issues continue to exist in New York more than thirty years later.

The impact of the Federal tax reform bill enacted in 2017 is anticipated to be significant on high-income earners in New York in 2018. The Federal government also continues to deliberate over potential cuts in Federal spending and the reformulation of grant programs, in part to offset revenue lost to newly enacted tax cuts. Both of these actions could have a significant impact on New York's balance-of-payments standing for years to come.

In FFY 2017, New York continued to have the greatest negative balance of payments of all states in the nation in absolute dollar terms. New York's residents and businesses contributed \$35.6 billion more in taxes to the Federal government than it received in Federal spending. Controlling for population, New York had the fourth-worst balance of payments in the country per capita.



Senator Patrick Daniel Moynihan highlighted balance of payments inequities throughout the **1980s and 1990s**



HIGH INCOMES
among segments
of the resident
population



PROGRESSIVE
FEDERAL TAX
SYSTEM



ABOVE-AVERAGE
revenue generated
per capita

AND

LOW FEDERAL
SPENDING
in New York

Objectives, Scope, and Methodology

This report addresses questions of how Federal revenue and spending are distributed across states and selected other geographies. The analysis is intended to understand how much individual states, through their residents, employers, and private business contributed to the Federal Budget through the payment of Federal taxes and other receipts, and how much individuals, governments, and other actors in state economies receive in Federal spending. A state's "balance of payments" is Federal spending in a state minus revenue paid to the Federal government. A negative balance means that a state's residents and economy pay more than they receive.

Overview

A state's balance of payments is based on Federal receipts and expenditures that are allocated to individual states in a two-step process.

1. Federal receipts and expenditures from the Federal Budget are broken down

into major categories and subcategories that add to the Federal Budget totals.

2. Amounts are allocated to states and other geographic areas using data on where receipts were actually raised and where expenditures were actually spent. When actual data on the distribution of receipts and expenditures are not available, best available proxies are identified.

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

Geographic Scope

The primary focus of this analysis is the fifty states. Adjustments are made to account for receipts and expenditures that occur in the District of Columbia, Puerto Rico, US Territories, and other areas outside of the focus area. 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. 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 expenditure category was attributable to such an area, we allocated using the area's proportionate share of the total population.

Estimates for these other areas are not the focus of our analysis and are not published. The removal of receipts and expenditures from these geographies is the reason the Federal Budget data presented in this document do not exactly match the US Federal Budget numbers.

Step 1: Categorizing the Federal Budget

The primary data source for nationwide Federal spending and receipts is the *Budget of the U.S. Government, Fiscal Year 2019*. The document, published in February 2018, provides the most current data on US spending including final spending amounts for Federal Fiscal Years 2016 and 2017. The data used in this analysis are taken from the Analytical Perspectives volume and the Federal Budget database that accompanies the Federal Budget.⁴

In Federal Fiscal Year 2016, the Federal government had receipts of \$3.26 trillion and expenditures of \$3.85 trillion, creating a deficit of \$585 billion (Historical Table 1.1). Using categories generally used in the Federal Budget, Federal receipts were broken down to the major categories displayed in [Table 9](#). The categories were disaggregated further as discussed below. The tables show the preliminary amounts for FFY 2017, which is the primary year of analysis for this report. We also include revised numbers from FFY 2016 as a point of comparison.

⁴ See *Budget of the U.S. Government, Fiscal Year 2019* (Washington, DC: Office of Management and Budget, February 2018), <https://www.govinfo.gov/features/budget-fy2019>, for links to all Federal Budget documents.

Categories of the Federal Budget



Receipts:

- ◇ Personal income tax.
- ◇ Employment taxes, such as 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.



Expenditures:

- ◇ 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.
- ◇ Wages and salaries of Federal workers.

Receipts Details

[Table 10](#) and [Table 11](#) show a breakdown of Federal receipts by major category and subcategory. The data came from the “Historical Tables” published as part of the *Analytical Perspectives* volume of the Federal Budget for fiscal year 2019. The source table for each receipt is provided. A “calculated” indicates the value has been calculated based on other numbers in the table.

The bulk of Federal receipts were individual income and employment taxes. 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.

