

# UTAH FOUNDATION

## Research Report

Report Number 640

February 2001

### Federal Expenditures in Utah: FY 1990 to 1999

#### Highlights

- During the decade of the 1990s, federal expenditures as a percent of the Gross Domestic Product (GDP) have been steadily declining from 22.3 percent in fiscal year 1991 to 18.2 percent in fiscal year 2000.
- In FY 1999, federal spending in the state amounted to 18.9 percent of Utah personal income. This is a substantial decline from 1970 at 31.7 percent. Furthermore, the growth rate in federal spending in Utah since 1970 has been slower than the overall growth in the Utah economy and the growth in federal spending in the country as a whole. In 1999, federal expenditures per capita were only 77.2 percent of the national average.
- The U.S. Department of Commerce reports divide federal expenditures into five main categories: *grants to state and local governments, federal salary and wages, payments to individuals, procurement contracts and other grants and payments*
- In Utah, **federal grants to state and local governments** have grown from 12.9 percent of all federal expenditures to 19.1 percent between 1990 and 1999. The main reason for this growth is the increase in Medicaid expenditures, that grew from \$224.5 million to \$569.3 million. The combined effect of higher inflation in medical care and the increasing number of medicaid participants has pushed expenditures up.
- A second major **federal** expenditure category is **salary and wages**. This category declined from 21.9 percent of federal spending in Utah in 1990 to 15.9 percent in 1999. Total federal salaries and wages in Utah declined from \$1.43 billion in 1990 to \$1.39 billion in 1997 and then rebounded to \$1.47 billion in 1999. The main reason for the decline in federal wages is the drop during the early 1990s in federal military and civilian defense pay.
- **Payments to individuals** is the largest of the five major categories. About 81 percent of these payments are made to persons of retirement age. In the 1990s, Social Security has grown from 18.0 percent of all federal expenditures in Utah in 1990 to 21.9 percent in 1999. Social Security is also the single biggest expenditure in all 50 states. Medicare expenditures have increased from \$343.7 million to \$796.4 million, an average annual increase of 9.8 percent. In 1999, Utah received \$2,116 per capita in payments to individuals or 67.8 percent of a national average of \$3,124.
- There are three important trends which have had a significant impact on federal expenditures in the states. **First, the substantial decline in both federal salary and wages, and federal procurement contracts. The second major trend is the increase in health care expenditures. The third major trend is the significant slowdown in the growth of federal expenditures in the states.**
- These same three trends have had significant impacts on federal spending in all 50 states. However, the state by state impacts do vary considerably as the demographic and economic profiles of each state vary. The Taubman Center for State and Local Government at Harvard University took a look at these differences in a recent report. The report looks at 16 years of federal spending and tax data and notes the changes in federal spending in all 50 states. Significant differences can be observed in particular among the western states.
- The loss in federal expenditures in Utah from 1990 to 1999 due to the shift away from national defense spending is significant. However, what is impressive is that the loss of federal dollars has been absorbed with relative ease. The Utah economy continues to grow faster than the national average, whether measured by employment or personal income growth, average annual wages or even per capita income. Utah's stronger, more diverse and private-sector oriented economy should continue to be strong and grow faster than the national average in the coming years.

**UTAH FOUNDATION** is a private, nonprofit public service agency established to study and encourage the study of state and local government in Utah, and the relation of taxes and public expenditures to the Utah economy.

## Federal Expenditures in Utah: 1990 to 1999

As stated in Utah Foundation's last report on Federal Expenditures in Utah,<sup>1</sup> "the New Deal, and World War II which followed on its heels, changed forever the role of the federal government in the lives of Americans and the states in which they lived." Before the Great Depression, federal expenditures accounted for less than 5 percent of the gross domestic product (GDP), however by the end of World War II, federal expenditures had reached 42 percent of the GDP.

By 1951, federal expenditures had fallen to about 14 percent of GDP, but since then, they have never been lower than that. Federal expenditures fluctuated up and down within a range of between 19 and 23 percent in the 1970s and 1980s. During the decade of the 1990s, federal expenditures as a percent of the GDP have been steadily declining from a beginning level of 22.3 percent in 1991 to 18.2 percent in fiscal year 2000.

The trends for federal spending in Utah have generally mirrored this historic pattern. New Deal programs were important in Utah, however, with the increase in federal defense related expenditures during World War II, the Korean War, and the Vietnam conflict, Utah became heavily dependent on federal defense expenditures. By 1970, federal expenditures in the state exceeded \$1 billion and were equal to about one-third of Utah's personal income.

Federal expenditures are still a significant force in the Utah economy. However, they are not as large a factor as they once were. Changing federal priorities have influenced the decline of federal expenditures in Utah. In 1999, federal spending in the state amounted to 18.6

percent of Utah personal income. This is a substantial decline from 1970.

Furthermore, the growth rate in federal spending in Utah since 1970 has been slower than the overall growth in the Utah economy and slower than the growth in federal spending in the country as a whole. In 1970, per capita federal spending in Utah was 121.6 percent of the national average. In 1999, federal expenditures per capita were only 77.2 percent of the national average -- a 45 percent decline (see **Table 1**).

Between 1900 and 1999, federal expenditures in the United States increased by an average annual rate of 4.8 percent. In Utah however, federal expenditures increased each year on average by only 4.0 percent. The decline in federal expenditures in Utah is a result of a significant shift away from federal defense related spending to health care spending. This report will focus on the changes that have taken place in federal expenditures in Utah and nationwide in the decade of the 1990s. In addition, the report will review how shifts in federal priorities have impacted spending in other states, particularly those in the mountain west.

### Federal Spending in Utah – Who Gets What

For many years, the U.S. Department of Commerce published a report entitled *Federal Expenditures by State (FES)*. The report showed all federal expenditures in the states and territories made by the federal government from whatever federal agency. It did not include all federal expenditures because some expenditures are not distributed by states. Examples of federal expenditures that were not in this report include: net interest, international payments, expenditures for selected agencies such as the Central Intelligence Agency, and foreign outlays.

---

<sup>1</sup>Research Report 616, *Federal Expenditures in Utah*, July/August 1998.

**Table 1**  
**Federal Expenditures in Utah and in the Other States\***

Fiscal Year	Expenditures (in thousands \$)		Percent Change		Per Capita Expenditures**			Expenditures as a Percent of TPI***	
	Utah	U.S.	Utah	U.S.	Utah	U.S.	UT as a % of U.S.	Utah	U.S.
1970	\$1,115,940	\$175,446,202			\$1,053	863	122.1%	31.7%	21.4%
1975	1,747,756	305,043,711			1,414	1,416	99.9%	28.2%	23.5%
1976	1,896,675	331,690,711	8.5%	8.7%	1,488	1,525	97.6%	26.8%	23.1%
1977	2,382,914	395,656,215	25.6%	19.3%	1,806	1,800	100.3%	29.5%	24.9%
1978	2,619,009	432,861,246	9.9%	9.4%	1,915	1,949	98.3%	28.2%	24.2%
1979	2,849,390	469,746,255	8.8%	8.5%	2,006	2,092	95.9%	26.7%	23.3%
1980	3,096,463	528,687,135	8.7%	12.5%	2,119	2,334	90.8%	25.6%	23.5%
1981	3,334,788	562,219,193	7.7%	6.3%	2,200	2,450	89.8%	24.4%	22.3%
1982	3,710,197	603,575,580	11.3%	7.4%	2,381	2,605	91.4%	24.8%	22.2%
1983	4,111,535	696,780,062	10.8%	15.4%	2,578	2,980	86.5%	25.4%	24.1%
1984	4,839,941	724,748,194	17.7%	4.0%	2,983	3,073	97.1%	27.2%	22.8%
1985	4,969,906	788,488,251	2.7%	8.8%	3,025	3,314	91.3%	25.9%	22.9%
1986	5,500,919	830,258,685	10.7%	5.3%	3,308	3,457	95.7%	27.3%	22.8%
1987	5,704,511	847,810,233	3.7%	2.1%	3,399	3,499	97.1%	27.2%	21.8%
1988	5,750,054	884,130,543	0.8%	4.3%	3,404	3,616	94.1%	26.2%	21.2%
1989	6,190,743	931,900,471	7.7%	5.4%	3,629	3,776	96.1%	26.4%	20.7%
1990	6,511,054	1,002,703,246	5.2%	7.6%	3,764	4,019	93.7%	25.6%	20.8%
1991	6,693,940	1,096,493,278	2.8%	9.4%	3,778	4,349	86.9%	24.5%	21.8%
1992	7,115,129	1,191,087,434	6.3%	8.6%	3,906	4,670	83.6%	24.3%	22.5%
1993	7,461,360	1,260,211,669	4.9%	5.8%	3,977	4,889	81.4%	23.8%	22.7%
1994	7,593,501	1,320,132,173	1.8%	4.8%	3,934	5,071	77.6%	22.4%	22.7%
1995	8,526,244	1,363,511,000	12.3%	3.3%	4,313	5,188	83.1%	23.3%	22.3%
1996	8,193,193	1,394,056,662	-3.9%	2.2%	4,052	5,256	77.1%	20.7%	21.6%
1997	8,436,367	1,428,818,000	3.0%	2.5%	4,085	5,336	76.6%	19.7%	20.9%
1998	8,727,968	1,484,177,100	3.5%	3.9%	4,155	5,492	75.7%	19.0%	20.4%
1999	\$9,238,982	\$1,531,627,443	5.9%	3.2%	\$4,338	\$5,617	77.2%	18.9%	19.9%

\*The data in this table excludes federal spending that is not attributable to the states, such as net interest and international payments, and foreign outlays. The U.S. total does account for about 90 percent of all federal outlays in a given year.

\*\*Per capita calculations use a July 1st estimate of resident population for expenditures ending on September 30th.

\*\*\*TPI - Total Personal Income estimate for the federal fiscal year (October 1 through September 30).

Source: Base data is from - Federal Expenditures by State, published annually by the U.S. Dept of Commerce.

Per capita and total personal income calculations were done by Utah Foundation with data also from the Dept of Commerce.

Nevertheless, the report was an important one because approximately 90 percent of all federal expenditures were included in this report.

Beginning in 1998, the information that was formerly contained in the FES report became part of the *Consolidated Federal Funds Report for the Fiscal Year 1998 (CFFR)*. One important distinction between the two reports is that total grant figures in CFFR include all federal grant obligations within a state including grants to non-governmental recipients (such as individuals, profit and non-profit agencies) rather than just grants to state and local governments. Utah Foundation continues to look at grants to state and local governments only using information on federal grants made to state and local governments found in another report, *Federal Aid to States for Fiscal Year 1998* also published by the U.S. Department of Commerce. The foundation makes this adjustment in order to preserve the integrity of the time series shown in **Tables 2 and 3**. These tables follow the format of the U.S. Department of Commerce reports dividing federal expenditures into five main categories:

#### *Grants to state and local governments*

As reported by the Foundation, these are grants made by any federal agency to a state or local government. Major grants in this area are: Medicaid, Temporary Assistance for Needy Families, highways, housing, environment, mass transit and others.

