Regional Trends in Federal Government Spending

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State governments, congressional delegations, and regional associations regularly examine federal expenditures to see how their state or region is faring in the distribution of federal monies. Reports from these groups often highlight annual changes, but a somewhat longer perspective reveals how demographic trends and changing national priorities drive year-to-year changes in spending in the states. The most important trends in federal spending in recent years have been the decline in defense expendi-

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tures and the growth in domestic programs, especially the so-called mandatory programs, in which individuals qualify to receive money and other benefits based on their income level or other criteria. Over the decade from 1986 to 1996, demographic trends and changing priorities resulted in a shift of federal spending from states in the West to states in other regions, especially the South.

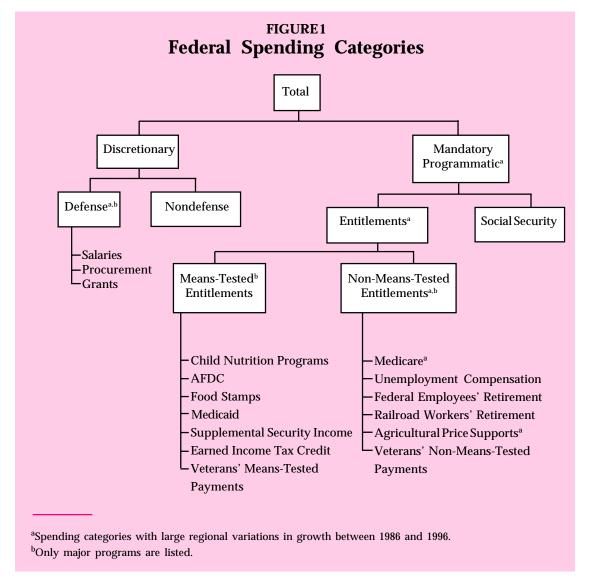
FEDERAL SPENDING: AN OVERVIEW

Federal spending is customarily divided into a few major categories and subcategories (Figure 1). The first division is between discretion-

ary and mandatory spending. Discretionary spending consists of disbursements that require specific authorizations and appropriations by Congress and the signature of the president. These programs are usually enacted and signed into law annually. The discretionary category is divided into two subcategories: defense and nondefense. Defense spending includes salaries of military and civilian personnel of the De-

fense Department, procurement spending for equipment and services, and some other types of spending.¹ Nondefense spending is channeled through the programs of other departments and agencies, such as the Commerce Department, Transportation Department, NASA, and others.

Mandatory spending encompasses federal programs that, once enacted, require no further



congressional or presidential action prior to the disbursement of funds. The main subcategories of mandatory spending are means-tested entitlements, and Social Security, Medicare, and other non-means-tested entitlements.2 Means-tested entitlements are those for which recipients qualify on the basis of income, for example, food stamps and Medicaid. Non-means-tested entitlements are those for which recipients qualify on some basis other than income, for example, Medicare, for which the qualification is age. But nonmeans-tested entitlements also include less obvious programs such as federal employees' retirement benefits, for which the qualification is prior employment by the federal government, and veterans' educational assistance, for which qualification is prior service in the armed forces.

As noted earlier, the most significant changes in federal spending in recent years have been the decline in defense spending and the increase in mandatory spending. These changes are evident in the data contained in the Congressional Budget Office's (CBO) annual reviews of the total federal budget.³ Since defense spending

¹Some analyses of defense spending include military retirement pay and Energy Department spending for defense-related purposes in total defense spending; other analyses classify military retirement pay with federal civilian retirement pay as non-means-tested entitlements and classify Energy Department spending with other nondefense spending. This article adopts the latter procedure.

²In some analyses of mandatory spending, Social Security and Medicare are included as non-means-tested programs. This article discusses them separately in order to highlight the regional variation in their growth between 1986 and 1996.

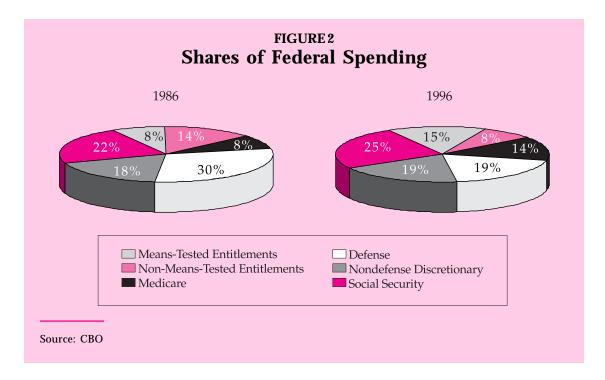
³These reviews are the basis for the spending break-downs given here. *The Economic and Budget Outlook: Fiscal Years 1998-2007*, issued in January 1997 by the CBO, contains the historical data on the total federal budget used in this article. These data differ in some ways from the data available on federal spending within states. The differences are explained in the text, in the discussion of spending trends in the states.

peaked as a percentage of GDP in 1986, that year provides a logical starting point for analyzing changes in federal spending. From 1986 to 1996, U.S. real GDP grew 28 percent. During those years, total federal spending rose 15 percent in real terms. But none of the major components grew by exactly that amount, and one, defense, actually fell.4 In constant dollars (using the consumer price index as a deflator), defense spending fell 32 percent from 1986 to 1996; nondefense discretionary spending increased 14 percent; Social Security increased 23 percent; Medicare increased 80 percent; other non-meanstested programs decreased 29 percent; and means-tested programs increased 96 percent. In terms of the proportions of total federal spending excluding net interest, defense spending declined from 30 percent to 19 percent of the total; nondefense discretionary spending increased from 18 percent to 19 percent; Social Security rose from 22 percent to 25 percent; Medicare increased from 8 percent to 14 percent; other nonmeans-tested programs decreased from 14 percent to 8 percent; and means-tested programs increased from 8 percent to 15 percent (Figure 2).