A subset of receipts categories were classified as unallocable. These are monies received by the Federal government that cannot be attributed to a specific state. Unallocable Federal receipts include deposits of earnings by the Federal Reserve System (earnings beyond those needed to fund operations and other requirements) and customs payment. These represented 5.4 percent of the total receipts collected in FFY 2016. This is a standard practice in the calculation of balance of payments.

TABLE 9. Federal Receipts and Expenditures by Major Category

	\$ millions FFY 2016	\$ millions FFY 2017
Receipts	3,267,961	3,316,182
Allocable receipts	3,060,888	3,136,464
Income and employment taxes	2,646,015	2,733,422
Individual income tax	1,534,103	1,574,830
Social insurance and retirement receipts	1,111,912	1,158,592
Corporate income tax	299,222	296,704
Excise taxes	94,977	83,774
Other allocable receipts	20,674	22,564
Unallocable receipts	207,073	179,718
Expenditures	3,852,612	3,981,554
Allocable expenditures	3,623,993	3,770,058
Direct payments to individuals	2,268,912	2,357,348
Grants	653,846	666,292
Contracts	447,035	486,991
Wages	254,200	259,427
Unallocable expenditures	228,619	211,496
Deficit	(584,651)	(665,372)
Deficit reflected in allocable numbers	(563,105)	(633,594)

SOURCE: Rockefeller Institute of Government.

TABLE 10. Detailed Breakdown of Federal Receipts

	\$ millions FFY 2016	\$ millions FFY 2017	Source
Receipts	3,267,961	3,316,182	calculated
Income and employment taxes	2,661,140	2,749,017	calculated
Individual income tax	1,546,075	1,587,120	hist2.1
Social insurance and retirement receipts	1,115,065	1,161,897	hist2.1
Employment and general retirement:	1,062,305	1,111,897	hist2.4
Old-age, survivors insurance, and disability insurance	810,180	850,618	calculated
Old-age and survivors insurance (Off-Budget)	665,672	688,048	hist2.4
Disability insurance (Off-Budget)	144,508	162,570	hist2.4
Hospital insurance	246,812	255,930	hist2.4
Railroad retirement (summed)	5,313	5,349	hist2.4
Unemployment insurance (Trust Funds)	48,856	45,808	hist2.4
Other retirement (federal employees and nonfederal employees)	3,875	4,158	hist2.4
Corporate income tax	299,571	297,048	hist2.1
Excise taxes	95,026	83,823	hist2.1
Transportation (trust fund)	41,344	41,020	hist2.4
Tobacco	14,103	13,804	hist2.4
Airport and airway	14,406	15,055	hist2.4
Health insurance providers	11,239	68	hist2.4
Alcohol	9,799	9,924	hist2.4
Other excises	4,135	3,952	calculated
Other allocable receipts	21,354	22,768	calculated
Estate and Gift Taxes	21,354	22,768	hist2.5
Unallocable receipts	190,870	163,526	hist2.5
Customs Duties and Fees	34,838	34,574	hist2.5
Federal Reserve deposits	115,672	81,287	hist2.5
All other miscellaneous receipts	40,360	47,665	hist2.5

TABLE 11. Unallocable Federal Receipts

	\$ millions FFY 2016	\$ millions FFY 2017	Source
Unallocable receipts	190,870	163,526	calculated
Customers duties and fees	34,838	34,574	hist2.5
Federal Reserve deposits	115,672	81,287	hist2.5
All other miscellaneous receipts	40,360	47,665	hist2.5

Overview of Expenditures

Expenditures were broken down into four large categories: direct payments to individual, grants, contracts, and wages. Again, a subset of expenditure categories were also classified as unallocable, representing 5.9 percent of total expenditures in FFY 2016. Expenditures that could not be allocated to individual states include spending on international assistance programs and interest on Federal debt.

Direct payments include social security payments, retirement, and education, housing, food, and other public assistance programs. Tax expenditures are treated as expenditures when they are specifically enumerated in the Federal Budget. Under this treatment, the portion of tax credits that are direct payments in the Federal Budget include the refundable Earned Income Tax Credits and the refundable child credit, which are allocated as direct payments.