#### *Federal salary and wages*

These are wages paid by a federal employer. This includes military personnel, civilian defense workers, and employees of such federal agencies as the Post Office, Bureau of Land Management, Forest Service

and National Parks Service, among others.

#### *Payments to individuals*

This category includes any federal program that makes payments directly to individuals. Such programs include Social Security, Medicare, federal employee retirement, earned income tax credit, Food Stamps, veterans' programs, etc.

#### *Procurement contracts*

Contracts with any federal agency are included in this category. The major contracts are defense, National Air and Space Administration, and Post Office. In Utah, contracts with BLM, Forest Service or Parks Service are common.

#### *Other grants and payments*

This is a catch-all category that includes everything not in the other four. It is the smallest of the five groups.

**Table 2 and Table 3** show federal spending in Utah from 1990 to 1999 by these five major categories and for the nation as a whole. The first four of these categories are discussed below.

### **Grants to State and Local Government**

#### *Medicaid*

In Utah, federal grants to state and local governments have grown from 12.9 percent of all federal expenditures to 19.1 percent between 1990 and 1999. The main reason for this growth in state and local grants is the significant rise in Medicaid expenditures. Medicaid is the state and federal health insurance program for the poor and medically needy. Medicaid is one of four federal grants that has grown rapidly during the 1990s in

Utah. Medicaid is the most important because it is so much larger than any other federal grant. Medicaid expenditures have more than doubled in the 1990s, growing from \$224.5 million to \$569.3 million. This is an annual average growth rate of 10.9 percent.

Medicaid accounts for more than a third of the total increase of all federal grants to state and local governments in Utah in the 1990s, and also accounts for 12.6 percent of the total increase of all federal expenditures in Utah in the 1990s. Only Social Security (31.2 percent) and Medicare (16.6 percent) account for a larger share of the total increase in federal expenditures in Utah than Medicaid.

All states participate in the Medicaid program but the rapidly increasing cost of the program during the 1990s was a cause of concern nationwide. States must pay a portion of the program's cost, averaging about 25 percent. Until recently, the federal government made all decisions as to eligibility and coverage. As costs of the program began to grow rapidly, states complained about the ever increasing matching fund requirements. This led to reforms in the program which now allow states more flexibility in determining eligibility and coverage limits beyond the minimums set by the federal government.

There were two main reasons for the rapid increase in Medicaid expenditures during the 1990s. First, medical inflation has exceeded overall inflation for the last two decades. Between 1979 and 1999, medical costs have risen by an annual average rate of 6.8 percent while overall inflation has risen by 4.2 percent.<sup>2</sup> In the early 1990s, the disparity was even greater

with a medical inflation rate of 7.2 percent per year while all inflation grew at an average annual rate of 3.6 percent. The last five years have seen inflation in medical costs much closer to overall inflation averaging 3.4 percent and 2.5 percent per year respectively.

Second, the federal government mandated changes in Medicaid eligibility that significantly increased the number of participants in the early 1990s. Following this expansion and in response to complaints from the states, the states were given some flexibility regarding Medicaid programs. From 1995 to 1997 the number of participants declined due primarily to growth in the economy (historically low unemployment rates) aided by changes in state programs. However, the number of participants in 1998 increased again with the implementation of the State Children's Health Insurance Program (SCHIP) which expanded eligibility requirements for children under the age of 19.<sup>3</sup>

Nationally, between 1980 and 1990, the number of Medicaid participants increased from 21.6 million to 25.3 million. This is an annual average increase of 1.6 percent. Between 1990 and 1995, the number of participants jumped to 36.3 million, an annual average increase of 7.6 percent.

From 1995 to 1997 the number of participants declined to 34.9 million, but increased in 1998 to 40.7 million with the addition of the SCHIP participants. The combined effect of higher than average inflation in medical care and the increasing number of participants early in the 1990s and with the introduction of the SCHIP

---

<sup>2</sup> *Monthly Labor Review and Handbook of Labor Statistics*, (U.S. Bureau of Labor Statistics).

---

<sup>3</sup> For more information on SCHIP and its impact on Utah see Utah Foundation research report 637, *Utah's Implementation of the State Children's Health Insurance Program*, November 2000.

Table 2

## Federal Expenditures in Utah and in the U.S.: FY 1990 to 1999

(numbers are in millions of dollars)

UTAH										
GRANTS TO STATE & LOCAL GOV'TS:	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Medicaid	\$224.5	\$250.3	\$352.3	\$357.1	\$405.7	\$420.5	\$470.0	\$485.4	\$518.9	\$569.3
Food & Nutrition	73.9	80.5	95.9	101.9	103.4	107.0	121.9	134.5	130.5	138.2
A.F.D.C. / T.A.N.F.	52.8	66.0	80.1	77.3	86.6	91.2	81.3	27.0	90.0	55.9
Social Services / Health	77.9	81.7	77.1	103.9	114.5	119.0	122.2	89.8	114.2	182.9
Highways	123.2	81.8	110.5	160.0	112.2	135.1	146.7	164.3	151.4	249.7
Mass Transit	22.0	7.8	20.9	28.1	9.0	10.1	28.4	43.1	82.2	56.6
Education	75.6	83.1	88.5	96.3	110.7	113.2	136.5	127.4	173.1	156.8
Housing & Urban Development	41.5	43.8	56.0	61.7	72.1	82.3	104.2	69.9	81.1	102.8
Employment & Training	42.2	43.9	46.5	47.4	46.5	51.2	48.7	35.8	41.3	58.9
Interior	53.4	52.2	49.4	51.0	49.8	51.6	55.5	60.2	63.2	62.1
Environment	16.1	9.8	10.7	18.3	32.3	40.8	60.7	48.3	26.4	24.6
Crime	2.4	4.8	6.3	7.7	6.5	12.7	19.6	18.1	23.6	43.7
All Other	33.1	33.5	48.4	62.8	59.5	83.7	50.4	51.1	55.4	58.8
<b>TOTAL STATE &amp; LOCAL GRANTS</b>	<b>838.5</b>	<b>839.2</b>	<b>1,042.5</b>	<b>1,173.4</b>	<b>1,208.7</b>	<b>1,318.3</b>	<b>1,445.9</b>	<b>1,354.9</b>	<b>1,551.3</b>	<b>1,760.2</b>
<b>FEDERAL SALARY &amp; WAGES:</b>										
Military Personnel	234.3	268.6	239.7	223.4	221.5	230.2	245.5	193.6	216.2	253.4
Civilian Defense Workers	656.6	653.4	613.1	623.6	542.1	564.2	515.0	448.9	404.5	424.8
Postal Service Employees	161.5	171.5	186.3	196.3	236.9	255.6	257.1	276.2	279.9	280.8
Treasury	NA	NA	NA	165.0	169.8	178.1	172.3	174.0	179.3	194.3
All Other	375.0	392.7	437.3	295.2	308.9	290.5	288.0	295.2	311.7	389.2
<b>TOTAL SALARY &amp; WAGES</b>	<b>1,427.4</b>	<b>1,486.2</b>	<b>1,476.4</b>	<b>1,503.5</b>	<b>1,479.2</b>	<b>1,518.5</b>	<b>1,477.9</b>	<b>1,387.8</b>	<b>1,391.6</b>	<b>1,469.1</b>
<b>PAYMENTS TO INDIVIDUALS:</b>										
Social Security Payments	1,170.7	1,286.9	1,391.1	1,491.6	1,589.2	1,686.5	1,853.0	1,861.8	1,953.1	2,020.9
Medicare Payments	343.7	361.2	451.0	470.2	552.0	635.2	743.3	793.0	801.1	796.4
Supplemental Security Payments	33.0	45.2	57.1	67.8	88.6	83.8	82.1	90.9	89.9	91.1
Food Stamps	71.1	82.8	92.2	97.7	94.5	90.1	87.2	78.6	75.3	73.4
Veterans' Program	77.9	79.6	82.2	87.7	87.1	95.3	99.0	96.1	89.1	100.3
Federal Employee Retirement	516.4	560.2	578.4	623.6	651.9	728.8	758.4	750.2	829.0	842.0
Other Federal Employee Benefits	13.9	15.8	17.0	17.5	19.0	18.6	17.8	17.2	61.9	69.7
All Other	263.9	289.6	346.4	407.0	361.8	379.4	278.1	436.9	400.3	513.9
<b>TOTAL PAYMENTS TO INDIVIDUALS</b>	<b>2,490.5</b>	<b>2,721.3</b>	<b>3,015.5</b>	<b>3,263.1</b>	<b>3,444.1</b>	<b>3,717.7</b>	<b>3,918.9</b>	<b>4,124.7</b>	<b>4,429.2</b>	<b>4,507.7</b>
<b>PROCUREMENT CONTRACTS:</b>										
Defense Contracts	883.0	804.4	614.3	532.3	524.0	495.8	393.2	433.4	464.7	548.1
Postal Service Contracts	22.4	34.3	36.5	38.2	51.2	53.6	62.9	69.5	74.8	79.0
Other Contracts	637.8	594.6	693.9	708.4	615.0	1,076.0	217.4	703.0	640.7	641.1
<b>TOTAL PROCUREMENT CONTRACTS</b>	<b>1,543.2</b>	<b>1,433.3</b>	<b>1,344.7</b>	<b>1,278.8</b>	<b>1,190.2</b>	<b>1,625.4</b>	<b>1,072.5</b>	<b>1,206.0</b>	<b>1,180.2</b>	<b>1,268.3</b>
<b>OTHER GRANTS &amp; PAYMENTS</b>	<b>211.6</b>	<b>213.9</b>	<b>236.1</b>	<b>242.4</b>	<b>271.3</b>	<b>346.4</b>	<b>278.0</b>	<b>363.0</b>	<b>175.7</b>	<b>233.8</b>
<b>FED. EXPEND. TOTALS FOR UTAH</b>	<b>\$6,511.1</b>	<b>\$6,693.9</b>	<b>\$7,115.1</b>	<b>\$7,461.4</b>	<b>\$7,593.5</b>	<b>\$8,526.2</b>	<b>\$8,193.2</b>	<b>\$8,436.4</b>	<b>\$8,728.0</b>	<b>\$9,239.0</b>

**50 STATES AND D.C.**

(numbers are in millions of dollars)