FEDERAL SPENDING IN THE STATES

Data on federal spending within states are compiled by the Bureau of the Census through surveys of federal offices and other facilities in each state. There are some important differences between these data and those the CBO uses in measuring total federal spending. The data from the Bureau of the Census do not include interest on the federal debt, international payments and foreign aid, government operating expenses not included under salaries and procurement, expenditures for certain classifed national security programs, deposit insurance payouts, and payments of any kind made outside the United States. Because of these exclusions, federal

 $^{^4\}mathrm{GDP}$ is for calendar years; federal outlays are for fiscal years.



spending in the 50 states as measured by the Bureau of the Census equaled 80 percent of the total as measured by the CBO in 1986 and 86 percent in 1996. When interest and international payments are deducted from the CBO total, the amount of federal spending in the 50 states as measured by the Census Bureau equaled 90 percent of the total as measured by the CBO in 1986 and 96 percent in 1996.⁵

If we use the Census Bureau's measure, per capita federal spending was \$5047 in current dollars in 1996. Per capita spending was highest in Virginia (\$7536) and lowest in Wisconsin (\$3868). A decade earlier, in 1986, the average was \$4695 in 1996 dollars. In that year, Alaska received the most money per capita (\$7289 in 1996 dollars) and North Carolina received the least (\$3560 in 1996 dollars). (See Table 1.) From 1986 to 1996 per capita federal spending in the 50 states increased 7.5 percent in constant dollars, but there were large differences in the percentage changes among states. The biggest in-

crease was in West Virginia: 36.5 percent, a gain of \$1474 per capita. The biggest decrease was in Nevada: 16.3 percent, a loss of \$901 per capita.

Gains and losses were not evenly distributed

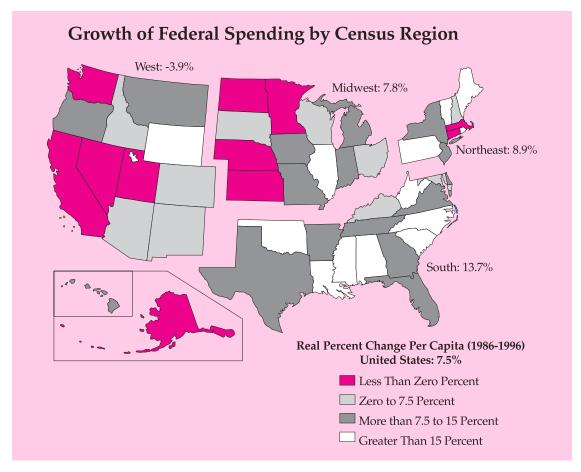
⁵State and territory data are compiled annually in the Census Bureau publication Federal Expenditures by State. This article used data from the reports for fiscal years 1986 and 1996. The District of Columbia, Puerto Rico, and U.S. territories have been excluded from this analysis. Federal spending in the 50 states as measured by the Census Bureau comprised a larger portion of total federal spending as measured by the CBO in 1996, primarily because between 1986 and 1996, the way the Census Bureau accounted for unemployment compensation changed and because the way the CBO accounted for some entitlement spending also changed. In the analysis of state data presented here, unemployment compensation is excluded from computations involving the entitlement spending category because of these changes, but it is included in computations involving total spending. All other categories are treated consistently in both 1986 and 1996 as they are presented in the Census Bureau's tabulation.

TABLE 1
Per Capita Federal Spending (\$1996)

across the country. A look at federal spending by Census region illustrates the geographic differences (see the map). The Census Bureau divides the nation into four major geographic regions: the Northeast (nine states), the South (16 states), the Midwest (12 states), and the West (13 states). Between 1986 and 1996, federal spending per capita declined 3.9 percent (in constant dollars) in the West. All other regions had gains: the Midwest (7.8 percent) and the Northeast (8.9 percent) were just above the national increase (7.5 percent), and the South (13.7 percent) was nearly double the national increase. As a result of these changes, the West, which had the highest per capita spending among the four regions in 1986, fell to third place in 1996, below the South and the Northeast. Also by 1996, the South, which had ranked third in 1986, moved above the Northeast and the West to become the top region in per capita spending.

Another way to measure the impact of changes in federal spending by state is to look at changes in federal spending as a percent of income per capita. By this measure as well, changes in the Northeast and Midwest were near the national figure, the West was below, and

STATE	1986	Rank	1996	Rank	Change 86-96	%Change 86-96
FIFTY STATES	4694.65		5046.61		351.96	7.5
NORTHEAST	4836.98		5269.43		432.45	8.9
Connecticut	6056.23	7	5471.90	16	-584.33	-9.6
Maine	4562.97	27	5477.07	15	914.10	20.0
Massachusetts	6121.24	6	5984.24	7	-137.00	-2.2
New Hampshire	4144.16	39	4303.79	45	159.63	3.9
New Jersey	4189.88	38	4800.45	32	610.57	14.6
New York	4788.65	20	5205.77	22	417.12	8.7
Pennsylvania	4509.76	28	5322.33	17	812.57	18.0
Rhode Island	4732.25	22	5715.15	8	982.90	20.8
Vermont	3797.23	46	4711.38	34	914.15	24.1
MIDWEST	4179.05		4503.16		324.11	7.8
Illinois	3735.86	47	4324.22	44	588.36	15.7
Indiana	3819.77	45	4145.69	46	325.92	8.5
Iowa	4190.27	37	4701.26	35	510.99	12.2
Kansas	5093.97	13	4800.54	31	-293.43	-5.8
Michigan	3663.38	48	4094.85	48	431.47	11.8
Minnesota	4223.03	35	4048.30	49	-174.73	-4.1
Missouri	5904.31	9	6548.61	6	644.30	10.9
Nebraska	4668.28	24	4597.46	39	-70.82	-1.5
North Dakota Ohio	5941.33 4237.06	8 33	5543.48 4487.87	11 41	-397.85 250.81	-6.7 5.9
South Dakota	4961.96	33 15	5289.62	18	327.66	6.6
Wisconsin	3645.79	49	3867.83	50	222.04	6.1
SOUTH	4646.26	٥.۳	5282.97		636.71	13.7
Alabama	4626.02	25	5478.35	14	852.33	18.4
Arkansas	4332.73	30	4811.16	30	478.43	11.0
Delaware	4039.15	41	4638.62	36	599.47	14.8
Florida Georgia	4847.96 4340.21	18 29	5497.64 4723.38	13 33	649.68 383.17	13.4 8.8
Kentucky	4806.20	19	5050.98	26	244.78	5.1
Louisiana	3934.99	43	5083.20	24	1148.21	29.2
Maryland	6956.09	2	7302.84	2	346.75	5.0
Mississippi	4621.92	26	5590.57	10	968.65	21.0
North Carolina	3560.49	50	4475.08	42	914.59	25.7
Oklahoma	4223.24	34	5054.53	25	831.29	19.7
South Carolina	4214.19	36	4974.59	27	760.40	18.0
Tennessee	4744.18	21	5179.89	23	435.71	9.2
Texas	4062.75	40	4521.80	40	459.05	11.3
Virginia	6936.20	3	7535.73	1	599.53	8.6
West Virgina	4035.10	42	5508.76	12	1473.66	36.5
WEST	5257.59		5052.94		-204.65	-3.9
Alaska	7289.21	1	7151.57	3	-137.64	-1.9
Arizona	4921.37	17	4927.51	29	6.14	0.1
California	5351.47	12	4939.02	28	-412.45	-7.7
Colorado	5037.44	14	5233.85	20	196.41	3.9
Hawaii	6258.73	5	6770.27	5	511.54	
Idaho	4289.00	32	4605.55	38	316.55	7.4
Montana	4930.96	16	5657.57	9	726.61	14.7
Nevada New Mexico	5534.51	10	4633.81	37	-900.70	-16.3
	6864.56	4	7047.87	4	183.31	2.7
Oregon Utah	3931.24 4729.77	44 23	4423.53 4096.50	43 47	492.29 -633.27	12.5 -13.4
Washington	5412.57	23 11	5285.74	19	-033.27	-13.4 -2.3
Wyoming	4300.36	31	5228.69	21	928.33	21.6
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the South was above. (See Federal Spending as a Component of Income in the States.)