TABLE 12. Detailed Breakdown of Federal Direct Payments Expenditures

	\$ millions FFY 2016	\$ millions FFY 2017	Source
Direct payments for individuals	2,277,936	2,361,330	hist11.3
Social security and railroad retirement	919,131	948,589	hist11.3
Social security: old-age and survivors insurance	766,376	795,483	hist11.3
Social security: disability insurance	143,499	143,176	hist11.3
Railroad retirement (excluding social security)	9,256	9,930	hist11.3
Federal employees retirement and insurance	228,292	224,958	hist11.3
Civil service retirement	82,859	83,676	hist11.3
Veterans service-connected compensation	61,648	57,793	hist11.3
Military retirement	79,907	79,839	hist11.3
Other	3,878	3,650	hist11.3
Unemployment Assistance	32,851	30,915	hist11.3
Medical care	801,739	828,081	hist11.3
Medicare: SMI plus HI	677,505	690,117	calculated
Medicare: supplementary medical insurance	391,496	399,794	hist11.3
Medicare: hospital insurance	286,009	290,323	hist11.3
Hospital and medical care for veterans	64,021	65,998	hist11.3
Refundable Premium Tax Credit and Cost Sharing Reductions	28,003	34,814	hist11.3
Uniformed Services retiree health care fund (TRICARE)	9,765	9,941	hist11.3
Medical care — other	22,445	27,211	calculated
Assistance to students	60,123	101,947	hist11.3
Student assistance — Department of Education and other	45,544	88,427	hist11.3
Veterans education benefits	14,579	13,520	hist11.3
Housing assistance	18,442	18,706	hist11.3
Food and nutrition assistance	66,753	63,275	hist11.3
SNAP (formerly Food Stamps) (including Puerto Rico)	66,675	63,193	hist11.3
Food and nutrition assistance — other	78	82	calculated
Public assistance and related programs	143,656	136,982	hist11.3
Earned income tax credit	60,580	59,749	hist11.3
Supplemental security income program	56,665	51,949	hist11.3
Payment where child credit exceeds tax liability	20,188	19,408	hist11.3
Public assistance — other	6,223	5,876	calculated
All other payments for individuals	6,949	7,877	hist11.3

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

Federal receipts and spending are allocated to individual states using a broad array of data sources. When available, data that directly indicate where Federal receipts originated or where Federal expenditures occurred were used. Federal agency data were considered ideal and were used when available.

Receipts Allocations

[Table 13](#) summarizes the data used to allocate Federal receipts. It also indicates the availability of the data for each year of analysis.

TABLE 13. Federal Receipts Allocators

	Source	2016	2017
Individual income tax	IRS Statistics on Income	N — Sub 2015	N — Sub 2015
Old-age, survivors insurance, and disability insurance (OASDI)	Social Security Administration OASDI Contributions	N — Sub 2015	N — Sub 2015
Hospital insurance	Social Security Administration Hospital Insurance Contributions	N — Sub 2015	N — Sub 2015
Railroad retirement	IRS Gross Collections, Table 5	Y	Y
Unemployment insurance (Trust Funds)	U.S. Department of Labor (DOL) Unemployment Insurance Financial Transaction Summary	Y	Y
Other retirement	Census Population	Y	Y
Corporate income tax	U.S. Bureau of Economic Analysis (BEA) Weighted average of capital and wages	Y	Y
Transportation (trust fund)	Federal Highway Administration (FHWA) payments into the Fair Housing Task Force (FHTF) Highway Account	Y	Y
Tobacco	Census Population	Y	Y
Airport and airway	Census Population	Y	Y
Health insurance providers	Oliver Wyman Analysis	N — Sub 2018	N — Sub 2018
Alcohol	National Institute on Alcohol Abuse and Alcoholism (NIAA) alcohol consumption	Y	N — Sub 2016
Other excises	Census Population	Y	Y
Estate and Gift Taxes	IRS Gross Collections, Table 5	Y	Y

Individual Income Tax

Income tax receipts were allocated using income tax liability from the Statistics of Income branch of the Internal Revenue Service, for the latest tax liability year available, 2015. Final Statistic of Income data are compiled only after all extensions have expired and all returns are collected. The data are published on a three-year lag. Data were collected from “Table 2. Individual Income and Tax Data by State and Size of Adjusted Gross Income, Tax Year 2015.”⁵ For total liability, the following variables are summed:

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

This is total income tax liability, excluding the Federal Insurance Contributions Act and the Self-Employment Contributions Act (SECA) employment taxes, which are accounted for elsewhere. The state shares from 2015 were applied for the 2016 and 2017 analysis.