<b>GRANTS TO STATE &amp; LOCAL GOV'TS:</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Medicaid	\$40,857	\$52,533	\$67,827	\$75,774	\$82,034	\$89,070	\$91,990	\$95,552	\$101,001	\$108,569
Food & Nutrition	10,023	10,797	12,012	13,057	13,926	13,930	14,685	15,742	16,097	16,336
A.F.D.C. / T.A.N.F.	12,246	13,520	15,461	15,641	16,635	17,151	16,409	9,700	18,494	13,653
Social Services/Health	12,384	14,181	13,456	15,911	20,109	19,856	19,237	14,773	18,419	26,344
Highways	13,969	14,359	15,295	16,653	19,140	19,578	20,229	20,972	20,619	20,619
Mass Transit	3,754	3,826	3,528	3,516	3,934	4,818	4,885	4,555	4,757	4,757
Education	11,176	12,414	13,659	14,740	15,491	15,955	15,299	18,326	21,503	22,768
Housing & Urban Development	12,524	13,824	16,679	19,056	21,505	25,607	22,612	23,020	27,182	30,348
Employment & Training	5,735	5,961	6,712	6,722	6,733	7,001	6,614	5,420	6,728	7,116
Interior	1,608	1,443	1,497	1,566	1,769	1,889	1,827	2,859	2,545	2,599
Environment	2,886	2,836	3,206	3,516	2,912	3,353	3,204	3,028	2,995	3,223
Crime	330	769	846	853	877	1,890	1,946	2,602	3,180	4,871
All Other	6,964	6,887	7,822	8,196	9,174	8,838	8,605	13,229	9,754	30,928
<b>TOTAL STATE &amp; LOCAL GRANTS</b>	<b>134,457</b>	<b>153,350</b>	<b>178,000</b>	<b>195,201</b>	<b>214,239</b>	<b>228,936</b>	<b>227,542</b>	<b>229,778</b>	<b>253,274</b>	<b>274,448</b>
<b>FEDERAL SALARY &amp; WAGES:</b>										
Military Personnel	39,444	44,838	44,490	43,632	43,255	41,247	43,138	39,013	38,628	42,035
Civilian Defense Workers	29,659	30,416	29,361	30,316	30,215	29,945	29,817	27,706	28,550	28,378
Postal Service Employees	34,214	36,076	38,391	39,850	40,945	41,931	42,676	43,835	45,588	42,322
Treasury	NA	NA	NA	7,005	6,722	7,013	6,710	6,744	6,894	7,272
All Other	42,777	45,019	49,346	45,386	47,814	48,014	40,681	48,847	50,511	57,619
<b>TOTAL SALARY &amp; WAGES</b>	<b>146,095</b>	<b>156,350</b>	<b>161,588</b>	<b>166,189</b>	<b>168,951</b>	<b>168,151</b>	<b>169,731</b>	<b>166,145</b>	<b>170,171</b>	<b>177,279</b>
<b>PAYMENTS TO INDIVIDUALS:</b>										
Social Security Payments	243,607	263,942	281,878	297,945	313,660	330,832	353,224	360,207	375,173	386,862
Medicare Payments	112,343	117,865	147,922	154,722	181,999	180,109	194,393	207,156	209,509	208,648
Supplemental Security Payments	11,748	15,284	17,914	21,137	26,010	24,708	24,343	26,838	27,642	28,332
Food Stamps	13,999	17,044	20,032	22,033	22,927	22,767	22,490	19,595	16,944	15,878
Veterans' Program	16,085	16,364	16,707	17,482	17,570	19,036	19,963	19,206	24,062	21,000
Federal Employee Retirement	53,121	56,390	58,351	61,325	63,286	67,036	68,590	72,162	74,291	75,664
Other Federal Employee Benefits	1,347	1,601	1,738	1,822	1,851	1,859	1,865	1,861	1,861	11,767
All Other	45,446	53,473	67,232	74,486	64,362	70,811	64,406	74,855	87,542	77,315
<b>TOTAL PAYMENTS TO INDIVIDUALS</b>	<b>497,696</b>	<b>541,963</b>	<b>611,774</b>	<b>650,952</b>	<b>691,666</b>	<b>717,157</b>	<b>749,273</b>	<b>781,880</b>	<b>835,618</b>	<b>851,786</b>
<b>PROCUREMENT CONTRACTS:</b>										
Defense Contracts	135,259	139,571	129,125	129,996	125,983	126,004	128,629	119,859	126,726	126,223
Postal Service Contracts	4,747	7,215	7,521	7,759	8,846	8,799	10,437	11,038	12,190	13,320
Other Contracts	48,525	60,917	63,550	63,614	63,130	67,406	50,362	62,178	70,344	68,551
<b>TOTAL PROCUREMENT CONTRACTS</b>	<b>188,531</b>	<b>207,702</b>	<b>200,195</b>	<b>201,369</b>	<b>197,959</b>	<b>202,209</b>	<b>200,543</b>	<b>193,074</b>	<b>209,260</b>	<b>208,094</b>
<b>OTHER GRANTS &amp; PAYMENTS</b>	<b>35,925</b>	<b>37,128</b>	<b>39,530</b>	<b>46,500</b>	<b>47,317</b>	<b>47,058</b>	<b>46,968</b>	<b>57,942</b>	<b>15,854</b>	<b>20,021</b>
<b>FEDERAL EXPEND. TOTALS FOR U.S.</b>	<b>\$1,002,703</b>	<b>\$1,096,493</b>	<b>\$1,191,087</b>	<b>\$1,260,212</b>	<b>\$1,320,132</b>	<b>\$1,363,511</b>	<b>\$1,394,057</b>	<b>\$1,428,818</b>	<b>\$1,484,177</b>	<b>\$1,531,627</b>

Source: U.S. Department of Commerce, Economics and Statistics Administration.

**Table 3**  
**Federal Expenditures in Utah and in the U.S.: FY 1990 to 1999**

UTAH	Federal Expenditures by Category as a Percent of Total										Pct Chg 1998-99	Average Annual Growth Rate 90 to 99
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999		
<b>GRANTS TO STATE &amp; LOCAL GOV'TS:</b>												
Medicaid	3.4%	3.7%	5.0%	4.8%	5.3%	4.9%	5.7%	5.8%	5.9%	6.2%	9.7%	10.9%
Food & Nutrition	1.1%	1.2%	1.3%	1.4%	1.4%	1.3%	1.5%	1.6%	1.5%	1.5%	5.9%	7.2%
A.F.D.C. / T.A.N.F.	0.8%	1.0%	1.1%	1.0%	1.1%	1.1%	1.0%	0.3%	1.0%	0.6%	-37.9%	0.6%
Social Services / Health	1.2%	1.2%	1.1%	1.4%	1.5%	1.4%	1.5%	1.1%	1.3%	2.0%	60.1%	10.0%
Highways	1.9%	1.2%	1.6%	2.1%	1.5%	1.6%	1.8%	1.9%	1.7%	2.7%	64.9%	8.2%
Mass Transit	0.3%	0.1%	0.3%	0.4%	0.1%	0.1%	0.3%	0.5%	0.9%	0.6%	-31.2%	11.1%
Education	1.2%	1.2%	1.2%	1.3%	1.5%	1.3%	1.7%	1.5%	2.0%	1.7%	-9.4%	8.4%
Housing & Urban Development	0.6%	0.7%	0.8%	0.8%	1.0%	1.0%	1.3%	0.8%	0.9%	1.1%	26.7%	10.6%
Employment & Training	0.6%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.4%	0.5%	0.6%	42.5%	3.8%
Interior	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%	0.7%	0.7%	0.7%	0.7%	-1.8%	1.7%
Environment	0.2%	0.1%	0.2%	0.2%	0.4%	0.5%	0.7%	0.6%	0.3%	0.3%	-6.7%	4.8%
Crime	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.5%	85.0%	38.3%
All Other	0.5%	0.5%	0.7%	0.8%	0.8%	1.0%	0.6%	0.6%	0.6%	0.6%	6.0%	6.6%
<b>TOTAL STATE &amp; LOCAL GRANTS</b>	<b>12.9%</b>	<b>12.5%</b>	<b>14.7%</b>	<b>15.7%</b>	<b>15.9%</b>	<b>15.5%</b>	<b>17.6%</b>	<b>16.1%</b>	<b>17.8%</b>	<b>19.1%</b>	<b>13.5%</b>	<b>8.6%</b>
<b>FEDERAL SALARY &amp; WAGES:</b>												
Military Personnel	3.6%	4.0%	3.4%	3.0%	2.9%	2.7%	3.0%	2.3%	2.5%	2.7%	17.2%	0.9%
Civilian Defense Workers	10.1%	9.8%	8.6%	8.4%	7.1%	6.6%	6.3%	5.3%	4.6%	4.6%	5.0%	-4.7%
Postal Service Employees	2.5%	2.6%	2.6%	2.6%	3.1%	3.0%	3.1%	3.3%	3.2%	3.0%	0.3%	6.3%
Treasury	NA	NA	NA	2.2%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	8.4%	NA
All Other	5.8%	5.9%	6.1%	4.0%	4.1%	3.4%	3.5%	3.5%	3.6%	4.2%	24.9%	0.4%
<b>TOTAL SALARY &amp; WAGES</b>	<b>21.9%</b>	<b>22.2%</b>	<b>20.8%</b>	<b>20.2%</b>	<b>19.5%</b>	<b>17.8%</b>	<b>18.0%</b>	<b>16.5%</b>	<b>15.9%</b>	<b>15.9%</b>	<b>5.6%</b>	<b>0.3%</b>
<b>PAYMENTS TO INDIVIDUALS:</b>												
Social Security Payments	18.0%	19.2%	19.6%	20.0%	20.9%	19.8%	22.6%	22.1%	22.4%	21.9%	3.5%	6.3%
Medicare Payments	5.3%	5.4%	6.3%	6.3%	7.3%	7.4%	9.1%	9.4%	9.2%	8.6%	-0.6%	9.8%
Supplemental Security Payments	0.5%	0.7%	0.8%	0.9%	1.2%	1.0%	1.0%	1.1%	1.0%	1.0%	1.4%	11.9%
Food Stamps	1.1%	1.2%	1.3%	1.3%	1.2%	1.1%	1.1%	0.9%	0.9%	0.8%	-2.4%	0.4%
Veterans' Program	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	1.2%	1.1%	1.0%	1.1%	12.6%	2.9%
Federal Employee Retirement	7.9%	8.4%	8.1%	8.4%	8.6%	8.5%	9.3%	8.9%	9.5%	9.1%	1.6%	5.6%
Other Federal Employee Benefits	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.7%	0.8%	12.5%	19.6%
All Other	4.1%	4.3%	4.9%	5.5%	4.8%	4.4%	3.4%	5.2%	4.6%	5.6%	28.4%	7.7%
<b>TOTAL PAYMENTS TO INDIVIDUALS</b>	<b>38.2%</b>	<b>40.7%</b>	<b>42.4%</b>	<b>43.7%</b>	<b>45.4%</b>	<b>43.6%</b>	<b>47.8%</b>	<b>48.9%</b>	<b>50.7%</b>	<b>48.8%</b>	<b>1.8%</b>	<b>6.8%</b>
<b>PROCUREMENT CONTRACTS:</b>												
Defense Contracts	13.6%	12.0%	8.6%	7.1%	6.9%	5.8%	4.8%	5.1%	5.3%	5.9%	17.9%	-5.2%
Postal Service Contracts	0.3%	0.5%	0.5%	0.5%	0.7%	0.6%	0.8%	0.8%	0.9%	0.9%	5.6%	15.0%
Other Contracts	9.8%	8.9%	9.8%	9.5%	8.1%	12.6%	2.7%	8.3%	7.3%	6.9%	0.1%	0.1%
<b>TOTAL PROCUREMENT CONTRACTS</b>	<b>23.7%</b>	<b>21.4%</b>	<b>18.9%</b>	<b>17.1%</b>	<b>15.7%</b>	<b>19.1%</b>	<b>13.1%</b>	<b>14.3%</b>	<b>13.5%</b>	<b>13.7%</b>	<b>7.5%</b>	<b>-2.2%</b>
<b>OTHER GRANTS &amp; PAYMENTS</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.6%</b>	<b>4.1%</b>	<b>3.4%</b>	<b>4.3%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>33.1%</b>	<b>1.1%</b>
<b>FED. EXPEND. TOTALS FOR UTAH</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5.9%</b>	<b>4.0%</b>