We saw earlier that some categories of federal spending grew strongly from 1986 to 1996 while others shrank. Moreover, states had differing rates of change for the major categories of spending. A review of some details of these changes will shed light on how changes in federal spending by category interacted with demographic developments among the states to alter the regional distribution of total federal spending between the mid-1980s and mid-1990s.

STATE-BY-STATE VARIATIONS

The variation in changes in total federal expenditure by state was due mainly to the varia-

tion in the changes in defense spending from one state to another and the variation in changes in mandatory spending. Changes in nondefense discretionary spending had little effect on the variation of total spending. The decline in defense spending had a relatively greater (negative) effect on states in the West and Northeast, and the increase in mandatory spending had a relatively greater (positive) effect on states in the South and Northeast. (Spending changes by major category for regions and states are given in the Appendix.) Much mandatory spending has age-eligibility requirements, which tend to push up total federal spending in states that have above average gains in their elderly population. This factor generally, but not exclusively, favored

Federal Spending as a Component of Income in the States

Merely observing the amount of federal spending per capita in each state does not indicate its importance as a source of income to residents of that state. This is better represented by federal spending as a percent of personal income in the state (Table). In 1986, federal spending as a portion of personal income averaged 22 percent among the 50 states. This ratio was highest in New Mexico (41 percent) and lowest in New Jersey (15 percent). In 1996, the national ratio was 21 percent, a drop of just 1 percentage point, and again, New Mexico was the highest state and New Jersey the lowest.^a Nevertheless, there were greater changes in many states. The ratio increased the most in West Virginia, where it rose 5 percentage points, and decreased the most in Utah, where it fell 8 percentage points.

Few changes occurred among the top and bottom 10 states; seven of the top 10 in 1986 remained in that group in 1996, and seven of the bottom 10 remained in that group. Nonetheless, 45 states changed rank: 25 moved up and 20 moved down. The average move up was six places; the average move down was eight places.

The state-by-state variation in the growth of federal spending in the 10 years from 1986 to 1996 did not have a noticeable effect on per capita income across states, that is, on the degree of income inequality among the states. Only four of the 10 states with the lowest personal incomes per capita in 1986 were among the top 10 states in which federal spending per capita increased the most between 1986 and 1996.^b

^aIn both 1986 and 1996 New Mexico ranked high in per capita federal spending and low in per capita income; New Jersey had the opposite combination—low federal spending and high per capita income.

^bThe four states were Mississippi, West Virginia, Alabama, and Louisiana.

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Federal Spending as a Share of Personal Income								
	1986 %	1986 Rank	1996 %	1996 Rank	Pct. Points Change	1996 Per Capita Personal Income		
FIFTY STATES	21.86		20.67		-1.19	24,426		
NORTHEAST	20.08		18.52		-1.56	28,441		
Connectict	21.28	34	16.15	47	-5.13	33,875		
Maine	23.95	23	26.06	12	2.11	21,011		
Massachusetts	23.57 16.96	24 47	$20.08 \\ 16.17$	35 46	-3.49 -0.79	29,792		
New Hampshire New Jersey	15.44	50	15.32	50	-0.79 -0.12	26,615 31,334		
New York	20.14	39	17.83	41	-2.31	29,181		
Pennsylvania	21.16	35	21.45	25	0.29	24,803		
Rhode Island	20.89	36	23.25	21	2.36	24,572		
Vermont	19.32	42	20.96	28	1.64	22,470		
MIDWEST	19.68		18.58		-1.10	24,229		
Illinois	16.16	49	16.10	48	-0.06	26,848		
Indiana	19.70	41	18.34	40	-1.36	22,601		
Iowa	21.30	33 22	21.07	26	-0.23	22,306		
Kansas Michigan	24.11 16.65	48	$20.72 \\ 16.41$	30 45	-3.39 -0.24	23,165 24,945		
Minnesota	18.94	44	15.77	49	-3.17	25,663		
Missouri	28.61	8	28.44	7	-0.17	23,022		
Nebraska	23.40	25	20.06	36	-3.34	22,917		
North Dakota	32.72	2	27.11	9	-5.61	20,448		
Ohio	20.42	37	19.13	39	-1.29	23,457		
South Dakota	28.71	7	25.31	17	-3.40	20,895		
Wisconsin	17.78	45	16.58	44	-1.20	23,320		
SOUTH	24.03		23.65		-0.38	22,335		
South Carolina	24.96	13	24.90	8	-0.06	20,131		
Alabama	27.48	14	27.21	16	-0.27	18,959		
Arkansas	26.50	46	25.37	43	-1.13	27,724		
Delaware	17.29	29	16.73	24	-0.56	24,226		
Florida	22.32	31	22.69	31	0.37	22,977		
Georgia	21.99	4	20.55	15	-1.44	19,797		
Kentucky	32.54	26	25.51	14 11	-7.03	19,664		
Louisiana Maryland	$23.25 \\ 27.76$	11 3	$25.85 \\ 26.44$	2	2.60 -1.32	27,618 17,575		
Maryland Mississippi	32.58	43	31.80	34	-0.78	22,205		
North Carolina	19.24	27	20.15	13	0.70	19,544		
Oklahoma	22.79	18	25.86	18	3.07	19,977		
Tennessee	26.22	15	23.59	20	-2.63	21,949		
Texas	20.27	38	20.29	33	0.02	22,282		
Virginia	30.53	5	29.88	4	-0.65	25,212		
West Virginia	25.19	17	30.33	3	5.14	18,160		
WEST	23.10	1.0	20.78	0	-2.32	24,315		
Alaska	27.59 24.54	12	29.30	$\frac{6}{23}$	1.71 -1.48	24,398		
Arizona California	21.63	21 32	23.06	23 37	-1.48 -2.15	21,363 25,346		
California	22.57	28	$19.48 \\ 20.36$	32	-2.13 -2.21	25,704		
Hawaii	28.55	9	26.65	10	-1.90	25,404		
Idaho	25.63	16	23.21	22	-2.42	19,837		
Montana	28.33	10	29.44	5	1.11	19,214		
Nevada	24.69	20	17.81	42	-6.88	26,011		
New Mexico	40.50	1	37.48	1	-3.02	18,803		
Oregon	20.07	40	19.17	38	-0.90	23,074		
Utah	28.97	6	20.90	29	-8.07	19,595		
Washington	24.74	19	20.98	27	-3.76	25,187		
Wyoming	22.25	30	24.26	19	2.01	21,544		