Social Insurance and Retirement

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, 2015.”⁶ Data for 2015 were the most recent information available and they were applied for all years of analysis.

Railroad retirement tax was taken from the “Statistics of Income Gross Collections” data. The data have been published for 2016. The 2016 data were also applied for the 2017 analysis.⁷

Unemployment Insurance

Unemployment insurance receipts were allocated using data from the U.S. Department of Labor’s UI Financial Transaction Summary ETA 2112 data file.⁸ Variable c10 provided net unemployment contributions.

Other Retirement

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

Corporate Income Tax

Corporate income tax was allocated based on the assumption that 75 percent of the burden falls on the owner of capital and 25 percent falls on wage earners. These numbers were calculated based on the U.S. Bureau of Economic Analysis (BEA) State and Personal Income dataset. Sensitivity analysis using alternative plausible assumptions did not have a significant impact on conclusions for New York.

5 Downloaded from: <https://www.irs.gov/pub/irs-soi/15in54cmcsv.csv>.

6 Downloaded from: https://www.ssa.gov/policy/docs/statcomps/eedata_sc/2015/index.html.

7 Downloaded from: <https://www.irs.gov/statistics/soi-tax-stats-gross-collections-by-type-of-tax-and-state-irs-data-book-table-5>.

8 Downloaded from: <https://oui.doleta.gov/unemploy/csv/ar2112.csv>.



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.”⁹

Receipts for the health insurance provider excise tax were allocated using an August 2017 study by the consulting firm Oliver Wyman, *Analysis of the Impacts of the ACA’s Tax on Health Insurance in 2018 and Beyond*.¹⁰ The study forecasted the 2018 tax burden by state. The same values were used for 2016 and 2017.

Alcohol 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 the population.

Expenditure Allocations

Direct Payments

Allocators for direct programs were developed using agency data when available. When they were not, reliable third-party proxies were identified. [Table 14](#) shows how each direct payment program was allocated to the states and the availability of data for FFYs 2016 and 2017.

⁹ Downloaded from: <https://www.fhwa.dot.gov/policyinformation/statistics/2016/fe9.cfm>.

¹⁰ Chris Carlson, Glenn Giese, and Steven Armstrong, *Analysis of the Impacts of the ACA’s Tax on Health Insurance in 2018 and Beyond* (Milwaukee: Oliver Wyman, August 8, 2017), <http://www.stopthehit.com/wp-content/uploads/2017/08/Oliver-Wyman-2018-HIT-Analysis%E2%80%8E-August-8-2017.pdf>.

TABLE 14. Federal Direct Payments Allocators

	Source	2016	2017
Social Security and Retirement			
SSA Old age and survivors insurance	USASpending.gov	Y	Y
SSA: Disability insurance	USASpending.gov	Y	Y
Railroad retirement	BEA State Personal Income	Y	Y
Civil service retirement	Office of Personnel Management	Y	N – Sub 2016
Military retirement	Statistical Report on Military Retirement	Y	N – Sub 2016
Unemployment Assistance			
Unemployment Assistance	US DOL Unemployment Insurance Financial Transaction Summary	Y	Y
Medical Care			
Medicare: SMI plus HI	BEA State Personal Income	Y	Y
Hospital and medical care for veterans	Geographic Description of Department of Veterans Affairs Expenditures	Y	Y
Refundable Premium Tax Credit and Cost Sharing Reductions	Cost-Sharing Reductions (CSR) Milliman Report for 2015 and 2016 Center for Medicaid & Medicaid (CMS) Effectuated Enrollment data	N – Sub 2015	N – Sub 2015
Uniformed Services retiree health care fund (TRICARE)	TRICARE Beneficiaries by location	Y	Y
Medical care – other	Census Population	Y	Y
Assistance to Students			
Department of Education	BEA State Personal Income	Y	Y
Veterans education benefits	Geographic Description of Department of Veterans Affairs Expenditures	Y	Y
Housing Assistance			
Housing assistance	Center on Budget and Policy Priorities	Y	Y
Food and Nutrition Assistance			
Food and nutrition assistance	Federal Funds Information for States	Y	Y
Public Assistance and Related Programs			
Earned income tax credit	IRS Statistics on Income	N – Sub 2015	N – Sub 2015
Supplemental security income program	U.S. Social Security Administration (SSA) Annual Statistical Supplement, Table 7B	Y	Y
Payment where child credit exceeds tax liability	IRS Statistics on Income	N – Sub 2015	N – Sub 2015

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 on 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 expenditures were allocated to states using “Exhibit R14: Fiscal Year 2016 Annuitants on the Retirement Roll” from the Statistical Abstracts Fiscal Year 2016, Federal Employee Benefit Programs, published by the Office of Personnel Management.