**50 STATES AND D.C.**

GRANTS TO STATE & LOCAL GOV'TS:	Federal Expenditures by Category as a Percent of Total										Pct Chg 1996-97	Average Annual Growth Rate 90 to 99
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999		
Medicaid	4.1%	4.8%	5.7%	6.0%	6.2%	6.5%	6.6%	6.7%	6.8%	7.1%	7.5%	11.5%
Food & Nutrition	1.0%	1.0%	1.0%	1.0%	1.1%	1.0%	1.1%	1.1%	1.1%	1.1%	1.5%	5.6%
A.F.D.C. / T.A.N.F.	1.2%	1.2%	1.3%	1.2%	1.3%	1.3%	1.2%	0.7%	1.2%	0.9%	-26.2%	1.2%
Social Services/Health	1.2%	1.3%	1.1%	1.3%	1.5%	1.5%	1.4%	1.0%	1.2%	1.7%	43.0%	8.7%
Highways	1.4%	1.3%	1.3%	1.3%	1.4%	1.4%	1.5%	1.5%	1.4%	1.3%	0.0%	4.4%
Mass Transit	0.4%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.0%	2.7%
Education	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.1%	1.3%	1.4%	1.5%	5.9%	8.2%
Housing & Urban Development	1.2%	1.3%	1.4%	1.5%	1.6%	1.9%	1.6%	1.6%	1.8%	2.0%	11.6%	10.3%
Employment & Training	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%	5.8%	2.4%
Interior	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	2.1%	5.5%
Environment	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	7.6%	1.2%
Crime	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	53.2%	34.9%
All Other	0.7%	0.6%	0.7%	0.7%	0.7%	0.6%	0.6%	0.9%	0.7%	2.0%	217.1%	18.0%
<b>TOTAL STATE &amp; LOCAL GRANTS</b>	<b>13.4%</b>	<b>14.0%</b>	<b>14.9%</b>	<b>15.5%</b>	<b>16.2%</b>	<b>16.8%</b>	<b>16.3%</b>	<b>16.1%</b>	<b>17.1%</b>	<b>17.9%</b>	<b>8.4%</b>	<b>8.3%</b>
<b>FEDERAL SALARY &amp; WAGES:</b>												
Military Personnel	3.9%	4.1%	3.7%	3.5%	3.3%	3.0%	3.1%	2.7%	2.6%	2.7%	8.8%	0.7%
Civilian Defense Workers	3.0%	2.8%	2.5%	2.4%	2.3%	2.2%	2.1%	1.9%	1.9%	1.9%	-0.6%	-0.5%
Postal Service Employees	3.4%	3.3%	3.2%	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%	2.8%	-7.2%	2.4%
Treasury	NA	NA	NA	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	5.5%	NA
All Other	4.3%	4.1%	4.1%	3.6%	3.6%	3.5%	2.9%	3.4%	3.4%	3.8%	14.1%	3.4%
<b>TOTAL SALARY &amp; WAGES</b>	<b>14.6%</b>	<b>14.3%</b>	<b>13.6%</b>	<b>13.2%</b>	<b>12.8%</b>	<b>12.3%</b>	<b>12.2%</b>	<b>11.6%</b>	<b>11.5%</b>	<b>11.6%</b>	<b>4.2%</b>	<b>2.2%</b>
<b>PAYMENTS TO INDIVIDUALS:</b>												
Social Security Payments	24.3%	24.1%	23.7%	23.6%	23.8%	24.3%	25.3%	25.2%	25.3%	25.3%	3.1%	5.3%
Medicare Payments	11.2%	10.7%	12.4%	12.3%	13.8%	13.2%	13.9%	14.5%	14.1%	13.6%	-0.4%	7.1%
Supplemental Security Payments	1.2%	1.4%	1.5%	1.7%	2.0%	1.8%	1.7%	1.9%	1.9%	1.8%	2.5%	10.3%
Food Stamps	1.4%	1.6%	1.7%	1.7%	1.7%	1.7%	1.6%	1.4%	1.1%	1.0%	-6.3%	1.4%
Veterans' Program	1.6%	1.5%	1.4%	1.4%	1.3%	1.4%	1.4%	1.3%	1.6%	1.4%	-12.7%	3.0%
Federal Employee Retirement	5.3%	5.1%	4.9%	4.9%	4.8%	4.9%	4.9%	5.1%	5.0%	4.9%	1.8%	4.0%
Other Federal Employee Benefits	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.8%	532.4%	27.2%
All Other	4.5%	4.9%	5.6%	5.9%	4.9%	5.2%	4.6%	5.2%	5.9%	5.0%	-11.7%	6.1%
<b>TOTAL PAYMENTS TO INDIVIDUALS</b>	<b>49.6%</b>	<b>49.4%</b>	<b>51.4%</b>	<b>51.7%</b>	<b>52.4%</b>	<b>52.6%</b>	<b>53.7%</b>	<b>54.7%</b>	<b>56.3%</b>	<b>55.6%</b>	<b>1.9%</b>	<b>6.2%</b>
<b>PROCUREMENT CONTRACTS:</b>												
Defense Contracts	13.5%	12.7%	10.8%	10.3%	9.5%	9.2%	9.2%	8.4%	8.5%	8.2%	-0.4%	-0.8%
Postal Service Contracts	0.5%	0.7%	0.6%	0.6%	0.7%	0.6%	0.7%	0.8%	0.8%	0.9%	9.3%	12.1%
Other Contracts	4.8%	5.6%	5.3%	5.0%	4.8%	4.9%	3.6%	4.4%	4.7%	4.5%	-2.5%	3.9%
<b>TOTAL PROCUREMENT CONTRACTS</b>	<b>18.8%</b>	<b>18.9%</b>	<b>16.8%</b>	<b>16.0%</b>	<b>15.0%</b>	<b>14.8%</b>	<b>14.4%</b>	<b>13.5%</b>	<b>14.1%</b>	<b>13.6%</b>	<b>-0.6%</b>	<b>1.1%</b>
<b>OTHER GRANTS &amp; PAYMENTS</b>	<b>3.6%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>3.7%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>26.3%</b>	<b>-6.3%</b>
<b>FEDERAL EXPEND. TOTALS FOR U.S.</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.2%</b>	<b>4.8%</b>

Source: U.S. Department of Commerce, Economics and Statistics Administration.

program has pushed Medicaid expenditures up.

In addition to Medicaid, other federal grant programs have shown rapid growth in the 1990s. The fastest growing is federal expenditures in the Department of Justice, which is labeled “Crime” in the table. It has grown by an annual average of 38.3 percent or from \$2.3 million to \$43.7 million. Despite this very rapid growth, expenditures in this area still amount to only 0.5 percent of all federal expenditures in Utah.

### *Mass Transit*

Federal grants for mass transit have been increasing during the 1990s averaging an annual growth rate of 11.1 percent. They reached a high of \$82.2 million of expenditures in 1998 and then declined in 1999 to \$56.6 million. Both of these represent a significant increase from 1991 when the state received only \$7.8 million which was the low for the decade. The development of light rail in Salt Lake County spurred these increases. Not surprising to those living along the Wasatch Front, highway grants have also shown a significant increase in the last few years although the average annual growth rate was lower at 8.2 percent. Since 1994, federal highway expenditures in Utah increased from \$112.2 million to \$249.7 million in 1999. With the completion of the Interstate 15 renovation, light rail and other projects planned for the Olympics in 2002, this upward trend in both mass transit and highway spending could level off.

### *TANF (AFDC)*

Two other grant areas, Social Services/Health and Housing and Urban Development also grew more than 10 percent per year on average. There is one federal grant program that has gone in the opposite direction, Temporary Assistance to Needy Families

(TANF) formerly known as Aid to Families with Dependent Children (AFDC). Between 1990 and 1995, AFDC grew from \$52.8 million to \$91.2 million in Utah.

In 1996, AFDC was dissolved and replaced with Temporary Assistance for Needy Families (TANF). The administration of this new program was turned over to the states with oversight provided by the federal government. The purpose of TANF was to shift the focus from providing financial help to those who qualify to providing incentives to get participants jobs. TANF grants fell to \$26.9 million in 1997, increased to \$90 million in 1998 and then fell to \$55.9 million in 1999. The average annual growth rate in the 1990s was 0.6 percent. The rather sharp ups and downs of the last few years make it difficult to predict if this slower growth rate will continue.

### *National Grant Expenditures*

Nationally, Medicaid expenditures are growing even faster than in Utah, by an annual average rate of 11.5 percent. Because of this faster growth in Medicaid nationally, federal grants to state and local governments per capita grew faster in the 50 states than in Utah. Federal grants to state and local governments per capita fell in Utah from 93.7 percent of the national average in 1990 to 77.2 percent in 1999 (see **Table 1**).

Although the upward trend in health care expenditures in Utah is similar to the nation, federal Medicaid spending is much lower here than nationally. The main reason for this is that Utah’s poverty rate is below the national average and, therefore, a smaller portion of Utah’s population qualify for this health insurance program.

Nationally, AFDC/TANF has also shown the same trends as have occurred in Utah. After

peaking in 1998 at \$18.5 billion, AFDC/TANF grants dropped to \$13.7 billion in 1999. Again the up and down fluctuations of the past four years make it difficult to predict what the ultimate effect of TANF reform will be on federal expenditures in the states.

### **Salary and Wages**

A second major federal expenditure category is salary and wages. This category declined from 21.9 percent of federal spending in Utah in 1990 to 15.9 percent in 1999. Total federal salaries and wages in Utah declined from \$1.427 billion to \$1.388 billion in 1997 and then rebounded to \$1.469 billion in 1999.

#### *Defense Wages*

The main reason for the decline in federal wages is the drop during the early 1990s in federal military and civilian defense pay. Federal military pay declined from \$234.3 million to \$193.6 million in 1997 and civilian defense pay declined from \$656.6 million to \$448.9 million during the same time. When combined, the declines in federal military and civilian defense pay amounted to a loss to the Utah economy of \$248.5 million over this seven-year period. Military personnel and civilian defense pay fell from 13.7 percent to 7.6 percent of all federal expenditures in the state.

These declines were the result of reductions in civilian defense workers at Hill Air Force base, and closures of two civilian defense plants: Tooele Army Depot and the Ogden Defense Depot. However, in 1998 and 1999, federal military pay increased both in dollar amounts and as a percent of total federal spending. In 1999 military wages were \$253.4 million which represented 2.7 percent of federal spending in Utah. The 1999 increases were largely due to

new programs at Hill Air Force base, the state's largest defense employer. In 1999 Hill was chosen as the headquarters for a new "expeditionary" force and a center for low-observable technology.