states in the South and the Northeast. (For changes in federal spending in the states in the Third Federal Reserve District, see *Third District States*.)

Defense Spending. Defense spending fell in all four Census regions, but by a substantially smaller amount in the South than in other regions. Cuts in military spending were not equally divided between salaries of Defense Department personnel and procurement. Despite the visibility of military base closings and the consequent reduction of military employment in the years from 1986 to 1996, the fiscal impact of procurement spending cuts was proportionately greater. Military spending for procurement was cut by a greater percentage in the 10 years following 1986 than overall military spending. Moreover, states that had large military procurement spending in 1986 had greater proportional declines in procurement spending than other states. Military procurement was important for some states in the Northeast and for some states in the West, primarily those on the Pacific coast. Several states in these regions fared worse than average in terms of declines in total defense spending. States with large decreases, such as California and Oregon in the West and New York, Connecticut, and Massachusetts in the Northeast, saw large reductions in prime contracts for equipment. States with large numbers of military personnel in 1986, but without large procurement spending, had less than average declines in total defense spending per capita. These states were predominantly in the South. Of the 16 states in the South, 10 had more military personnel per capita in 1986 than the median state; eight of these 10 states had smaller reductions in total military spending than the national decrease in the 10 years after 1986.6 Texas, also in the South, had large military employment in 1986, but that state also had large military procurement contracts that were cut over the following 10 years.

Mandatory Spending. This broad category is made up of means-tested entitlements, and Social Security, Medicare, and other non-means-tested entitlements. Increases in all types of mandatory spending varied by state, and this variation accounted for a large share of the total variation.

Means-tested entitlements. The largest meanstested entitlements are child nutrition programs, aid to families with dependent children, food stamps, Medicaid, supplemental security income, the earned income tax credit, and some payments to veterans. Although the earned income tax credit and Medicaid increased much more than other means-tested programs, states with the largest percentage increases in total means-tested spending had increases that were larger than the national average in most programs. Total spending for all programs increased more in the West and the South than in the Northeast and Midwest. Among the 25 states with above median gains were 11 western states (Arizona and Wyoming had the largest increases in the region and the nation) and six southern states (Texas had the largest increase in the region and was third in the nation).

Between the mid-1980s and mid-1990s most states had decreases in poverty rates. Among the states where poverty rates increased, above average increases in means-tested spending were only slightly more prevalent than in states with steady or declining poverty rates. States that had increases in poverty but did not have above average increases in total means-tested spending were less likely to have increases in aid to families with dependent children and food stamps than states that had increases in poverty and above average increases in total means-tested spending.⁷

⁶The eight states are Florida, Georgia, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, and Virginia.

⁷The eight states in the first group were in the Northeast and the South; of the 10 states in the second group, all but Connecticut were in the West or the South.

Third District States

In 1986, Pennsylvania, New Jersey, and Delaware ranked 28th, 38th, and 41st among the states in terms of federal spending per capita. All three Third District states were below the median in defense spending. Pennsylvania was above the median for both means-tested and non-means-tested entitlements, but New Jersey and Delaware were below in both categories. All three states were above the median in Social Security payments. By 1996, Pennsylvania had moved to above the median in total federal spending per capita. New Jersey and Delaware remained below the median, although they moved up slightly in rank.

All three Third District states had growth in federal spending per capita above the national average. Growth rates ranged from about 15 percent for New Jersey and Delaware to 18 percent for Pennsylvania. This higher-than-average growth occurred mainly because of the growth of non-means-tested entitlements. Within this category, the major factor (on a dollar basis) in the higher-than-average spending growth in Pennsylvania was federal workers' retirement payments, although the state still ranked below the median of this category in 1996. In New Jersey and Delaware, the component of non-means-tested entitlements that grew the most was Medicare. (In 1996, rankings for per capita spending on Medicare for the Third District states were Pennsylvania second; New Jersey eighth; Delaware 22nd.)

It is not surprising that these age-related spending categories grew faster in Third District states than they did in the nation. Over the 1986-96 period, the percentage of elderly in the population grew faster in Pennsylvania, New Jersey, and Delaware than in the nation. In 1986, the percentage of the population 65 years and older was 14.6 percent in Pennsylvania and 12.8 percent in New Jersey, placing both states above the national average of 12.1 percent. Delaware's 65 and over population was 11.5 percent of its total population, below the national average. From 1986 to 1996, the 65 and over population in Pennsylvania (as a share of the total population) increased at nearly twice the national rate, to 15.9 percent (pushing Pennsylvania up to second place below Florida, at 18.5 percent). Both New Jersey and Delaware also had above-average increases. New Jersey's 65 and over population increased to 13.8 percent, higher than average, and Delaware's to 12.8 percent, moving the state up to the national average. All three states are projected to have higher-than-average increases in elderly populations from 1996 to 2025, but other states are projected to have even greater increases, boosting them above the Third District states in national rank by 2025.

Social Security. States with larger proportional increases in the shares of their populations 65 years old and above tended to have larger proportional increases in Social Security. Social Security spending increased most in the South, followed by the Midwest and Northeast; it increased least in the West. For some states the elderly portion of the population grew because of in-migration by old people. States that had above average gains in the elderly population because of in-migration were in the South, especially South Carolina, West Virginia, and North Carolina, in that order. Some states had increases

in the share of their population that is 65 and over because birth rates were low and there was out-migration of young people. Among these states were some in the Midwest, such as Kansas and North Dakota, although the same factors boosted the elderly population in one southern state, Louisiana.