Veterans service-connected compensation was allocated to states using Compensation and Pension data from the “General Description of Geographic Distribution of the Department of Veterans Affairs Expenditures (GDX)” published by the U.S. Department of Veterans Affairs, Office of Policy, Planning and Preparedness, for FFYs 2016 and 2017.¹¹

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 2016* published by Department of Defense, Office of the Actuary. July 2017. Data were also collected from the corresponding FFY 2017 reports.¹²

State shares of other Federal employees’ retirement expenditures were allocated using the U.S. Census Bureau population share.

Unemployment Assistance

Key data files and links:¹³

- ar2112.csv;
- ETHand401_4th_s02.pdf – documentation, describes data; and
- 4024c6ar2112.pdf- maps variable names to data elements.

The Department of Labor publishes monthly data on Net Unemployment Insurance benefits (variable c54, Line 31). The value is the total of regular unemployment benefits paid to claimants. The total paid is then reduced by any refunds received from claimants and administrative banking costs incurred. Monthly data are summed to get calculate annual Fiscal Year spending.

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.

11 Downloaded from: https://www.va.gov/vetdata/docs/GDX/GDX_FY16.xlsx.

12 *Statistical Report on the Military Retirement System—Fiscal Year 2016* (Washington, DC: U.S. Department of Defense Office of the Actuary, July 2017), https://actuary.defense.gov/Portals/15/Documents/MRS_StatRpt_2016%20v4%20FINAL.pdf?ver=2017-07-31-104724-430.

13 <https://oui.doleta.gov/unemploy/DataDownloads.asp>.

Hospital and Medical Care for Veterans state shares were allocated using Medical Care data from the general description of “Geographic Distribution of the VA Expenditures FYI 2016” published by the U.S. Department of Veterans Affairs, Office of Policy, Planning and Preparedness, July 2017, updated April 11, 2018.¹⁴

Two sources were used to allocate the ACA refundable Premium Tax Credit and Cost-Sharing Reductions. Cost-Sharing Reductions (CSRs) used allocators based on an analysis conducted by the consulting firm Milliman. The report allocated CSRs to each state by examining insurers’ Minimum Loss Ratio data for Calendar Years 2014 and 2015.¹⁵ Refundable Premium Tax Credits were allocated based on March 2015 CMS Effectuated Enrollment Data.¹⁶ These sources were used to create a weighted state-by-state distribution that was then used to allocate the total in the Federal Budget.

The Uniformed Services Retiree Health Care Fund, also known as the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund or “TRICARE for Life” was allocated using the number of TRICARE beneficiaries by state.¹⁷ Even though this total includes other TRICARE programs, it is a more appropriate source than the overall Census populations.

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

Assistance to Students

State shares for Department of Education expenditures 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 “Geographic Distribution of the VA Expenditures FYI 2016.”¹⁸

Housing Assistance

We allocated housing assistance expenditures based on 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.”¹⁹

14 Available at: <https://catalog.data.gov/dataset/geographic-distribution-of-va-expenditures-gdx-fy-2016>.

15 Margaret Murray, Paul R. Houchens, and Zachary J. Fohl, *Cost-sharing reduction plan payments under the ACA: Summary of health insurer cost-sharing reduction payments in CY 2014 and CY 2015* (Indianapolis: Milliman, February 6, 2017), <http://www.communityplans.net/wp-content/uploads/2017/02/CSR-Funding-White-Paper.pdf>.