An additional increase in federal wages was probably due to gearing up for the 2000 census. These, of course, are temporary positions which will also be part of the 2000 federal expenditure data but will then drop out.

#### *National Wage Comparisons*

Declines in the importance of federal wages as a percent of total federal expenditures can be seen nationally as well. In 1990, military pay in the states amounted to \$39.4 billion which represented 3.9 percent of federal expenditures. In 1997, it had fallen slightly to \$39.0 billion but that represented only 2.7 percent of total expenditures. In 1999, military pay totaled \$42.0 billion but continued to be 2.7 percent of total expenditures. Civilian defense pay in the states has declined from \$29.7 billion in 1990 to \$28.4 billion in 1999. This represents a decline from 3.0 percent of total expenditures in 1990 to 1.9 percent in 1999. Combined, these two categories have declined from 6.9 percent of federal expenditures in the states to 4.6 percent. The decline in federal military and civilian defense pay accounts for the overall decline in salary and wages from 14.6 percent of federal expenditures in states to 11.6 percent during the 1990s.

The more dramatic decline in wages and salaries between Utah and the nation is best understood in per capita terms. Federal wages and salaries in Utah have dropped from 140.9 percent to 106.1 percent of the national average during the 1990s. This entire drop can be attributed to the decline in military and civilian defense pay. The main reason that Utah still

receives federal salary and wages above the national average is that Utah is a large public land state.<sup>4</sup> These public (federal) lands are managed by federal employees. It is the large presence of Bureau of Land Management, Forest Service, Park Service, Fish and Game Service and other federal employees that keeps federal per capita wages and salaries above the national average.

### **Payments to Individuals**

Payments to individuals is the largest of the five major categories. About 81 percent of these payments are made to persons of retirement age. As can be seen from the tables, this category includes Social Security, Medicare, and federal retirement among others. Social Security is not only the largest federal expenditure in payments to individuals, it is the single largest federal expenditure in the state. Even more important, it is a growing portion of all federal expenditures in Utah. In the 1990s, Social Security has grown from 18.0 percent of all federal expenditures in Utah in 1990 to 21.9 percent in 1999 having reached a peak in 1998 of 22.4 percent.

Medicare (the healthcare program for citizens 65 and over) is the second largest payment to individuals and the second largest federal expenditure in the state. It is also one of the fastest growing federal expenditures in Utah. Medicare expenditures have increased from \$343.7 million to \$796.4 million between 1990 and 1999, an average annual increase of 9.8 percent. To appreciate the size and rapid growth

of these two programs, it helps to look at them over the period of the 1990s. In 1990, Social Security and Medicare amounted to 23.3 percent of all federal expenditures in the state. By 1998, these two programs had grown to 31.6 percent of all federal expenditures in the state. There was a slight decline in 1999 to 30.5 percent of total expenditures but even so, these two programs that go just to the elderly account for almost one-third of all federal dollars spent in Utah.

Social Security is also the single biggest expenditure in all 50 states. In 1999, Social Security amounted to 25.3 percent of all federal expenditures. Medicare is the second largest program in 1999, amounting to 13.6 percent of all federal expenditures in the states. Combined, these two programs for the elderly amount to 38.9 percent of all federal expenditures in the states.

The reason that Utah receives a smaller portion of Social Security and Medicare than the national average is that Utah has the youngest population among the states. Utahns' 65 years of age and older accounted for only 8.7 percent of the state's population in 1999. Nationally, those 65 and older made up 12.7 percent. With fewer people qualifying for Social Security and Medicare, Utah receives fewer dollars.

The state's youthful demographic profile results in fewer federal dollars per capita as payments to individuals than the nation as a whole -- and it has been declining steadily.<sup>5</sup> In 1990,

---

<sup>4</sup> In Utah, 65.9 percent of the land area (52.5 million acres) is owned by the federal government. Of this amount 42.0 percent is owned by the Bureau of Land Management, 15.3 percent by the National Forest Service, 3.6 percent by the Department of Defense, 3.3 percent by the National Parks Service, and 1.7 percent by other federal agencies.

---

<sup>5</sup> Population projections by the U.S. Bureau of Census show Utah's elderly population to be growing slightly faster than that of the nation's. Utah's 65 and over population will grow from a projected 9.1 percent in 2000 to 10.8 percent in 2010. Nationally, the 65 and over population will grow from 12.6 to 13.2 percent. See U.S. Bureau of the Census *Population Paper Listings, PPI-47*.

federal per capita payments to individuals in Utah amounted to \$1,439.77 or 72.2 percent of the national average of \$1,995.26. In 1999, Utah received \$2,116.44 per capita in payments to individuals or 67.8 percent of a national average of \$3,123.63.

### **Procurement Contracts**

Of the five major categories of federal expenditures, procurement contracts have shown the most significant change. Total procurement contracts, in Utah, have declined from \$1.54 billion in 1990 to \$1.27 billion in 1999. This is a loss to the Utah economy of \$275 million. The biggest reason for this dramatic drop in procurement contracts is the loss of federal defense contracts. During this time, Utah's defense contractors have gone from contracts totaling \$883.0 million in 1990 to only \$548.1 million in 1999. The 1999 spending represents a significant increase from the low of \$393.2 million spent in 1996.

Looking at it from another perspective, defense contracts fell from 13.6 percent of all federal expenditures in Utah in 1990 to only 4.8 percent in 1996 and have then increased slightly to 5.9 percent in 1999. The early losses in revenue forced Utah's defense contractors to substantially rethink and redefine their corporate missions. The recent increase indicates that they have had some success as a result.

Offsetting the decline in defense contracts, to a small degree, is the significant rise in postal service contracts. Postal contracts have grown from \$22.4 million to \$79.0 million, an annual average growth rate of 15.0 percent. Even at this higher level, postal service contracts account for less than 1 percent of all federal expenditures in the state.

Nationally, procurement contracts show a

similar but less dramatic decline. As a percent of all federal expenditures in the states, procurement contracts have dropped from 18.8 percent to 13.6 percent between 1990 and 1999. However, procurement contracts did not fall in actual expenditures nationally as they did in Utah. National procurement contracts grew from \$188.5 billion to \$208.1 billion – an increase of \$19.6 billion.

Despite this slight increase in total procurement contracts, defense contracts took a hit, falling from \$135.3 billion to \$126.2 billion, a decline of \$9.1 billion. As a percent of all procurement contracts, defense contracts have dropped from 71.7 percent to 60.7 percent. Defense contracts fell from 13.5 percent of all federal spending in the states to 8.2 percent.

As with federal wages and salaries, the best way to see how much better the nation has fared in the decline in contracts is by looking at per capita expenditures. Nationally, per capita procurement contracts have risen from \$756 to \$763 -- an increase of \$7 per capita. In Utah, the decline was sharp, from \$892 to \$595. This is a loss of \$297 per capita. In percentage terms, Utah went from 118 percent of the per capita national average to 78.0 percent -- a remarkable drop in just seven years.<sup>6</sup> **Figures 1 and 2** show the trends in federal expenditures for Utah and the U.S.

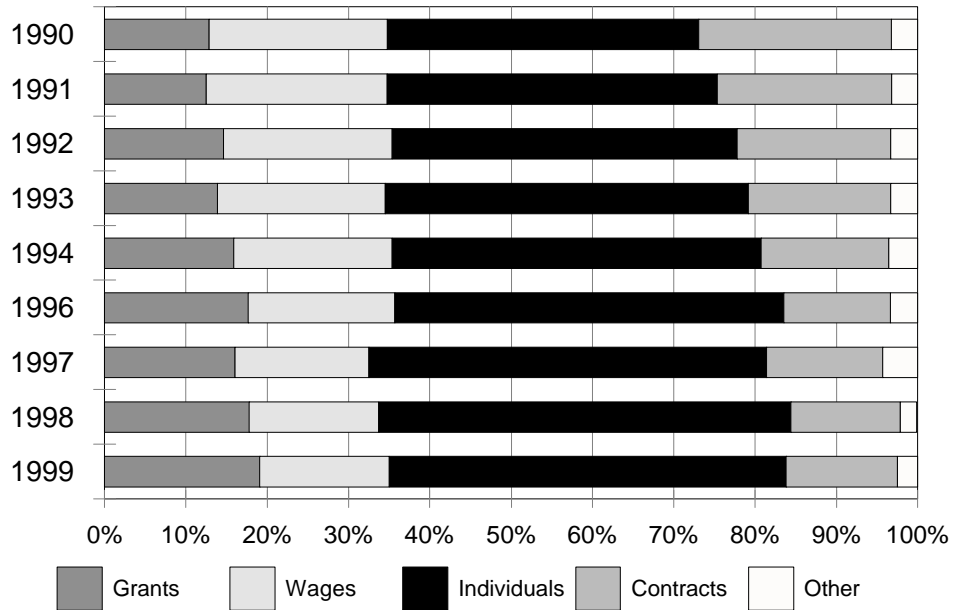
### **Trends in Federal Expenditures**

In 1998, Utah Foundation stated that there were three important trends which were having a

---

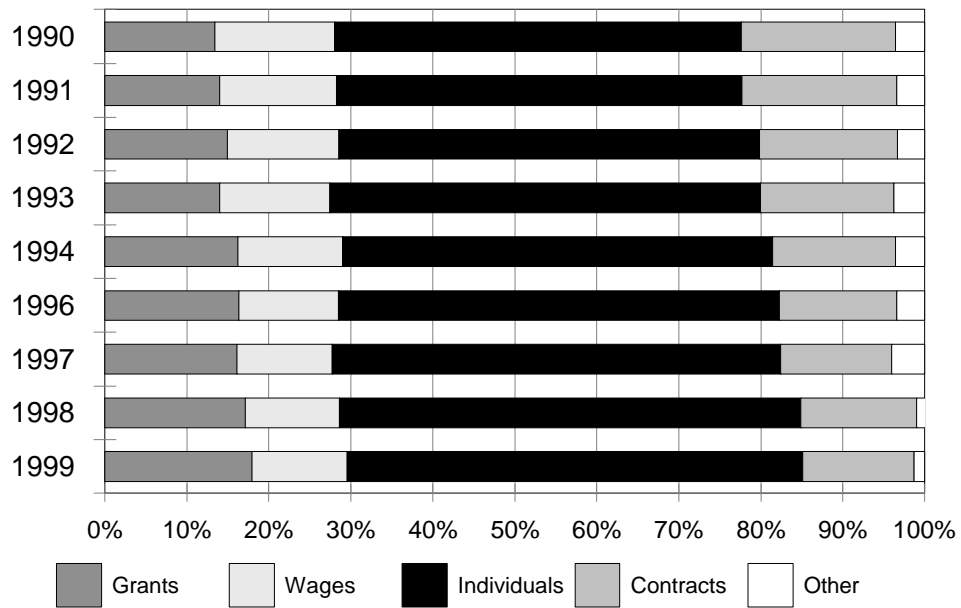
<sup>6</sup> For a more complete discussion of the decline in federal defense spending in Utah see *1998 Economic Report to the Governor, (Governor's Office of Planning and Budget)*, pp.167-172. Other editions of this annual report are also very helpful.