Medicare. Among all non-means-tested entitlements, Medicare showed the greatest variance in growth, and Medicare also accounted for more of the total variance in growth among the states than any other non-means-tested entitlement. Like Social Security, Medicare spending grew

most in states that had increases in the elderly as a percentage of their populations, and it grew more in states where the percentage of the population age 85 and older grew more. The largest increases in Medicare spending occurred mainly in southern states: Louisiana (which had outmigration) and South Carolina and Alabama (which both had in-migration). But the Northeast also saw big increases, particularly Connecticut and Rhode Island (which both had outmigration).

Other non-means-tested entitlements. Federal employees' retirement, agricultural price supports, railroad workers' retirement, and some veterans' payments, in that order by total amount, make up the bulk of other non-meanstested entitlements. Real spending for these programs as a group declined 9 percent in the 50 states from 1986 to 1996. By region, spending fell more in the Midwest and West and less in the Northeast and South. By program, per capita spending in the states rose slightly for federal retirement and veterans' benefits, but fell for agricultural supports and railroad retirement.

Agricultural price supports are frequently overlooked in discussions of non-means-tested entitlement spending. Price supports are not a significant portion of federal spending distributable to states; in 1986, direct payments in this subcategory (excluding loan and insurance amounts) accounted for only 1.5 percent of total federal spending in the states. Nonetheless, these payments were an important source of income in several Midwest states in 1986; for example, agricultural payments accounted for 23 percent of per capita federal spending in North Dakota, 15 percent in Nebraska and Iowa, and 13 percent in South Dakota. The phaseout of cash price support payments, which began during the period under review, and the rise in prices of agricultural commodities between 1986 and 1996 reduced per capita payments for agricultural price supports 75 percent. Consequently, agricultural price supports were less than 1 percent of total federal spending per capita in every state by 1996. Of the 17 states in which agricultural price supports were an above average share of federal spending in 1986, 14 experienced above average declines in these payments, including nine of the 12 states in the Midwest. Thus, although not a large factor in the overall variance in changes in federal spending among states, the reduction in price supports disproportionately affected many Midwest states between 1986 and 1996.

Railroad retirement payments, the next largest program in 1986, rose nominally but in real terms fell 20 percent per capita in all 50 states. The largest reductions were in the West, especially Hawaii and California, where this spending fell 41 and 34 percent, respectively, and in the Northeast, especially Rhode Island and Massachusetts, which had reductions of 34 and 32 percent, respectively.

LOOKING AHEAD

The trends in federal spending that produced variations among regions, particularly the above average gains in the South and the decline in the West, were due to a combination of discretionary spending decisions and demographic changes. The former was the post-cold-war reduction in defense spending that had a relatively greater impact on western states; the latter was the greater-than-average increase in the age of the population in southern states. Will the recent pattern of changes in federal spending continue? That will depend on two things: future changes in policy that would alter federal spending by category and future demographic trends.

With respect to spending, the Congressional Budget Office (CBO) recently prepared a projection, based on current programs, that shows discretionary spending, including defense outlays, as either flat, in real terms, or growing at the same rate as GDP out to 2040.8 This projection

⁸Long-Term Budgetary Pressures and Policy Options, March 1997.

also shows rapid growth in mandatory spending. Medicare and Medicaid will experience the strongest growth; Social Security's growth will be strong but comparatively less rapid. Much of the growth in health care programs will result from increases in spending per recipient as the average age of the eligible population increases.

With respect to demographic changes, recent population projections by the Census Bureau indicate that regions that had large increases in their elderly populations in the 10 years from 1986 to 1996 (the South and the West) will continue to have large increases through 2005. In the 1986-96 period, the share of the population 65 years and older increased faster in nine western states and eight southern states than the median increase for all states. From 1996 to 2005, the Census Bureau predicts the share of population 65 and older will grow faster in 11 western and 10 southern states than in the median state. This pattern will continue until 2025. Eleven western states and 12 southern states will be among those with above median growth, including Alaska and Colorado where the share of the population 65 and older is projected to increase more than 100 percent. (See Table 2, last column.)

The combination of projected demographic change and growth in spending per recipient in mandatory programs for the elderly is likely to extend the South's recent gains in non-means-tested entitle-

Population 65 and Over as a Share Of Total Population

	Share (%) 1986	Share (%) 1996	Share (%) 2025	Percent Change in Share 1986-1996	Percent Change in Share 1996-2025
FIFTY STATES	12.08	12.76	18.50	5.65	44.95
NORTHEAST		14.18	18.17	6.65	28.11
Connecticut		14.35	17.95	10.26	25.08
Maine		13.95	21.36	5.61	53.16
Massachusetts		14.10	18.14	5.59	28.62
New Hampsh New Jersey New York Pennsylvania Rhode Island	12.76 12.78 14.62 14.55	12.01 13.77 13.39 15.86 15.77	18.97 17.30 16.45 20.97 18.76	5.05 7.87 4.78 8.49 8.42	57.94 25.71 22.92 32.18 18.93
Vermont MIDWEST	11.80	12.11	20.35	2.63	68.04
	12.49	13.09	19.14	4.81	46.16
Illinois	12.06	12.54	16.62	3.95	32.55
Indiana	11.98	12.58	19.25	5.03	52.99
Iowa	14.82	15.17	22.57	2.35	48.75
Kansas	13.53	13.68	19.47	1.07	42.31
Michigan	11.33	12.44	18.07	9.79	45.28
Minnesota	12.44	12.39	19.95	-0.37	60.94
Missouri	13.70	13.85	20.13	1.08	45.37
Nebraska	13.77	13.84	20.98	0.52	51.58
North Dakota	13.10	14.51	22.77	10.75	56.97
Ohio	12.24	13.40	19.63	9.45	46.49
South Dakota	14.10	14.40	21.71	2.12	50.79
Wisconsin	13.05	13.29	20.45	1.81	53.89
SOUTH Alabama	11.90 12.29	12.69 13.04	19.99 20.46	6.62 6.05	57.45 56.95
Arkansas	14.46	14.44	23.93	-0.17	65.75
Delaware	11.46	12.76	19.16	11.39	50.15
Florida	17.86	18.45	26.33	3.33	42.69
Georgia	9.87	9.92	16.90	0.58	70.31
Kentucky	12.04	12.60	21.26	4.66	68.75
Louisiana	10.13	11.41	18.41	12.63	61.29
Maryland	10.50	11.39	16.40	8.51	43.96
Mississippi	11.94	12.27	19.57	2.77	59.53
North Ĉarolin Oklahoma South Carolin	11.45 12.44 a 10.53	12.52 13.49 12.08 12.55	21.44 21.89 20.73	9.36 8.51 14.69	71.16 62.20 71.60 62.04
Tennessee Texas Virginia West Virginia	12.24 9.44 10.33 13.66	10.20 11.19 15.21	20.33 16.05 17.90 24.93	2.49 8.00 8.35 11.33	57.43 59.88 63.95
WEST Alaska	10.62 3.21	11.27 5.15	16.15 10.40	6.06 60.70	43.33 101.80
Arizona	12.40	13.23	21.33	6.66	61.26
California	10.54	11.03	13.03	4.70	18.16
Colorado	9.06	10.06	20.12	10.98	100.03
Hawaii	9.92	12.89	15.95	29.86	23.78
Idaho	11.22	11.35	21.51	1.15	89.44
Montana	12.16	13.19	24.44	8.39	85.37
Nevada	10.03	11.44	21.02	14.14	83.71
New Mexico	9.78	11.04	16.88	12.92	52.96
Oregon	13.31	13.41	24.24	0.74	80.76
Utah	8.03	8.76	17.17	9.08	95.94
Washington	11.62	11.59	20.24	-0.26	74.64
Wyoming	8.56	11.22	20.89	31.13	86.18