16 Available at: <https://www.cms.gov/newsroom/mediareleasedatabase/fact-sheets/2015-fact-sheets-items/2015/06/02.html>.

17 Available at: <https://tricare.mil/About/Facts/BeneNumbers/States>.

18 Available at: <https://catalog.data.gov/dataset/geographic-distribution-of-va-expenditures-gdx-fy-2016>.

19 Downloaded from: https://www.cbpp.org/sites/default/files/atoms/files/2016-2017_cbpp_factsheets_data_web.xlsx.

Food and Nutrition Assistance

Food and nutrition assistance was allocated to states using Federal Funds Information for States (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, 2015.²⁰ The refundable childcare credits were allocated from the same data set using line item A07220.

Supplemental Security Income Program expenditures were allocated using Federal SSI data from “Table 7.B7 – Total federally administered payments by state and other area, 2016.”²¹

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

Grants

Federal grant expenditures were broken down into detailed categories based on categorizations of grants in the public Federal Budget database that accompanies the Federal Budget. See [Table 15](#) (“fedbud.db” indicates that we summarized data from the Federal Budget database.)

Medicaid

Medicaid was allocated to the states based on the Federal share of total Medicaid expenditures reported by the states on Centers for Medicare & Medicaid Services Form 64, which reflects all state expenditures. State expenditures were calculated by summing programmatic expenditures, known as “total computable” spending, and administrative reimbursement. Data available for FFY 2016 and allocators were applied to both years.

Federal Highway Grants

Federal highway grants were allocated using data from the Federal Funds Information for State (FFIS) for the National Highway Performance Program CFDA 20.205. FFIS data were available for FFYs 2016 and 2017.

Other Grants

Most other grants were allocated based on the most-closely corresponding FFIS grant. Where no single grant appeared to correspond closely, they were allocated based on the average allocation of grants for the Federal agency as a whole.

²⁰ Available at: <https://www.irs.gov/pub/irs-soi/15in54cmcsv.csv>.

²¹ *Annual Statistical Supplement to the Social Security Bulletin, 2016* (Washington, DC: Social Security Administration, May 2017), <https://www.ssa.gov/policy/docs/statcomps/supplement/2016/>.

TABLE 15. Detailed Breakdown of Federal Grants Expenditures

	\$ millions FFY 2016	\$ millions FFY 2017	Source
Grants	660,818	674,700	calculated
HHS_Centers for Medicare and Medicaid Services_Grants to States for Medicaid_Health care services	368,280	374,682	fedbud.db
DOT_Federal Highway Administration_Federal-aid Highways_Ground transportation	43,035	43,236	fedbud.db
USDA_Food and Nutrition Service_Child Nutrition Programs_Food and nutrition assistance	21,952	22,445	fedbud.db
HUD_Public and Indian Housing Programs_Tenant Based Rental Assistance_Housing assistance	19,375	20,584	fedbud.db
HHS_Administration for Children and Families_Temporary Assistance for Needy Families_Other income security	15,620	15,972	fedbud.db
ED_Office of Elementary and Secondary Education_Education for the Disadvantaged_Elementary, secondary, and vocational education	15,570	16,186	fedbud.db
ED_Office of Special Education and Rehabilitative Services_Special Education_Elementary, secondary, and vocational education	12,357	12,479	fedbud.db
HHS_Administration for Children and Families_Children and Families Services Programs_Social services	10,026	10,232	fedbud.db
HHS_Centers for Medicare and Medicaid Services_Children's Health Insurance Fund_Health care services	14,305	16,224	fedbud.db
DOT_Federal Transit Administration_Transit Formula Grants_Ground transportation	9,466	9,460	fedbud.db
HHS_other	7,040	7,145	fedbud.db
HHS_Administration for Children and Families_Payments for Foster Care and Permanency_Other income security	7,700	7,712	fedbud.db
HUD_Community Planning and Development_Community Development Fund_Community development	6,013	5,616	fedbud.db
USDA_Food and Nutrition Service_Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)_Food and nutrition assistance	5,963	5,698	fedbud.db
HUD_other	6,037	5,550	fedbud.db
ED_other	4,324	4,576	fedbud.db
USDA_Food and Nutrition Service_Supplemental Nutrition Assistance Program_Food and nutrition assistance	6,406	6,954	fedbud.db
DOI_other	4,554	4,722	fedbud.db
HUD_Public and Indian Housing Programs_Public Housing Operating Fund_Housing assistance	4,386	4,316	fedbud.db
DOT_other	4,245	4,378	fedbud.db
EPA_Environmental Protection Agency_State and Tribal Assistance Grants_Pollution control and abatement	3,980	3,453	fedbud.db
ED_Office of Elementary and Secondary Education_School Improvement Programs_Elementary, secondary, and vocational education	4,224	4,295	fedbud.db
HHS_Administration for Children and Families_Payments to States for Child Support Enforcement and Family Support Programs_Other income security	4,079	4,075	fedbud.db
USDA_other	3,124	2,923	fedbud.db
other.agency_other	6,447	7,890	fedbud.db
HHS_Administration for Children and Families_Low Income Home Energy Assistance_Other income security	3,262	3,183	fedbud.db
ED_Office of Special Education and Rehabilitative Services_Rehabilitation Services_Social services	3,118	3,292	fedbud.db
DOT_Federal Aviation Administration_Grants-in-aid for Airports (Airport and Airway Trust Fund)_Air transportation	2,963	3,129	fedbud.db