**Figure 1**  
**Federal Expenditures in Utah 1990-1999**  
 As a Percent of Total Expenditures



Source: Utah Foundation

**Figure 2**  
**Federal Expenditures in the U.S.**  
 As a Percent of Total: 1990-1999



Source: Utah Foundation

significant impact on federal expenditures in the states. **The first major trend was the substantial decline in both federal salary and wages, and federal procurement contracts.** Both of these declines are part of the same story, namely the decline in military expenditures since the end of the Cold War. This decline in federal defense expenditures is affecting many states.

**The second major trend is the increase in health care expenditures.** In sharp contrast to federal defense related expenditures, two federal programs -- Medicare and Medicaid - - have increased significantly as a percent of all federal expenditures in all 50 states.

**The third major trend is the significant slowdown in the growth of federal expenditures in the states.** In almost every year of the 1990s, federal expenditures in the states have grown more slowly than the previous year. Federal expenditures grew by 9.4 percent from 1990 to 1991. Since then the annual growth rate fell every year until 1996, when it grew by only 2.2 percent. Since then there have been slight increases with a growth rate from 1998 to 1999 of 3.2 percent.

The important point is the long-term decline in the 1990s from over 9 percent to 3.2 percent. Despite this decline, federal expenditures in the states, as a percent of total personal income (TPI)<sup>7</sup>, have fluctuated within a narrow range. In 1990 federal expenditures in the states

represented 20.8 percent of TPI, by 1994 this had grown to 22.7 percent and in 1999 it had declined back to a level very similar to the 1990 level, namely 20.0 percent.

The decline in federal defense related expenditures along with the slowing of growth rates for Medicare and Medicaid have contributed to the slower growth rate for federal expenditures in the 50 states. Medicare growth rates have slowed from an average annual increase of 9.9 percent from 1990 to 1995, to an annual average increase of 3.0 percent from 1995 to 1999. Likewise, Medicaid has slowed from an annual average rate of growth of 13.4 percent from 1990 to 1995, to 6.3 from 1995 to 1999.

### **Impact of Trends on the 50 States**

These same three trends have had significant impacts on federal spending in all 50 states as already discussed. However, it is interesting to note that the state by state impacts do vary considerably as the demographic and economic profiles of each state vary. The Taubman Center for State and Local Government (which is part of the John F. Kennedy School of Government at Harvard University) in conjunction with the office of Senator Daniel P. Moynihan has for several years looked at how federal spending varies from state to state, particularly as it relates to the federal taxes paid<sup>8</sup> by each state.

In December of 2000, they released a

---

<sup>7</sup> Total personal income is estimated by the Bureau of Economic Analysis in the U.S. Department of Commerce. It is defined as all income received by, or on behalf of all residents of an area. It includes wages, salaries, other labor income, proprietors' income, dividends, interest, rent and transfer payments (such as Social Security).

---

<sup>8</sup> The Taubman Center reports includes the following taxes when calculating federal tax burden: Individual income tax, corporate income tax, estate and gift taxes, employment taxes, Social Security taxes, and excise taxes.

report<sup>9</sup> which looked at a 16 year history of those relationships. Using the same CFFR report published by the Bureau of the Census to obtain federal expenditure data and information from the National Tax Foundation concerning federal tax collections by state, the Taubman Center study noted several significant differences among the 50 states in the impact these trends have had on federal spending in particular states.

#### *Federal Taxes Paid compared to Federal Expenditures Received*

Much of the Taubman Center study focuses on the relationship between federal taxes paid and federal spending received or what they call the balance of payments. They note that obtaining a balance between taxes paid and federal spending within a particular state has never been a goal of most federal spending programs and an imbalance has always existed. Some states pay much more in federal taxes than they receive back in federal spending. Other states receive many more dollars of federal spending than they pay out.

This report will not attempt to explain the merits of or problems associated with this balance of payments issue. It is important however, when looking at other findings of the Taubman Center report to understand that this is one of the major concerns of the researchers and the focal point of the report. It is also interesting to note that Utah was, in the years of heavy defense spending, one of the states which received much more in federal spending than was

paid in federal taxes. The recent changes in priorities have changed that and Utah now receives only slightly more in federal spending within the state than it pays in federal taxes (see **Table 4 and Figure 3**).

Most Western states have a positive balance of payments.<sup>10</sup> New Mexico and Montana have the highest positive balance of payments and rank first and second out of the 31 states with a positive balance. Arizona, Idaho, and Wyoming are clustered together at numbers 20, 21 and 24 respectively. Utah's rank is 29. Colorado and Nevada both have a negative balance of payments ranking 38 and 46 out of the 50 states. Nevada has the fifth largest negative balance of payments, while Colorado has the thirteenth largest. Overall, the west does well and the northeast does poorly when looking at balance of payments as reported by the Taubman Center.

Returning to a closer look at expenditures, the impact of the shift away from defense spending and toward payments to individuals as it affects all 50 states, and the western states in particular, can be seen in **Table 5**. Using 1999 dollars to make the comparison, most states have seen federal defense spending decline. There are a few exceptions. Idaho, West Virginia, and Kentucky have actually seen defense spending increases while Oklahoma and Wyoming have seen virtually no change.

Social Security, Medicare and Grant

---

<sup>9</sup> This report, *The Federal Budget and the States Fiscal Year 1999*, may be accessed on the World Wide Web at [www.ksg.harvard.edu/taubmancenter/FY1999FiscComplete.pdf](http://www.ksg.harvard.edu/taubmancenter/FY1999FiscComplete.pdf).

---

<sup>10</sup>As noted the source for Federal Expenditure data is the Census Bureau's CFFR report and the source for taxes paid is the Tax Foundation. In order to calculate the balance of payments, the Taubman Center also applies a Cost of Living (COLA) adjustment to each state's tax and federal expenditure data. For more information on this adjustment see the Taubman Center Report at [www.ksg.harvard.edu/taubmancenter/FY1999FiscComplete.pdf](http://www.ksg.harvard.edu/taubmancenter/FY1999FiscComplete.pdf).



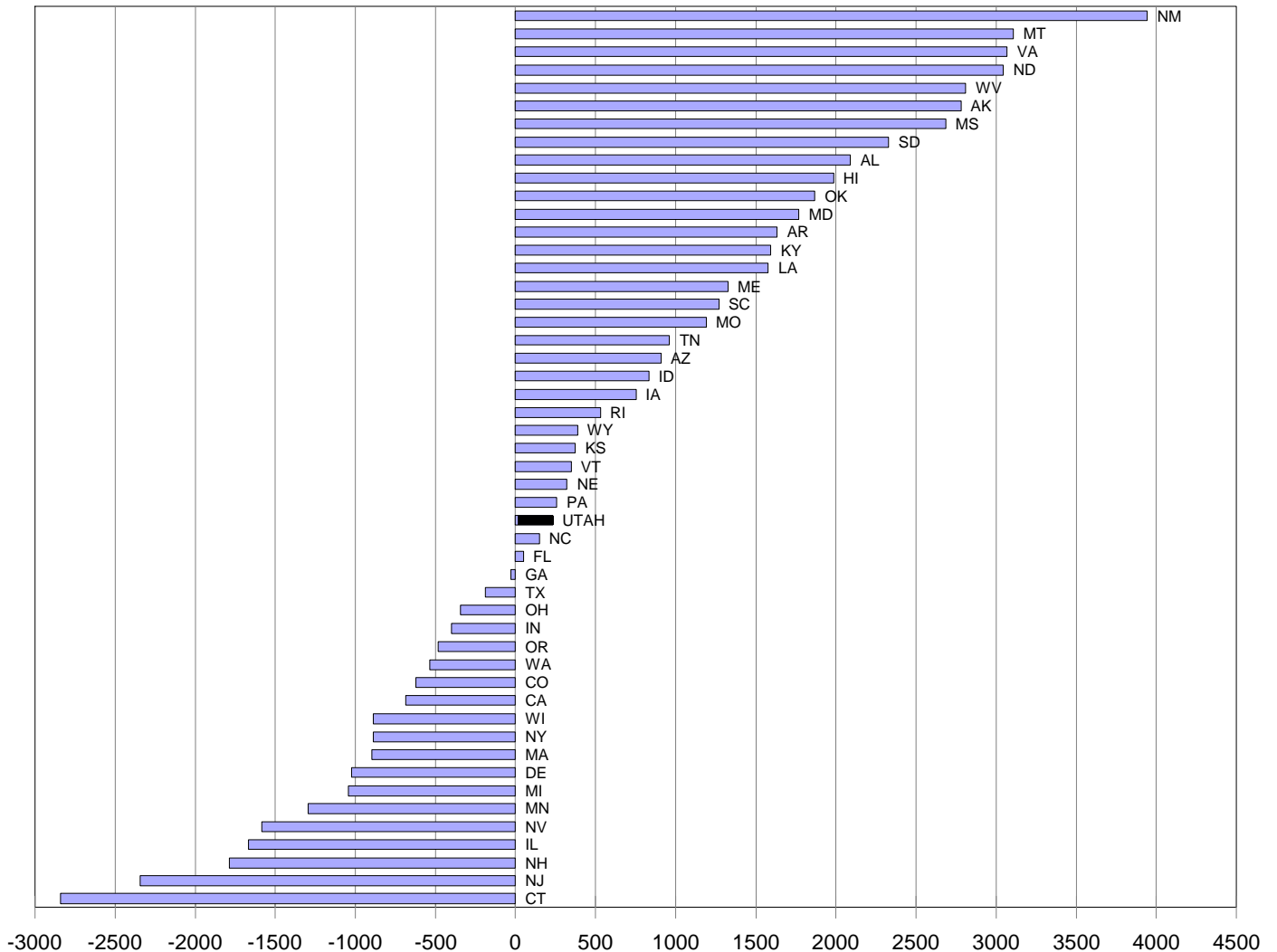
**Table 4  
Federal Spending, Taxes and Balance of Payments\* Per Capita  
Fiscal Year 1999**