Source: Bureau of the Census

ment spending at least through the first quarter of the next century, but this type of spending is likely to rise in the West as well. This trend will tend to reduce the disparity in growth rates of entitlement spending between the South and the West that occurred between 1986 and 1996. Furthermore, if real defense spending is stable or its growth rate is limited to that of GDP growth, as the CBO projects, then changes in defense spending will not be major factors in regional shifts in federal spending.

The CBO's scenario and its implications for differences in federal spending among regions are based on a projection of recent trends. But it is generally recognized that the rapid growth in federal entitlement spending, which has been increasing faster than GDP, cannot continue. Legislation is likely to reduce growth in this category of spending in the future. Indeed, the same CBO study that contains the baseline projection of current trends also includes a discussion of possible changes in policy. It is also possible that trends in defense spending may be altered in ways that could result in growth above current estimates. If policy developments such as these are actually implemented, then variations in federal spending changes among census regions in the future may be smaller than they were in the past 10 years.

APPENDIX TABLE A-1 Per Capita Defense Spending (\$1996)

STATE	1986	Rank	1996	Rank	Change 86-96	Percent Change 86-96
FIFTY STATES	1163.78		701.27		-462.51	-39.7
NORTHEAST Connecticut Maine Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont	1126.13 2638.70 998.04 2310.07 1179.78 837.87 884.33 736.64 994.42 423.61	4 22 5 17 30 26 34 23 43	492.88 964.58 934.84 867.37 571.73 475.48 265.92 462.39 678.27 465.07	9 10 15 26 30 42 33 21 31	-633.25 -1674.12 -63.20 -1442.70 -608.05 -362.39 -618.41 -274.25 -316.15 41.46	-56.2 -63.4 -6.3 -62.5 -51.5 -43.3 -69.9 -37.2 -31.8 9.8
MIDWEST Illinois Indiana Iowa Kansas Michigan Minnesota Missouri Nebraska North Dakota Ohio South Dakota	747.89 400.48 818.27 340.56 1558.89 466.30 843.25 1843.51 587.61 1040.35 879.32 593.58	44 31 46 9 42 29 8 38 21 27	443.07 234.33 389.34 177.60 612.03 185.67 255.48 1932.20 539.22 775.08 410.40 407.74	45 38 48 24 46 43 4 29 17 36 37	-304.82 -166.15 -428.93 -162.96 -946.86 -280.63 -587.77 88.69 -48.39 -265.27 -468.92 -185.84	-40.8 -41.5 -52.4 -47.9 -60.7 -60.2 -69.7 4.8 -8.2 -25.5 -53.3 -31.3
Wisconsin SOUTH Alabama Arkansas Delaware Florida Georgia Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma South Carolina Tennessee Texas Virginia West Virgina	365.01 1196.55 1058.35 753.20 846.34 1052.14 1372.13 616.89 719.15 2126.80 1303.53 741.62 909.26 971.72 477.11 1297.10 3049.19 139.01	45 19 32 28 20 12 36 35 6 15 33 25 24 41 16 2 50	150.55 875.49 778.21 247.25 462.63 664.41 993.59 571.51 457.62 1312.46 1083.33 661.24 749.03 679.14 308.01 771.75 2922.10 183.10	16 44 32 22 8 27 34 5 7 23 19 20 40 18 1	-214.46 -321.06 -280.14 -505.95 -383.71 -387.73 -378.54 -45.38 -261.53 -814.34 -220.20 -80.38 -160.23 -292.58 -169.10 -525.35 -127.09 44.09	-58.8 -26.8 -26.5 -67.2 -45.3 -36.9 -27.6 -7.4 -36.4 -38.3 -16.9 -10.8 -17.6 -30.1 -35.4 -40.5 -4.2 31.7
WEST Alaska Arizona California Colorado Hawaii Idaho Montana Nevada New Mexico Oregon Utah Washington	1653.01 3026.94 1483.36 1998.60 1337.53 3144.10 318.67 324.66 570.77 1162.74 268.30 1367.61 1407.52 573.00	3 10 7 14 1 48 47 40 18 49 13 11 39	883.34 2239.03 906.63 914.92 1133.01 2528.12 280.80 329.00 428.44 892.63 129.91 578.26 931.75 547.35	3 13 12 6 2 41 39 35 14 50 25 11 28	-769.67 -787.91 -576.73 -1083.68 -204.52 -615.98 -37.87 4.34 -142.33 -270.11 -138.39 -789.35 -475.77 -25.65	-46.6 -26.0 -38.9 -54.2 -15.3 -19.6 -11.9 1.3 -24.9 -23.2 -51.6 -57.7 -33.8 -4.5

APPENDIX TABLE A-2

Per Capita Means-Tested Entitlements (\$1996)