Continued on following page

TABLE 15. Detailed Breakdown of Federal Grants Expenditures, *continued*

	\$ millions FFY 2016	\$ millions FFY 2017	Source
DHS_Federal Emergency Management Agency_Disaster Relief Fund_Disaster relief and insurance	5,155	5,348	fedbud.db
DHS_Federal Emergency Management Agency_State and Local Programs_Disaster relief and insurance	2,683	2,119	fedbud.db
HHS_Administration for Children and Families_Child Care Entitlement to States_Other income security	2,788	2,905	fedbud.db
HHS_Substance Abuse and Mental Health Services Administration_Substance Abuse and Mental Health Services Administration_Health care services	2,927	2,903	fedbud.db
DOL_Employment and Training Administration_Training and Employment Services_Training and employment	2,673	2,783	fedbud.db
HHS_Health Resources and Services Administration_Health Resources and Services_Health care services	4,890	4,838	fedbud.db
DOJ_other	2,201	2,130	fedbud.db
HHS_Administration for Children and Families_Payments to States for the Child Care and Development Block Grant_Other income security	2,503	2,781	fedbud.db
DOT_Federal Transit Administration_Capital Investment Grants_Ground transportation	1,968	1,907	fedbud.db
VA_other	1,829	1,992	fedbud.db
DOL_other	1,968	1,588	fedbud.db
FCC_Federal Communications Commission_Universal Service Fund_Other advancement of commerce	2,077	2,199	fedbud.db
HHS_Administration for Community Living_Aging and Disability Services Programs_Social services	1,944	1,869	fedbud.db
DOL_Employment and Training Administration_Unemployment Trust Fund_Unemployment compensation	2,308	3,016	fedbud.db
ED_Office of Innovation and Improvement_Innovation and Improvement_Elementary, secondary, and vocational education	1,338	1,109	fedbud.db
DOT_Federal Railroad Administration_Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service_Ground transportation	2,076	2,567	fedbud.db
DOJ_Office of Justice Programs_Crime Victims Fund_Criminal justice assistance	919	1,404	fedbud.db
DHS_other	430	538	fedbud.db
EPA_other	290	297	fedbud.db

Contracts and Procurement

Data from Federal obligations for contracts and procurements from the Federal Budget object class data were used to estimate total Federal expenditures for contracts and procurements by agencies. The total agency data were allocated according to agency procurement data from [USASpending.gov](https://www.usaspending.gov). USA Spending data were available for FFYs 2015, 2016, and 2017.

TABLE 16. Detailed Breakdown of Federal Contracts and Procurements

	\$ millions FFY 2016	\$ millions FFY 2017	Source
Contracts (obligations)	476,823	501,684	calculated
Department of Defense — Military Programs	267,046	276,981	objclass.tab2
Department of Veterans Affairs	34,524	37,107	objclass.tab2
Department of Energy	23,131	24,329	objclass.tab2
Department of Health and Human Services	23,778	24,222	objclass.tab2
Department of Homeland Security	20,391	25,991	objclass.tab2
Social Security Administration	15,421	15,751	objclass.tab2
National Aeronautics and Space Administration	15,103	15,685	objclass.tab2
Department of Justice	12,967	13,207	objclass.tab2
Department of Agriculture	12,201	14,280	objclass.tab2
Other (does not include International Assistance)	52,261	54,131	calculated

Wages

Data on Federal obligations for wages and salaries were taken from the object class data accompanying the Federal Budget and adjusted to estimate total military and nonmilitary wages.