State	Federal Spending Per Capita		Federal Taxes Per Capita		Balance of Payments Per Capita		Total Balance of Payments (in millions)
	Amount	Rank	Amount	Rank	Amount	Rank	
Alabama	\$6,610	9	\$4,519	38	\$2,091	9	\$9,139
Alaska	7,649	5	4,872	33	2,777	6	1,720
Arizona	5,617	24	4,713	35	904	20	4,319
Arkansas	5,871	19	4,238	44	1,633	13	4,166
California	4,909	38	5,593	17	-685	39	-22,688
Colorado	5,303	32	5,923	10	-620	38	-2,514
Connecticut	5,224	34	8,064	1	-2,840	50	-9,320
Delaware	4,851	39	5,876	11	-1,025	43	-772
Florida	6,121	14	6,074	6	47	31	707
Georgia	5,493	28	5,523	19	-29	32	-228
Hawaii	5,937	18	3,955	48	1,982	10	2,350
Idaho	5,178	35	4,349	41	829	21	1,038
Illinois	4,592	45	6,260	4	-1,669	47	-20,241
Indiana	4,686	43	5,085	29	-399	35	-2,373
Iowa	5,820	21	5,071	30	750	22	2,151
Kansas	5,832	20	5,459	20	373	25	990
Kentucky	6,111	15	4,516	39	1,595	14	6,317
Louisiana	6,008	17	4,432	40	1,576	15	6,892
Maine	5,539	25	4,215	45	1,324	16	1,660
Maryland	8,334	2	6,564	3	1,770	12	9,155
Massachusetts	5,361	30	6,256	5	-895	42	-5,526
Michigan	4,682	44	5,724	16	-1,042	44	-10,277
Minnesota	4,775	41	6,069	7	-1,294	45	-6,180
Mississippi	6,589	10	3,905	50	2,684	7	7,431
Missouri	6,544	11	6,358	22	1,187	18	6,490
Montana	7,389	6	4,279	43	3,109	2	2,745
Nebraska	5,624	23	4,304	23	320	27	533
Nevada	4,355	48	5,938	9	-1,583	46	-2,865
New Hampshire	4,067	50	5,854	13	-1,787	48	-2,147
New Jersey	4,362	47	6,705	2	-2,342	49	-19,076
New Mexico	7,992	3	4,048	47	3,944	1	6,862
New York	4,944	37	5,834	14	-890	41	-16,189
North Carolina	5,287	33	5,141	27	146	30	1,115
North Dakota	7,690	4	4,647	36	3,043	4	1,928
Ohio	4,827	40	5,171	26	-344	34	-3,873
Oklahoma	6,198	13	4,332	42	1,866	11	6,266
Oregon	4,752	42	4,235	25	-483	36	-1,601
Pennsylvania	5,531	26	5,275	24	256	28	3,076
Rhode Island	5,504	27	4,976	31	528	23	525
South Carolina	5,810	22	4,546	37	1,265	17	4,914
South Dakota	7,276	7	4,949	32	2,327	8	1,706
Tennessee	6,071	16	5,110	28	961	19	5,270
Texas	5,377	29	5,566	18	-189	33	-3,789
<b>Utah</b>	<b>4,324</b>	<b>49</b>	<b>4,094</b>	<b>46</b>	<b>230</b>	<b>29</b>	<b>490</b>
Vermont	5,061	36	4,719	34	343	26	203
Virginia	8,825	1	5,756	15	3,069	3	21,094
Washington	5,339	31	5,872	12	-533	37	-3,070
West Virginia	6,724	8	3,916	49	2,808	5	5,074
Wisconsin	4,521	46	5,409	21	-887	40	-4,659
Wyoming	\$6,338	12	\$5,951	8	\$386	24	\$185

\* Federal taxes paid as calculated by the Tax Foundation less Federal Expenditures in the state as published by the U.S. Bureau of the Census CFFR, adjusted for cost of living by the Taubman center.

Source: *The Federal Budget and the States Fiscal Year 1999*, Taubman Center for State & Local Government, John F. Kennedy School of Government, Harvard University, December 15, 2000.

**Figure 3**  
**Per Capita Balance of Payments\*, FY 1999**



\* Federal taxes paid as calculated by the Tax Foundation less Federal Expenditures in the state as published by the U.S. Bureau of the Census CFFR, adjusted for cost of living by the Taubman center.

Source: *The Federal Budget and the States Fiscal Year 1999*, Taubman Center for State & Local Government, John F. Kennedy School of Government, Harvard University, December 15, 2000.

Table 5

**Federal Spending in the Fifty States**  
**Percentage Change in Spending\* FY 1983/84 to FY 1998/99**

	Total		Defense**		Social Security		Medicare		Grants	
	Pct Chg	Rank	Pct Chg	Rank	Pct Chg	Rank	Pct Chg	Rank	Pct Chg	Rank
Alabama	35%	11	-4%	7	39%	9	131%	9	57%	15
Alaska	25%	18	-15%	11	106%	1	146%	2	52%	19
Arizona	14%	37	-22%	14	15%	43	84%	28	58%	13
Arkansas	27%	14	-66%	46	32%	18	106%	15	56%	17
<b>California</b>	-14%	50	-66%	47	7%	50	61%	45	46%	26
Colorado	16%	34	-9%	9	32%	17	80%	32	29%	42
Connecticut	-11%	48	-63%	45	19%	39	107%	13	47%	23
Delaware	15%	36	-61%	42	25%	28	93%	19	30%	40
Florida	19%	27	-37%	26	18%	40	91%	23	69%	5
<b>Georgia</b>	17%	33	-29%	23	24%	30	118%	12	33%	39
Hawaii	6%	42	-26%	18	35%	14	101%	16	49%	22
Idaho	24%	22	28%	1	22%	34	87%	26	42%	32
Illinois	20%	24	-34%	25	18%	41	72%	37	27%	44
Indiana	24%	21	-55%	37	26%	24	93%	21	46%	24
<b>Iowa</b>	52%	2	-25%	17	28%	21	73%	36	50%	20
Kansas	8%	41	-60%	41	25%	27	64%	41	43%	30
Kentucky	49%	3	17%	3	40%	7	135%	8	65%	8
Louisiana	43%	6	-38%	27	50%	3	239%	1	67%	7
Maine	29%	12	-2%	6	23%	31	60%	46	56%	16
<b>Maryland</b>	19%	30	-26%	19	22%	35	90%	24	41%	33
Massachusetts	0%	43	-63%	44	12%	47	83%	29	37%	35
Michigan	22%	23	-67%	48	25%	26	71%	38	30%	41
Minnesota	13%	38	-58%	40	20%	38	59%	47	23%	45
Mississippi	17%	32	-49%	34	40%	8	141%	4	58%	14
<b>Missouri</b>	-10%	47	-55%	39	26%	23	82%	30	62%	10
Montana	49%	4	-20%	12	31%	19	89%	25	46%	25
Nebraska	25%	17	-27%	21	25%	29	63%	42	61%	12
Nevada	-11%	49	-54%	36	32%	16	47%	50	0%	50
New Hampshire	-8%	46	-75%	50	17%	42	62%	43	36%	36
<b>New Jersey</b>	11%	39	-49%	35	12%	46	81%	31	21%	47
New Mexico	15%	35	-7%	8	38%	11	85%	27	55%	18
New York	10%	40	-74%	49	10%	48	79%	33	44%	28
No. Carolina	39%	8	-26%	20	39%	10	122%	10	76%	4
No. Dakota	37%	10	-21%	13	36%	13	64%	40	80%	3
<b>Ohio</b>	24%	20	-43%	31	27%	22	92%	22	50%	21
Oklahoma	44%	5	0%	5	41%	6	121%	11	64%	9
Oregon	19%	28	-28%	22	13%	45	49%	49	35%	38
Pennsylvania	24%	19	-39%	28	21%	37	100%	17	44%	29
Rhode Island	19%	29	-39%	29	14%	44	75%	34	36%	37
<b>So. Carolina</b>	26%	15	-30%	24	48%	4	138%	5	67%	6
So. Dakota	40%	7	-23%	15	26%	25	68%	39	45%	27
Tennessee	26%	16	-25%	16	36%	12	136%	7	61%	11
Texas	28%	13	-40%	30	34%	15	107%	14	85%	1
Utah	-7%	45	-61%	43	23%	33	98%	18	18%	48
<b>Vermont</b>	19%	26	-47%	32	23%	32	61%	44	40%	34
Virginia	18%	31	-11%	10	31%	20	93%	20	22%	46
Washington	-5%	44	-47%	33	10%	49	73%	35	42%	31
West Virginia	53%	1	23%	2	46%	5	136%	6	84%	2
Wisconsin	20%	25	-55%	38	21%	36	58%	48	28%	43
<b>Wyoming</b>	39%	9	0%	4	74%	2	142%	3	17%	49

\* 1983/84 spending adjusted to 1999 dollars before making the comparison.

\*\* Defense salaries and wages, defense procurement contracts, and Department of Energy defense related activities. Does not include grants or military retirement.

Source: Taubamann Center for State and Local Government, *The Federal Budget and the States Fiscal Year 1999*, December 15, 2000.

spending have generally increased in every state but the range of that increase goes from 0.0 percent (Nevada's increase in grant spending) to 239 percent (Louisiana's increase in Medicare spending). Of the western states, Montana and Wyoming have seen the most overall increase in federal spending during the time period of the study. Wyoming benefitted from significant growth in Medicare and above average growth in Social Security. At the same time defense spending remained the same. Montana experienced average growth in Social Security, Medicare and Grants while their defense spending declined 20 percent compared to Utah's 61 percent decline and Nevada's 54 percent. As a result of the defense declines, Utah and Nevada have both seen overall declines much greater than average. Interestingly, Idaho saw more growth in defense spending than any other state even though the growth of overall federal spending in Idaho was only slightly higher than average.

The Taubman Center study clearly illustrates the impact varying economic and demographic factors have on the way changes in federal spending trends are reflected in each state.

### **Impact of Federal Expenditures on Utah**

The loss in federal expenditures in Utah from 1990 to 1999 due to the shift away from national defense spending is significant. However, what is impressive is that the loss of federal dollars has been absorbed with relative ease. Since 1988, the state economy has been very strong. Job growth during the early 1990s was exceptional, peaking in 1994 at 6.2 percent. Despite a declining rate in job growth since 1994, Utah's 1999 growth rate of 2.4 percent and projected

2000 growth rate of 2.6 percent<sup>11</sup> still outpaces the national average.

Utah's unemployment rate which reached a 45 year low in 1997 at 3.2 percent, increased slightly to 3.7 percent in 1999 and dropped back to 3.3 percent in 2000. Unemployment also continues to be below the national average. For six years in a row, average wage increases in Utah have exceeded the rate of inflation as measured by the U.S. Consumer Price Index. In fact, the strength and length of Utah's strong economy of the 1990s was exceptional despite the declines in federal spending in the state.

The economic boom has been mainly fueled by the construction industry (see **Figures 4, 5** and **Table 6**). Between 1988 and 1999, construction employment more than doubled, growing from 24,981 employees to 72,214. Construction jobs accounted for 12.2 percent of all net new jobs created during this period.