STATE	1986	Rank	1996	Rank	Change 86-96	Percent Change 86-96
FIFTY STATES	368.56		700.52		331.96	90.1
NORTHEAST Connecticut Maine Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont	455.27 288.12 479.08 401.64 190.68 304.56 641.94 369.61 426.92 393.59	37 5 14 47 29 1 20 10	845.66 679.60 843.93 688.52 507.78 612.18 1171.87 675.20 810.54 707.31	21 6 19 43 29 1 22 9	390.39 391.48 364.85 286.88 317.10 307.62 529.93 305.59 383.62 313.72	85.7 135.9 76.2 71.4 166.3 101.0 82.6 82.7 89.9 79.7
MIDWEST Illinois Indiana Iowa Kansas Michigan Minnesota Missouri Nebraska North Dakota Ohio South Dakota	362.55 348.93 303.43 298.97 222.78 441.99 367.98 301.10 251.81 297.53 416.11 350.32	24 30 33 45 8 21 32 40 35 12 22	608.13 622.79 521.48 506.35 485.02 653.12 575.58 668.80 519.79 586.14 682.15 587.17	28 40 44 46 24 37 23 41 36 20 35	245.58 273.86 218.05 207.38 262.24 211.13 207.60 367.70 267.98 288.61 266.04 236.85	67.7 78.5 71.9 69.4 117.7 47.8 56.4 122.1 106.4 97.0 63.9 67.6
Wisconsin SOUTH Alabama Arkansas Delaware Florida Georgia Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma South Carolina Tennessee Texas Virginia West Virgina	346.59 420.98 464.61 252.21 247.35 382.18 482.33 510.21 301.69 576.87 343.80 349.97 395.73 428.08 260.69 250.72 455.83	11 6 39 42 17 4 3 31 2 26 23 15 9 38 41	546.64 711.45 794.94 803.65 592.53 587.69 699.65 842.33 1136.32 539.12 1065.70 714.73 641.73 786.89 816.71 694.10 428.52 990.42	33 38 11 10 33 34 16 7 2 39 3 14 25 12 8 18 49 4	364.86 373.96 339.04 340.32 340.34 317.47 360.00 626.11 237.43 488.83 370.93 291.76 391.16 388.63 433.41 177.80 534.59	33.5 105.3 88.8 73.0 134.9 137.6 83.1 74.6 122.7 78.7 84.7 107.9 83.4 98.8 90.8 166.3 70.9 117.3
WEST Alaska Arizona California Colorado Hawaii Idaho Montana Nevada New Mexico Oregon Utah Washington Wyoming	324.04 322.17 180.42 376.44 209.25 345.82 228.92 328.80 172.02 370.51 297.93 242.67 294.50 170.59	28 48 18 46 25 44 27 49 19 34 43 36 50	653.34 638.71 596.59 718.50 447.64 694.51 510.52 623.33 405.60 890.22 601.99 457.37 607.29 485.43	26 32 13 48 17 42 27 50 5 31 47 30 45	329.30 316.54 416.17 342.06 238.39 348.69 281.60 294.53 233.58 519.71 304.06 214.70 312.79 314.84	101.6 98.3 230.7 90.9 113.9 100.8 123.0 89.6 135.8 140.3 102.1 88.5 106.2 184.6

APPENDIX

TABLE A-3 Per Capita Social Security Spending (\$1996)

STATE	1986	Rank	1996	Rank	Change 86-96	Percent Change 86-96
FIFTY STATES	1134.71		1289.05		154.34	13.6
NORTHEAST Connecticut Maine Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont	1311.08 1316.05 1216.75 1246.82 1125.04 1296.60 1276.90 1429.14 1383.99 1133.10	6 16 11 26 9 10 2 3 25	1466.92 1529.35 1413.26 1399.11 1302.27 1459.79 1398.41 1614.12 1552.94 1314.06	5 11 15 30 8 16 3 4 27	155.84 213.30 196.51 152.29 177.23 163.19 121.51 184.98 168.95 180.96	11.9 16.2 16.2 12.2 15.8 12.6 9.5 12.9 12.2 16.0
MIDWEST Illinois Indiana Iowa Kansas Michigan Minnesota Missouri Nebraska North Dakota Ohio South Dakota Wisconsin	1202.23 1178.42 1242.21 1348.53 1211.56 1245.84 1110.63 981.22 1201.47 1097.64 1235.10 1183.07 1297.07	21 13 4 17 12 27 38 18 28 14 20 8	1378.82 1312.98 1399.83 1523.88 1384.94 1427.88 1215.05 1434.60 1343.38 1313.46 1395.98 1335.69 1410.17	29 13 6 18 10 35 9 22 28 17 23 12	176.59 134.56 157.62 175.35 173.38 182.04 104.42 453.38 141.91 215.82 160.88 152.62 113.10	14.7 11.4 12.7 13.0 14.3 14.6 9.4 46.2 11.8 19.7 13.0 12.9 8.7
SOUTH Alabama Arkansas Delaware Florida Georgia Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma South Carolina Tennessee Texas Virginia West Virgina	1060.78 1097.11 1225.25 1192.82 1516.39 903.73 1095.67 907.25 979.40 1015.95 1051.56 1070.76 992.51 1084.34 844.72 934.65 1340.60	29 15 19 1 44 30 42 39 36 34 32 37 31 46 41 5	1258.09 1347.59 1466.69 1399.54 1667.86 1039.54 1348.81 1184.35 1088.42 1262.78 1287.63 1331.12 1286.58 1317.82 994.61 1097.52 1666.23	21 7 14 1 45 20 39 44 34 32 25 33 26 48 42 2	113.10 197.31 250.48 241.44 206.72 151.47 135.81 253.14 277.10 109.02 246.83 236.07 260.36 294.07 233.48 149.89 162.87 325.63	18.6 22.8 19.7 17.3 10.0 15.0 23.1 30.5 11.1 24.3 22.4 24.3 29.6 21.5 17.7 17.4 24.3
WEST Alaska Arizona California Colorado Hawaii Idaho Montana Nevada New Mexico Oregon Utah Washington Wyoming	996.55 377.19 1162.67 973.26 834.79 905.98 1054.49 1142.47 1024.76 888.39 1298.04 759.92 1143.79 821.25	50 22 40 47 43 33 24 35 45 7 49 23 48	1086.01 571.35 1297.37 1019.94 1018.16 1103.93 1166.24 1331.71 1193.70 1094.07 1379.23 884.28 1201.02 1191.94	50 31 46 47 41 40 24 37 43 19 49 36 38	89.46 194.16 134.70 46.68 183.37 197.95 111.75 189.24 168.94 205.68 81.19 124.36 57.23 370.69	9.0 51.5 11.6 4.8 22.0 21.8 10.6 16.5 23.2 6.3 16.4 5.0 45.1

APPENDIX

TABLE A-4 Per Capita Medicare Spending (\$1996)