TABLE 17. Detailed Breakdown of Federal Wages

	\$ millions FFY 2016	\$ millions FFY 2017	Source
Wages (obligations)	254,383	259,615	calculated
Military	98,238	99,471	objclass.tab1
Nonmilitary	156,145	160,144	objclass.tab1

Military Wages

Military wages were allocated to states based on each state's share of military wages as reported by the U.S. Bureau of Economic Analysis Table SA7N. The share of Puerto Rico was estimated based on its population reported by the U.S. Census Bureau. These data were available for all three years of analysis.

Civilian Wages

Civilian wages in the Federal Budget exclude wages of the U.S. Postal Service. These wages were allocated to states based upon data from the Non-Seasonal Full-Time Personnel in data files obtained directly from the Office of Personnel. Data were available for FFYs 2015 and 2016.

Unallocable Expenditures

A subset of expenditures categories were classified as unallocable. These are monies spent by the Federal government that cannot be attributed to a specific state. Unallocable Federal expenditures include net interest outlays and payments for international assistance programs. These represented 5.3 percent of the total receipts collected in FFY 2016. This is a standard practice in the calculation of balance of payments.

TABLE 18. Unallocable Federal Expenditures, 2016-17

	\$ millions FFY 2016	\$ millions FFY 2017	Source
Unallocable receipts	182,652	184,225	calculated
Net interest outlays	240,033	262,551	hist3.1
International assistance programs	45,069	42,459	objclass.tab2
Undistributed offsetting receipts	(95,251)	(89,826)	hist3.1
Unexplained (s/b obligations/outlays difference)	(7,199)	(30,959)	calculated

Revisions to Estimates

The calculation of the balance of payments relies on data from over a dozen agencies and third-party suppliers. Each data set has a unique release and revision cycle. Ideally the calculation would use final data from each of the sources, but these are not always available. Despite limitations in the availability of some source data, the Rockefeller Institute of Government and NYS Division of the Budget believe there is value in generating estimates in a timely manner even if these calculations are based on preliminary data or reasonable estimates.

Changes in Budget Data

Moving forward, the balance of payments calculation will not be based on preliminary Federal Budget data. Preliminary data are subject to revisions of as much as 2 percent. The 2017 version of this report estimated 2016 with preliminary data and which underestimated receipts by 1.98 percent and expenditures by 2.5 percent. This year's preliminary estimates for FFY 2017 are based on actual receipts and expenditures from the Federal Budget.

Changes in Allocators

[Tables 13](#) and [14](#) presented the allocators used and their availability for each of the Federal Fiscal Years studied. For datasets in which there were no data available, the values from the next closest year was used. For example, the IRS Statistics on Income dataset is published on a three-year lag. The most recently available data are for FFY 2015. The FFYs 2016 and 2017 balance of payments are estimated based on the distribution of individual income tax across the states in FFY 2015.

In addition to the potential lag in allocator data, many of the data sources revise their data on a regular basis. For example, the U.S. Census Bureau publishes state population for all of the FFYs studied. But the data are updated annually and state population data will not be complete until the 2020 Census has been conducted. These revisions are generally relatively minor. For example, when the balance of payments was calculated last year, the Census Bureau estimated 7.75 percent of the US population lived in New York State, but as of 2018 the share had fallen to 7.58 percent. These minor revisions will affect the numbers calculated year after year.

A new labeling convention has been developed to address these future revisions of calculations.

Preliminary estimates — Preliminary estimates are those values calculated for the immediately preceding FFY. In this report, Preliminary FFY 2017 estimates are presented. In this and future reports, preliminary estimates are calculated with final Federal Budget data. Nine out of fourteen receipts allocators will be specific to the study year. Fifteen out of twenty-two of the expenditures allocators will be specific to the year.

Revised estimates — Revised estimates are updates to preliminary estimates calculated in the previous year. In this report, Revised FFY 2016 estimates are presented. These estimates will have more accurate allocators.

Final estimates — Final estimates can only be calculated after the IRS Statistics on Income dataset is published. This year, the FFY 2015 data were released. There may be minor updates moving forward as agencies such as the U.S. Census Bureau and U.S. Bureau of Economic Analysis update their calculations, but revisions moving forward will be minor.



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