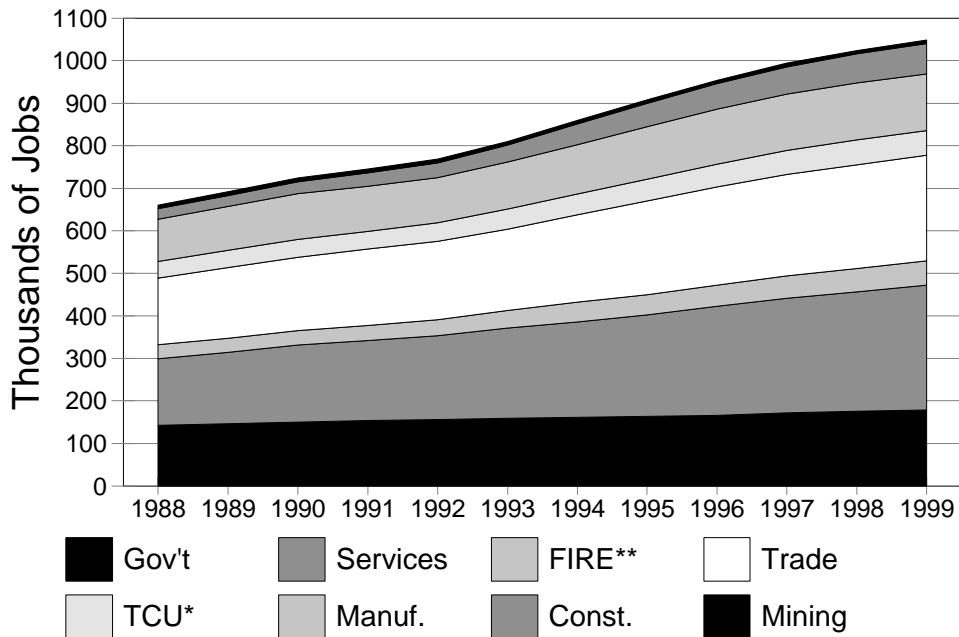
Second only to construction in growth rates but first in total number of jobs created is services. This industry grew from 155,880 jobs to 293,506 or an increase of 137,626. Services jobs have accounted for 35.4 percent of all jobs created since 1988.

Third in growth rate and second in jobs created is trade. Trade employment created 91,626 jobs, accounting for 23.6 percent of the total net new jobs created since 1988. Combined construction, services and trade accounted for 71.2 percent of all net new jobs created. Finance, Insurance and Real Estate also grew at a significant 4.9 percent over the period creating

---

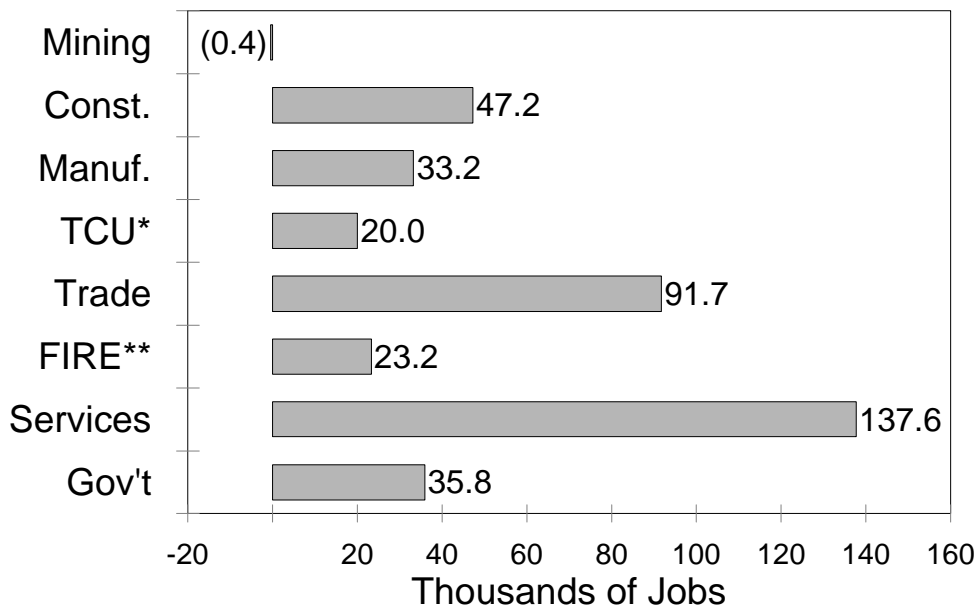
<sup>11</sup> Utah Council of Economic Advisors, *Economic Report to the Governor 2001*, Utah Office of Planning and Budget, Salt Lake City, Utah, January 10, 2001.

**Figure 4**  
**Employment in Utah: 1988-99**  
 By Major Industry



\*TCU -Transp., Communications, Utilities \*\*FIRE -Finance, Insurance, Real Estate  
 Source: Utah Dept. of Workforce Services.

**Figure 5**  
**Utah Employment Growth by Industry**  
 1988-1999



\*TCU -Transp., Communications, Utilities \*\*FIRE -Finance, Insurance, Real Estate  
 Source: Utah Dept. of Workforce Services.

**Table 6**

**Utah Nonagricultural Employment from 1988 to 1999 by Industry**

Year	Mining	Construction	Manufacturing	TCU*	Trade	FIRE**	Services	Gov't	Total	Private Sector	
										Count	% of Total
1988	8,162	24,981	98,989	39,375	156,530	33,429	155,880	142,729	660,075	517,346	78.4%
1989	8,129	25,868	103,071	40,863	166,428	33,380	167,203	146,302	691,244	544,942	78.8%
1990	8,602	27,836	107,096	42,274	172,385	34,136	180,750	150,550	723,629	573,079	79.2%
1991	8,596	31,528	105,733	42,421	178,753	35,852	188,360	153,959	745,202	591,243	79.3%
1992	8,487	34,902	106,242	43,870	184,439	37,307	196,413	156,940	768,600	611,660	79.6%
1993	8,320	39,715	110,457	47,071	191,473	41,439	211,816	159,440	809,731	650,291	80.3%
1994	8,309	48,186	116,627	49,353	205,429	45,917	224,371	161,434	859,626	698,192	81.2%
1995	8,112	54,791	123,859	51,489	220,019	47,674	238,276	163,666	907,886	744,220	82.0%
1996	7,929	60,283	129,177	54,045	230,229	50,539	255,509	166,471	954,182	787,711	82.6%
1997	8,291	64,445	132,856	56,034	238,300	52,657	269,545	171,887	994,015	822,128	82.7%
1998	8,044	68,252	133,516	58,705	244,094	55,258	280,444	175,645	1,023,958	848,313	82.8%
1999	7,762	72,214	132,203	59,411	248,212	56,637	293,506	178,553	1,048,498	869,945	83.0%
Total Increase 1988-99	-400	47,233	33,214	20,036	91,682	23,208	137,626	35,824	388,423	352,599	90.8%
Pct. of Increase 88-99	-0.1%	12.2%	8.6%	5.2%	23.6%	6.0%	35.4%	9.2%	100.0%	90.8%	
Industry Growth 88-99	-4.90%	189.08%	33.55%	50.89%	58.57%	69.42%	88.29%	25.10%	58.85%	68.16%	
Avg. Annual % Change	-0.46%	10.13%	2.67%	3.81%	4.28%	4.91%	5.92%	2.06%	4.30%	4.84%	

\*TCU -Transp., Communications, Utilities

\*\*FIRE -Finance, Insurance, Real Estate

Source: Utah Dept. of Workforce Services.

23,208 new jobs. Government employment grew at only 2.1 percent over the same period.

The decline in federal defense related employment in the early 1990s and the corresponding increase in other industries, especially construction, services and trade, has made for a more diverse economy in Utah. Such an increase in employment diversity means that the Utah economy is less likely to be significantly disturbed by downturns in any one industry. Utah's economic growth in the 1990s was driven by the private sector not the public sector. In fact, more than 90.8 percent of all net new jobs created in the 1990s have been in the private sector as is shown in **Figure 6**. As a result of this, the private sector now employs 83.0 percent of Utah's total workforce. This continues to be the highest level in the post World War II period.

## **Conclusion**

Like the rest of the states, Utah received only small and inconsistent federal aid prior to the Great Depression. That all changed with the New Deal and World War II. These two watershed events caused, federal expenditures to grow significantly.

Beginning in the 1960s with the creation of Medicare and Medicaid, federal priorities began shifting away from national defense to health care. In the last decade, these changes in federal priorities, have accelerated. With the end of the Cold War, federal defense related expenditures have fallen sharply as a percent of federal expenditures and health care expenditures have

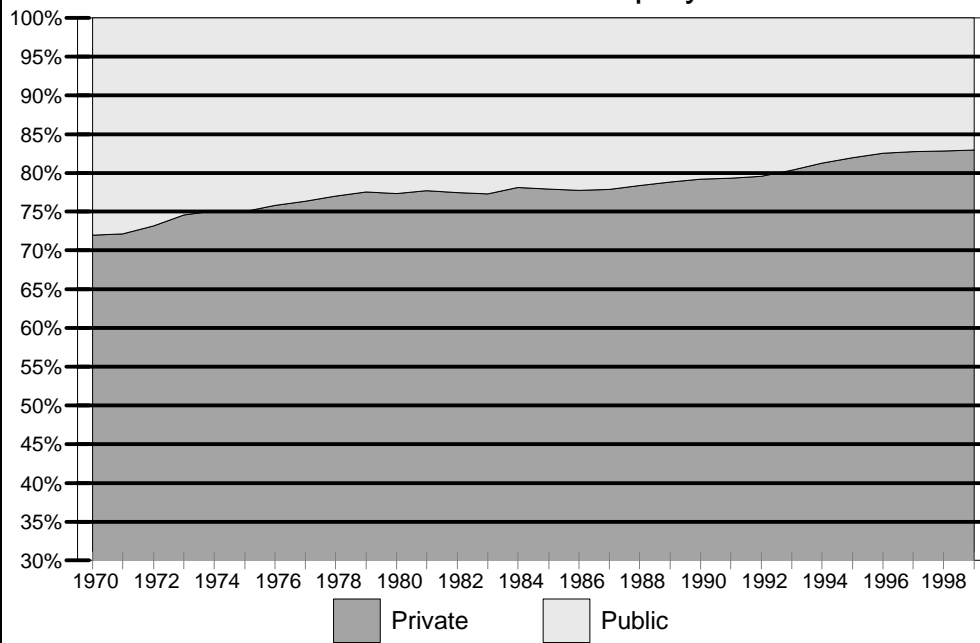
risen dramatically with the expansion of Medicaid coverage and the aging of the national population. At the same time, federal spending as a percent of GDP have declined gradually.

In the past, Utah had a very large share of its economy dependent on federal defense related spending. As the federal government reduced federal defense spending, Utah naturally was hit hard. Utah also has a small elderly population and low statewide poverty rates which means that the state receives relatively fewer Medicare and Medicaid dollars. These two facts have meant that the shift from federal spending for defense to spending for healthcare has had a significant effect on Utah's economy as well as the economies of other states with similar economic and demographic make-up. Even among the eight western states, however, demographic and economic factors combine to make some states benefit and some states lose more than others as a result of the shift in spending priorities.

While Utah has received some new defense related jobs since 1999, this does not signal a major shift in the trend away from defense related spending to health care spending. Even so, the Utah economy continues to grow faster than the national average, whether measured by employment or personal income growth, average annual wages or even per capita income. Utah's stronger, more diverse and private-sector oriented economy should continue to be strong and grow faster than the national average in the coming years.

**Figure 6**

**Private / Public Sector Employment  
As a Percent of Total Employment**



Source: Utah Dept. of Workforce Services.