STATE	1986	Rank	1996	Rank	Change 86-96	Percent Change 86-96
FIFTY STATES	437.98		728.25		290.27	66.27
NORTHEAST Connecticut Maine Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont	536.23 467.63 450.80 575.74 360.25 520.23 529.50 590.25 487.40 381.87	11 14 3 35 5 4 2 7 28	880.73 856.17 639.04 965.10 553.38 825.27 856.01 992.92 856.37 560.80	6 26 3 40 8 7 2 5 38	344.50 388.54 188.24 389.36 193.13 305.04 326.51 402.67 368.97 178.93	64.24 83.09 41.76 67.63 53.61 58.64 61.66 68.22 75.70 46.86
MIDWEST Illinois Indiana Iowa Kansas Michigan Minnesota Missouri Nebraska North Dakota Ohio South Dakota Wisconsin	448.94 486.28 373.21 431.88 457.44 499.16 365.53 484.07 413.90 468.17 439.09 397.65 430.72	8 30 17 13 6 33 9 22 10 16 23 18	686.88 723.53 657.81 629.14 678.89 747.98 540.35 778.15 553.46 613.74 723.75 585.60 581.75	18 25 27 23 14 41 11 39 28 17 34	237.94 237.25 284.60 197.26 221.45 248.82 174.82 294.08 139.56 145.57 284.66 187.95 151.03	53.00 48.79 76.26 45.67 48.41 49.85 47.83 60.75 33.72 31.09 64.83 47.26 35.06
SOUTH Alabama Arkansas Delaware Florida Georgia Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma South Carolina Tennessee Texas Virginia West Virgina	392.02 385.40 442.26 380.33 624.90 312.06 351.52 325.36 422.74 372.61 309.81 387.97 277.01 385.28 351.16 325.23 429.62	26 15 29 1 41 36 39 21 31 42 25 47 27 37 40 19	737.10 812.09 750.74 682.99 1101.69 602.82 698.30 874.68 704.50 743.61 607.95 735.96 600.49 772.01 610.83 537.89 811.53	9 13 22 1 31 20 4 19 15 30 16 32 12 29 42	345.08 426.69 308.48 302.66 476.79 290.76 346.78 549.32 281.76 371.00 298.14 347.99 323.48 386.73 259.67 212.66 381.91	88.03 110.71 69.75 79.58 76.30 93.17 98.65 168.83 66.65 99.57 96.23 89.70 116.78 100.38 73.94 65.39 88.89
WEST Alaska Arizona California Colorado Hawaii Idaho Montana Nevada New Mexico Oregon Utah Washington Wyoming	401.50 112.97 391.33 460.88 302.52 277.71 297.49 364.09 366.36 296.63 423.92 193.44 339.35 258.88	50 24 12 43 46 44 34 32 45 20 49 38	623.74 251.78 662.23 697.76 512.39 516.28 470.78 562.10 593.04 488.90 571.89 371.64 531.39 512.04	50 24 21 45 44 48 37 33 47 36 49 43 46	222.24 138.81 270.90 236.88 209.87 238.57 173.29 198.01 226.68 192.27 147.97 178.20 192.04 253.16	55.35 122.88 69.22 51.40 69.37 85.90 58.25 54.38 61.87 64.82 34.91 92.12 56.59 97.79

APPENDIX TABLE A-5 Per Capita Non-Means-Tested Entitlements Excluding Medicare (\$1996)

STATE	1986	Rank	1996	Rank	Change 86-96	Percent Change 86-96
FIFTY STATES	417.38		379.09		-38.29	-9.2
NORTHEAST Connecticut Maine Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont	266.06 190.08 427.44 304.77 405.21 257.46 206.28 322.77 377.47 320.21	50 27 44 30 47 48 38 32 40	249.20 211.59 475.41 264.40 402.63 228.51 181.04 319.40 358.74 284.63	48 22 43 28 47 49 38 36 41	-16.86 21.51 47.97 -40.37 -2.58 -28.95 -25.24 -3.37 -18.73 -35.58	-6.3 11.3 11.2 -13.2 -0.6 -11.2 -12.2 -1.0 -5.0 -11.1
MIDWEST Illinois Indiana Iowa Kansas Michigan Minnesota Missouri Nebraska North Dakota Ohio South Dakota Wisconsin	420.01 305.60 305.44 854.06 707.61 190.53 540.51 695.47 1080.83 1618.67 280.12 939.68 308.97	42 43 6 8 49 18 9 3 1 46 4	324.30 241.43 258.01 839.06 626.31 172.33 407.16 394.73 599.24 686.30 265.50 645.32 237.68	45 44 2 8 50 27 29 9 5 42 6 46	-95.71 -64.17 -47.43 -15.00 -81.30 -18.20 -133.35 -300.74 -481.59 -932.37 -14.62 -294.36 -71.29	-22.8 -21.0 -15.5 -1.8 -11.5 -9.5 -24.7 -43.2 -44.6 -57.6 -5.2 -31.3 -23.1
SOUTH Alabama Arkansas Delaware Florida Georgia Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma South Carolina Tennessee Texas Virginia West Virgina	483.79 460.90 593.24 350.68 570.64 413.97 324.38 292.34 756.10 431.91 348.47 618.88 432.13 328.52 434.98 857.43 321.82	21 13 34 16 29 37 45 7 26 35 12 25 36 24 5	475.47 522.99 564.10 375.31 524.83 421.57 356.42 308.82 702.53 420.86 371.91 577.10 486.36 381.42 384.96 824.17 367.59	15 12 33 14 25 37 39 4 26 34 11 20 32 31 3 35	-8.32 62.09 -29.14 24.63 -45.81 7.60 32.04 16.48 -53.57 -11.05 23.44 -41.78 54.23 52.90 -50.02 -33.26 45.77	-1.7 13.5 -4.9 7.0 -8.0 1.8 9.9 5.6 -7.1 -2.6 6.7 -6.8 12.5 16.1 -11.5 -3.9 14.2
WEST Alaska Arizona California Colorado Hawaii Idaho Montana Nevada New Mexico Oregon Utah Washington Wyoming	457.25 369.96 511.07 378.22 564.13 625.80 623.20 1145.06 529.39 580.86 424.87 452.31 590.87 436.19	33 20 31 17 10 11 2 19 15 28 22 14 23	399.28 513.56 471.99 297.24 535.78 628.13 451.77 1175.84 515.53 585.24 388.61 477.25 515.49 511.57	18 23 40 13 7 24 1 16 10 30 21 17	-57.97 143.60 -39.08 -80.98 -28.35 2.33 -171.43 30.78 -13.86 4.38 -36.26 24.94 -75.38 75.38	-12.7 38.8 -7.6 -21.4 -5.0 0.4 -27.5 2.7 -2.6 0.8 -8.5 5.5 -12.8 17.3