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Federal Money Keeps Iowa, New Hampshire Afloat

National Priorities Project examines federal money in state budgets, and direct federal support to individuals.

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Federal programs funnel thousands of dollars to the average American, though few people realize the extent to which government assistance benefits them. A Cornell University poll asked 1,400 Americans if they had “ever used a government program,” and 57 percent said no. The same respondents then were asked if they had used any of 21 different programs—everything from unemployment benefits to the home-mortgage interest deduction—and 94 percent said they had used at least one.ⁱ

This month the first voters head to the polls to decide who will be the Republican nominee for president. The presidential election is about voters’ vision for how the federal government should serve the American people, so National Priorities Project took a look at the extent to which residents of the first primary states, Iowa and New Hampshire, receive federal support—even if they may be unaware of it. Federal money comprises a sizable chunk of Iowa and New Hampshire state budgets. In addition, individuals in both of those states—like Americans across the country—receive thousands of dollars of direct federal assistance. (See federal assistance to individuals on the state and county level [here](#).)

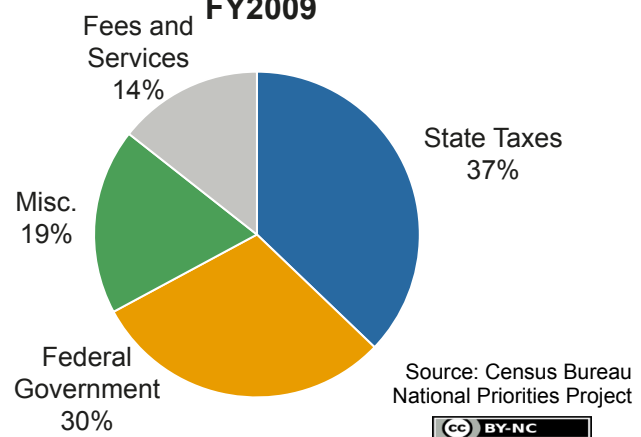
New Hampshire Residents Received \$4,850 from Federal Programs

On average, every New Hampshire resident received \$4,850 in direct assistance from federal programs in 2010ⁱⁱ—that’s everything from the Medicare prescription drug benefit to Pell grants.

According to a 2011 Census Bureau report, federal money also accounted for 30 cents of every dollar of New Hampshire state revenue in fiscal 2009, the most recent year for which comprehensive data are available.ⁱⁱⁱ

Federal money helps states pay for building roads and fixing bridges, among numerous other kinds of projects. While federal spending in 2009 and 2010 was especially large due to stimulus funds and expanding need-based programs, federal spending every year comprises a substantial portion of states’ total revenues.

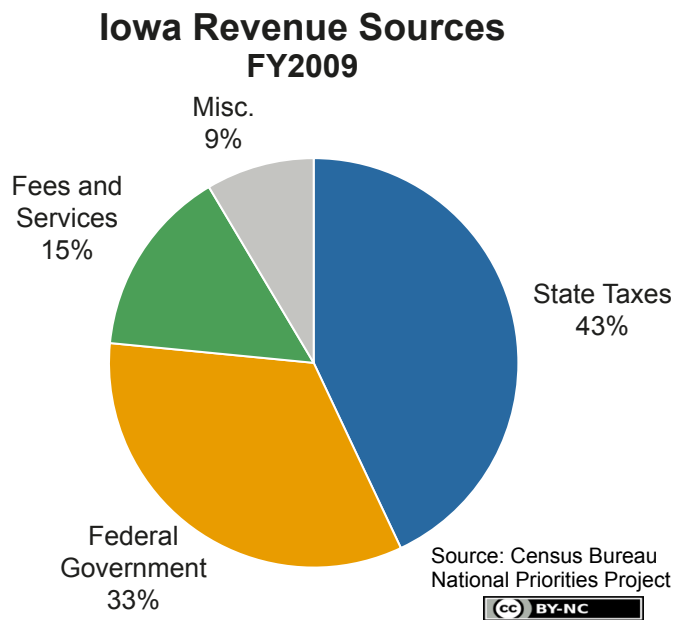
New Hampshire Revenue Sources FY2009



Throughout the recession and the slow recovery, states have made deep cuts to programs and shed thousands of jobs in an effort to close budget gaps. In fiscal 2009, New Hampshire used unsustainable sources of cash to pay its bills, including spending down 90 percent of its accumulated rainy day fund. Still, the state ran a \$250 million deficit that year^{iv}—a figure that would have been far greater without expanded federal assistance. The state’s annual deficit has grown since then—it was \$365 million in fiscal 2011^{iv}—but is lower than most other states. New Hampshire residents have fared relatively well through the recession, with a statewide unemployment rate below six percent.

Federal Money a Third of Iowa State Revenue

Iowa received more federal money than New Hampshire in 2009. Thirty-three percent (\$5.4 billion) of state revenue came from federal sources in that year,ⁱⁱⁱ while Iowa lawmakers made a 1.5 percent across-the-board cut to state programs to control the state’s ballooning deficit. Despite these cuts and support from the federal government, the state’s deficit in fiscal 2009 amounted to \$484 million.^{iv} In subsequent years, that figure grew considerably, surpassing \$1 billion in fiscal 2010 and 2011.^{iv}



As [a recent New York Times article](#) pointed out, Iowa residents have not been as hard hit by the recession as residents of most other states.

Unemployment there is six percent. Still, in addition to the billions of federal dollars that helped finance the state’s government, Iowa residents received substantial direct federal assistance. On average in 2010, residents of the state each received \$5,400 from all federal programs.ⁱⁱ Iowans paid on average \$5,175 in federal taxes that year^v—that includes income taxes as well as excise and other kinds of taxes, but excludes corporate incomes taxes. (See gross federal tax collections by state [here](#).) On balance, that means Iowans collected more federal benefits than they paid in federal taxes.

ⁱ Suzanne Mettler, “[Our Hidden Government Benefits](#),” *The New York Times*, 20 September 2011.

ⁱⁱ U.S. Census Bureau, [Consolidated Federal Funds Report 2010](#), 27 September 2011. Direct assistance to individuals in the CFFR is all payments coded DR and DO.

ⁱⁱⁱ U.S. Census Bureau, [State and Local Government Finances Summary: 2009](#), October 2011. State revenue figures quoted above are “general revenue” category, which does not include “business-type activities.”

^{iv} Center on Budget and Policy Priorities, “[States Continue to Feel Recession’s Impact](#),” 17 June 2011.

^v Internal Revenue Service Data Book, [Gross Collections by Type of Tax and State, Fiscal Year 2010](#), 31 March 2011. Note: the IRS includes employers’ FICA contribution in its calculation of federal taxes paid by individuals.